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Report to the Ranking Minority Member, Subcommittee on Housing and Transportation, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

May 2003

PUBLIC HOUSING

HUD's Oversight of HOPE VI Sites Needs to Be More Consistent

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Highlights

Highlights of GAO-03-555, a report to the Ranking Minority Member, Subcommittee on Housing and Transportation, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

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PUBLIC HOUSING

HUD's Oversight of HOPE VI Sites Needs to Be More Consistent

Why GAO Did This Study

Congress established the HOPE VI program to revitalize severely distressed public housing. In fiscal years 1993 to 2001, the Department of Housing and Urban Development (HUD) awarded approximately $4.5 billion in HOPE VI revitalization grants. The Ranking Minority Member, Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs, asked GAO to examine HUD's process for assessing grant applications, the status of work at sites for which grants have been awarded, and HUD's oversight of HOPE VI grants.

What GAO Recommends

To improve its selection and oversight of HOPE VI grants, GAO recommends that HUD (1) continue to include past performance as an eligibility requirement in each year's notice of funding availability; (2) clarify the role of HUD field offices in HOPE VI oversight and ensure that the offices conduct required annual reviews of HOPE VI grants; and (3) develop a formal, written enforcement policy to hold public housing authorities accountable for the status of their grants.

HUD found this report to be fair and accurate, and it agreed with the three GAO recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-03-555.

To view the full report, including the scope and methodology, click on the link above. For more information, contact David G. Wood at (202) 512-8678.

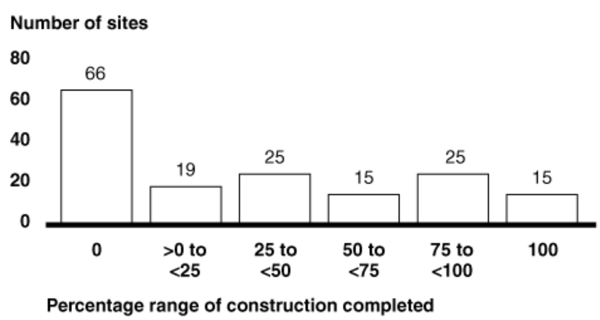
What GAO Found

HUD has generally used the same core rating factors to assess HOPE VI grant applications—need, capacity, quality, and leveraging. However, HUD has, over time, increased the requirements that housing authorities must meet for each of these factors in order to make better selection decisions. Although authorities' historical program performance had been considered under various rating factors, it was not until fiscal year 2002 that past performance became a threshold requirement that an applicant must meet to be eligible for a grant.

The status of work at HOPE VI sites varies greatly, with construction complete at 15 of the 165 sites. As of December 31, 2002, grantees had completed 27 percent of the total planned units and spent approximately $2.1 of the $4.5 billion in HOPE VI revitalization funds awarded. However, the majority of grantees have not met their grant agreement deadlines. For example, the time allowed for construction has expired for 42 grants, yet grantees completed construction within the deadline on only 3 grants. Several factors affect the status of work at HOPE VI sites, including the development approach used and changes made to revitalization plans.

HUD's oversight of HOPE VI grants has been inconsistent, due partly to staffing limitations and confusion about the role of field offices. Both headquarters and field office staff are responsible for overseeing HOPE VI grants. However, HUD field offices have not systematically performed required annual reviews. Additionally, despite grantees' inability to meet key deadlines, HUD has no formal enforcement policies. Instead, the agency determines if action should be taken against a grantee on a case-by-case basis. Although HUD has declared 9 grants to be in default and issued warnings regarding 3 grants, it has not done so for other grants in a similar situation.

Percentage of Construction Completed at 165 HOPE VI Sites



Source: GAO.

Note: This figure is based on GAO analysis of data from HUD's HOPE VI reporting system as of December 31, 2002.

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Abbreviations

ACLU	American Civil Liberties Union
CSS	community and supportive services
HUD	Department of Housing and Urban Development
NOFA	notice of funding availability
REAP	Resource Estimation Allocation Process
TIF	tax increment financing
HOPE VI	Urban Revitalization Demonstration Program

United States General Accounting Office
Washington, D.C. 20548

May 30, 2003

The Honorable Jack Reed
Ranking Minority Member
Subcommittee on Housing
and Transportation
Committee on Banking, Housing,
and Urban Affairs
United States Senate

Dear Senator Reed:

For decades, some of the nation's public housing sites have exemplified urban decay. In 1992, the National Commission on Severely Distressed Public Housing reported that approximately 86,000, or 6 percent, of the nation's public housing units were severely distressed—characterized by physical deterioration and uninhabitable living conditions, high levels of poverty, inadequate and fragmented services, institutional abandonment, and location in neighborhoods often as blighted as the sites themselves. In an effort to address these long-standing problems in a new way, Congress, in October 1992, established the Urban Revitalization Demonstration Program, commonly known as HOPE VI, which is administered by the Department of Housing and Urban Development (HUD). The program provides grants to public housing authorities to rehabilitate or rebuild severely distressed public housing and improve the lives of public housing residents through supportive services, such as child care and job training. In fiscal years 1993 to 2001, HUD awarded approximately $4.5 billion in HOPE VI revitalization grants to 98 public housing authorities (grantees) for 165 sites.[1]

While each HOPE VI project is unique, all projects generally involve (1) the preparation of a comprehensive revitalization plan; (2) relocation of the original residents; (3) demolition of the distressed public housing units; (4) construction of new public housing units, often intermingled with other types of housing, or rehabilitation of existing public housing units; (5) "reoccupancy," or the movement of some original residents to completed

[1]HUD did not award the 28 fiscal year 2002 revitalization grants until March 2003; therefore, they are not covered in this report. HUD also has awarded about $15 million in HOPE VI planning grants and approximately $293 million in HOPE VI demolition grants, but they are not the focus of this report.

units; and (6) occupancy, or the filling of all of the completed housing units. To select housing authorities for participation in HOPE VI, HUD publishes an annual notice of funding availability (NOFA) setting forth the program's current requirements and available funds. Housing authorities then prepare applications from which HUD selects those that best satisfy the NOFA requirements and signs grant agreements that serve as contracts with the housing authorities. Grant agreements specify the activities and documentation, such as revitalization plans, that grantees must complete as well as key deadlines that they must meet. Grantees that HUD determines are in default of grant agreement terms are subject to various sanctions, including having their remaining HOPE VI funds rescinded.

You requested that we comprehensively review the HOPE VI program. Because of the scope of the request, we agreed with your office to provide the information in a series of reports. The first report, issued in November 2002, discussed the financing of HOPE VI sites.[2] This second report focuses on HUD's management of the HOPE VI program. Specifically, as agreed with your office, this report examines (1) HUD's process for assessing HOPE VI revitalization grant applications and selecting grantees, (2) the status of work at sites for which grants have been awarded and compliance with grant agreement deadlines, (3) HUD's oversight of HOPE VI grants, and (4) the amount of program funds that HUD has budgeted for technical assistance and the types of technical assistance it has provided.

To address these objectives, we first obtained and analyzed information from HUD's HOPE VI reporting system on the 165 revitalization grants awarded through fiscal year 2001, including production data and key milestones. We assessed the reliability of these data by reviewing information about the system and performing electronic testing to detect obvious errors in completeness and reasonableness. We determined that the data were sufficiently reliable for the purposes of this report. Second, we visited the 18 housing authorities that were awarded revitalization grants in fiscal year 1996. We selected 1996 because it was the first year that grants were subject to a standard construction deadline, and the deadline had passed for the majority of the grants by the time we began our site visits. In addition, we interviewed the HUD headquarters officials responsible for administering the program.

[2] U.S. General Accounting Office, *Public Housing: HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirement*, GAO-03-91 (Washington, D.C.: Nov. 15, 2002).

We performed our work from November 2001 to April 2003 in accordance with generally accepted government auditing standards. Appendix I provides additional details on our scope and methodology.

Results in Brief

To assess HOPE VI revitalization grant applications, HUD has consistently used four core factors—that is, the demonstrated need for revitalization assistance, the capacity of applicants to use grants effectively, the quality of proposed revitalization plans, and the potential for applicants to use grants to leverage funds from other sources. However, the agency has imposed more stringent requirements over the years to facilitate and improve its decision-making process. For example, to demonstrate need, HUD has required applicants since fiscal year 1993 to provide basic statistics, such as crime and vacancy rates; but, in fiscal year 1999, it began requiring applicants to also submit an independent engineer's certification that public housing units targeted for revitalization are "severely distressed." Further, in fiscal year 2002, HUD imposed an additional eligibility criterion to eliminate applicants that had made little progress with revitalization grants received in prior years. Previously, such applicants were not excluded, and some were awarded multiple grants. Although the core assessment factors have been consistent over the years, the HUD Inspector General—in annual reviews of the grant award process—found that the agency has not consistently followed the HOPE VI grant selection procedures that it establishes each year; for example, the Inspector General reported that the staff making selection decisions did not always document their justifications for scoring and rating individual applications. HUD has taken steps to improve the process in response to the Inspector General's findings.

As of December 31, 2002, construction was complete at 15 of the 165 HOPE VI sites, and the majority of grantees had not met deadlines established in their grant agreements with HUD. Relocation was complete at 101 sites, demolition was complete at 87 sites, and at least some units were built at 99 of the 165 sites. Grantees had completed 27 percent of the total planned units and spent approximately $2.1 of the $4.5 billion in HOPE VI revitalization funds awarded. However, the majority of grantees had missed at least one of the deadlines in their grant agreements. For example, grantees did not submit the revitalization plan to HUD within the time frame specified in the grant agreement for 75 percent of the grants awarded through fiscal year 1999 (for grants awarded after 1999, the deadline had not yet passed at the time of our study). Similarly, grantees did not complete construction within the deadline on 39 of the 42 grants for which the standard time allowed for construction (54 months) had expired at the time of our study. Several factors affect the status of work at HOPE VI sites, including the development approach used, changes to revitalization plans, and relationships with residents. For example, sites funded with a mix of public and private financing tend to take longer because housing authorities must hire additional staff or outside consultants proficient in private-sector real estate construction, financing, and lending practices in order to put together financing and retain developers.

HUD's oversight of HOPE VI grants has been inconsistent due to staffing limitations, confusion about the role of field offices, and a lack of formal enforcement policies. Both grant managers who report directly to HUD headquarters and staff in HUD field offices are responsible for overseeing HOPE VI grants. The workload assigned to HUD grant managers, who have primary responsibility for HOPE VI grants, has been increasing since HUD last hired a large group of grant managers in 1998, and HUD has reported that one reason for project delays has been the limited number of grant managers. Staff in HUD's field offices are required to monitor grants by conducting annual reviews. However, by the end of 2002, HUD had not conducted any annual reviews for 8 out of the 20 grants awarded in fiscal year 1996. According to field office managers, the reviews were not performed either because of a lack of staff or because the offices did not understand their role in HOPE VI oversight. In a 1998 report, the HUD Inspector General noted that HUD had not been performing even the minimal monitoring required for the HOPE VI program, in part due to understaffing in both headquarters and the field offices. HOPE VI oversight also is hampered by a lack of enforcement policies. While HUD's grant agreements describe conditions that the agency may consider a default, HUD lacks specific policies on when it will declare a grantee to be in default or apply sanctions. Although HUD has issued nine default notices to grantees that have not demonstrated significant progress, it has not done so for other grantees showing a similar lack of progress.

Since the HOPE VI program began in fiscal year 1993, about $63 million in HOPE VI funding has been budgeted for technical assistance, and HUD has obligated the majority of its technical assistance funding for services provided directly to grantees. Of the $51 million that HUD estimates it has obligated to date, 55 percent has been obligated for services provided directly to grantees. This included, in fiscal years 1996 to 2000, providing each new grantee with an expediter—a private-sector expert in finance, real estate development, and community revitalization—to assist with the implementation of its HOPE VI grant. HUD obligated the remaining funds for services that help it to manage the program. For example, it obligated 21 percent of the funding to develop and implement the HOPE VI reporting system. In recent years, HUD has eliminated some services previously provided to grantees. In fiscal year 2001, for example, HUD stopped providing expediters because, according to program officials, the practice had become too expensive. Currently, only at-risk grantees—grantees that are experiencing problems with their grants or that do not have adequate capacity to manage their grants—are considered for technical assistance.

This report contains recommendations designed to improve HUD's management of the HOPE VI program. HUD agreed with each of our recommendations.

Background

Under the Housing Act of 1937, as amended, Congress created the federal public housing program to help communities provide housing for low-income families. Congress annually appropriates funds for the program, and HUD allocates these funds to the approximately 3,400 public housing authorities nationwide. Housing authorities are typically created under state law, and a locally appointed board of commissioners approves their decisions. HUD and the housing authorities have an annual contributions contract—a written contract under which HUD agrees to make payments to the housing authority and the housing authority agrees to administer the housing program in accordance with HUD regulations and requirements. In addition to competitively awarded HOPE VI grants, HUD provides housing authorities with several types of assistance, including operating subsidies to cover the difference between rent payments and operating expenses and capital funds to improve the physical condition of properties and upgrade the management and operation of existing public housing sites.

HOPE VI is one of the few active federal housing production programs. By providing funds for a combination of capital improvements and community and supportive services, HOPE VI seeks to (1) improve the living environment for public housing residents of severely distressed public housing through the demolition, rehabilitation, reconfiguration, or replacement of obsolete public housing; (2) revitalize sites on which such public housing is located and contribute to the improvement of the surrounding neighborhood; (3) provide housing that will avoid or decrease the concentration of very low-income families; and (4) build sustainable communities.[3] With the 165 grants awarded through fiscal year 2001, grantees planned, as of December 31, 2002, to demolish 78,265 public housing units and construct or rehabilitate 85,327 units, including 44,757 public housing units.

HUD's requirements for HOPE VI revitalization grants are laid out in each fiscal year's NOFA and grant agreement.[4] NOFAs announce the availability of funds and contain application requirements, threshold requirements, rating factors, and the application selection process.[5] Grant agreements, which change each fiscal year, are executed between each grantee and HUD and specify the activities, key deadlines, and documentation that grantees must meet or complete. For example, the fiscal year 2001 grant agreement specified that the grantee must complete construction within 54 months of the date on which the grant agreement was executed.

From fiscal years 1993 to 2001, HUD received 609 revitalization grant applications.[6] HUD uses the same basic procedures each year to screen, review, and rank grant applications. When grant applications are received, they are screened to determine whether they meet the eligibility and threshold requirements in the NOFA. Next, reviewers rate the grant

[3]Until fiscal year 1999, the HOPE VI program operated from year to year as a demonstration program in accordance with authorization provided each year in appropriations acts. The Quality Housing and Work Responsibility Act of 1998 authorized HOPE VI through the end of fiscal year 2002. As defined in the act, severely distressed public housing (1) requires major redesign, reconstruction, or redevelopment or partial or total demolition; (2) is a significant contributing factor to the physical decline of and disinvestments by public and private entities; (3) is occupied predominantly by families that are very low-income, whose members are unemployed, and that are dependent on various forms of public assistance or has high rates of vandalism and criminal activity; and (4) cannot be revitalized through assistance under other programs.

[4]HUD had planned to develop regulations for the HOPE VI program but, as of May 2002, had withdrawn its plans to do so.

[5]A threshold requirement is a requirement that an applicant must meet to be eligible for a HOPE VI revitalization grant. For example, the fiscal year 2002 NOFA states that an applicant is eligible only if it provides a certification either that it has procured a developer for the first phase or that it will act as its own developer. A rating factor is a category that is used to evaluate specific aspects of the application, such as the need for funding. For each factor, HUD can award anywhere from zero to the maximum amount of points.

[6]Some of the 609 applications were submitted for the same public housing site. For example, of the 66 fiscal year 2001 applicants, 43 had submitted previous applications for the same public housing site. Of the 43 repeat applicants, 25 had applied twice, 11 had applied three times, 3 had applied four times, and 4 had applied five times.

applications on the basis of the rating factors described in the NOFA and rank them in score order. Generally, a group of applications representing twice the amount of funds available is sent to a final review panel, which may include the Deputy Assistant Secretary for Public Housing Investments, the Assistant Secretary for Public and Indian Housing, and other senior HUD staff. The final review panel assigns a final score and recommends for selection the most highly rated competitive applications, subject to the amount of available funding. For a list of the 165 grants awarded through fiscal year 2001, see appendix II.

Public housing authorities with revitalization grants can use a variety of other public and private funds to develop their HOPE VI sites. Public funding can come from federal, state, and local sources. For example, housing authorities can use funds raised through federal low-income housing tax credits. Under this program, states are authorized to allocate federal tax credits as an incentive to the private sector to develop rental housing for low-income households.[7] Private sources can include mortgage financing and financial or in-kind contributions from nonprofit organizations. Developing public housing with a combination of public and private financing sources is known as mixed-finance development.

HUD's Office of Public Housing Investments, housed within the Office of Public and Indian Housing, manages the HOPE VI program. Grant managers within the Office of Public Housing Investments are primarily responsible for overseeing HOPE VI grants. They approve changes to the revitalization plan and coordinate the review of the community and supportive services plan that each grantee submits.[8] In addition, grant managers track the status of grants by analyzing data on the following key activities: relocation of original residents, demolition of distressed units,

[7]After the state allocates tax credits to developers, the developers typically offer the credits to private investors. The private investors use the tax credits to offset taxes otherwise owed on their tax returns. The money that private investors pay for the credits is paid into the projects as equity financing.

[8]The revitalization plan includes, among other things, the grantee's HOPE VI application, budgets, a community and supportive services plan, a relocation plan, and any supplemental submissions that HUD requests following its review of the HOPE VI application or as a result of a visit to the site. The community and supportive services plan contains a description of the supportive services that will be provided to residents, proposed steps and schedules for establishing arrangements with service providers, plans for actively involving residents in planning and implementing supportive services, and a system for monitoring and tracking the performance of the supportive services programs as well as resident progress.

new construction or rehabilitation, reoccupancy by some original residents, and occupancy of completed units. Public and Indian Housing staff located in HUD field offices also play a role in overseeing HOPE VI grants, including coordinating and reviewing construction inspections.

HUD Uses Core Factors to Assess Applications but Has Not Consistently Followed Its Selection Procedures

According to our analysis, HUD has generally used a core of four rating factors as the basis for assessing HOPE VI revitalization grant applications. Although HUD's fundamental factors have remained the same, the requirements that housing authorities must fulfill under each factor have become more stringent from year to year. Additionally, until the most recent NOFA, HUD had not eliminated applicants on the basis of poor performance on previously awarded grants. HUD's Inspector General also has reported that HUD has not consistently followed its selection procedures that are established for each annual assessment.

Although HUD Generally Uses the Same Core Factors to Assess Applications, Applicants Must Now Meet More Stringent Requirements

HUD has generally evaluated applications for HOPE VI revitalization grants on the basis of four core rating factors. Although other factors have been added and removed over time and the names of the factors have varied somewhat throughout the years, four key concepts—need, capacity, quality, and leveraging—have been used consistently to assess applications.[9] As defined in the most recent NOFA, need should indicate the severity of distress at the targeted public housing site. Information provided under capacity is used to assess the experience of the applicant's team in planning, implementing, and managing comparable physical development, financing, leveraging, and partnership activities.[10] HUD determines quality by evaluating the overall quality of the plan, the likelihood of success, project readiness, and design. Finally, information provided under leveraging is used to assess the extent to which funds will be leveraged for physical development and community and supportive services, what other revitalization activities have been carried out in the targeted area in anticipation of the HOPE VI grant, and if there are physical

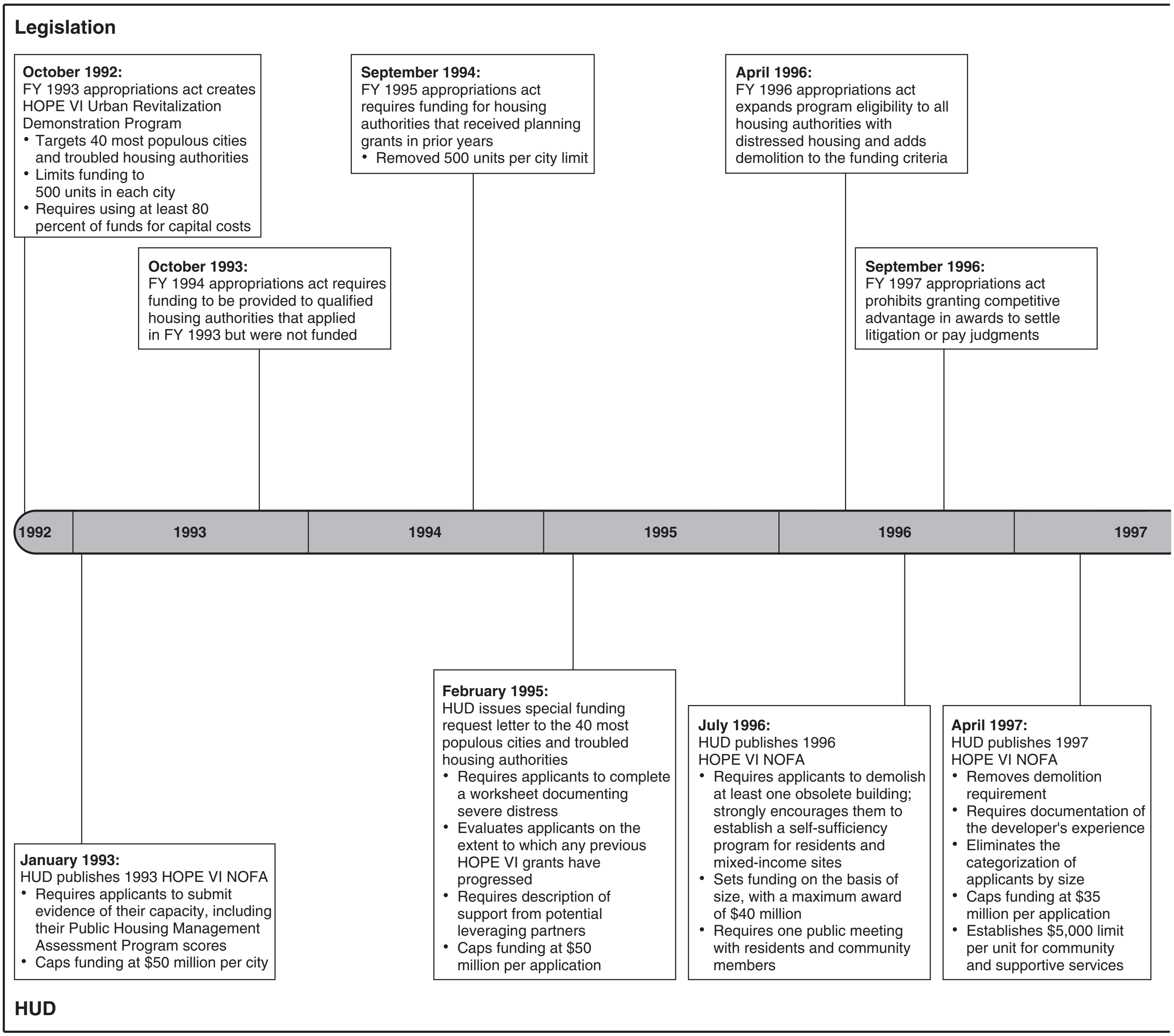
[9]For example, the need factor has also been called "Extent of Need for Revitalization" and "Need for Funding." The capacity factor was also called "Capability" and "Capability and Readiness." Since 1996, HUD has evaluated the quality of the revitalization plan using terms such as "Program Quality, Feasibility, and Sustainability" and "Soundness of Approach."

[10]The applicant's "team" can include housing authority staff, developer partners, program managers, property managers, subcontractors, consultants, attorneys, financial consultants, and other entities proposed to carry out program activities.

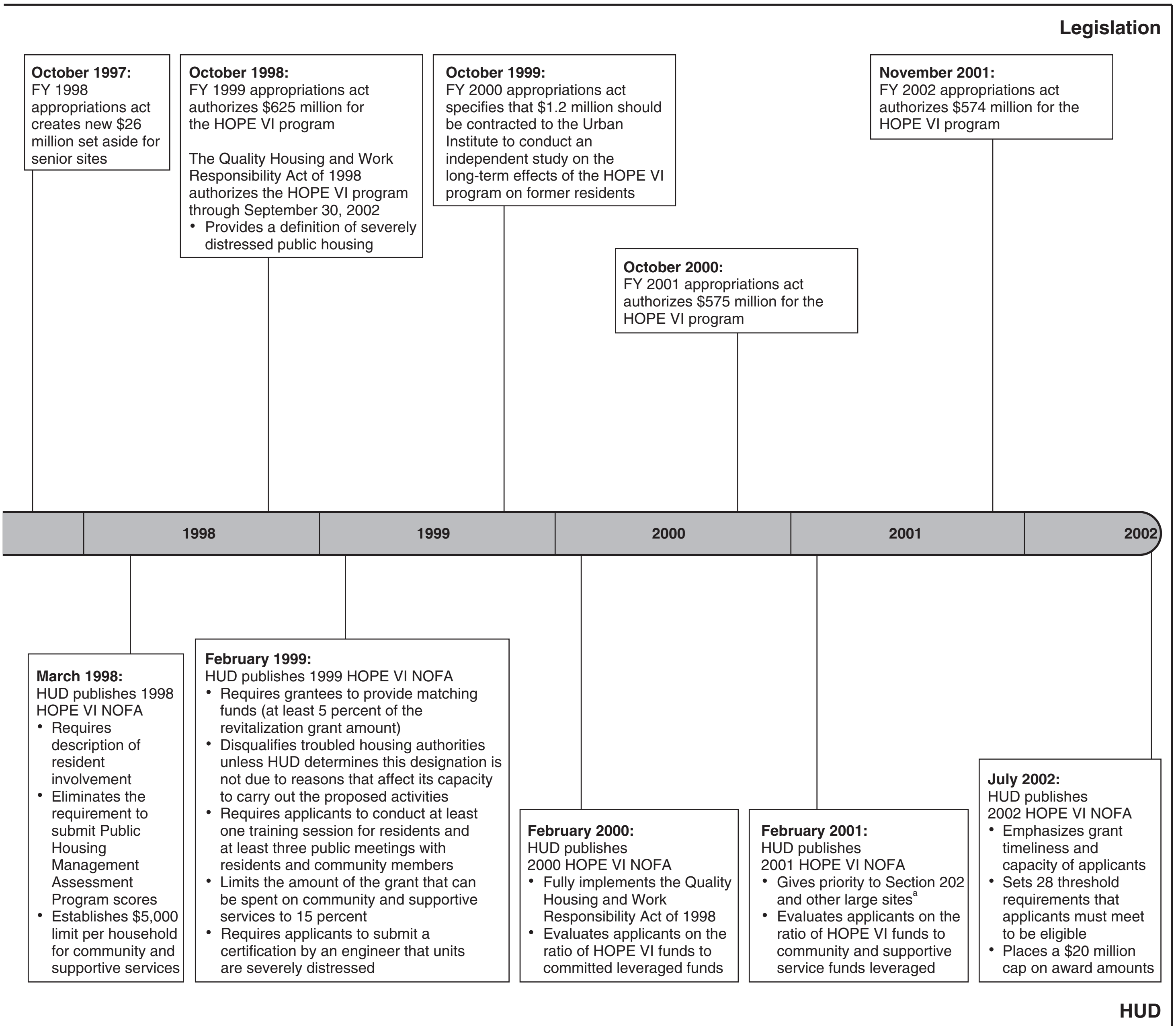
development activities under way that will enhance the new HOPE VI site. For more information on the most recent NOFA, see appendix III.

Although the core factors have remained the same, the information that housing authorities must submit and the requirements that they must fulfill under each factor have generally increased over time (see fig. 1). For example, although housing authorities have been required to provide basic statistics, such as crime and vacancy rates, to document severe distress or need since fiscal year 1993, housing authorities also were required, beginning in fiscal year 1999, to submit a certification from an independent engineer that the public housing targeted for revitalization met HUD criteria for severe distress. Since fiscal year 1993, applicants also were required to provide information on their own capacity to implement their plans. But, beginning in fiscal year 1997, housing authorities also were required to document the ability of their proposed partners to develop, construct, and manage the proposed activities. To receive the maximum amount of points for the quality rating factor in fiscal year 1996, applicants were required to submit several pieces of information, including budgets, a certification that the proposed activities could not be completed without HOPE VI funding, and a description of how the housing authority planned to maintain the proposed programs and policies over the long term. By fiscal year 2002, housing authorities additionally had to submit documentation that the revitalization plan would result in outside investment in the surrounding community and evidence that, if funded, work could commence immediately. To indicate that they could leverage funds, housing authorities were encouraged to submit evidence of outreach and support for the project in fiscal year 1995. However, by fiscal year 2000, applicants had to show that they would obtain at least $4 in leveraged funds for every HOPE VI dollar requested for development in order to receive the maximum amount of points under leveraging.

Figure 1: Changes to the HOPE VI Program Over Time



Source: GAO.



Note: This figure is based on GAO analysis of HUD's legislative appropriations and NOFAs.

[a]Section 202 sites are distressed public housing sites with more than 300 units that HUD has determined to be subject to conversion to rental assistance under Section 202 of the Omnibus Consolidated Rescissions and Appropriations Act of 1996.

According to HOPE VI officials, HUD has increased the types and quantity of information required each year in an effort to obtain information that makes it easier to rate and rank applications and allows the agency to make improved selection decisions. In addition, the agency has made some changes in an effort to make the application process easier for housing authorities. Finally, HOPE VI officials noted that the program's annual appropriation legislation can change the requirements each year and that the NOFAs must be revised to reflect these changes.

Although the changes have given HUD better information upon which to base selection decisions, some of the housing authority and public housing industry group officials that we interviewed expressed concerns about the changes in the application requirements that housing authorities must meet. According to these officials, such changes make it difficult for housing authorities to anticipate what HUD intends to emphasize and to make detailed revitalization plans until each NOFA is published. The officials also noted that it is challenging for previously denied applicants to determine how to revise their applications. Housing authorities and interest groups report that it generally costs $75,000 to $250,000 to prepare a HOPE VI grant application. The fiscal year 2002 NOFA was of particular concern to some of the housing authority officials and industry group representatives that we interviewed. According to these officials, the NOFA required housing authorities to conduct impractical up-front planning and to obtain commitments at an unrealistically early date. For example, an applicant had to certify that it had procured a developer for the first phase of construction by the application due date. Officials we interviewed stated that this requirement would be costly to the applicant, who at that point would have no guarantee of funding.

Until Fiscal Year 2002, HUD Did Not Declare Applicants Ineligible because of Past Performance

Although HUD's annual selection process had considered the performance of applicants who had received HOPE VI grants in prior years, it was not until the fiscal year 2002 NOFA that past program performance became a mandatory threshold requirement for an applicant to be eligible for a HOPE VI revitalization grant. Incorporating past performance—specifically, the demonstrated ability to efficiently manage projects—can help direct HOPE VI funds to where they can most effectively produce results.

Starting in fiscal year 1995, an applicant's score for capacity was partially based on the extent to which any previously awarded HOPE VI grants had progressed. In fiscal years 1993, 1996, and 1997, applicants were also required, under the capacity factor, to submit Public Housing Management Assessment Program scores, which were a measure of a housing authority's performance in all major areas of management operations. HUD stopped requiring this information in fiscal year 1998, after the Public Housing Management Assessment Program was discontinued.[11] The fiscal year 2002 NOFA was the first that stated that an applicant with one or more existing HOPE VI revitalization grants would be disqualified if one or more of those grants failed to meet certain performance requirements as required in the applicable HOPE VI revitalization grant agreement.

During the years that past performance was a rating factor—rather than a threshold eligibility requirement—multiple HOPE VI revitalization grants were awarded to housing authorities that had made little progress in constructing new units under previous grants. For example, the Chicago Housing Authority was awarded grants in fiscal years 1998, 2000, and 2001, although construction, as of December 31, 2002, was 21 percent complete at the Cabrini-Green site (fiscal year 1994 grant); 26 percent complete at the Robert Taylor B site (fiscal year 1996 grant); 27 percent complete at the ABLA Brooks Extension site (fiscal year 1996 grant); and 0 percent complete at the Henry Horner site (fiscal year 1996 grant). Similarly, the Detroit Housing Commission has received three grants and constructed 25 percent of the units planned.

[11] In 1997, HUD instituted a new system—the Public Housing Assessment System—to measure overall housing authority performance. Because this system is still undergoing changes, applicants have not been asked to submit their scores as part of their application.

In a June 2002 report to Congress, HUD acknowledged that it has done little to rectify the problems among low performers and has often awarded poorly performing housing authorities multiple grants despite low or no unit production, inadequate oversight, and capacity issues.[12] HUD also acknowledged that awarding multiple grants to poor performers further strains the institutional and staff capacity of these public housing authorities, intensifying existing problems. Finally, HUD noted that it had initially awarded grants to large housing authorities for large-scale developments, without fully recognizing that most of the grantees included at-risk and troubled public housing authorities.[13] Some of these large housing authorities were awarded multiple revitalization grants, and the burden of managing the grants resulted in slow planning, redevelopment, and construction.

According to HUD, it elevated the importance of past performance in the fiscal year 2002 NOFA because it wanted to emphasize accountability and readiness. It determined that applicants that already had one or more HOPE VI revitalization grants should demonstrate the capability to manage them before HUD awarded them more funds. It also concluded that poor performers should not be rewarded with additional funding when other housing authorities possibly could implement the grants better.

HUD Has Not Consistently Followed Its Grant Selection Procedures

In annual reviews of the HOPE VI grant selection process, HUD's Inspector General has found that the agency has not consistently followed its grant selection procedures for each year. For example, in an audit of the fiscal year 1996 grant award process, the Inspector General found that HUD revised its screening procedures to allow applicants to comply with only one of the two eligibility criteria in the NOFA.[14] Under the revised screening procedures, HUD awarded $269 million to applicants that should have been ineligible for funding because they did not demonstrate compliance with the two criteria as specified in the NOFA. Similarly, when

[12]U.S. Department of Housing and Urban Development, *HOPE VI: Best Practices and Lessons Learned 1992-2002* (Washington, D.C.: June 14, 2002).

[13]Under the Public Housing Management Assessment Program, housing authorities that received an overall score of less than 60 percent were designated as troubled (overall). An at-risk housing authority is one that is close to being designated as troubled.

[14]U.S. Department of Housing and Urban Development, Office of Inspector General, *Audit of the Fiscal Year 1996 HOPE VI Grant Award Process*, 98-FO-101-0001 (Washington, D.C.: Oct. 20, 1997).

HUD encountered a defect in a fiscal year 1996 application, often the reviewers resolved the defect in a manner that improved the applicant's application but did not always comply with the NOFA procedures for resolving application defects. The Inspector General concluded that, as a result, some applications that should have been ineligible for funding were inappropriately funded.

Similarly, the Inspector General also has found that in both fiscal years 1998 and 1999 HUD did not fully or consistently implement key application review procedures.[15] Specifically, the final review panel, and to a lesser degree the initial reviewers, did not always document their justifications for scoring and rating individual applications. For example, in its fiscal year 1998 audit, the Inspector General reviewed 24 applications and identified 6 on which the final review panel changed preliminary scores without providing adequate documentation or justification to support all the changes. The scoring changes resulted in 5 of the applicants obtaining funding and 1 losing funding. In its fiscal year 1999 audit, the Inspector General reviewed 25 applications and found that HUD's final review panel had changed scores for 6 applications without providing adequate documentation or justification. The scoring changes resulted in 5 of the applicants obtaining funding.

In response to these and other Inspector General criticisms of the HOPE VI grant selection process, HOPE VI officials told us that they follow their review procedures to the best of their ability, given the time constraints of the annual competition. Although the Inspector General generally has about 4 months to review the previous year's applications, HOPE VI officials noted that they have shorter time frames—generally, 6 weeks. HUD officials also stated that they have made efforts to address the Inspector General's concerns, including efforts to better screen applications. In its report on the fiscal year 1999 HOPE VI competition, the Inspector General determined that HUD had addressed issues in its fiscal year 1998 review, relating to the need to ensure that (1) each rejected applicant would be provided specific written notification as to why the application was not successful and (2) all evaluations were based on the facts presented in the applications.

[15]The results of the Inspector General's reviews of the fiscal years 1998 and 1999 award processes were captured in management letters related to annual financial statement audits.

Status of Work Varies Greatly, and Most Grantees Have Not Met Grant Agreement Deadlines

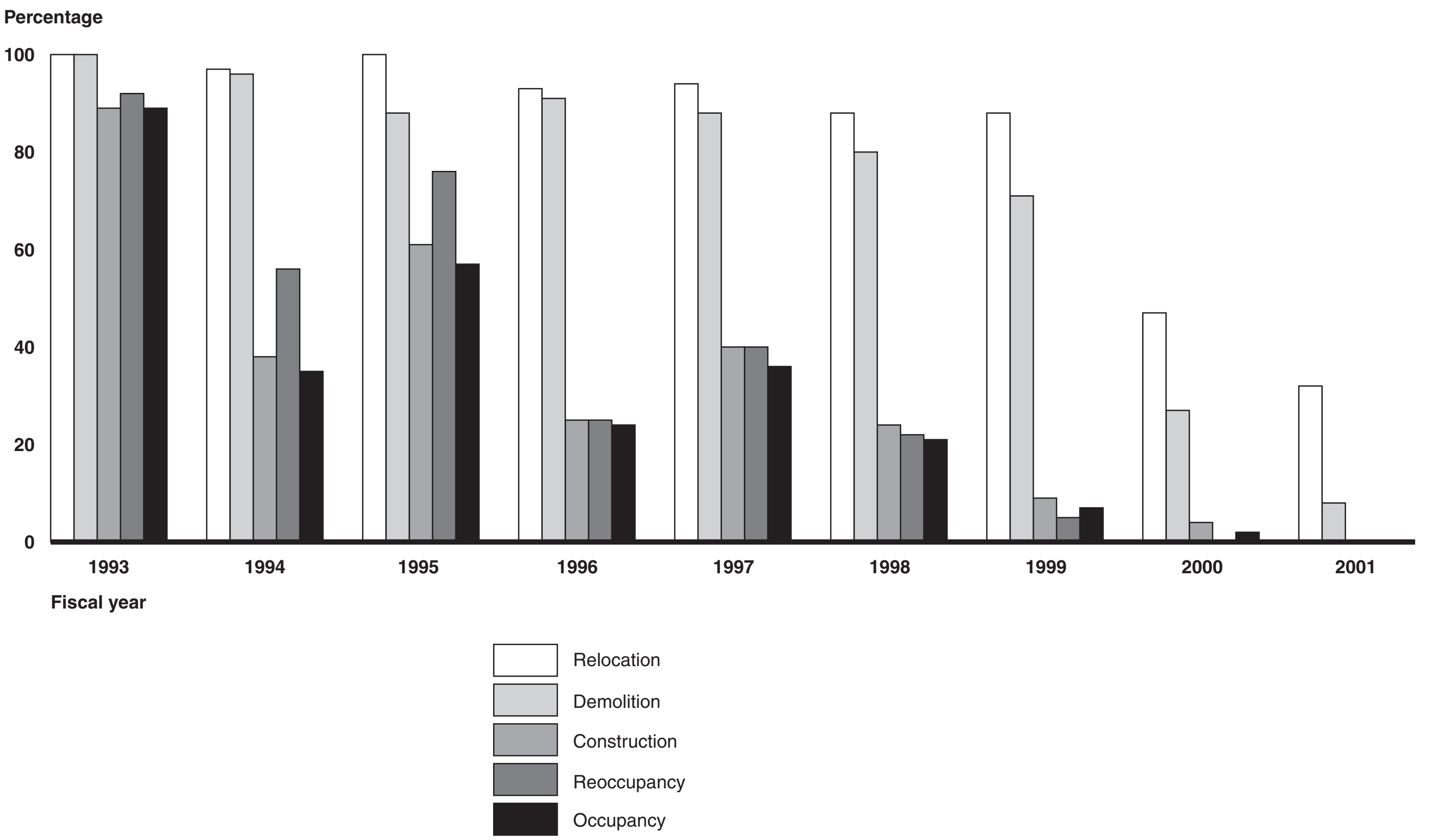
The status of work at HOPE VI sites varies, with construction completed at 15 of the 165 sites that received revitalization grants through fiscal year 2001. Overall, at least some units have been constructed at 99 of the 165 sites, and 47 percent of all HOPE VI funds have been expended. In general, more recently awarded grants are progressing more quickly than earlier grants. Nevertheless, the majority of grantees missed at least one of the deadlines in their grant agreements. For example, grantees did not submit the revitalization plan to HUD on time for 75 percent of the grants awarded through fiscal year 1999. Many factors affect the status of work at HOPE VI sites, including the development approach, housing authority management, and relationships with residents and the surrounding community.

Status of Work Varies Widely at HOPE VI Sites

Our analysis of data from HUD's HOPE VI reporting system shows that work status varies at HOPE VI sites. As of December 31, 2002, relocation was complete at 101 of the 165 sites, demolition at 87 sites, and construction at 15 sites.[16] Reoccupancy—the return of some original residents to revitalized units—was complete at 37 sites, while occupancy was complete at 14 of the 165 sites. Grantees had demolished 57,772 units of severely distressed public housing and constructed or rehabilitated 23,109 units. Figure 2 shows the percentage of planned revitalization activities completed by each fiscal year's grantees.

[16]The following 15 sites are complete: Bernal/Plaza, San Francisco, California (fiscal year 1993 grant); Earle Village, Charlotte, North Carolina (fiscal year 1993 grant); Outhwaite Homes/King Kennedy, Cleveland, Ohio (fiscal year 1993 grant); Allen Parkway Village, Houston, Texas (fiscal year 1993 grant); Hillside Terrace, Milwaukee, Wisconsin (fiscal year 1993 grant); Quigg Newton Homes, Denver, Colorado (fiscal year 1994 grant); Lafayette Courts, Baltimore, Maryland (fiscal year 1994 grant); McGuire Gardens, Camden, New Jersey (fiscal year 1994 grant); Hayes Valley, San Francisco, California (fiscal year 1995 grant); Lexington Terrace, Baltimore, Maryland (fiscal year 1995 grant); Valley Green/Sky Tower, Washington, D.C. (fiscal year 1997 grant); Enterprise Drive, Helena, Montana (fiscal year 1997 grant); Vine Hill Homes, Nashville, Tennessee (fiscal year 1997 grant); Caroline Street Apartments, New Bedford, Connecticut (fiscal year 1998 grant); and Heritage House II, Kansas City, Missouri (fiscal year 1998 grant).

Figure 2: Percentage of Planned Revitalization Activities That Grantees Completed, by Fiscal Year Awarded

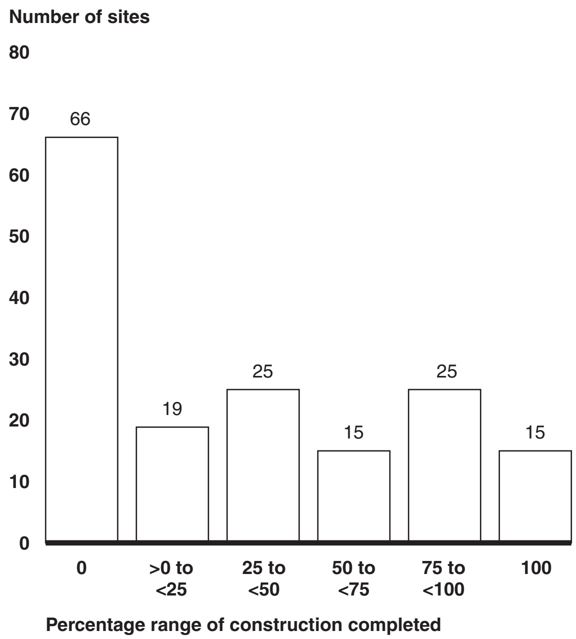


Source: GAO.

Note: This figure is based on GAO analysis of data from HUD's HOPE VI reporting system (as of Dec. 31, 2002).

Although construction was complete at only 15 sites as of December 31, 2002, construction was nearing completion at additional sites. As shown in figure 3, at least some units had been constructed at 99 of the 165 sites. Where construction was still ongoing, it was 50 percent or more complete at 40 sites and 75 percent or more complete at 25 sites. No units had been completed at 66 sites. Overall, 27 percent of the total planned units were complete as of December 31, 2002.

Figure 3: Percentage of Construction Completed at 165 HOPE VI Sites



Source: GAO.

Note: This figure is based on GAO analysis of data from HUD's HOPE VI reporting system (as of Dec. 31, 2002).

In general, grantees with more recently awarded grants are completing activities more quickly than those with the earlier grants. The fiscal year 1993 grantees took an average of 31 months after execution of grant agreements to start construction. The fiscal year 1994 grantees took an average of 41 months.[17] However, the 14 grantees awarded grants in fiscal year 1999 that have started construction did so an average of 16 months after grant agreement execution. Furthermore, the 9 fiscal year 2000 grantees that have started construction did so, on average, 10 months after grant agreement execution.[18] According to HUD, there are several possible reasons for this improvement, which include that the later grantees may have more capacity than the earlier grantees, the applications submitted in later years were more fully developed to satisfy NOFA criteria, and HUD has placed greater emphasis on reporting and accountability.

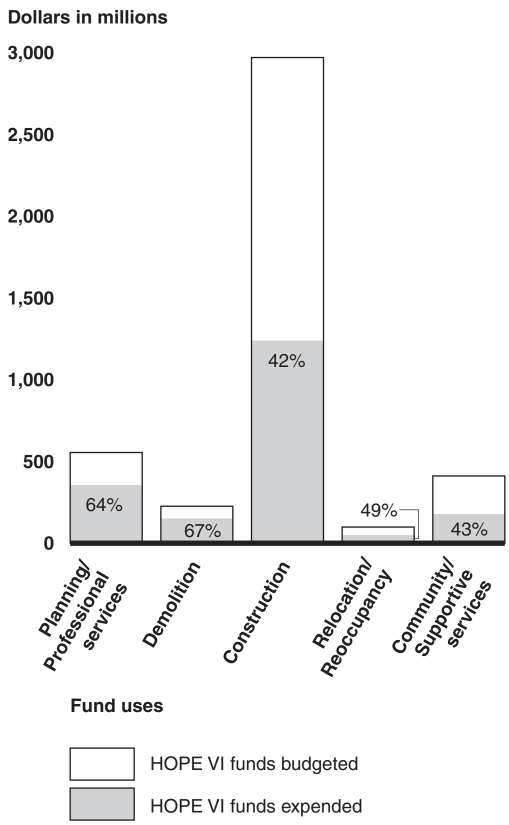
Overall, grantees have expended about $2.1 of the $4.5 billion (47 percent) in HOPE VI revitalization funds awarded.[19] As expected, a greater percentage of the funds budgeted for planning and demolition has been expended than of the funds budgeted for construction and community and supportive services (see fig. 4). For example, 67 percent of all HOPE VI funds budgeted for demolition have been expended, while 42 percent of all HOPE VI funds budgeted for construction have been expended.

[17]One fiscal year 1994 grant was not included in the calculation because the grantee plans to use the grant funds to acquire, rather than construct, homeownership units.

[18]As of December 31, 2002, 7 of the fiscal year 1999 grantees and 9 of the fiscal year 2000 grantees had not started construction. Until these grantees start construction, we cannot be sure that the fiscal years 1999 and 2000 grantees, as a whole, have moved faster than earlier grantees.

[19]The percentage of HOPE VI dollars expended can be impacted by the fact that, in some cases, other money is spent first, reserving the HOPE VI dollars to be expended later in the project.

Figure 4: Status of HOPE VI Funds Budgeted and Expended for Revitalization Activities



Source: GAO.

Note: This figure is based on GAO analysis of data from HUD's HOPE VI reporting system (as of Dec. 31, 2002).

Majority of Grant Agreement Deadlines Have Not Been Met

The majority of grantees missed at least one of the deadlines established in their grant agreements.[20] Grantees must meet three major deadlines according to their grant agreements: the submission of a revitalization plan to HUD, the submission of a community and supportive services plan to HUD, and completion of construction. Overall, for 75 percent of the grants

[20]All grants are not subject to the same time frames because the deadlines in each year's grant agreements tend to be different.

awarded through fiscal year 1999, the grantees did not submit the revitalization plan to HUD on time.[21] For 70 percent of the grants subject to a standard deadline for the submission of a community and supportive services plan, the grantees did not meet the deadline.[22] Additionally, grantees completed construction within the deadline on only 3 of the 42 grants for which the time allowed for construction—54 months from grant execution for grants awarded since fiscal year 1996—had expired. For 9 of the 39 grants that missed their construction deadline, the grantees had not constructed any units as of December 31, 2002.

HUD data show that the time it has taken grantees to submit key documents has shortened over the life of the program. For example, as shown in table 1, grantees have been taking less time to submit revitalization plans to HUD. On average, the fiscal year 1994 grantees took about 790 days after the execution of their grant agreements to submit a revitalization plan. By fiscal year 2000, the grantees took an average of 185 days after the execution of their grant agreements to submit a revitalization plan. Similarly, although there is no specific grant agreement deadline related to submitting mixed-finance proposals—documents that HUD must approve before mixed-finance construction can begin—the recent grantees have done so in less time than did earlier grantees. The average number of days between grant execution and submission of a mixed-finance proposal fell from 2,255 days for the fiscal year 1994 grantees to 508 days for the fiscal year 2000 grantees.

[21]We omitted from our analysis 5 fiscal year 1995 grants that were awarded during a second round of funding because each grantee signed a grant agreement with HUD that contained unique deadlines specific to that grant. The revitalization plan deadlines for the fiscal years 2000 and 2001 grants have not yet passed.

[22]We could not assess compliance for grants awarded in fiscal years 1995-99 using the data in HUD's HOPE VI reporting system because the grant agreements stated that the activity should be completed in accordance with the schedule in each grantee's revitalization plan, rather than in accordance with a standard deadline.

Table 1: Average Number of Days to Complete Key Program Activities

Fiscal year awarded	Average number of days from grant execution to revitalization plan submission	Average number of days from grant execution to submission of mixed-finance proposal
1993	137	2,047
1994	790	2,255
1995	287	1,276
1996	400	1,421
1997	290	983
1998	317	1,005
1999	259	912
2000	185	508
2001	93	296

Source: HUD.

Note: Not all of the grantees have submitted a revitalization plan. For example, 1 of the fiscal year 2000 grantees and 4 of the fiscal year 2001 grantees have not submitted a revitalization plan. Until these grantees have submitted a plan, we cannot determine the average number of days for the fiscal year 1999 and 2000 grantees, as a whole.

HUD has taken steps to encourage adherence to deadlines. For instance, the agency notified grantees in March 2002 that, as part of HUD's increased focus on readiness, 10 dates could no longer be revised in the HOPE VI reporting system as of June 30, 2002. The dates included planned completion of the revitalization plan, planned completion of a mixed-finance proposal, planned start of construction, and planned completion of construction. Prior to this decision, grantees had been allowed to adjust their planned dates when delays occurred, making it difficult for HUD to determine the extent of delays. In its fiscal year 2002 NOFA, HUD also stressed project readiness. For example, the NOFA required applicants to provide a certification stating either that they had procured a developer for the first phase of development by the application due date or that they would act as their own developer. Similarly, applicants that proposed off-site replacement housing were required to submit evidence of control of the proposed off-site locations.

Many Factors Affect Work Status

Our visits to the sites that were awarded revitalization grants in 1996 show that many factors—including the development approach, housing authority management, and relationships with residents and the community—can affect the status of work at a site. In its June 2002 report to Congress, HUD stated that a mixed-finance development approach might cause delays because housing authorities often lack staff with expertise in development and complex financing approaches. They must hire additional staff or outside consultants proficient in private-sector real estate construction, financing, and lending practices to put together financing and retain developers. For example, the redevelopment of Dalton Village in Charlotte, North Carolina, was delayed about 1 year due to the denial of its initial application for low-income housing tax credits. In addition, the Housing Authority of New Orleans decided to use tax increment financing to raise additional funds for its St. Thomas site.[23] It took more than 2 years for the housing authority to get all of the approvals necessary. In contrast, the Chester Housing Authority was able to complete construction at Lamokin Village within 5 years of grant execution because it used only public housing funds, which did not require them to acquire additional expertise.

Other aspects of the development approach, such as the type and location of planned revitalization efforts, also can affect status. For example, rehabilitation of existing buildings tends to take less time than construction of new ones. As of December 31, 2002, over half of the HOPE VI units scheduled for rehabilitation had been completed, while less than a quarter of the new planned units had been constructed. The Cuyahoga Metropolitan Housing Authority's fiscal year 1996 grant involves both rehabilitation of existing units and construction of new units. As of April 2003, rehabilitation of 56 units was under way, whereas the construction of new units was not scheduled to begin until October 2004. Also, on-site construction tends to occur faster than off-site construction. As of December 31, 2002, 29 percent of on-site construction was complete, while 19 percent of off-site construction was complete. Grantees planning for off-site construction sometimes have to purchase the property or properties on which the units will be built. For example, the Housing Authority of the City of Pittsburgh plans to acquire numerous parcels of land in the community surrounding the Bedford Additions site and construct new off-site units prior to beginning construction on-site. Because acquiring the sites is taking longer than anticipated, the housing authority has yet to relocate residents and demolish the original site. For more examples of how development approaches can affect work status, see appendix IV.

[23]Tax increment financing allows a municipality to provide financial incentives to stimulate private investment in a designated area, known as a tax increment financing district.

The extent to which revitalization plans were changed during the course of redevelopment also affects work status. The Housing Authority of the City of Atlanta's original application for a fiscal year 1996 HOPE VI grant outlined a plan for 100 percent public housing at the Perry Homes site. Two years after the grant award, HUD conducted a site visit and determined that the site should include a wide range of units, including market-rate units. Due to these changes, a revitalization plan was not approved until October 2002. The Cuyahoga Metropolitan Housing Authority changed the plans for its Riverview site due to environmental problems. In contrast, the Housing Authority of Louisville, another fiscal year 1996 grantee, has not had to make any significant modifications to its revitalization plan for Cotter and Lang Homes, and over 60 percent of the 1,213 planned units were complete as of December 31, 2002.

Several grantees we visited stated that the performance of housing authority management staff affected the status of their revitalization plans. For example, residents in Jacksonville and housing authority staff in Spartanburg stated that their fiscal year 1996 grants had progressed significantly, in part, because the executive director communicated well with residents, the housing authority board, and local community leaders. In contrast, the Cuyahoga Metropolitan Housing Authority was experiencing internal problems at the time its fiscal year 1996 grant was awarded. Its executive director was ultimately convicted for theft of public funds, mail fraud, and lying about a loan. A new executive director was hired in late 1998, and the housing authority was finally able to focus on the fiscal year 1996 HOPE VI grant in 1999, according to housing authority officials. In Detroit, the revitalization plans for Herman Gardens changed multiple times because there were several changes in executive leadership and each executive director had a different plan for the site. Because the Detroit Housing Commission had not submitted a formal revitalization plan for Herman Gardens, HUD notified the commission in March 2000 and March 2002 that it was in default of its grant agreement.

The extent of support from residents and the local community also can affect the timing of progress at HOPE VI sites. For example, the Tucson Community Services Department, which serves as the city's public housing authority, worked closely with its residents and the local community during the planning process for its fiscal year 1996 grant. Tucson did not submit its revitalization plan until a majority of the residents had approved it. In contrast, resident or community opposition delayed progress at several of the sites we visited. For instance, the Chicago Housing Authority's plans for Henry Horner Homes were delayed 4 years by legal actions related to a resident lawsuit. Residents at San Francisco's North Beach site did not want to relocate from the site during the redevelopment, which caused the redevelopment to take longer than it would have otherwise. Because the Housing Authority of New Orleans's St. Thomas site is located in a historic district, local preservationists opposed the construction of a retail store at the site. In July 2002, a nonprofit organization filed a lawsuit against the housing authority for failing to comply with environmental and historic preservation laws. The case was dismissed in April 2003. See appendix IV for more information on each of the 20 sites we visited.

HUD's approval process can also affect the status of work at HOPE VI sites. Officials responsible for managing 12 of the 20 grants awarded in fiscal year 1996 told us that HUD's approval process for key documents, such as the revitalization plan and mixed-finance proposals, was too slow. However, according to a HUD report, the agency's approval process has been improving. For instance, HUD's data show the average number of days from the submission of a mixed-finance proposal to approval was 185 days for the fiscal year 1996 grantees. For the fiscal year 1999 grantees, the average number of days between submission and approval of a mixed-finance proposal was 126 days.

HUD's Oversight of HOPE VI Grants Has Been Inconsistent

HUD grant managers located at HUD headquarters and in the field are primarily responsible for overseeing HOPE VI grants, but staff in HUD's field offices also assist grant managers in monitoring grants. In particular, field office staff are to perform annual on-site monitoring reviews. However, by the end of 2002, HUD had not conducted any annual reviews for 8 out of the 20 grants awarded in fiscal year 1996. According to HUD, staffing limitations have constrained its ability to oversee grants. Additionally, despite grantees' inability to meet key deadlines, HUD has not developed a formal enforcement policy, which is an important part of oversight.

While Grant Managers Oversee Grants, Field Office Staff Share HOPE VI Oversight Responsibilities

Both HUD headquarters and field office staff are responsible for overseeing HOPE VI revitalization grants. HUD has 30 grant managers that report directly to the Office of Public Housing Investments—17 located at HUD headquarters and 13 located in field offices. Grant managers are primarily responsible for overseeing HOPE VI grants and perform a number of duties, including tracking the overall status of the grant, reviewing and approving mixed-finance proposals, reviewing and approving all proposed changes to program schedules, and reviewing and approving procurement documents. According to HOPE VI officials, the main tool that grant managers use to oversee grants is the HOPE VI reporting system, which since 1998 has provided information on the status of each grant. (Grantee reporting existed before 1998, but not in the form of the quarterly reporting system currently used.) Grantees enter data into the Web-based system at the end of each quarter.[24] According to the grant managers, the reports from the system enable them to track grant activity and deadline compliance.

Office of Public and Indian Housing staff in HUD's field offices also play a role in overseeing HOPE VI grants, but their responsibilities vary. Three field offices that contain grant managers—located in New York, New York; Miami, Florida; and Cleveland, Ohio—have signature authority, meaning that the office's local Director of Public Housing can approve documents without approval from headquarters. Other field offices contain grant managers but do not have signature authority. However, most field offices do not have a grant manager, but rather have a HOPE VI coordinator, whose responsibilities include assisting grantees with preparing demolition applications, reviewing environmental assessments, and coordinating and reviewing inspections of HOPE VI construction sites performed by the U.S. Army Corps of Engineers. The field offices also are responsible for performing an annual on-site monitoring visit to each HOPE VI grant. Following this visit, the field office is to prepare a report for both the housing authority staff and the grant manager detailing grantee systems and controls in place and compliance with HOPE VI program requirements. The site visit reports also provide an assessment of the overall status of grant activities.

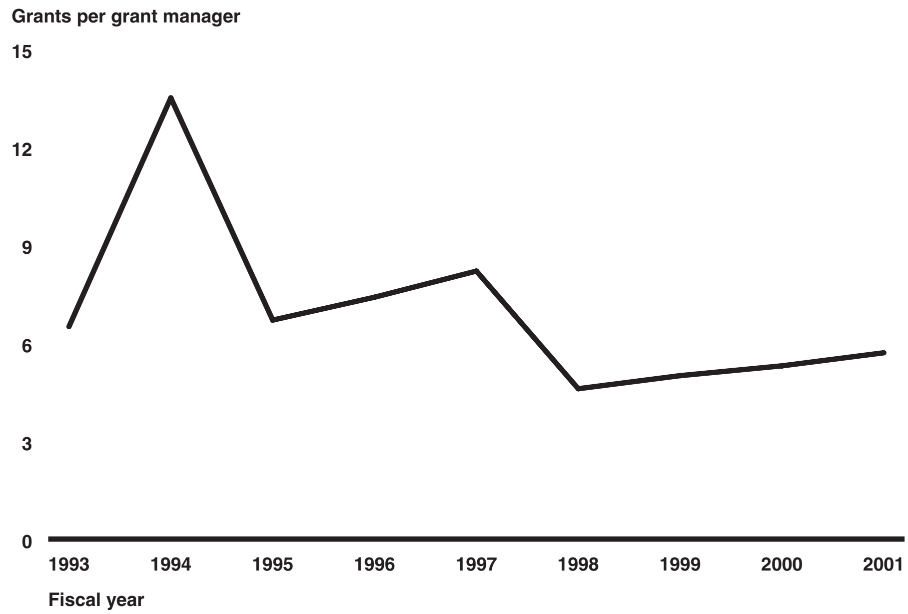
Staffing Limitations and Confusion about the Role of Field Offices Constrain HUD's Ability to Oversee Grants

According to various reports and HUD field staff, the limited number of grant managers, a shortage of field office staff, and confusion about the role of field offices have diminished the agency's ability to oversee HOPE VI grants. As shown in figure 5, grant manager workload has been increasing since HUD last hired a large group of grant managers in 1998,

[24]Data include current and projected production data (e.g., the number of households relocated and the number of units demolished, constructed, and occupied); financial information (e.g., HOPE VI funds budgeted and expended); and key milestones (e.g., the grant award date, the dates the revitalization and community and supportive services plans were submitted and approved by HUD, and dates related to each phase of construction).

but the workload remains below the previous level. As of fiscal year 2001, each grant manager was responsible for an average of about 6 grants totaling about $157 million in HOPE VI funding. In its June 2002 report to Congress, HUD stated that one factor contributing to delays at HOPE VI sites was limited HUD grant managers. Similarly, some of the grantees we visited stated that they believe grant manager workload contributed to the slow approval process previously discussed in this report.

Figure 5: Grant Manager Workload, by Fiscal Year



Source: GAO.

Note: This figure is based on GAO analysis of data provided by HUD.

HUD reports that HOPE VI oversight also has been affected by a shortage of field office staff and confusion about the role of field offices. Our site visits showed that HUD field staff are not systematically performing the required annual reviews. Of the 20 revitalization grants awarded in fiscal year 1996, 8 had never had an annual review performed as of the end of 2002, and no grant had had an annual review performed each year since the grant award. Overall, only one in five of the required annual reviews were performed. However, the annual reviews that were performed did contain important findings. For example, several of the annual reviews performed for the fiscal year 1996 grantees noted that housing authorities were not following procurement policies and lacked proper documentation of resident relocations.

From our interviews with field office managers, we determined that there are two reasons why annual reviews were not performed. First, many of the field office managers we interviewed stated that they simply did not have enough staff to get more involved in overseeing HOPE VI grants. For example, one field office manager told us that, because of staffing constraints, his office did not perform any HOPE VI oversight. Second, some field offices did not seem to understand their role in HOPE VI oversight. For instance, one office thought that the annual reviews were primarily the responsibility of the grant managers. Others stated that they had not performed the reviews because construction had not yet started at the sites in their jurisdiction or because they did not think they had the authority to monitor grants.

The HUD Inspector General and the agency itself have reported that staffing shortages, particularly in the field, have resulted in a lack of program oversight. In a 1998 review of the HOPE VI program, the Inspector General stated that HUD had not been performing even the minimal monitoring requirements for the HOPE VI program in part due to understaffing in both headquarters and the field offices.[25] As noted in that report, lack of monitoring led to grant implementation problems remaining unresolved. In addition, HUD's most significant workforce planning activity to date—its Resource Estimation Allocation Process (REAP)—cited staffing shortages related to the HOPE VI program. Under REAP, HUD systematically estimated the number of employees needed to do its work, on the basis of current workload and operations. The final resource estimation report, which was issued in April 2001, noted that the Office of Public and Indian Housing needed to add approximately 38 full-time employees in the field to conduct tasks such as monitoring and providing assistance to HOPE VI grantees.[26] The report also concluded that the Office of Public Housing Investments should more clearly articulate its own role and the role of field offices in the oversight of HOPE VI grants.

[25]U.S. Department of Housing and Urban Development, Office of Inspector General, *Nationwide Audit of HOPE VI Urban Revitalization Program*, 99-FW-101-0001 (Washington, D.C.: Dec. 17, 1998).

[26]Arthur Andersen LLP, *HUD Workforce Measurement Final Report – Phase I* (Washington, D.C.: Apr. 17, 2001).

HUD Lacks Clear Enforcement Policies and Has Not Always Enforced Grant Agreement Deadlines

Although the majority of grantees have missed key deadlines, HUD has not developed and provided to grantees an official HOPE VI enforcement policy, according to program officials. Instead, the agency determines if action should be taken against a grantee on a case-by-case basis. A clear enforcement policy could provide grantees with more certainty regarding the consequences of not meeting grant agreement deadlines. In a December 1999 memorandum, HUD's Office of General Counsel noted that no statutory or program provisions required grantees to expend HOPE VI funds within a set period of time. Therefore, it concluded that HUD may grant extensions to time frames established in the grant agreements, thus avoiding the need to declare grantees that have missed deadlines to be in default of their grant agreements.[27]

In the absence of a formal enforcement policy, HUD has outlined in general terms its default policy in grant agreements. In each grant agreement, HUD describes several occurrences that might constitute a default by the grantee under the grant agreement, including a grantee's failure to comply with the conditions and terms of its grant agreement. HUD provides written notice of all defaults and gives the grantee 30 days to remedy the default or to submit evidence to HUD that it is not in default. If the default cannot be remedied within 30 days, grantees have an additional 60 days to rectify the default situation. At that time, if the condition(s) noted in HUD's initial letter to the grantee has not been resolved, HUD may require the grantee to revise its program schedule, management plan, or program budget. HUD also may restrict the grantee's authority to draw down grant funds or require reimbursement by the grantee. HUD also reserves the right to appoint a receiver to carry out HOPE VI activities, reduce the amount of the grant award, or terminate the grant.

According to HOPE VI officials, all grantees would have been considered in default of their grant agreements at some point in their grant process if HUD had not been flexible regarding time frames. For example, virtually all of the fiscal year 1996 grantees were allowed an extension to the date construction was to be completed, and some were allowed multiple

[27]Prior to fiscal year 2002, HOPE VI appropriations were available until expended. Starting in fiscal year 2002, HOPE VI appropriations must be obligated within 2 fiscal years. Specifically, the fiscal year 2002 HOPE VI appropriations must be obligated by September 30, 2003, while the fiscal year 2003 HOPE VI appropriations must be obligated by September 30, 2004. For fiscal years 2002 and 2003, appropriations must be expended within 5 years after the period of availability of obligation.

extensions. The Chicago Housing Authority's Henry Horner grant and the Housing Authority of the City of Atlanta's Perry Homes grant received extensions for the execution of a general contractor's agreement and for the date construction was to be completed. In 2000, the Housing Authority of the City of Pittsburgh's grant for Bedford Additions received an extension until early 2003 to complete construction; in 2002, the authority received an additional extension to complete construction by July 2007.

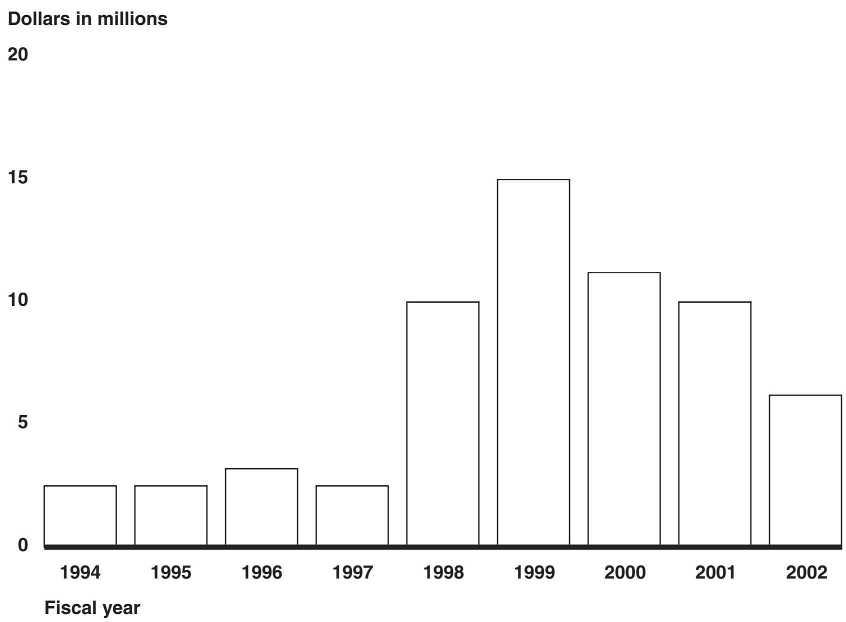
Although HUD has not developed a formal enforcement policy, it has issued default notices to grantees. It has generally issued these notices when there is no evidence of a formal and comprehensive approach to the grantee's revitalization effort. As of March 2003, HUD had declared nine grants to be in default and issued warning notices regarding three other grants. According to program officials, HUD expects to increase the use of the default tool because a default letter tends to garner enough attention with the local media and political leaders to prompt action. However, HUD has never rescinded any HOPE VI funds, even when it has issued default letters.

Because HUD does not have a formal enforcement policy, its issuance of default notices can be viewed as arbitrary. For example, in July 2000, HUD declared the Housing Authority of Baltimore City's fiscal year 1996 grant for Hollander Ridge to be in default of its grant agreement on the basis of "failure to comply with the HOPE VI requirements or any other Federal, State or local laws, regulations or requirements applicable in implementing the Revitalization Plan." The default letter also noted that, because the housing authority's revitalization plan was no longer consistent with the requirements of a consent decree, the grant was deemed to be in default. In March 2000 and March 2002, HUD declared the Detroit Housing Commission's fiscal year 1996 grant for Herman Gardens to be in default because the housing authority had not submitted a revitalization plan as required in its grant agreement. However, HUD has not issued default letters to other grantees who have not met grant agreement deadlines for completing construction. For example, even though no units have been completed at St. Thomas in New Orleans or Bedford Additions in Pittsburgh and, according to grant agreement deadlines, construction was to be completed by early 2002, neither fiscal year 1996 grant has been declared in default.

HUD Has Obligated the Majority of Funds Budgeted for Technical Assistance for Support to Grantees and HOPE VI Program Reporting

HUD estimates that it has obligated about $51 million of the $63 million in HOPE VI funds that have been set aside for technical assistance, with the majority of this obligation funding services provided directly to grantees and program reporting. As shown in figure 6, the funding budgeted for technical assistance has fluctuated. Over the first 4 years of the program, funding ranged between $2.5 and $3.2 million, annually. In fiscal year 1998, funding increased to $10 million and consistently remained at or above that level until fiscal year 2002, when it decreased to $6.2 million.

Figure 6: Technical Assistance Funding, by Fiscal Year

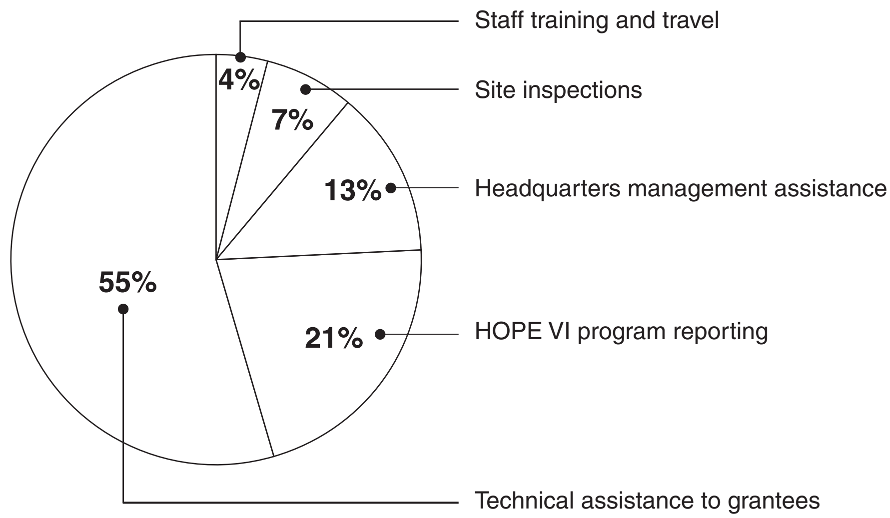


Source: GAO.

Note: This figure is based on GAO analysis of data provided by HUD.

As shown in figure 7, HUD has obligated the majority of its technical assistance funding for services provided directly to grantees and program reporting. Of the $51 million that HUD estimates it has obligated to date, 55 percent has been obligated for technical assistance provided to grantees. For example, HUD assigns each grant an outside technical assistance provider to help the grantee develop its community and supportive services plan. In fiscal years 1996 to 2000, HUD assigned each new grant an expediter to assist the grantee with its HOPE VI plans. These expediters were private-sector experts in finance, real estate development, and community revitalization. Another major category of technical assistance has been program reporting. According to HOPE VI officials, HUD spends about $2.5 million annually on the HOPE VI reporting system. A contractor maintains the reporting system and staffs a help desk to respond to questions from grantees. The remaining technical assistance funding has been obligated for headquarters management assistance, such as consultants; site inspections performed by the U.S. Army Corps of Engineers; and staff training and travel.

Figure 7: Total Obligations for Technical Assistance, by Funding Category

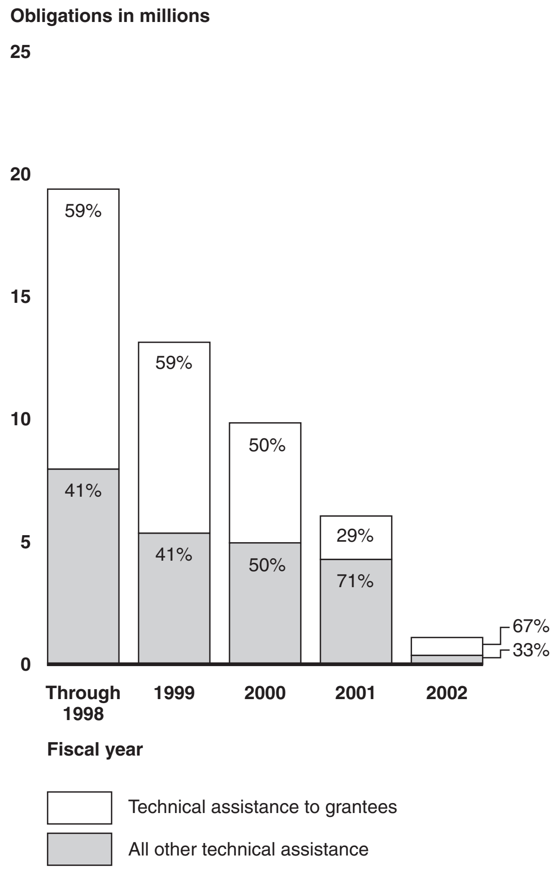


Source: GAO.

Note: This figure is based on GAO analysis of estimates provided by HUD.

In recent years, HUD has eliminated some services previously provided to grantees. For example, in fiscal year 2001, HUD stopped providing expediters because, according to program officials, the practice had become too expensive. Currently, only at-risk grantees—grantees that are experiencing problems with their grants or do not have adequate capacity to manage their grants—are considered for technical assistance. According to HUD officials, HUD has decreased the amount of technical assistance it provides because the agency believes that grantees should be responsible for retaining and funding their own technical assistance. Figure 8 shows the percentage of technical assistance funds provided directly to grantees over the life of the program.

Figure 8: Obligations for Technical Assistance, by Fiscal Year



Source: GAO.

Note: This figure is based on GAO analysis of estimates provided by HUD.

Conclusions

HOPE VI is one of the few active federal housing production programs and is supposed to deliver almost 45,000 units of rehabilitated or new public housing. During these tight budgetary times, when Congress faces difficult choices in deciding how to provide affordable housing, it is increasingly important that federal housing programs produce results. After 10 years of the HOPE VI program, construction has been completed at 15 of 165 sites.

However, work is proceeding more quickly at sites financed by more recently awarded grants. The HOPE VI program has incorporated measures to increase efficiency—in part attributable to HUD's requesting more information from grant applicants and a renewed emphasis on meeting deadlines. In addition, the emphasis on performance measures, such as HUD's incorporation of past performance as an eligibility requirement in the fiscal year 2002 NOFA, should help direct HOPE VI funds to where they can most effectively produce results.

However, the HOPE VI program could be improved further. By emphasizing the need for regular grant oversight and review and improving and clarifying the lines of communication between headquarters and the field offices, HUD can eliminate existing confusion about staff roles, build a consistent record of site reviews and oversight, and improve communications with grantees to facilitate progress on grants. Since the HOPE VI grant process involves both HUD and public housing authorities, HUD can further improve the efficiency of the grant program and help achieve its goal of revitalizing public housing by holding grantees accountable for performance, particularly in the areas of meeting deadlines and producing deliverables. The HOPE VI program, as it is currently set up, does not have a clear and consistent system for determining if grantees are not in compliance with grant requirements, nor does it offer clear incentives for grantees to change behavior or correct undesirable conditions.

Recommendations for Executive Action

To improve its selection and oversight of HOPE VI grants, we recommend that the Secretary of Housing and Urban Development

- continue to include past performance as an eligibility requirement in each year's notice of funding availability;
- clarify the role of HUD field offices in HOPE VI oversight and ensure that the offices conduct required annual reviews of HOPE VI grants; and
- develop a formal, written enforcement policy to hold public housing authorities accountable for the status of their grants.

Agency Comments

We provided a draft of this report to HUD for its review and comment. In a letter from the Assistant Secretary for Public and Indian Housing (see app. V), HUD stated that it found the report to be fair and accurate in its assessment of the management of the program. HUD also agreed with our three recommendations. Specifically, it stated that it would take action to incorporate past performance as an eligibility criterion in the fiscal year 2003 HOPE VI Revitalization NOFA. Regarding the recommendation to develop a formal enforcement policy, HUD stated that it regards the development of management tools such as the locked checkpoint system described in this report to be a key step in the establishment of a formalized enforcement policy and will endeavor to institute other responsive measures. Additionally, HUD provided clarifications on several technical points, which have been included in this report as appropriate.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days after the date of this report. At that time, we will send copies of this report to the Chairman, Subcommittee on Housing and Transportation, Senate Committee on Banking, Housing, and Urban Affairs; the Chairman and Ranking Minority Member, Senate Committee on Banking, Housing, and Urban Affairs; the Chairman and Ranking Minority Member, Subcommittee on Housing and Community Opportunity, House Committee on Financial Services; and the Chairman and Ranking Minority Member, House Committee on Financial Services. We will also send copies to the Secretary of Housing and Urban Development and the Director of the Office of Management and Budget. We will make copies available to others upon request. This report will also be available at no charge on GAO's Web site at http://www.gao.gov.

Please call me at (202) 512-8678 if you or your staff have any questions about this report. Key contributors to this report are listed in appendix VI.

Sincerely yours,

David G. Wood

David G. Wood
Director, Financial Markets and
Community Investment

Objectives, Scope, and Methodology

Our objectives were to examine (1) the Department of Housing and Urban Development's (HUD) process for assessing HOPE VI revitalization grant applications and for selecting grantees, (2) the status of work at sites for which grants have been awarded and compliance with grant agreement deadlines, (3) HUD's oversight of HOPE VI grants, and (4) the amount of program funds that HUD has budgeted for technical assistance and the types of technical assistance it has provided.

To accomplish these objectives, we analyzed the data contained in HUD's HOPE VI reporting system on the 165 sites that received revitalization grants in fiscal years 1993 through 2001 and visited 20 sites in 18 cities. We selected these 20 sites because they received HOPE VI revitalization grants in fiscal year 1996, which was the first year that grants were subject to a standard construction deadline. Using the 1996 grants also allowed us to assess whether grantees had met their deadlines, which had passed for the majority of the grantees by the time we began our site visits. In addition, we interviewed the HUD headquarters officials responsible for administering the HOPE VI program.

To determine the criteria that HUD uses to assess HOPE VI revitalization grant applications, we analyzed each year's notice of funding availability (NOFA). Specifically, we examined the rating factors used each year to determine if there were any similarities between the different NOFAs. We also analyzed the information that housing authorities were required to submit for selected rating factors and identified changes in these requirements over time. To determine how HUD has followed its grant selection procedures, we obtained and reviewed HUD Office of Inspector General reports on the HOPE VI grant selection process for fiscal years 1996 and 1998 to 2001.[1] Finally, we interviewed public housing industry groups—the Council of Large Public Housing Authorities, the Public Housing Authorities Directors Association, and the National Association of Housing and Redevelopment Officials—regarding the grant selection process.

To determine the status of work at sites for which grants have been awarded, we obtained and analyzed information from HUD's HOPE VI reporting system. Specifically, we obtained data as of December 31, 2002, for the 165 revitalization grants awarded through fiscal year 2001. We used

[1]The HUD Inspector General did not publish a review of the fiscal year 1997 HOPE VI selection process.

these data to determine the status of relocation, demolition, construction, reoccupancy, and occupancy and the amount of expended HOPE VI funds. For each of the 1996 grants, we interviewed housing authority and HUD officials to determine the status of each grant and the factors affecting that status. To determine the extent to which grantees have met grant agreement deadlines, we obtained and analyzed each year's grant agreement. We then used milestone data from HUD's HOPE VI reporting system to determine the extent to which grantees had met the deadlines in their grant agreements. To assess the reliability of the data in HUD's HOPE VI reporting system, we interviewed the officials that manage the system; reviewed information about the system, including the user guide, data dictionary, and steps taken to ensure the quality of these data; and performed electronic testing to detect obvious errors in completeness and reasonableness. We determined that these data were sufficiently reliable for the purposes of this report.

To identify how HUD oversees HOPE VI grants, we obtained and analyzed HUD's HOPE VI monitoring guidance and interviewed program officials. We obtained and analyzed information on the number of grants and grant managers at the end of each fiscal year to determine grant manager workload. During each of our site visits, we interviewed housing authority staff regarding HUD's oversight of their grants. We also obtained and analyzed copies of the annual reviews performed for the 1996 grants and interviewed HUD field office staff regarding their role in HOPE VI oversight. Finally, we reviewed HUD Inspector General reports on the HOPE VI program and HUD's final report on its Resource Estimation and Allocation Process.

To determine how much HUD has budgeted for technical assistance, we reviewed information provided by HUD on the total amount budgeted each fiscal year for technical assistance. To determine the types of technical assistance HUD has provided, we obtained and analyzed data on the major types of technical assistance provided with each fiscal year's budget. The data HUD provided were estimates of the amounts it had obligated for technical assistance over the life of the program. We also interviewed program officials regarding the types of technical assistance provided and 1996 grantees regarding the types of technical assistance they received from HUD.

We performed our work from November 2001 through April 2003 in accordance with generally accepted government auditing standards.

HOPE VI Revitalization Grants

In fiscal years 1993 to 2001, HUD awarded 165 revitalization grants to 98 public housing authorities (see table 2). Nearly half of all of the HOPE VI revitalization grant funds awarded have been granted to 20 housing authorities. Within this group of housing authorities, 8 have received 4 or more revitalization grants: the Housing Authority of the City of Atlanta, the Housing Authority of Baltimore City, the Chicago Housing Authority, the Housing Authority of the City of Oakland, the District of Columbia Housing Authority, the Philadelphia Housing Authority, the Seattle Housing Authority, and the City and County of San Francisco Housing Authority. The Chicago Housing Authority has been awarded 8 HOPE VI revitalization grants, more than any other housing authority. The Housing Authority of Baltimore City follows with 6 revitalization grants.[1]

Table 2: 165 Revitalization Grants Awarded, Fiscal Years 1993-2001

Public housing authority	Site	Fiscal year awarded	Amount awarded
Albany Housing Authority Albany, New York	Edwin Corning Homes	1998	$28,852,200
Alexandria Redevelopment and Housing Authority Alexandria, Virginia	Samuel Madden Homes	1998	6,716,250
Allegheny County Housing Authority Pittsburgh, Pennsylvania	McKees Rocks Terrace	1997	15,847,160
	Homestead Apartments	1998E[a]	2,549,392
Housing Authority of the City of Atlanta Atlanta, Georgia	Techwood/Clark Howell/Centennial Place	1993	42,562,635
	Perry Homes	1996	20,000,000
	Carver Homes	1998	34,669,400
	Joel Chandler Harris Homes	1999	35,000,000
	Capitol Homes	2001	35,000,000
Atlantic City Housing Authority and Urban Redevelopment Agency Atlantic City, New Jersey	Shore Park Shore Terrace	1999	35,000,000
Housing Authority of Baltimore City Baltimore, Maryland	Lafayette Courts	1994	49,663,600
	Lexington Terrace	1995(2)[b]	22,702,000
	Hollander Ridge	1996	20,000,000

[1]Although the Housing Authority of Baltimore City was awarded 6 grants, 1 grant was subsequently split into 2 grants, for a total of 7 grants.

(Continued From Previous Page)

Public housing authority	Site	Fiscal year awarded	Amount awarded
	Murphy Homes Julian Gardens	1997	31,325,395
	Flag House Courts	1998	21,500,000
	Broadway Homes	1999	21,362,223
Housing Authority of the City of Biloxi Biloxi, Mississippi	Bayview Homes Bayou Auguste	2000	35,000,000
Housing Authority of the Birmingham District Birmingham, Alabama	Metropolitan Gardens	1999	34,957,850
Boston Housing Authority Boston, Massachusetts	Mission Main	1993	49,992,350
	Orchard Park	1995(2) [b]	30,000,000
	Maverick Gardens	2001	35,000,000
Housing Authority of the City of Bradenton Bradenton, Florida	GD Rogers and Addition	1999	21,483,332
Housing Authority of the City of Bridgeton Bridgeton, New Jersey	Cohansey View	2001	10,945,944
Buffalo Housing Authority Buffalo, New York	Lakeview Homes Lower West Side	1997	28,015,038
Cambridge Housing Authority Cambridge, Massachusetts	John F. Kennedy Apartments	1998E[a]	5,000,000
Camden Housing Authority Camden, New Jersey	McGuire Gardens	1994	42,177,229
	Westfield Acres	2000	35,000,000
Housing Authority of the City of Charlotte Charlotte, North Carolina	Earle Village	1993	41,740,155
	Dalton Village	1996	24,501,684
	Fairview	1998	34,724,570
Chattanooga Housing Authority Chattanooga, Tennessee	McCallie Homes	2000	35,000,000
Housing Authority of Chester City Chester, Pennsylvania	Lamokin Village	1996	14,949,544
	McCafferey Village	1998	9,751,178
Chester County Housing Authority West Chester, Pennsylvania	Oak Street	1997	16,434,200
Chicago Housing Authority Chicago, Illinois	Cabrini-Green	1994	50,000,000
	ABLA Brooks Extension	1996	24,483,250
	Henry Horner	1996	18,435,300

(Continued From Previous Page)

Public housing authority	Site	Fiscal year awarded	Amount awarded
	Robert Taylor	1996	25,000,000
	ABLA	1998	35,000,000
	Madden/Wells/Darrow	2000	35,000,000
	Robert Taylor	2001	35,000,000
	Rockwell Gardens	2001	35,000,000
Cincinnati Housing Authority Cincinnati, Ohio	Lincoln Court	1998	31,093,590
	Laurel Homes	1999	35,000,000
Housing Authority of the City of Columbia, South Carolina Columbia, South Carolina	Saxon Homes	1999	25,843,793
Columbus Metropolitan Housing Authority Columbus, Ohio	Windsor Terrace (Rosewind)	1994	42,053,408
Cuyahoga Metropolitan Housing Authority Cleveland, Ohio	Outhwaite Homes King Kennedy Estate South	1993	50,000,000
	Carver Park	1995(2) [b]	21,000,000
	Riverview	1996	29,733,334
Dallas Housing Authority Dallas, Texas	Lakewest	1994	26,600,000
	Roseland	1998	34,907,186
Danville Redevelopment and Housing Authority Danville, Virginia	Liberty View	2000	20,647,784
Dayton Metropolitan Housing Authority Dayton, Ohio	Edgewood Court Metro Gardens Metro Annex	1999	18,311,270
Decatur Housing Authority Decatur, Illinois	Longview Place	1999	34,863,615
Housing Authority of the City and County of Denver Denver, Colorado	Quigg Newton Homes	1994	26,489,288
	Curtis Park Arapahoe Courts	1998	25,753,220
Detroit Housing Commission Detroit, Michigan	Jeffries Homes	1994	39,807,342
	Parkside Homes	1995(1) [b]	47,620,227
	Herman Gardens	1996	24,224,160
District of Columbia Housing Authority Washington, D.C.	Ellen Wilson Homes	1993	25,075,956
	Valley Green, Skytower	1997	20,300,000

(Continued From Previous Page)

Public housing authority	Site	Fiscal year awarded	Amount awarded
	Frederick Douglass Homes Stanton Dwellings	1999	29,972,431
	East Capitol Dwellings Capitol View Plaza	2000	30,867,337
	Arthur Capper Carrollsburg	2001	34,937,590
Housing Authority of the City of Durham Durham, North Carolina	Few Gardens	2000	35,000,000
Housing Authority of the City of El Paso El Paso, Texas	Kennedy Brothers	1995(1) [b]	36,224,644
Housing Authority of the City of Elizabeth Elizabeth, New Jersey	Pioneer Homes Migliore Manor	1997	28,903,755
Housing Authority of the City of Gary Gary, Indiana	Duneland Village	1999	19,847,454
Greensboro, North Carolina Housing Authority Greensboro, North Carolina	Morningside Homes	1998	22,987,722
Housing Authority of the City of Greenville, South Carolina Greenville, South Carolina	Woodland Homes Pearce Homes	1999	21,075,322
Housing Authority of the City of Hagerstown Hagerstown, Maryland	Westview Homes	2001	27,357,875
Helena Housing Authority Helena, Montana	Enterprise Drive	1997	939,700
Housing Authority of the City of High Point, North Carolina High Point, North Carolina	Springfield Townhouses	1999	20,180,647
Holyoke Housing Authority Holyoke, Massachusetts	Jackson Parkway	1996	15,000,000
Houston Housing Authority Houston, Texas	Allen Parkway Village	1993	36,602,761
		1997	21,286,470
Indianapolis Housing Authority Indianapolis, Indiana	Concord Village Eagle Creek	1995(1) [b]	29,999,010
Jacksonville Housing Authority Jacksonville, Florida	Durkeeville	1996	21,552,000
Housing Authority of the City of Jersey City Jersey City, New Jersey	Curries Woods	1997	31,624,658
	Lafayette Gardens	2001	34,140,000
Housing Authority of Kansas City Kansas City, Missouri	Guinotte Manor	1993	47,579,800

(Continued From Previous Page)

Public housing authority	Site	Fiscal year awarded	Amount awarded
	Theron B. Watkins Homes	1996	13,000,000
	Heritage House	1997	6,570,500
		1998E[a]	3,429,500
King County Housing Authority Tukwila, Washington	Park Lake Homes	2001	35,000,000
Knoxville's Community Development Corporation Knoxville, Tennessee	College Homes	1997	22,064,125
Housing Authority of the City of Lakeland, Florida Lakeland, Florida	Washington Ridge	1999	21,842,801
Lexington-Fayette Urban County Housing Authority Lexington, Kentucky	Charlotte Court	1998	19,331,116
Housing Authority of the City of Los Angeles Los Angeles, California	Pico Gardens	1993	50,000,000
	Aliso Village	1998	23,045,297
Housing Authority of Louisville Louisville, Kentucky	Cotter and Lang Homes	1996	20,000,000
Macon Housing Authority Macon, Georgia	Oglethorpe Homes	2001	19,282,336
Memphis Housing Authority Memphis, Tennessee	LeMoyne Gardens	1995(1)[b]	47,281,182
	Hurt Village	2000	35,000,000
Mercer County Housing Authority Sharon, Pennsylvania	Steel City Terrace Extension	2000	9,012,288
Miami-Dade Housing Agency Miami, Florida	Ward Towers	1998E[a]	4,697,750
	Scott Homes Carver Homes	1999	35,000,000
Housing Authority of the City of Milwaukee Milwaukee, Wisconsin	Hillside Terrace	1993	45,689,446
	Parklawn	1998	35,000,000
	Lapham Park	2000	11,300,000
Mobile Housing Board Mobile, Alabama	Central Plaza Towers	1998E[a]	4,741,800
Metropolitan Development and Housing Agency - Nashville Nashville, Tennessee	Vine Hill Homes	1997	13,563,876
	Preston Taylor Homes	1999	35,000,000

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Public housing authority	Site	Fiscal year awarded	Amount awarded
New Bedford Housing Authority New Bedford, Massachusetts	Caroline Street Apartments	1998E[a]	4,146,780
Housing Authority of the City of New Brunswick New Brunswick, New Jersey	New Brunswick Homes	1998	7,491,656
Housing Authority of the City of New Haven New Haven, Connecticut	Elm Haven Terrace	1993	45,331,593
Housing Authority of New Orleans New Orleans, Louisiana	Desire	1994	44,255,908
	St. Thomas	1996	25,000,000
New York City Housing Authority New York, New York	Arverne Homes Edgemere Homes	1995(1) [b]	47,700,952
		1996	20,000,000
	Prospect Plaza	1998	21,405,213
Housing Authority of the City of Newark Newark, New Jersey	Archbishop Walsh Homes	1994	49,996,000
	Stella Wright Homes	1999	35,000,000
Newport, Kentucky Housing Authority Newport, Kentucky	Peter G. Noll Booker T. Washington McDermott-McLane	2000	28,415,290
Norfolk Redevelopment and Housing Authority Norfolk, Virginia	Roberts Village Bowling Green	2000	35,000,000
North Charleston Housing Authority North Charleston, South Carolina	North Park Village	2001	30,347,921
Housing Authority of the City of Oakland Oakland, California	Lockwood Gardens Lower Fruitvale	1994	26,510,020
	Chestnut Court	1998	12,705,010
	Westwood Gardens	1999	10,053,254
	Coliseum Gardens	2000	34,486,116
Housing Authority of the City of Orlando Orlando, Florida	Colonial Park	1997	6,800,000
Housing Authority of the City of Paterson Paterson, New Jersey	Christopher Columbus	1997	21,662,344
Peoria Housing Authority Peoria, Illinois	Colonel John Warner Homes	1997	16,190,907
Philadelphia Housing Authority Philadelphia, Pennsylvania	Richard Allen Homes	1993	50,000,000
	Schuylkill Falls	1997	26,400,951
	Martin Luther King Plaza	1998	25,229,950
	Mill Creek	2001	34,825,000

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Public housing authority	Site	Fiscal year awarded	Amount awarded
City of Phoenix Housing Department Phoenix, Arizona	Matthew Henson Homes	2001	35,000,000
Pittsburgh Housing Authority Pittsburgh, Pennsylvania	Allequippa Terrace	1993	31,564,190
	Manchester	1995(2) [b]	7,500,000
	Bedford Additions	1996	26,592,764
Housing Authority of Portland Portland, Oregon	Columbia Villa, Columbia Villa Additions	2001	35,000,000
Portsmouth Redevelopment and Housing Authority Portsmouth, Virginia	Ida Barbour	1997	24,810,883
Puerto Rico Housing Administration San Juan, Puerto Rico	Cristantemos y Manuel A. Perez	1994	50,000,000
Housing Authority of the City of Raleigh Raleigh, North Carolina	Halifax Court	1999	29,368,114
Housing Authority of the City of Richmond, California Richmond, California	Easter Hill	2000	35,000,000
Richmond Redevelopment and Housing Authority Richmond, Virginia	Blackwell	1997	26,964,118
City of Roanoke Redevelopment and Housing Authority Roanoke, Virginia	Lincoln Terrace	1998	15,124,712
St. Louis Housing Authority St. Louis, Missouri	Darst-Webbe	1995(1) [b]	46,771,000
	Blumeyer Homes	2001	35,000,000
Housing Authority of the City of St. Petersburg St. Petersburg, Florida	Jordan Park	1997	27,000,000
San Antonio Housing Authority San Antonio, Texas	Springview	1994	48,810,294
	Mirasol	1995(1) [b]	48,285,500
City and County of San Francisco Housing Authority San Francisco, California	Bernal Plaza East	1993	49,992,377
	Hayes Valley North and South	1995(2) [b]	22,055,000
	North Beach	1996	20,000,000
	Valencia Gardens	1997	23,230,641
Housing Authority of Savannah Savannah, Georgia	Garden Homes	2000	16,328,649
Seattle Housing Authority Seattle, Washington	Holly Park	1995(1) [b]	48,116,503

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Public housing authority	Site	Fiscal year awarded	Amount awarded
	Roxbury	1998	17,020,880
	Rainier Vista Garden	1999	35,000,000
	High Point Garden	2000	35,000,000
Housing Authority of the City of Spartanburg Spartanburg, South Carolina	Tobe Hartwell Tobe Hartwell Extension	1996	14,620,369
Springfield Housing Authority Springfield, Illinois	John Hay Homes	1994	19,775,000
Housing Authority of the City of Stamford Stamford, Connecticut	Southfield Village	1997	26,446,063
Housing Authority of the City of Tacoma Tacoma, Washington	Salishan	2000	35,000,000
Housing Authority of the City of Tampa Tampa, Florida	Ponce de Leon College Hill	1997	32,500,000
	Riverview Terrace Tom Dyer	2001	19,937,572
Tucson Public Housing Authority Tucson, Arizona	Connie Chambers	1996	14,600,000
	Robert F. Kennedy Homes	2000	12,748,000
Housing Authority of the City of Tulsa Tulsa, Oklahoma	Osage Hills	1998	28,640,000
Housing Authority of the City of Wheeling, West Virginia Wheeling, West Virginia	Grandview Manor Lincoln Homes	1999	17,124,895
Wilmington, Delaware Housing Authority Wilmington, Delaware	Eastlake	1998	16,820,350
Housing Authority of the City of Wilmington, North Carolina Wilmington, North Carolina	Robert S. Jervay Place	1996	11,620,655
Housing Authority of the City of Winston-Salem Winston-Salem, North Carolina	Kimberly Park Terrace	1997	27,740,850

Source: HUD.

[a]1998E indicates a special grant for elderly projects.

[b]There were two funding rounds in fiscal year 1995.

Fiscal Year 2002 Application Screening and Scoring Process

The fiscal year 2002 NOFA for the HOPE VI program explained the process that HUD would use to screen and score applications. It stated that HUD would first screen applications to determine if they met threshold requirements—requirements that must be met in order for a HOPE VI revitalization grant application to be considered for funding. The NOFA also stated that if the application failed to meet any one of these thresholds, HUD would not rate or rank the application.[1] The NOFA contained 28 threshold requirements, for which applicants had to attest or document compliance, including certification signed by an engineer or architect that the targeted public housing project meets the definition of severe physical distress and certification either that the applicant had procured a developer for the first phase by the application deadline or that it would act as its own developer. Additionally, an applicant that had one or more existing HOPE VI revitalization grants would be disqualified if one or more of those grants failed to meet the performance requirements described in the NOFA; applications that included a proposal to develop market-rate housing had to include a preliminary market assessment letter.[2]

If an application met all of the threshold requirements, HUD would rate it using the rating factors outlined in the NOFA. As shown in table 3, the 2002 NOFA listed nine rating factors, some of which comprised various subfactors. An application could receive a maximum of 114 points.

[1]Some of the threshold items were "curable," meaning that HUD would give the applicant an opportunity to correct a technical deficiency. Examples of curable technical deficiencies included the failure of an applicant to include a required certification or sign a document. If HUD identified a technical deficiency, the applicant would be notified by fax and be required to submit information to cure the deficiency to HUD within 14 calendar days from the date of HUD notification.

[2]A market assessment letter should (1) provide an assessment of the demand and associated pricing structure for the proposed residential units and any community facilities, economic development, and retail structures and (2) be based on the market and economic conditions of the project area.

Table 3: Fiscal Year 2002 Rating Factors

Factor	Subfactor	Maximum possible points per subfactor	Maximum points available
Capacity			**21**
	Capacity of developer	6	
	Development capacity of applicant	6	
	Capacity of prior grantees[a]	-10	
	Community and supportive services program capacity	3	
	Property management capacity	4	
	Public housing authority plan[b]	2	
Need			**26**
	Severe physical distress	10	
	Impact of the severely distressed site on the surrounding neighborhood	5	
	Obligation of capital funds[c]	8	
	Need for affordable housing in the community	3	
Leveraging			**17**
	Development leveraging	7	
	Community and supportive services leveraging	5	
	Variety of community and supportive services resources	1	
	Anticipatory resources[d]	2	
	Collateral resources[e]	2	
Resident and community involvement			**3**
Community and supportive services			**6**
Relocation			**5**
Fair Housing and Equal Opportunity			**7**
	Accessibility[f]	2	
	Adaptability[g]	1	
	Visitability[h]	1	
	Fair housing	3	
Mixed-income communities			**6**
	On-site unit mix	3	
	Off-site housing	1	

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Factor	Subfactor	Maximum possible points per subfactor	Maximum points available
	Homeownership housing	2	
Overall quality of plan			**23**
	Overall quality of the application	5	
	Likelihood of success	5	
	Project readiness	7	
	Design	3	
	Evaluation[i]	3	
Maximum points that could be awarded			**114**

Source: GAO analysis of the fiscal year 2002 NOFA.

[a]Although points could not be earned under this subfactor, points would be deducted if certain activities, such as submission of the community and supportive services plan, had not been carried out within the initial time frames established. Points also would be deducted on the basis of the percentage of the grant funds obligated. For example, if a housing authority received a HOPE VI revitalization grant in fiscal year 1996 or prior and had obligated less than 60 percent of its grant funds, 5 points would be deducted.

[b]Two points would be awarded if the revitalization plan described in the application had been incorporated into the applicant's public housing authority plan, and if the public housing authority's plan had been approved by its local HUD field office.

[c]HUD would evaluate the extent to which the applicant could undertake the proposed revitalization activities without a HOPE VI grant. Large amounts of available capital funds may indicate that the revitalization could be carried out without a HOPE VI grant.

[d]In many cases, public housing authorities, cities, or other entities may have carried out revitalization activities in previous years in anticipation of the applicant's receipt of a HOPE VI revitalization grant. These expenditures, if documented, may be counted as leveraged anticipatory resources.

[e]Collateral investment includes physical redevelopment activities under way or projected to be completed before October 2007 that would enhance the new HOPE VI community, but would occur whether or not the public housing project was revitalized. This includes economic or other kinds of development activities that would have occurred with or without the anticipation of HOPE VI funds.

[f]Points are awarded if the applicant describes a plan to provide housing and services for persons with disabilities, such as accessibility in homeownership units or accessibility modifications.

[g]Adaptability means that certain elements of a dwelling unit, such as kitchen counters, sinks, and grab bars, can be added to, raised, lowered, or otherwise altered to accommodate the needs of persons with or without disabilities.

[h]Visitability standards allow a person with mobility impairments access into the home but do not require that all features be made accessible.

[i]Applicants are encouraged to work with their local university(ies), other institutions of learning, foundations, or others to evaluate the performance and impact of their HOPE VI revitalization plan over the life of the grant. The proposed methodology must measure success against goals set at the outset of the revitalization activities. Evaluators must establish baselines and provide ongoing interim reports that will allow the applicant to make changes as necessary as the project proceeds.

Site Visit Summaries

Between January and October 2002, we visited the 18 housing authorities that were awarded HOPE VI revitalization grants in fiscal year 1996. For each of the 20 sites that were awarded grants that year, we describe below background information on the conditions at the original site for which the grant was awarded, the housing authority's revitalization and community and supportive services (CSS) plans for the site, the status of those plans as of March 2003, and the factors that affected the status. We also include a time line and photographs for each site. Because the site summaries incorporate a number of program-specific and technical terms, we have included a glossary at the end of this report.

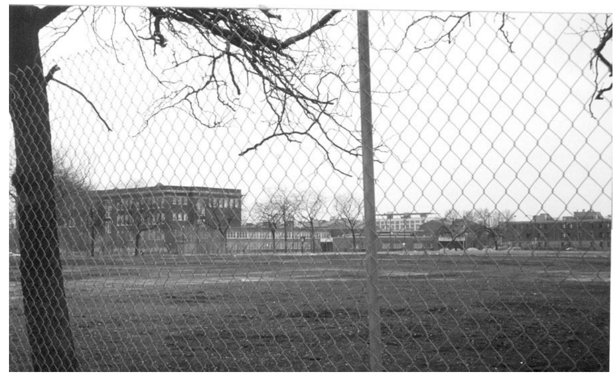
ABLA Homes—Brooks Extension, Chicago, Illinois

As figure 9 shows, the Chicago Housing Authority was awarded a $24.5 million HOPE VI revitalization grant for the Brooks Extension portion of ABLA Homes in October 1996.[1] Relocation and demolition have been completed at the ABLA Brooks Extension site, but the new construction has not yet begun. The Chicago Housing Authority's scattered site program, which includes the development of any nonelderly public housing, has been under judicial receivership since 1987. The housing authority is in the midst of implementing a 10-year transformation plan, which is a $1.5 billion blueprint for rebuilding or rehabilitating 25,000 units of public housing—enough for every leaseholder as of October 1999—and transforming isolated public housing sites into mixed-income communities. The housing authority was awarded another HOPE VI revitalization grant for ABLA in fiscal year 1998 and also has received revitalization grants for the following sites: Cabrini-Green (fiscal year 1994), Henry Horner (fiscal year 1996), Robert Taylor (fiscal years 1996 and 2001), Madden/Wells/Darrow (fiscal year 2000), and Rockwell Gardens (fiscal year 2001).

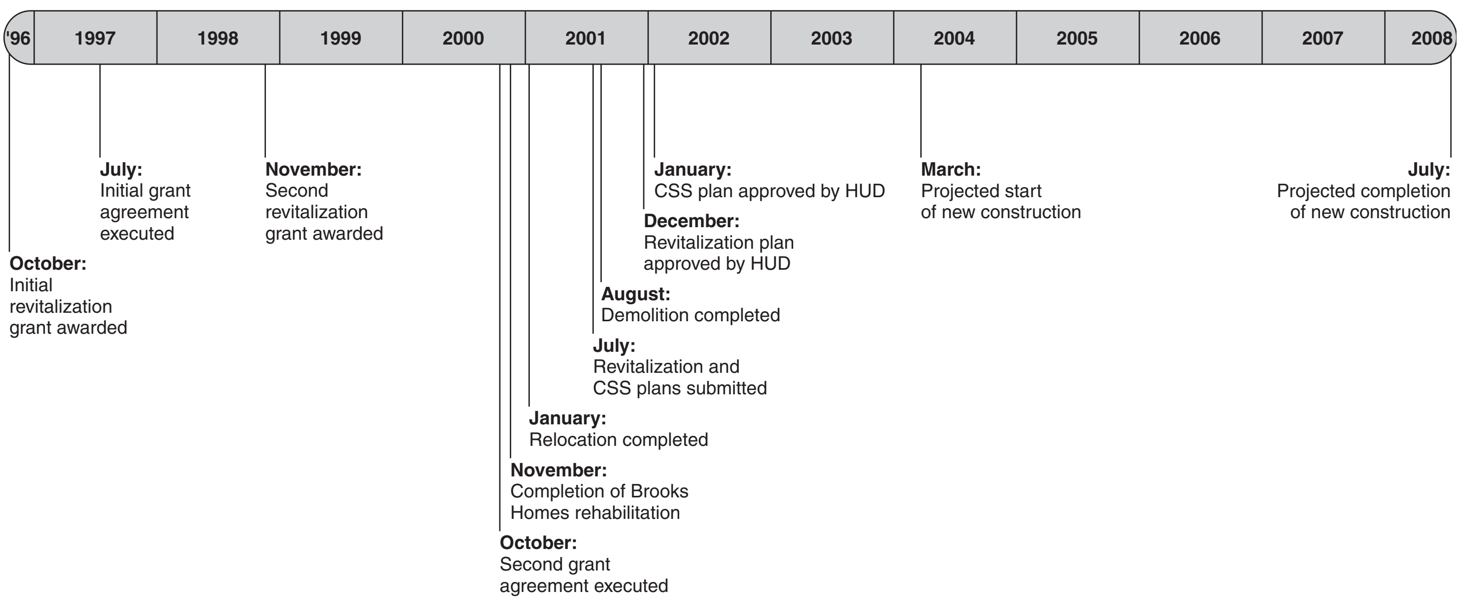
[1]ABLA Homes consists of five contiguous sites: Jane Addams Homes, Grace Abbott Homes, Robert Brooks Homes, Brooks Extension, and Loomis Courts.

Figure 9: Time Line for ABLA Homes

Demolition of Brooks Extension.



Vacant Brooks Extension site.



Sources: GAO (except the left photo, which is printed with the permission of the Chicago Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Chicago Housing Authority.

Background

The five sites that comprise ABLA Homes had more than 3,500 original units. Three of the five ABLA sites were included in the authority's fiscal year 1996 revitalization plans. Brooks Extension, the focus of the fiscal year 1996 revitalization grant, was completed in 1961 and consisted of three, 16-story buildings containing 453 units. Robert Brooks Homes was completed in 1943 and contained 834 units. Loomis Courts—a project-based Section 8 development—was completed in 1953 and contained 126 units.

The density at ABLA was 37.33 units per acre, as compared with Chicago's average density of 28 units per acre. The buildings at ABLA suffered from significant structural deficiencies as a result of age, weathering, and the lack of proper maintenance. A central heating plant, located at the Jane Addams site, provides the heat for the complex. This system is inadequate, and regulating the amount of heat for each unit has been a problem. The Chicago Housing Authority was awarded a fiscal year 1995 HOPE VI planning grant totaling $400,000 for ABLA and two other sites.

Revitalization and Community and Supportive Services Plans

In addition to the $24.5 million HOPE VI revitalization grant, the Chicago Housing Authority was awarded four HOPE VI demolition grants totaling $2.5 million for Brooks Extension and Robert Brooks Homes. The total budget for the renovation of Brooks Extension, Robert Brooks Homes, and Loomis Courts is $186 million and includes other public housing funds, equity from low-income housing tax credits, and tax increment financing. The revitalization plans call for the rehabilitation of 330 public housing units at Robert Brooks Homes; the construction of 777 new units at Brooks Extension (336 public housing units, 90 tax credit units, and 351 homeownership units); and the rehabilitation of 126 subsidized units at Loomis Courts. A 57,000-square-foot community center to be funded by the city is also part of the plans.

Of the $24.5 million revitalization grant, the housing authority plans to set aside $3.6 million for community and supportive services. The community and supportive services plan for ABLA, which was approved in January 2002, focuses on employment, education, health, community building, and pilot programs. In addition to special programs funded by the HOPE VI grant, the housing authority plans to implement its service connector system at ABLA. The service connector system will help residents access services through a system of outreach, assessment, referral, and follow-up.

Current Status

The rehabilitation at Robert Brooks Homes has been completed. The reconstruction of 132 units was completed in 1998, and the reconstruction of the remaining 198 units was completed in 2000. Brooks Extension has been demolished (see fig. 9). The housing authority selected a developer for the entire ABLA development area in December 2002. Construction on the new units at Brooks Extension is expected to start in March 2004.

The housing authority has hired a nonprofit organization to serve as ABLA's service connector, and the program has been in operation since August 2001. A consultant has also been hired to implement the community and supportive services plan, including facilitating task forces on employment, education, and health.

Factors Contributing to Current Status

The ABLA revitalization has been affected by the need for the revitalization plans to comply with the Gautreaux consent decree. In 1966, African American residents of Chicago public housing filed suit against the Chicago Housing Authority for creating a segregated public housing system. In response, the court issued a judgment that prohibits the housing authority from constructing any new public housing in a neighborhood in which more than 30 percent of the occupants are minorities (limited areas) unless it develops an equal number of units in neighborhoods where less than 30 percent are minorities (general areas). In 1987, the court appointed a receiver for the housing authority's scattered site program, including the development of nonelderly public housing. In the case of ABLA, the receiver and the housing authority had to show the court that, while ABLA was currently in a limited area, the area was going to be revitalized by HOPE VI. In June 1998, the court approved the housing authority's request to designate ABLA a revitalizing area, thus allowing the development of new nonelderly public housing at the site without requiring an equal number of units to be built in a general area.

According to a housing authority official, site planning was progressing at the Brooks Extension site until the housing authority applied, in 1997, for a HOPE VI revitalization grant for the Grace Abbott Homes portion of ABLA. HUD rejected the application, stating that the housing authority needed to develop plans for the entire ABLA site and establish better relationships with the city and the receiver. In 1998, the housing authority submitted a new application that covered all of ABLA and showed that it had worked closely with the city and receiver. While the housing authority was preparing this application, work at Brooks Extension stopped. HUD ultimately awarded the housing authority a fiscal year 1998 grant for the portions of ABLA not covered by the fiscal year 1996 grant.

Management changes at the housing authority have also affected implementation of the grant, according to a housing authority official. After placing the housing authority under administrative receivership for approximately 4 years, HUD returned control of the housing authority to Chicago in May 1999. During the reorganization that occurred after the city resumed control, decisions were delayed. For example, the housing authority's negotiations with the program manager selected for ABLA were delayed, in part, because the agency had just regained control of its operations and was developing an overall plan for transformation.

According to a housing authority official, the receiver raised some legal issues that slowed progress at the ABLA site. HOPE VI revitalization grants are typically awarded to housing authorities. However, under the Gautreaux case, the receiver believed that the two ABLA grants should be split so that the funds for "hard" construction costs were awarded to the receiver, while the funds for social services were awarded to the housing authority. It took almost 2 years to settle this issue. In October 2000, the grants were split between the receiver and the housing authority. The only funds that the housing authority controls are funds for demolition, relocation, and community and supportive services.

The housing authority had to issue two requests for proposals before selecting a developer. The first request for proposals to develop Brooks Extension was issued in November 2001, and the authority received three responses. The housing authority did not think that the respondents had sufficient capacity; therefore, it decided to issue another request for proposals to develop the entire ABLA site. The second request for proposals was issued in June 2002, and a developer was selected in December 2002.

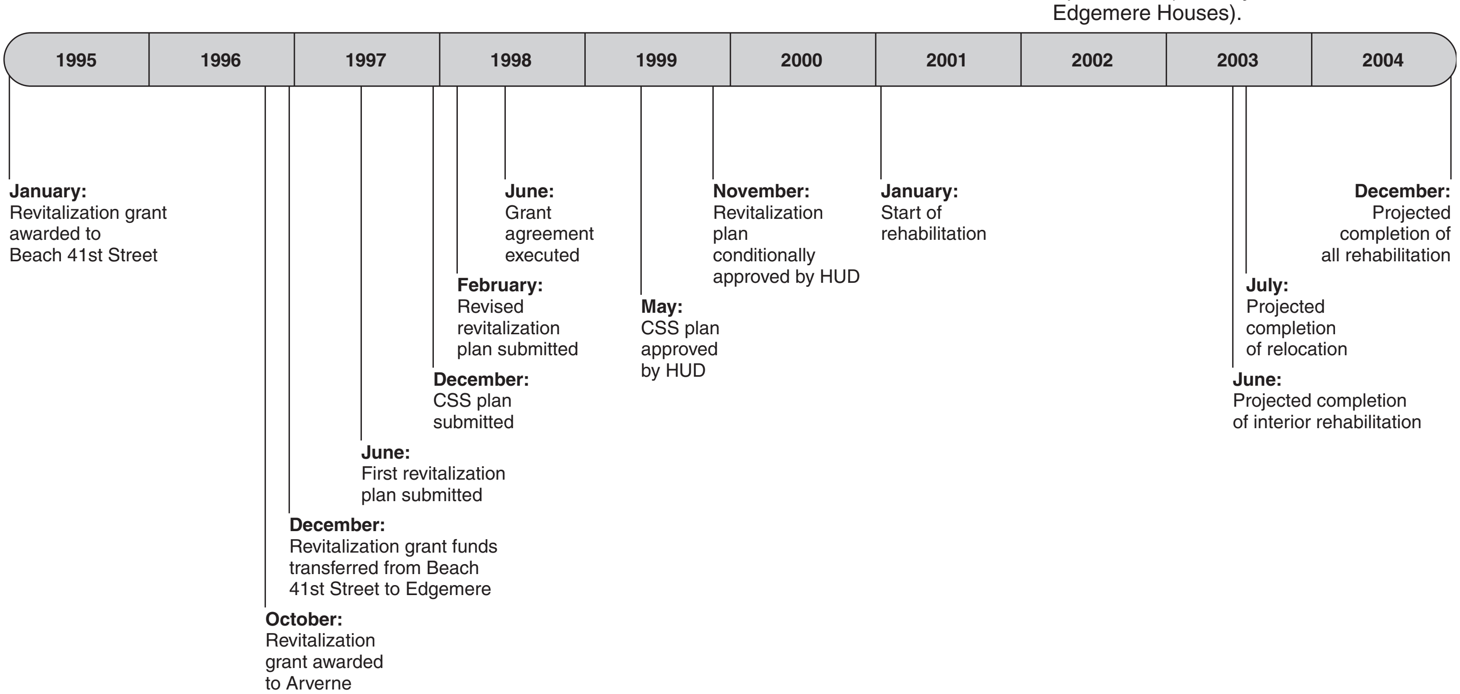
Arverne/Edgemere Houses, Queens, New York

The New York City Housing Authority is using $67.7 million in HOPE VI revitalization grant funds to renovate Arverne and Edgemere Houses. Some of these revitalization funds were originally awarded to another site, Beach 41^{st} Street Houses, and transferred to Edgemere in December 1996 (see fig. 10). All three sites are in Far Rockaway, a peninsula on the southern edge of Queens, south of Jamaica Bay and Kennedy Airport. The housing authority expects to complete the rehabilitation of Arverne and Edgemere by the end of 2004. In addition to the Arverne/Edgemere grant, the authority is overseeing another HOPE VI revitalization grant awarded in fiscal year 1998 for Prospect Plaza.

Figure 10: Time Line for Arverne/Edgemere Houses

Arverne and Edgemere Houses.

HOPE VI Technology Lab at Ocean Bay Apartments (formerly Arverne and Edgemere Houses).



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the New York City Housing Authority.

Background

The New York City Housing Authority received a $400,000 planning grant for the Arverne and Edgemere sites in fiscal year 1995. In 1996, the authority was awarded a revitalization grant for Arverne, and HUD transferred the revitalization grant originally awarded to Beach 41st Street

Houses to Edgemere. The funding was transferred from Beach 41st Street after an impasse over the residents' role in the planning process could not be overcome. The Arverne site, with 418 units, was completed in 1951; the Edgemere site, with 1,395 units, was completed in 1961 (see fig. 10). Although soundly constructed, they were in need of significant modernization and improvement.

The area surrounding Arverne/Edgemere lacks essential retail services and adequate recreation and community space. In addition, the high density and current configuration of the buildings have contributed to vandalism and other criminal activity. Joblessness and low educational achievement among residents further weaken the community. Though situated in an attractive locale, between Jamaica Bay and the Atlantic Ocean, the community is extremely isolated with limited transportation links to other parts of New York City.

Revitalization and Community and Supportive Services Plans

The total projected budget for the renovation of Arverne and Edgemere is $233 million, which includes other public housing funds, city funds, and private funds. The revitalization plans for Arverne/Edgemere, renamed Ocean Bay Apartments, call for the modernization of 1,803 apartments, including lobby and facade improvements and site improvements such as upgrading infrastructure and landscaping. The plans also include the construction of a recreational facility, the expansion of the existing community center and day-care center, and the off-site construction of a health and education center and two retail centers.

Of the $67.7 million in revitalization grant funds, the housing authority has budgeted $6.8 million for community and supportive services. The community and supportive services plan, which was approved in May 1999, focuses on case management, training, and self-sufficiency programs.

Current Status

Because the majority of residents chose to remain on-site during the renovation, only 211 residents were temporarily relocated, with the majority of households relocating to vacant units within the development. The renovation is being done in phases. For example, all of the asbestos was removed and electrical work completed before the kitchens and bathrooms were renovated. As of March 2003, 79 percent of the interior modernization work at Arverne and 85 percent of the interior modernization work at Edgemere was complete. The housing authority estimates that all of the apartment modernization work will be completed by June 2003. Under the revised revitalization plan, the community center will now be combined with the new recreational facility to reduce the overall costs of the plan. This work is under design and is expected to bid fall 2003. Also, the day-care center will be upgraded and expanded to create a state of the art facility with expanded capacity. The day-care center expansion design documents are completed.

Community and supportive services are being offered to residents and other community residents. In November 1999, the housing authority opened a Family Resource Center where it administers various training and self-sufficiency programs for the residents. Already operating are the computer lab (see fig. 10), after-school program, and job training classes. A popular project has been the computer incentive program that provides a personal computer system to residents who either work 96 hours volunteering on HOPE VI recruiting and other HOPE VI activities or who participate in a HOPE VI training program. The authority also has contracted with Goodwill Industries to provide case management, counseling, and job preparation, placement, and retention services. To sustain community and supportive services after the expiration of the HOPE VI grant, the authority has created the Ocean Bay Community Development Corporation.

Factors Contributing to Current Status

Resident opposition to demolition was one of the issues that led to the impasse at Beach 41st Street Houses. After HUD transferred the HOPE VI funds from Beach 41st Street to Edgemere in December 1996, the housing authority again included demolition in the plans for Edgemere's redevelopment. The housing authority determined that the best way to meet the demolition requirement would be to remove some top floors from each of three, nine-story buildings, thereby eliminating about 100 units. Subsequently, the housing authority withdrew this plan and proposed to convert dwelling units on the first floor to space for commercial and community services. This approach would also have removed about 100 units. The issue became moot when Congress, in the fiscal year 1998 appropriations act for the departments of Veterans Affairs and Housing and Urban Development and independent agencies, gave the New York City Housing Authority the option of not following any HOPE VI demolition requirements, and the housing authority abandoned the plans for demolishing the 100 units.

It took almost 18 months to get the revitalization plan for Arverne/Edgemere Houses approved. The housing authority first submitted a revitalization plan to HUD in June 1997. After HUD returned the plan with comments for the housing authority to address, the housing authority submitted a revised plan in February 1998. The housing authority then went back and forth with HUD on changes to the plan. According to housing authority officials, the primary point of contention was the types of economic development activities upon which HOPE VI funds could be spent. HUD finally approved the housing authority's revised plan in November 1999.

The effects of September 11, 2001, have also posed challenges for the redevelopment of Arverne and Edgemere. Some of the housing authority's HOPE VI records were destroyed and had to be recreated. Additionally, housing authority officials estimated that costs for one portion of the project had escalated from $22 million to $30 million over the life of the project—due, in part, to the labor force and materials moving downtown after September 11. Overall, the housing authority estimated that the Arverne/Edgemere project was delayed 6 months because of the September 11 attack.

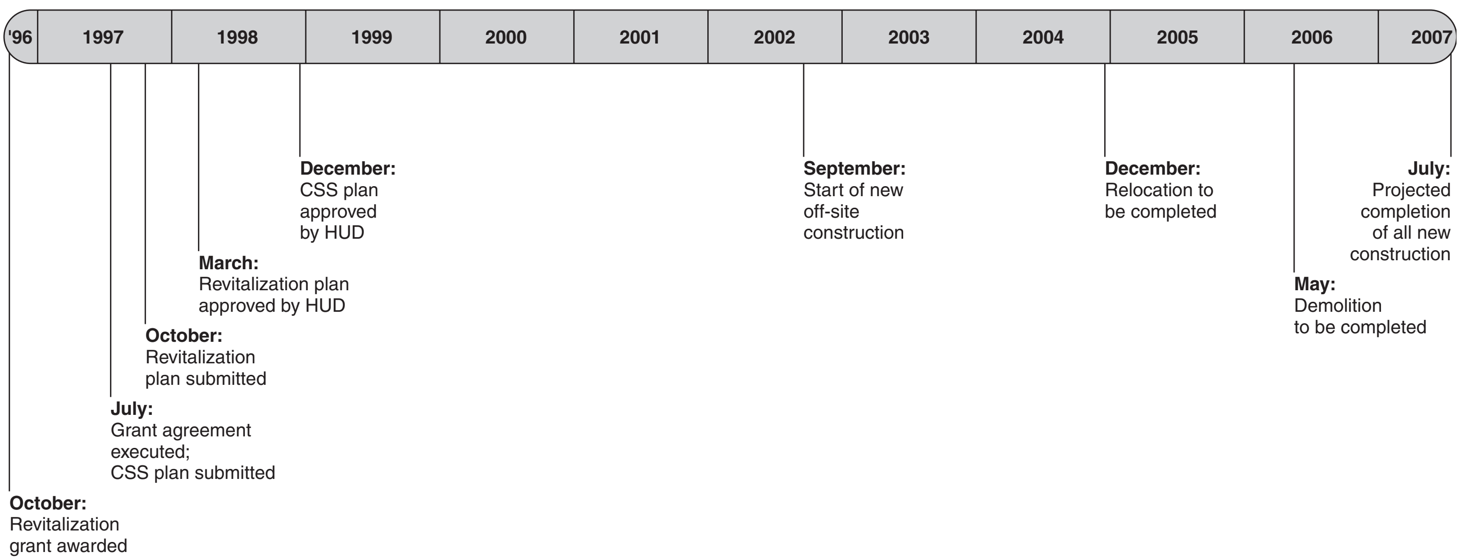
Bedford Additions, Pittsburgh, Pennsylvania

The Housing Authority of the City of Pittsburgh was awarded a $26.6 million HOPE VI revitalization grant for Bedford Additions in October 1996, as shown in figure 11. Off-site construction began in September 2002, and relocation and demolition have not yet occurred. The authority was previously awarded HOPE VI revitalization grants for Allequippa Terrace (fiscal year 1993) and Manchester (fiscal year 1995).

Figure 11: Time Line for Bedford Additions

Bedford Additions before revitalization.

Off-site construction under way.



Sources: GAO (except the photos, which are printed with the permission of the Housing Authority of the City of Pittsburgh).

Note: This time line is based on GAO analysis of data provided by the Housing Authority of the City of Pittsburgh.

Background

Bedford Additions, part of the larger Bedford Dwellings, was constructed in 1954 and contains 460 units, the majority of which are in three-story, walk-up buildings (see fig. 11). It is located in the Hill District, a neighborhood offering access to many job centers. Many of the buildings at

Bedford Additions had leaky roofs, cracks in the walls, and outdated mechanical systems that had not been well-maintained. Also, 72 percent of the families in its census tract were earning incomes below the poverty level. The housing authority was awarded a $395,700 HOPE VI planning grant for Bedford Dwellings and three other sites in fiscal year 1995.

Revitalization and Community and Supportive Services Plans

The total estimated budget for the revitalization is about $102 million and includes other public housing funds and equity from low-income housing tax credits. The revitalization plans call for

- construction of a two-story, 12,000-square-foot community center;
- construction of 75 off-site homeownership units and 365 off-site rental units (phases one and two); and
- construction of 45 on-site homeownership units and 175 on-site rental units (phase three).

Of the 660 total units planned, 220 will be replacement public housing units. In addition, up to 40 of the homeownership units will be made affordable for public housing residents. The off-site units will be constructed first, and then the existing on-site units will be demolished and new units will replace them.

Of the HOPE VI funds, the housing authority has budgeted about $5.1 million for community and supportive services. A new community center will house the supportive services program, including the case management function, computer learning lab, day care, a family support program, after-school teen program, resident council offices, and housing authority management offices.

Current Status

The community center has been completed, and many of the planned services are operational, including the computer lab. As of March 2003, the housing authority had acquired 235 of the approximately 650 separate parcels of land required for the off-site component of the project. Construction on the first 147 off-site rental units started in September 2002 (see fig. 11), and construction on the first 35 off-site homeownership units is scheduled to begin in June 2003.

Factors Contributing to Current Status

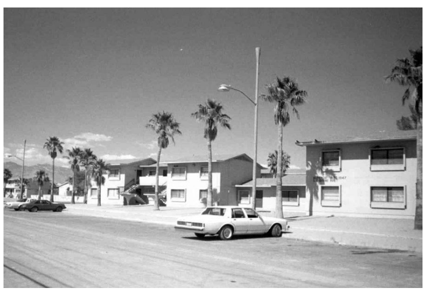
The decision to construct the off-site units first and on many different parcels of land has been the major impediment to progress. According to housing authority officials, the residents were fearful of being displaced; therefore, they wanted the housing authority to build the new off-site structures first so that they could be relocated to the new off-site units. The housing authority has been going through the lengthy process of acquiring parcels in the surrounding community either by negotiating the purchase of properties or through eminent domain. It also had to relocate 111 private households after acquiring their properties.

Financing the redevelopment also has been a challenge. For example, it was difficult to obtain low-income housing tax credits because the state housing finance agency has established strict guidelines. It wants any units developed as part of a mixed-income project to be contiguous. Because the housing authority could not acquire certain properties, there is a break between two sections of off-site parcels. After convincing the state housing finance agency that it would need two tax credit allocations, one for each section of the off-site parcels, and that it should not finance one without the other, the housing authority was awarded tax credits for the first phase of off-site development. Although this process did not delay the revitalization plans, it did make financing the first phase of development more complicated, according to a housing authority official.

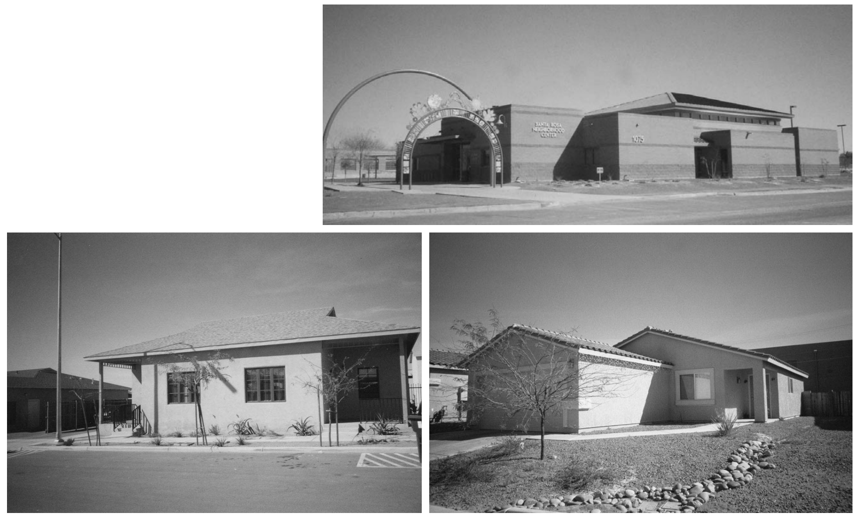
Connie Chambers, Tucson, Arizona

The City of Tucson Community Services Department, which serves as Tucson's public housing authority, was awarded a $14.6 million HOPE VI revitalization grant for Connie Chambers in late 1996, as shown in figure 12. The grant was closed out in January 2003. The department was also awarded a fiscal year 2000 revitalization grant for Robert F. Kennedy Homes.

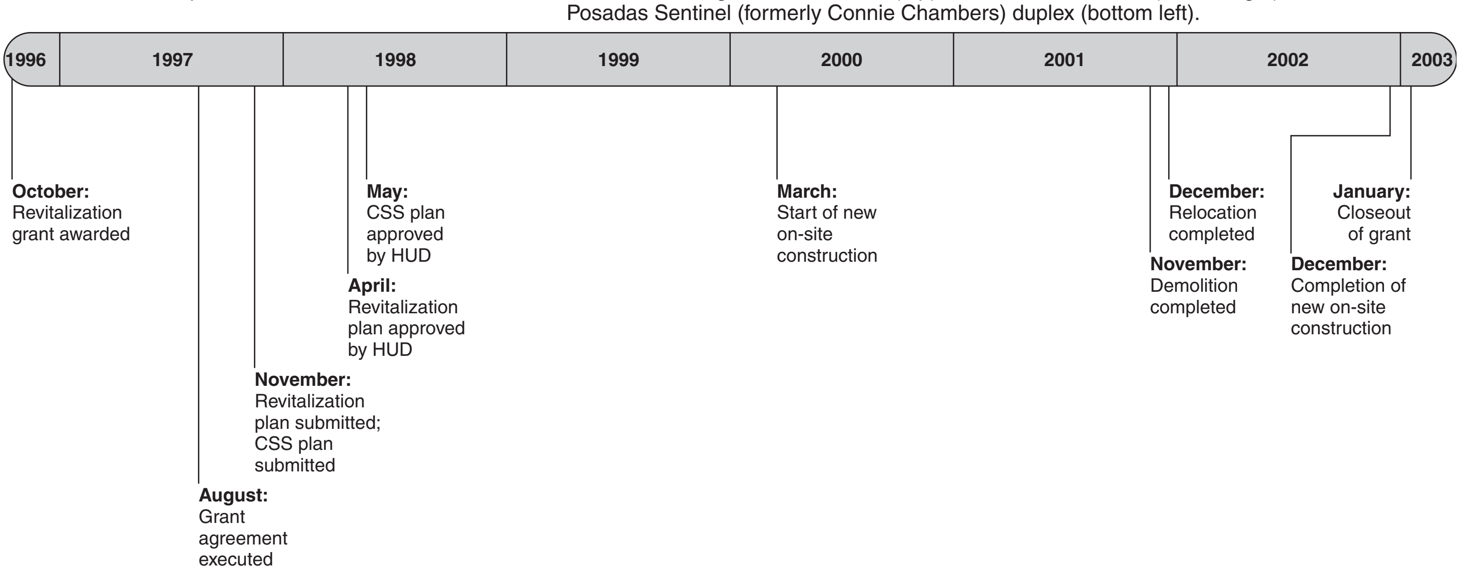
Figure 12: Time Line for Connie Chambers



Connie Chambers prior to demolition.



Santa Rosa Neighborhood Center (top), scattered off-site unit (bottom right), and Posadas Sentinel (formerly Connie Chambers) duplex (bottom left).



Sources: GAO (except the top left photo, which is printed with the permission of the City of Tucson Community Services Department).

Note: This time line is based on GAO analysis of data provided by the City of Tucson Community Services Department.

Background

Connie Chambers, built in 1967, consisted of 200 units (see fig. 12). The surrounding Santa Rosa neighborhood is historic and home to a lower income population. According to housing authority officials, the primary problem with Connie Chambers was that it was isolated from other communities after construction of a new convention center and police and fire department headquarters. Two out of three households on the public housing waiting list turned it down because of a history of high crime and poor physical conditions. The housing authority was awarded a $370,000 planning grant for Connie Chambers in fiscal year 1995. It used the planning grant to conduct maintenance studies and physical needs assessments and to hold meetings with residents.

Revitalization and Community and Supportive Services Plans

The total projected budget for the project is $72 million and includes other public housing funds, equity from low-income housing tax credits, city funds, and bond funds. The revitalization plan for Connie Chambers, renamed Posadas Sentinel, calls for

- rehabilitation of 10 units at another site;
- construction of 120 on-site units (60 public housing units and 60 tax credit units);
- acquisition of 130 scattered public housing units;
- construction of 60 homeownership units;
- construction of a child development center, learning center, and health center and expansion of the existing recreation center;
- construction of a grocery store; and
- an elderly building to be built by a nonprofit organization.

Of the $14.6 million revitalization grant, the housing authority has budgeted $1.2 million for community and supportive services. The community and supportive services plan, approved in May 1998, calls for a neighborhood services center to serve as a resource center for residents of the neighborhood and the provision of services such as language classes, an expanded child-care program, and job training.

Current Status

The 10 units at the other site have been renovated, all 120 of the on-site units have been completed, and all 130 scattered sites have been acquired (see fig. 12). As of March 2003, 54 of the homeownership units had been completed. The child development center and learning center, located in the Santa Rosa Neighborhood Center, were completed in April 2002. Construction on the recreation and health centers is under way. The housing authority was able to close out the grant in January 2003 because the remaining homeownership units and the recreation and health centers were not financed with HOPE VI funds.

A Head Start program has been operating in the child development center since January 2002. Another day-care service, operated by a local nonprofit organization, opened in the center in November 2001. It primarily serves working families. The learning center has been operational since April 2002 and contains a computer library. The learning center offers basic computer classes in either Spanish or English.

Factors Contributing to Current Status

Because the City of Tucson Community Services Department acts as both the city's public housing authority and community development agency, it was able to draw on other resources for the Connie Chambers revitalization. Funding for the project includes city funds for infrastructure, general city funds, and bonds. In addition, the state housing finance agency agreed to set aside 10 percent of its annual tax credit allotment for HOPE VI sites.

The housing authority has involved the residents and the neighborhoods surrounding the Connie Chambers site in the revitalization process. Both residents and the surrounding neighborhoods were involved in developing the revitalization plan. After the revitalization plan was developed, residents were asked to vote on the plan. Of the 181 Connie Chambers households, 107 participated in the vote. Of the 107 that voted, 84 voted in favor of the plan. Only after the residents expressed their support for the plan did the mayor and city council vote to submit the plan to HUD. When the housing authority determined that some residents did not want to relocate outside the neighborhood, even temporarily, it decided to demolish Connie Chambers in phases, starting at each end of the site. While the first phases were under construction, those who did not want to leave the neighborhood were allowed to live in the remaining units. Once construction was complete, they were moved into the new units, and the rest of the original units were demolished.

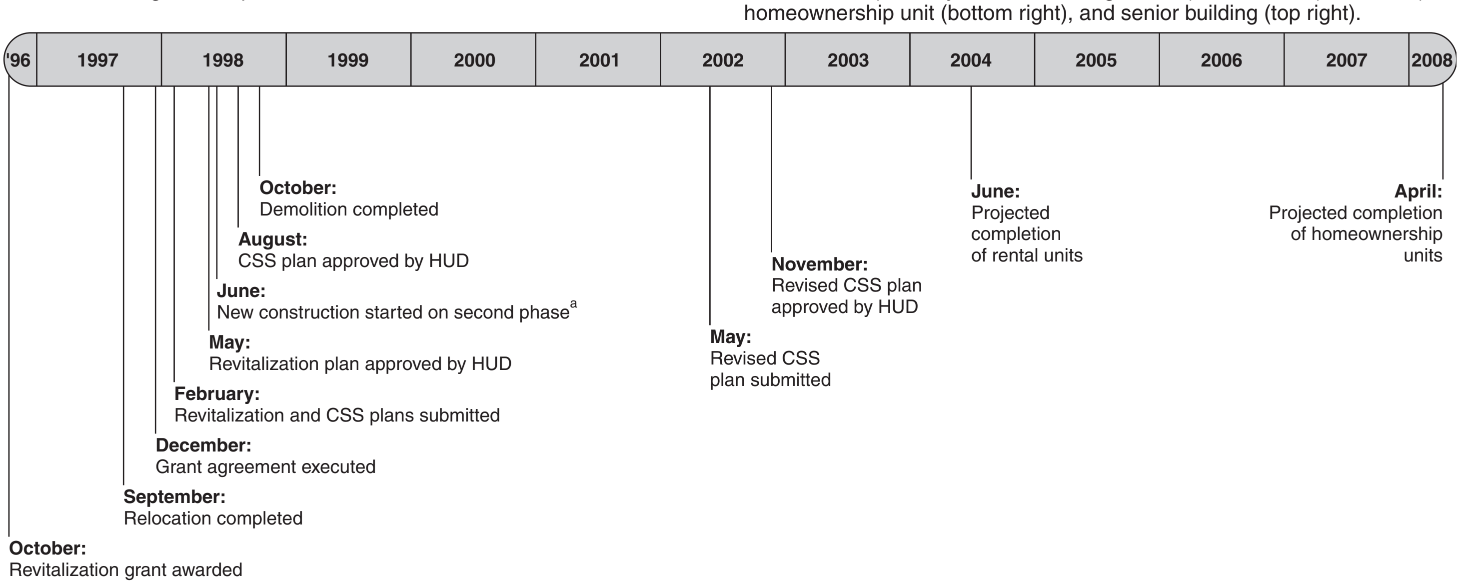
Cotter and Lang Homes, Louisville, Kentucky

The Housing Authority of Louisville was awarded a $20 million HOPE VI revitalization grant for Cotter and Lang Homes in late 1996 (see fig. 13), and about 65 percent of the planned units were complete as of March 31, 2003.

Figure 13: Time Line for Cotter and Lang Homes

Cotter and Lang Homes prior to demolition.

Park DuValle (formerly Cotter and Lang Homes) rental units (bottom left), homeownership unit (bottom right), and senior building (top right).



Sources: GAO (except the two left photos, which are printed with the permission of the Housing Authority of Louisville).

Note: This time line is based on GAO analysis of data provided by the Housing Authority of Louisville.

[a]The first phase of rental units was begun prior to receipt of the HOPE VI revitalization grant.

Background

Cotter Homes, completed in 1953, consisted of 620 units. Lang Homes, built in 1959, contained 496 units (see fig. 13). These two contiguous public housing sites, located in Louisville's Park DuValle neighborhood, were the largest public housing sites in Louisville. Together, they covered almost 80 acres. Almost 80 percent of the residents in the Park DuValle neighborhood lived in poverty. The neighborhood also had the highest violent crime rate per square mile in Louisville. The local newspaper referred to one corner on the Cotter and Lang site as the "meanest" corner in Louisville. Furthermore, the area surrounding the two sites contained vacant or underused industrial buildings, unused school land, vacant failed subsidized housing, and other available housing development sites.

Revitalization and Community and Supportive Services Plans

The total projected budget for the project is $200 million and includes other public housing funds, other HUD funds, and equity from low-income housing tax credits. The revitalization plans for Cotter and Lang Homes, renamed Park DuValle, call for 1,213 new units to be completed in five phases.

- Phase one: development of 100 rental units.
- Phase two: development of 213 rental units and 150 homeownership units.
- Phase three: development of 108 rental units (including some elderly units) and 300 homeownership units.
- Phase four: development of 192 rental units.
- Phase five: acquisition of 150 off-site rental units.

Of the 763 total rental units, 500 will be public housing units, 160 will be tax credit units, and 103 will be market-rate units. The 450 homeownership units will be targeted to households with a variety of incomes. A town center will include space for various types of commercial enterprises. The HOPE VI funds will be used to develop the 150 off-site units and to provide homeownership assistance.

Of the $20 million in HOPE VI revitalization grant funds, the housing authority has set aside $3 million for community and supportive services. The focus of its initial community and supportive services plan, approved in August 1998, was lifelong learning programs and services, such as child care, youth programs, and computer training. The developer would provide services to residents of the Park DuValle revitalization area, and the housing authority would provide case management services to former Cotter and Lang residents that were not residing at the Park DuValle site.

Current Status

Work on the first phase of 100 rental units was begun before the housing authority received its HOPE VI revitalization grant, and construction was completed in 1998. The 321 rental units envisioned for phases two and three also have been completed, and construction on the fourth phase of 192 rental units is under way (see fig. 13). Of the 150 planned off-site units, 112 had been acquired as of March 31, 2003. As part of the phase three rental units, a 59-unit senior building was constructed. As of March 31, 2003, the first 150 homeownership units had been sold, and 147 had been completed. Twenty-eight homeowners received soft second mortgages funded by the HOPE VI program.[2] The remaining phase of 300 homeownership units is under way. Because it estimates that it can sell only 4 units a month in the Louisville housing market, the housing authority does not expect all 300 units to be completed and sold until April 2008.

The housing authority hired Jefferson County Human Services to provide intensive case management services to former Cotter and Lang residents. The emphasis was on preparing former residents to return to Park DuValle. The developer focused primarily on community building in the new Park DuValle neighborhood. For instance, it served as liaison to the Park DuValle Neighborhood Advisory Council—an organization comprised of former residents of Cotter and Lang, Park DuValle public housing residents, and residents of the surrounding neighborhood. However, the housing authority determined that additional efforts were necessary to ensure that all former Cotter and Lang residents, whether or not they were residents of the new community, had access to services aimed toward increasing self-sufficiency. Therefore, it developed a revised community and supportive services plan, which it submitted to HUD in May 2002. HUD approved the plan in November 2002.

[2]The soft second mortgages are recorded liens for 10 years. The amount of the soft second mortgage is forgiven at 20 percent per year beginning with year 6. After 10 years, the equity in the home belongs to the owner. The soft second mortgages are not transferable if the home is sold prior to year 10.

Factors Contributing to Current Status

According to housing authority officials, support from the city, other local entities, and the local HUD field office has been integral to the success of the Park DuValle project. Both the mayor at the time the grant was awarded and the subsequent mayor were very supportive of the project. The city has provided funds and other resources (e.g., the services of the city's chief architect). The local school board spent $15 million on a new school in the Park DuValle neighborhood, and the health department spent $5 million on a new health center. Staff from the local HUD field office have also been part of the project team. During planning and much of implementation, a management team comprised of representatives from the housing authority, the city, the local HUD field office, and the developer met weekly to discuss the project. Now that much of the construction has been completed, the team meets about once a month.

The leadership of the housing authority's executive director was another factor cited as contributing to the success of Park DuValle. Housing authority officials noted that, because the executive director formerly worked in the mayor's office, he has been able to strengthen the city's support for the project. In addition, according to local HUD officials, the executive director's relationship with residents was very good. During his tenure as executive director, a public housing resident was named the chairman of the housing authority's Board of Commissioners.

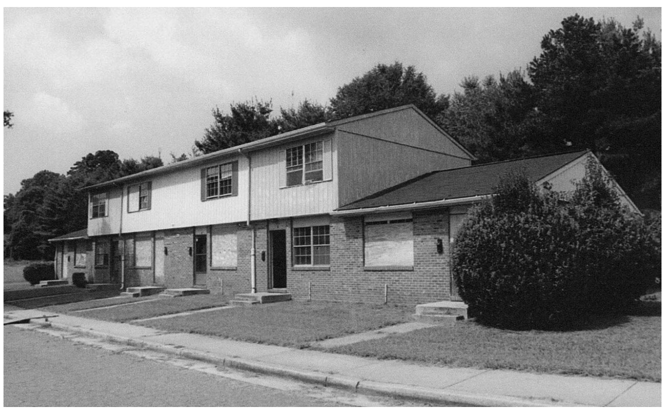
Another factor contributing to Louisville's success is that the housing authority has not had to make any significant modifications to its revitalization plan. The total number of planned units (1,213) has not changed. The few changes that have been made are minor. For example, the housing authority originally planned for the homeownership units to be constructed in three phases but later decided to consolidate the last two phases for a total of two phases. Also, instead of the 125 homeownership units originally planned in phase two, the housing authority was able to sell 150 units.

The housing authority has been able to obtain multiple sources of funding for the project. In addition to the $20 million in HOPE VI funds, the master budget includes $56.2 million in other public housing funds and $20.5 million in other HUD funds. The other sources of funding include $37.2 million in equity from low-income housing tax credits and $56.3 million in debt financing. The state housing finance agency set aside 6 years of tax credits for the Park DuValle project.

Dalton Village, Charlotte, North Carolina

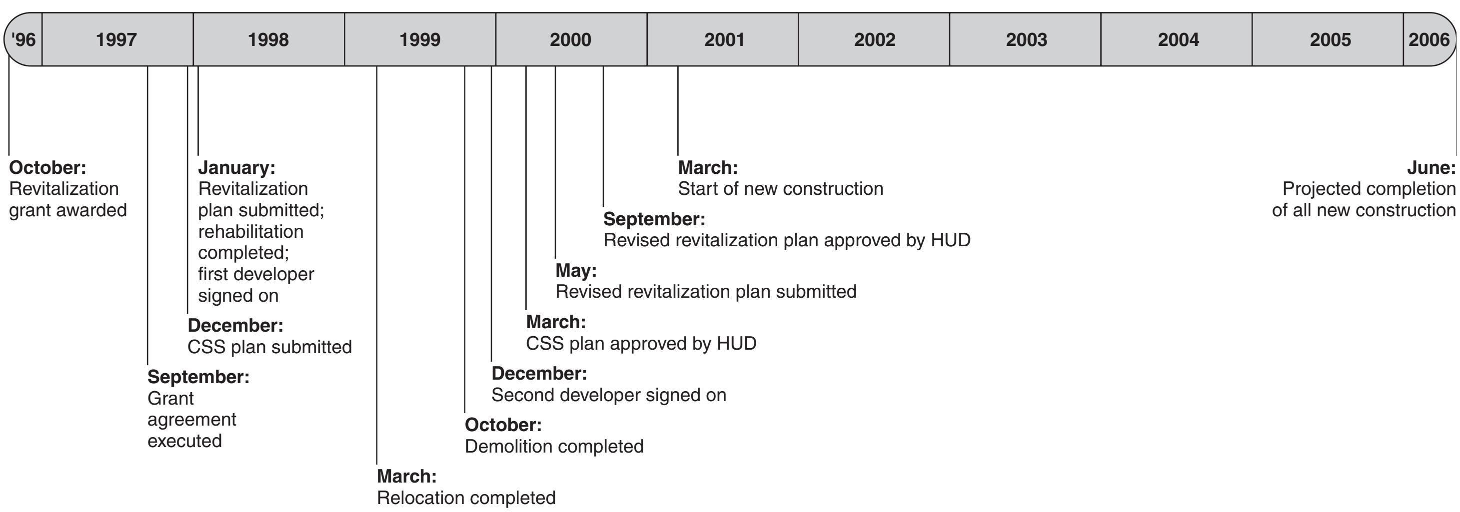
The Charlotte Housing Authority was awarded a $24.5 million HOPE VI revitalization grant for Dalton Village in October 1996 (see fig. 14). As of March 2003, 194 of 432 total planned units were complete. In addition to the Dalton Village grant, the authority is overseeing two other revitalization grants awarded in fiscal years 1993 and 1998.

Figure 14: Time Line for Dalton Village



Dalton Village prior to demolition.

Arbor Glen (formerly Dalton Village) rental units.



Sources: GAO (except the photos, which are printed with the permission of the Charlotte Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Charlotte Housing Authority.

Background

Dalton Village was built in 1970 and consisted of 300 units in brick townhouse structures with sloped roofs and clapboard facades, as shown in figure 14. The development was located off Clanton Road, an off-shoot from West Boulevard, which was once a major route to Charlotte's Douglas International Airport. In addition to the presence of lead-based paint and asbestos materials, the structures at Dalton Village suffered from severe deficiencies due to the age of the buildings. The site conditions were very poor with severe erosion taking place over a large portion of the site, and the lack of adequate drainage devices compounded the site problems. Dalton Village was isolated from the adjoining communities by virtue of noncontinuous street access and a steep hill that physically separated it from the neighboring community.

Revitalization and Community and Supportive Services Plans

The total projected budget for the revitalization project is $44 million, which includes equity from low-income housing tax credits. The revitalization plan for Dalton Village, renamed Arbor Glen, calls for

- rehabilitation of 50 existing public housing units and the Family Investment Center;
- on-site construction of 144 family and elderly rental units, including 60 public housing units;
- on-site and off-site construction of 175 rental townhouses, including 70 public housing units;
- construction of 48 on-site homeownership units, including 20 for public housing residents;
- construction of 15 off-site homeownership units designated for public housing residents; and
- construction of an outreach center for recreational and educational programs.

The housing authority has budgeted $4.1 million of the HOPE VI revitalization grant for community and supportive services. The community and supportive services plan, approved in March 2000, calls for services to be provided at the new outreach center, which would house multipurpose classrooms and a full-size multipurpose gymnasium. The focus would be on services and programs that promote self-sufficiency.

Current Status

The 50 existing units and the Family Investment Center have been renovated, and the 144 family and elderly rental units are complete and fully occupied (see fig. 14). The housing authority estimates that construction of the on-site rental townhouses will begin in June 2003 and be completed by June 2004. The housing authority has submitted two tax credit applications—one for an additional 23 on-site units and one for 74 units at an off-site location. In January 2003, the housing authority completed its acquisition of nearby county land needed for the 48 on-site homeownership units, and groundbreaking is scheduled for summer 2003.

The $1.5 million outreach center was completed and opened to the public in March 2002. It is an 11,000-square-foot community and recreational center consisting of a gymnasium, four classrooms, and a computer lab. The center is open not only to Arbor Glen residents but also to the entire Arbor Glen community and nearby neighborhoods. It houses recreational and other educational programs. All of the Arbor Glen public housing residents are required to participate in the family self-sufficiency program. A case manager works with participants to develop an individual service plan and to help the residents meet their self-sufficiency goals, such as those related to education and employment.

Factors Contributing to Current Status

The redevelopment of Arbor Glen was delayed initially because the Charlotte Housing Authority changed development partners. According to housing authority officials, the first developer, signed on in 1998, did not have much development expertise, kept changing financial projections, and did not listen to the community or the state housing finance agency. As a result, the initial developer's application for low-income housing tax credits was denied. In December 1999, the housing authority signed a new development partner for the site. This developer was part of the initial development team; therefore, the housing authority did not have to issue another request for proposals.

Since the new developer was retained, the project has moved forward. The housing authority and the new developer worked to develop a new site plan and development scheme that would be more competitive for tax credits. In late 2000, the project was awarded tax credits for the first phase of new construction. The first phase of 144 units was completed and leased 6 months ahead of schedule.

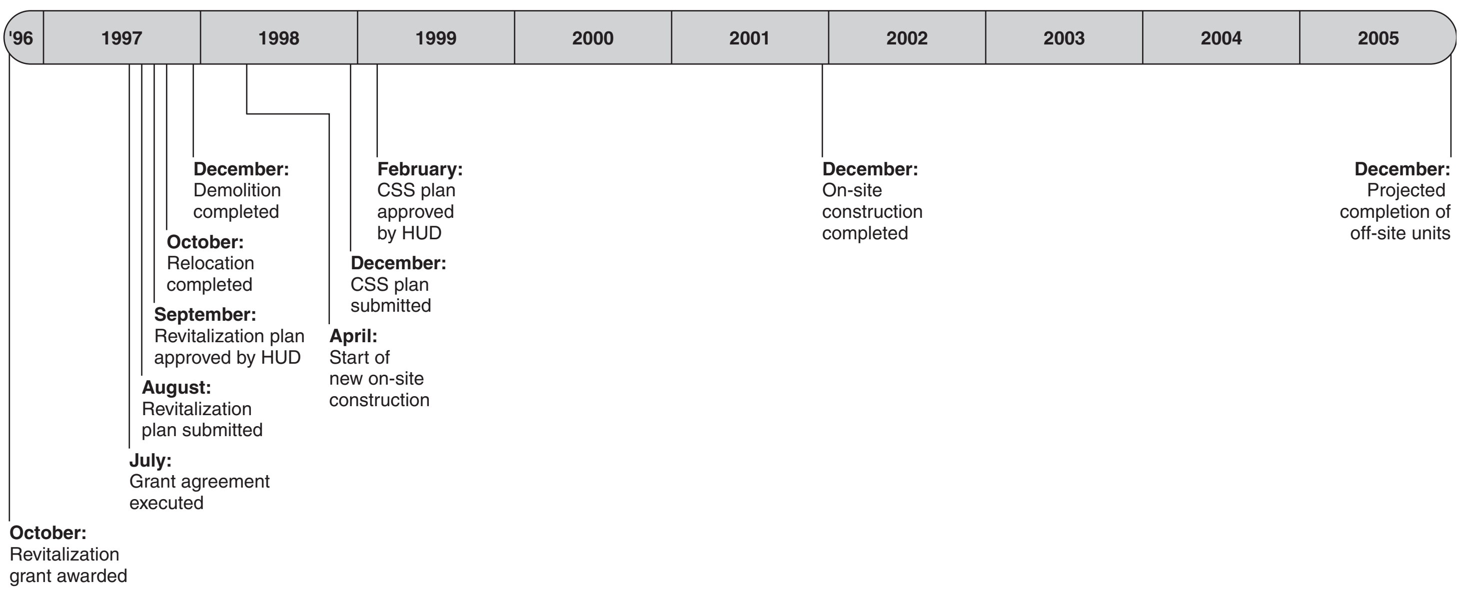
Durkeeville, Jacksonville, Florida

The Jacksonville Housing Authority was awarded a $21.5 million HOPE VI revitalization grant for Durkeeville in October 1996 (see fig. 15). Of the 303 planned units, 228 have been completed.

Figure 15: Time Line for Durkeeville

Durkeeville prior to demolition.

The Oaks at Durkeeville (formerly Durkeeville).



Sources: GAO (except the left photo, which is printed with the permission of the Jacksonville Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Jacksonville Housing Authority.

Background

The 280 units in the Durkeeville public housing complex were poorly designed, lacked sufficient ventilation, and had extensive plumbing and drainage deficiencies. For example, the roofs were constructed without an overhang, which exacerbated the deterioration of the outside walls (see fig. 15). Furthermore, the site consisted of mostly small, one-bedroom units that no longer met the residents' needs for space. Built in 1936, the overall design of the Durkeeville site had become outmoded. Parking was nonexistent, the density of the housing units was twice that of the surrounding community, and a porous design with alleyways instead of roadways provided an environment conducive to criminal activity.

By 1990, the Durkeeville site and its surrounding neighborhood had become Jacksonville's most dangerous community—the violent crime rate for Durkeeville was 12 times higher than for Jacksonville. The neighborhood surrounding Durkeeville was once a desirable middle-class neighborhood. However, low incomes in the neighborhood contributed to low property values, low rents, and little economic activity; over 40 percent of neighborhood households were below the poverty level, according to the 1990 census. The Jacksonville Housing Authority was awarded a fiscal year 1995 HOPE VI planning grant totaling $400,000 for Durkeeville.

Revitalization and Community and Supportive Services Plans

The total projected budget for the revitalization is about $37 million, which includes other public housing funds left over from the redevelopment of another Jacksonville Housing Authority property. Several key features of the revitalization plan for Durkeeville, renamed The Oaks at Durkeeville, include

- construction of 200 new rental public housing units (of which 40 will be for seniors and the disabled) and 28 homeownership units on the Durkeeville site;
- construction of 75 off-site public housing units;
- renovation and expansion of the community center;
- renovation of two existing buildings for historic preservation; and
- retail space containing several businesses and a health clinic.

The housing authority plans to set aside $3.1 million of the revitalization grant for community and supportive services. The community and supportive services plan, approved in February 1999, calls for the renovated community center to become a focal point for the entire community and to include a computer lab; community meeting rooms; social service agencies; adult education classes; and recreational facilities, among other programs.

Current Status

The Jacksonville Housing Authority has completed the on-site construction, which includes the 200 rental units (see fig. 15), 28 homeownership units, the renovation of the community center, and rehabilitation of two historic buildings that include a day-care center and resident management offices. Several businesses—including a grocery store, pizza restaurant, Chinese restaurant, and health clinic—have moved into the retail strip adjacent to the site. All of the housing units are occupied. The community center houses the family self-sufficiency program and adult literacy classes, sponsors numerous recreational activities for children, and hosts community meetings. The day-care facility and a museum showcasing Durkeeville's history are operating on-site.

The housing authority does not plan to start the development of the 75 off-site rental units until October 2003. Currently, the housing authority is planning to use a portion of their HOPE VI funds to purchase 75 to 100 apartments and convert them to public housing.[3]

Factors Contributing to Current Status

According to officials at the housing authority, on-site construction at Durkeeville was completed in a timely manner for several reasons. First, the housing authority was able to develop a sound, comprehensive revitalization plan because HUD awarded it a planning grant in fiscal year 1995. The grant provided the authority with the necessary resources to hire several consultants and invest in extensive outreach to public housing and community residents. Second, the on-site public housing units were funded entirely with public housing funds. The housing authority used only its HOPE VI grant and surplus public housing funds from another rehabilitation project to fund Durkeeville's redevelopment. The simpler

[3]This will satisfy, in part, a federal court consent decree that stipulates that the Jacksonville Housing Authority must create 225 new public housing units by 2006 in designated areas of Duval County where public housing had not previously been built.

financial structure of the redevelopment shortened the project's time frames by over 1 year, according to one housing authority official.

According to the executive director, in addition to these unique features of the Durkeeville site, the housing authority enjoys the backing of a committed board of directors, which includes prominent Jacksonville real estate developers, attorneys, and former corporate managers. Also represented on the board are the police department, public housing residents, and local businesses. This broad base of support, in conjunction with the executive director's extensive networking with various government entities, provided the housing authority with key partnerships that helped expedite work on the site.

Finally, according to housing authority officials, the decision to place the HOPE VI-related offices in the community center increased the public housing residents' sense of belonging to a community. The increased number of interactions between public housing and local residents has improved the overall relations between the two groups. This has had an overall positive impact on the entire community.

Plans for the off-site portion of the revitalization have not proceeded as smoothly. First, the initial site that the housing authority chose could not get approval by the Environmental Protection Agency. The site was once used for garbage incineration and contains polluted ash in its soil. The housing authority then proposed to purchase a neglected privately owned apartment complex (HUD was going to foreclose the property) and convert all 78 units to public housing, but a local citizens group opposed the plan and took legal action to enforce a court decree from 2000, which states that only 25 percent of any apartment complex the authority buys in an area with a low percentage of minorities can be used for public housing. Ultimately, HUD did not conduct foreclosure proceedings, and the housing authority is currently researching other sites.

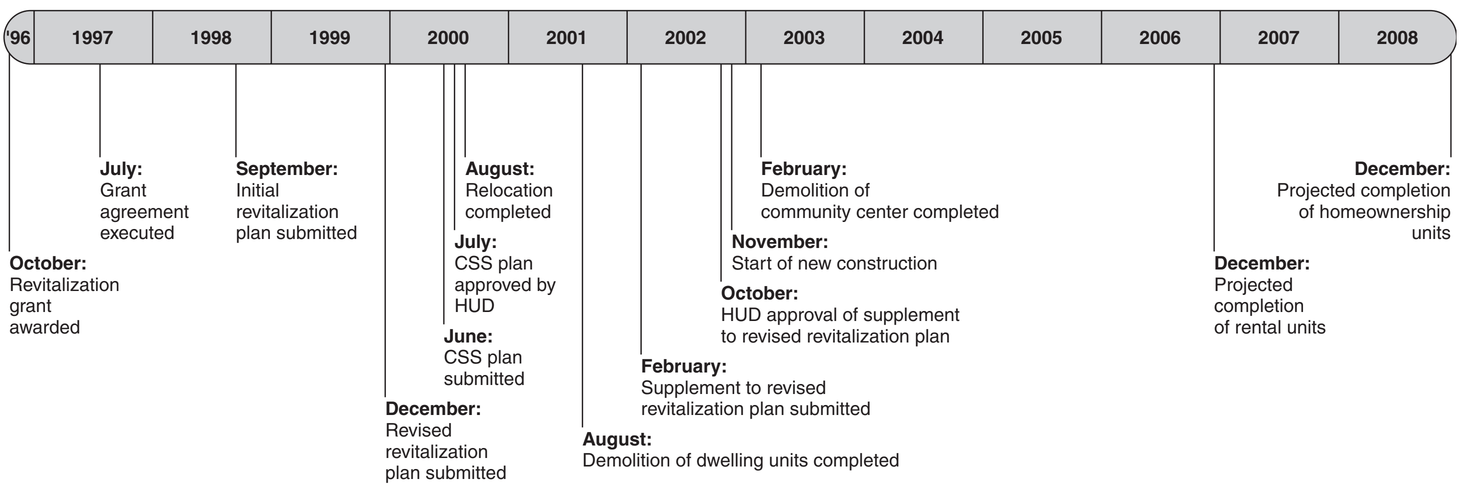
Heman E. Perry Homes, Atlanta, Georgia

The Housing Authority of the City of Atlanta was awarded a $20 million HOPE VI revitalization grant for Heman E. Perry Homes (Perry Homes) in late 1996 (see fig. 16), but the revitalization effort did not move forward for some time, primarily because of changes to the revitalization plans. Construction on the first phase of units began in November 2002. The housing authority also has received revitalization grants for the following sites: Techwood/Clark Howell Homes (fiscal year 1993), Carver Homes (fiscal year 1998), Harris Homes (fiscal year 1999), and Capitol Homes (fiscal year 2001). Centennial Place, the name given to the revitalized Techwood/Clark Howell Homes, was largely completed in 2000 and was the first mixed-use, mixed-income community (with public housing as a component) in the nation.

Figure 16: Time Line for Heman E. Perry Homes

Perry Homes prior to demolition.

Cleared Perry Homes site.



Sources: GAO (except the photos, which are printed with the permission of the Housing Authority of the City of Atlanta).

Note: This time line is based on GAO analysis of data provided by the Housing Authority of the City of Atlanta.

Background

Perry Homes and Perry Homes Annex, constructed in 1955, consisted of 944 and 128 units, respectively, and were located on approximately 153 acres of land (see fig. 16). When the housing authority applied for the revitalization grant, the brick exterior walls had deteriorated, resulting in water damage to walls, floors, and personal belongings. The sanitary sewer system leaked, and the storm drainage system did not function properly.

From 1992–95, an average of 254 Perry Homes residents were victims of crime each year. In addition, more than 60 percent of the residents of Perry Homes and the surrounding neighborhood were living below the poverty line. The Housing Authority of the City of Atlanta received a $400,000 HOPE VI planning grant for Perry Homes and one other site in fiscal year 1995.

Revitalization and Community and Supportive Services Plans

In addition to the $20 million revitalization grant, the housing authority also was awarded $5.1 million in fiscal year 1998 HOPE VI demolition funds. The total projected budget for the revitalization of the site is $143 million and includes other public housing funds and equity from low-income housing tax credits. The revitalization plan for Perry Homes, renamed West Highlands at Heman E. Perry Boulevard, calls for 800 new housing units to be constructed in five phases. The construction phases are as follows:

- Phase one: 124 rental units (50 public housing units, 12 tax credit units, and 62 market-rate units).
- Phase two: 152 family rental units (61 public housing units, 19 tax credit units, and 72 market-rate units) and 130 elderly rental units (100 project-based Section 8 units and 30 market-rate units).
- Phase three: 152 rental units (61 public housing units, 14 tax credit units, and 77 market-rate units).
- Phase four: 142 rental units (56 public housing units, 11 tax credit units, and 75 market-rate units).
- Phase five: 100 homeownership units (40 units for public housing eligible families and 60 market-rate units).[4]

In addition to housing, the plan calls for a town center, an 18-hole public golf course, and over 90 acres of green space in the form of parklands, nature trails, and recreational fields.

[4]Although the revitalization plans call for 100 homeownership units, an additional 150 market-rate homeownership units may be built on-site, and up to 300 additional homeownership units may be built off-site.

Of the $20 million revitalization grant, the housing authority has budgeted $2.6 million for community and supportive services. It plans to deliver community and supportive services to Perry Homes residents using two basic approaches. First, it provides authoritywide programs that are available to all public housing residents, including residents of HOPE VI sites. These authoritywide programs include the Human Service Management Program—which provides case management services—and the Work Force Enterprise Program—which equips participants with the skills necessary to manage the transition from unemployment to the workforce. Second, the housing authority plans to ensure that Perry Homes residents have access to neighborhood-based programs. Some of these programs will be offered at a new school, public library, and YMCA.

Current Status

All of the Perry Homes residents have been relocated, and demolition has been completed (see fig. 16). Construction on the first phase of 124 rental units began in November 2002. Construction of the rental and homeownership units is scheduled to be completed by December 2006 and December 2008, respectively.

HUD approved the community and supportive services plan for Perry Homes in July 2000, and Perry Homes residents have been participating in authoritywide programs. The developer has hired a human services provider to supply case management services specifically for former Perry Homes residents. Services to be provided include case management tracking and referral services. Construction has not yet begun on the town center, which will include the school, public library, and YMCA. The town center also will include a park, retail, and office space.

Factors Contributing to Current Status

After the Housing Authority of the City of Atlanta submitted its original revitalization plan for Perry Homes to HUD in September 1998, HUD officials visited the site to discuss issues and concerns that they had about the plan. The plan called for the development of 415 new public housing units on the existing site; the housing authority planned to use only HOPE VI funds and other HUD funds. In a June 2, 1999, letter to the housing authority summarizing its concerns about the plan, HUD questioned whether rebuilding the site entirely with public housing units, without funding to provide meaningful supportive services and without significant partnerships, could result in a sustainable development and provide the maximum benefits to residents.

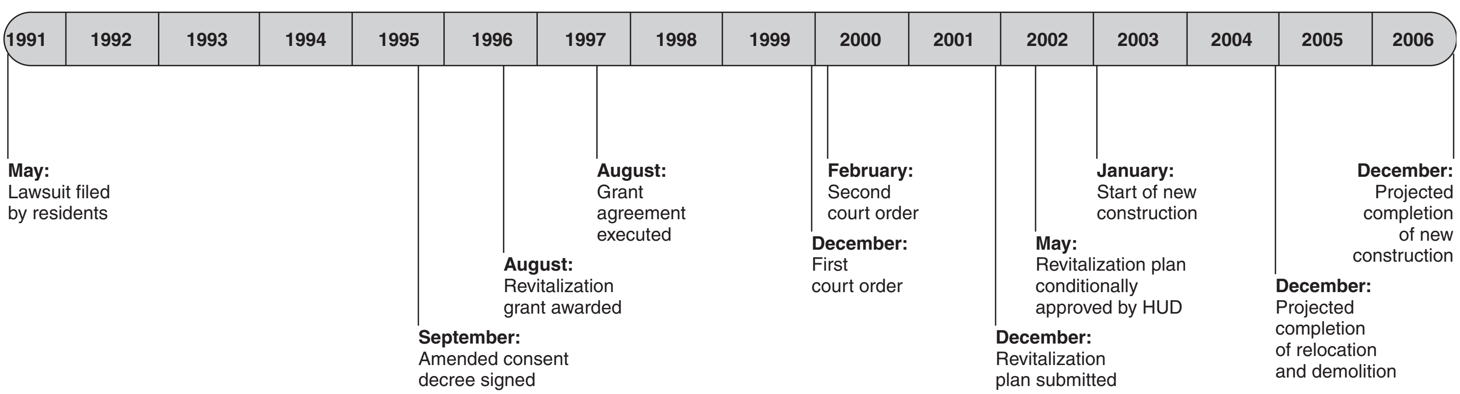
In response to HUD's concerns, the housing authority came up with a new concept for the Perry Homes site and started developing a new master plan. In December 1999, the housing authority submitted a revised revitalization plan to HUD, which called for a mixed-use, mixed-income community consisting of 750 residential units (40 percent of which would be public housing units), a recreation center, a public library, and a village center. After a developer was selected, the revitalization plan was further refined, and a supplement to the revised revitalization plan was submitted in February 2002. HUD approved the supplement in October 2002, and construction began shortly thereafter.

Henry Horner Homes, Chicago, Illinois

As figure 17 shows, the Chicago Housing Authority was awarded an $18.4 million HOPE VI revitalization grant for Henry Horner Homes in late 1996. However, the planned revitalization of the site has been delayed by a lawsuit filed by residents and subsequent legal decisions. The Chicago Housing Authority's scattered site program, which includes the development of any nonelderly public housing, has been under judicial receivership since 1987. The housing authority is in the midst of implementing a 10-year transformation plan, which is a $1.5 billion blueprint for rebuilding or rehabilitating 25,000 units of public housing—enough for every leaseholder as of October 1999—and transforming isolated public housing sites into mixed-income communities. The housing authority has also received revitalization grants for the following sites: Cabrini-Green (fiscal year 1994), ABLA (fiscal years 1996 and 1998), Robert Taylor (fiscal years 1996 and 2001), Madden/Wells/Darrow (fiscal year 2000), and Rockwell Gardens (fiscal year 2001).

Figure 17: Time Line for Henry Horner Homes

Henry Horner high-rise awaiting demolition.



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the Chicago Housing Authority.

Background

Henry Horner Homes, completed in 1957, and Henry Horner Extension, completed in 1961, consisted of a combination of high-rise and mid-rise buildings containing 1,659 units (see fig. 17). Henry Horner Homes is adjacent to the United Center, the arena where the Chicago Bulls play, and is located about 1.5 miles from Chicago's central business district. At the time that the housing authority applied for the grant, the units targeted for revitalization had broken windows and doors, sewage backups, insect and rodent infestation, and missing window child guards. The violent crime rates were three to eight times higher than those for Chicago as a whole, and the vacancy rate in the targeted area was about 50 percent. The Chicago Housing Authority was awarded a $400,000 HOPE VI planning grant for Henry Horner and two other sites in fiscal year 1995.

Revitalization and Community and Supportive Services Plans

In addition to the $18.4 million revitalization grant, the housing authority was awarded a $2.3 million HOPE VI demolition grant for Henry Horner in fiscal year 2000. The total projected budget for the project is $78 million and includes other public housing funds, equity from low-income housing tax credits, and state and city funds. The revitalization plan calls for the construction of 764 new units on-site—271 public housing units, 132 affordable units (80 tax credit rental units and 52 homeownership units), and 361 market-rate units (114 rental units and 247 homeownership units). These units will be constructed in three phases. The housing authority has set aside almost $30,000 of the HOPE VI revitalization grant funds for community and supportive services. Although this amount is small, the housing authority plans to submit a community and supportive services plan for Henry Horner.

Current Status

Over 600 of the planned 1,197 units have been demolished. According to the housing authority, the revitalization plans were developed in such a way as to minimize the temporary relocation of current residents. After the first of three phases of construction is completed, most of the remaining 176 households will be relocated to the new units. Construction on the first phase of units began in January 2003. The first units are expected to be ready for occupancy by the end of 2003. The authority and the Horner Resident Committee are currently negotiating the relocation notices that will go out to the residents. The remaining buildings will be demolished on a schedule negotiated with the Horner Resident Committee.

Factors Contributing to Current Status

The redevelopment of Henry Horner was delayed for 4 years by legal actions. In 1991, the Henry Horner Mothers Guild filed a suit against the Chicago Housing Authority and HUD alleging, among other things, that Henry Horner had been “de facto” demolished without obtaining HUD or local government approval or providing replacement housing. The case was settled in September 1995 when an amended consent decree was signed. After the housing authority was awarded a HOPE VI revitalization grant for Henry Horner in 1996, the Henry Horner plaintiffs raised concerns about the revitalization plans, including the number of replacement public housing units, which delayed the project and ultimately resulted in two subsequent court orders, issued in December 1999 and February 2000. As a result of these legal decisions, the Chicago Housing Authority is required to designate 220 units or 35 percent of the total units, whichever is greater, as very low-income units. Also, any decisions regarding the revitalization of Henry Horner are subject to the approval of the plaintiffs' counsel and the Horner Resident Committee.

Because any remaining work at Henry Horner is subject to approval by the Horner plaintiffs' counsel and the Horner Resident Committee, decision-making has been slow. According to housing authority officials, it took the Henry Horner Working Group—which includes the Horner Resident Committee and the Horner plaintiffs' counsel—about 2 years to develop the revitalization plan and issue a request for qualifications for a developer. It took another 4 months after the request for qualifications was issued to select a developer.

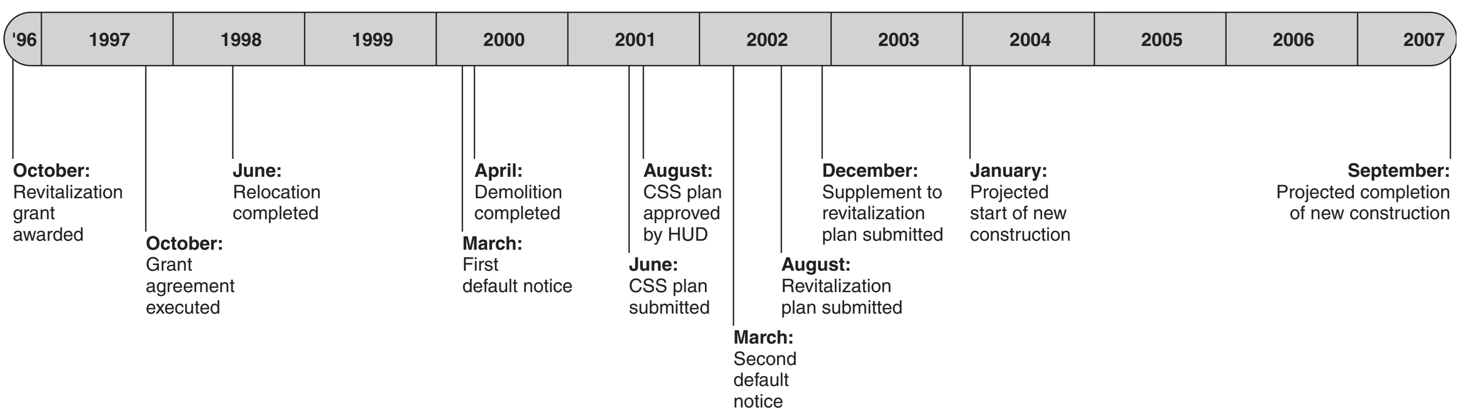
Herman Gardens, Detroit, Michigan

The Detroit Housing Commission was awarded a $24.2 million HOPE VI revitalization grant for Herman Gardens in October 1996 (see fig. 18). Construction has not yet begun, and HUD notified the housing commission, for the second time, in March 2002 that it was in default of its grant agreement. The housing commission previously had been awarded revitalization grants for Jeffries Homes (fiscal year 1994) and Parkside Homes (fiscal year 1995).

Figure 18: Time Line for Herman Gardens

Herman Gardens prior to demolition.

Vacant Herman Gardens site.



Sources: GAO (except the left photo, which is printed with the permission of the Detroit Housing Commission).

Note: This time line is based on GAO analysis of data provided by the Detroit Housing Commission.

Background

Herman Gardens, built in 1943, originally consisted of 2,144 units on 160 acres (see fig. 18). Problems at the site included structural decay, deterioration of underground utility systems, rodents, and hazardous materials contamination. The Detroit Housing Commission received a $400,000 HOPE VI planning grant for Herman Gardens and two other sites in fiscal year 1995.

Revitalization and Community and Supportive Services Plans

In addition to the $24.2 million revitalization grant, the Detroit Housing Commission was awarded, in fiscal years 1998 and 1999, $3.8 million in HOPE VI demolition funds for Herman Gardens. The total projected budget for the revitalization of the site is $232 million and includes other public housing funds, equity from low-income housing tax credits, and city funds. The revitalization plan calls for 804 units—470 rental units (including 258 public housing units) and 334 homeownership units. Other elements of the plan include construction of a regional athletic facility on the site and construction of 250,000 square feet of institutional space for a new community college.

Of the $24.2 million revitalization grant, the housing commission has budgeted $3.5 million for community and supportive services. The community and supportive services plan, which was approved in August 2001, focuses on case management; employment and training; youth and senior services and activities; and partnerships to address job readiness, placement, and retention.

Current Status

Relocation and demolition have been completed (see fig. 18). As of March 2002, the Detroit Housing Commission had not submitted a revitalization plan for Herman Gardens. Therefore, HUD notified the housing commission on March 15, 2002, that it was in default of its grant agreement and needed to submit a default resolution plan to avoid losing its grant. As part of the default resolution plan, HUD required the commission to meet a number of requirements, including submitting a revitalization plan and obtaining firm financial commitments from the city. The Detroit Housing Commission submitted its revitalization plan for Herman Gardens to HUD in August 2002 and submitted a supplement to the plan in December 2002. In September 2002, the city council passed a resolution committing $22 million to the Herman Gardens project. As of April 2003, HUD had not lifted the default status or approved the revitalization plan. According to a housing commission official, the revitalization plan states that construction is scheduled to begin in January 2004.

However, the housing commission has already formed a number of partnerships to provide community and supportive services to Herman Gardens residents. These services include training in retail sales, computers, manufacturing, and child care. Additionally, 18 different unions have formed a partnership that offers a preapprenticeship program.

Factors Contributing to Current Status

Due to management changes, the Detroit Housing Commission developed several different plans for Herman Gardens. The first plan was developed prior to the grant award and called for 672 units of public housing. Before that plan was formally submitted to HUD, the executive director responsible for the plan left the housing commission and was replaced by an interim executive director. By February 1999, the interim executive director had developed a second plan, which proposed a combination of public and market-rate housing as well as a golf course. After a new executive director was hired, the housing commission proposed a third development concept. Although never submitted as a formal revitalization plan, the concept called for a mixed-use, mixed-income development on the site.

Problems at one of Detroit's other HOPE VI projects also contributed to delays at Herman Gardens. According to a housing commission official, HUD visited all three of its grant sites shortly after the commission developed the second plan for Herman Gardens in February 1999. During the visit, HUD recommended that the commission cease work at Herman Gardens and Jeffries Homes until problems at Parkside Homes were addressed. The Parkside Homes project was over budget and behind schedule. Additionally, once work resumed at Herman Gardens and Jeffries Homes, the Jeffries Homes project seemed to be more of a priority for HUD, according to a commission official.

According to commission and local HUD officials, being part of city government has also affected the pace of progress on the project. Until recently, all of the commission's contracts had to be approved by the city council. Currently, only contracts related to the disposition of land upon which public housing is situated are subject to city council approval. The commission also has to go through the city to hire staff. According to a commission official, the commission is in the process of seeking the authority to hire its own staff.

Because it never formally submitted a revitalization plan for Herman Gardens, HUD notified the Detroit Housing Commission in March 2000 that it was in violation of its grant agreement. In December 2000, HUD issued a letter to the housing commission requiring it to develop a default resolution plan. The two parties agreed that the housing commission would submit biweekly progress reports on Herman Gardens. When HUD found these biweekly reports to be inadequate, it notified the housing commission again in March 2002 that it was in default of its grant agreement. In the letter, HUD stated that it had been 52 months since the grant was awarded and no substantial progress had occurred.

Hollander Ridge, Baltimore, Maryland

The Housing Authority of Baltimore City received a $20 million HOPE VI revitalization grant in October 1996 for Hollander Ridge (see fig. 19). Project activity was brought to a standstill by a series of legal actions, and the funds were ultimately transferred to another public housing site in the city of Baltimore. The housing authority will be selling the Hollander Ridge property to the city upon HUD approval. Additionally, the housing authority has completed construction at two HOPE VI sites—Lafayette Courts (fiscal year 1994) and Lexington Terrace (fiscal year 1995)—and is administering four additional HOPE VI grants as follows: Homeownership Demonstration (fiscal year 1994), Murphy Homes and Julian Gardens (fiscal year 1997), Flag House Courts (fiscal year 1998), and Broadway Homes (fiscal year 1999).

Figure 19: Time Line for Hollander Ridge

Hollander Ridge prior to demolition.

Vacant Hollander Ridge site.

1996

June: Partial consent decree approved by U.S. District Court

October: Revitalization grant awarded

1997

January: American Civil Liberties Union writes HUD concerning its legal objections to revitalization plans

August: Grant agreement executed

1998

1999

January: U.S. District Court grants housing authority's motion to amend partial consent decree allowing construction of senior village at Hollander Ridge

September: Revitalization plan submitted

2000

April: Relocation completed; demolition started

July: Fourth Circuit Federal Appeals Court overturns District Court's decision; HUD declares Hollander Ridge grant in default

2001

February: Housing authority proposes reuse of Hollander Ridge funds; demolition completed

November: Federal legislation enacted allowing Hollander Ridge funds to be used for Claremont Homes

Sources: GAO (except the left photo, which is printed with the permission of the Housing Authority of Baltimore City).

Note: This time line is based on GAO analysis of data provided by the Housing Authority of Baltimore City.

Background

Hollander Ridge was built in 1976 and was located on 60 acres at the eastern edge of Baltimore City. Hollander Ridge was once the public housing of choice, but over time became one of the most distressed communities in the housing authority's portfolio. The property had over 1,000 units of family and elderly public housing. By the late 1990s, only half of the units were occupied, and the crime rate soared above the rates of Baltimore's other public housing sites. Additionally, Hollander Ridge suffered from significant deferred maintenance, extensive site problems, and the deterioration of infrastructure and major building systems (see fig. 19). Because of its isolation, the site's residents had little access to public transportation and lacked nearby shopping and employment opportunities. The Housing Authority of Baltimore City received a $700,000 HOPE VI planning grant for Hollander Ridge and one other site in fiscal year 1995.

Current Status

Federal legislation was passed in November 2001 that enabled the housing authority to transfer its HOPE VI funds for Hollander Ridge to Claremont Homes. The revitalization plans for Claremont Homes, which are in the preliminary stages, call for the demolition of all existing low-rise buildings and the construction of a new mixed-income development. The housing authority plans to reserve 73 units at the Claremont Homes site for former Hollander Ridge residents. However, according to the housing authority, the legislation enacted in November 2001 that allowed the housing authority to transfer the Hollander Ridge funds to the site must be amended before any of the plans to revitalize Claremont Homes can be implemented. The legislation currently only allows for the rehabilitation of Claremont Homes. As a result of third-party master planning, the housing authority determined that rehabilitation is not financially feasible; therefore, housing authority officials intend to ask Maryland's congressional delegation to propose an amendment to the federal legislation that would allow demolition and new construction to occur at the site. Concurrence will be sought from the American Civil Liberties Union (ACLU)—the representative of the residents. The authority has submitted a disposition application to HUD for approval to sell the Hollander Ridge site to the city of Baltimore.

Factors Contributing to Current Status

Legal actions and community opposition halted progress at Hollander Ridge and ultimately led to the transfer of the HOPE VI funds to Claremont Homes. In 1995, six public housing families, represented by the ACLU, filed suit against the Housing Authority of Baltimore City and HUD alleging that they had engaged in racial and economic segregation through site selection and development of public housing in Baltimore City since 1937. On June 25, 1996, the parties entered into a partial consent decree, which was approved by a United States District Court Judge. Among other things, this decree provides that the housing authority "will not seek public housing funds from HUD for public housing construction or acquisition with rehabilitation in Impacted Areas." The Hollander Ridge site is located in an impacted area, with a high concentration of low-income housing and a high percentage of minority populations.

The housing authority's original plan was to modernize Hollander Ridge by reducing its density through demolition and reconfiguration of existing units and upgrading the housing units and amenities. This plan was consistent with the terms of the partial consent decree, and HUD had awarded the HOPE VI grant on the basis of this plan. However, the adjacent community resisted plans to place any type of public housing back on the site. Community residents had long complained about the site's high crime rate and its effect on nearby property values. In response to the local opposition, the housing authority decided to abandon plans to rebuild family public housing at Hollander Ridge.

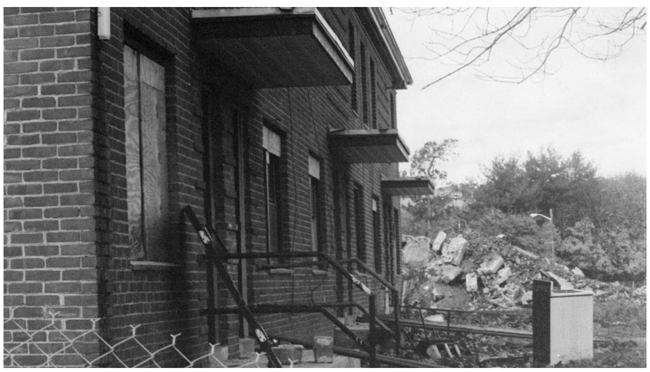
The housing authority and the community agreed to a subsequent plan to demolish all of the existing public housing units and replace them with facilities for seniors. The plan called for a senior village, which would provide affordable housing as well as community-based health and wellness programs for low- to moderate-income seniors. All 1,000 units would be demolished, and 450 senior units would be built on-site, 225 of which would be designated as public housing. The housing authority also agreed to build a $1.2 million fence around the entire Hollander Ridge site.

Because the plans for a senior village would violate sections of the partial consent decree and residents would be displaced, the ACLU maintained strict opposition to the senior village concept. Nevertheless, the housing authority sought a modification to the decree that would allow the development of public housing on the Hollander Ridge site. In January 1999, the U.S. District Court approved this request. On July 8, 2000, Hollander Ridge was imploded. Just a few days later, the Fourth Circuit Court of Appeals, responding to an ACLU appeal, reversed the District Court's order. On July 31, 2000, HUD declared the grant to be in default. Federal legislation enacted in November 2001 allowed the housing authority to transfer the funds to its Claremont Homes site. As shown in figure 19, Hollander Ridge remains a vacant lot.

Jackson Parkway, Holyoke, Massachusetts

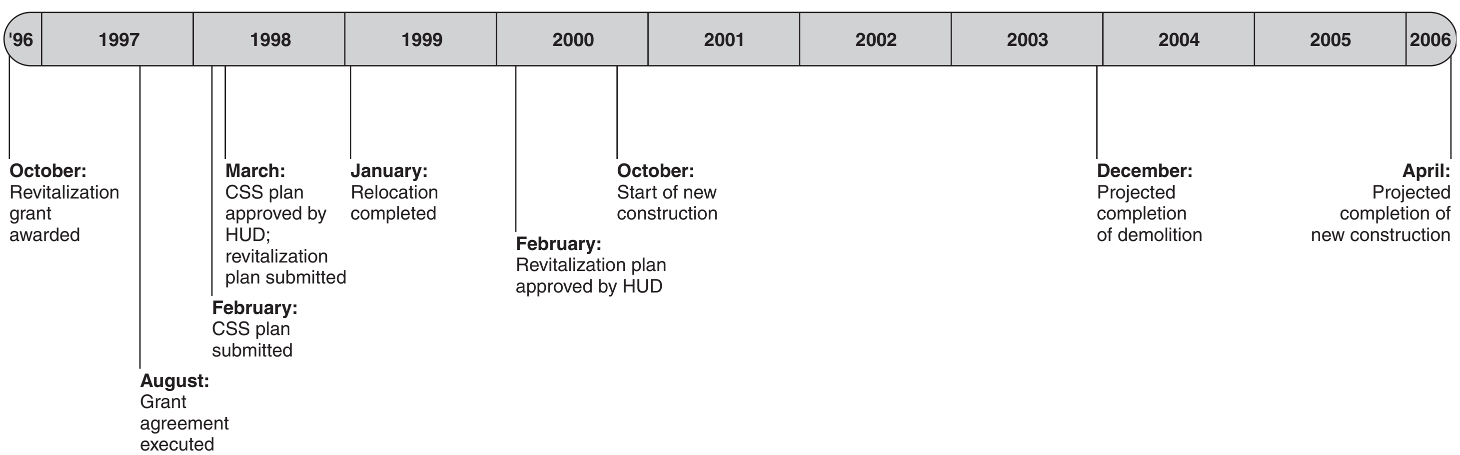
The Holyoke Housing Authority received a $15 million HOPE VI revitalization grant in October 1996 for Jackson Parkway (see fig. 20). Fifty-one of the 272 planned units have been completed.

Figure 20: Time Line for Jackson Parkway



Jackson Parkway prior to demolition.

New rental units.



Sources: GAO (except the left photo, which is printed with the permission of the Holyoke Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Holyoke Housing Authority.

Background

Jackson Parkway was built in 1943 and contained 219 units on a 12.5-acre site in the Churchill section of Holyoke (see fig. 20). According to housing authority officials, the apartments and their residents were isolated from the economic and social fabric of the surrounding community. In addition, the units were run-down and unappealing. The immediate neighborhood adjacent to Jackson Parkway was marked by abandoned, obsolete, and vacant buildings and was affected by drug dealing and vandalism. The Churchill neighborhood formerly was a residential center for mill workers and other laborers. However, by the 1990 census, the neighborhood's residents had a 50 percent school drop-out rate and only 37 percent participated in the workforce. Because Jackson Parkway contained almost 25 percent of all residential units in the Churchill neighborhood, its revitalization was seen as pivotal to the success of future improvements in the area.

Revitalization and Community and Supportive Services Plans

The revitalization of Jackson Parkway is estimated to cost around $47 million—which includes other public housing and HUD funds, other federal funds, and equity from low-income housing tax credits—and will occur in three phases. The first phase will consist of the demolition of 219 units and a 42-unit elderly complex and the construction of 50 public housing units, 60 homeownership units, a park, a community center, and a maintenance facility. The second phase will consist of the rehabilitation of two, five-story walkups, which will result in 39 public housing units, and the construction of 11 new public housing units. In the third phase, 112 units will be rehabilitated or constructed in the surrounding neighborhood. The new community will be called Churchill and Oakhill Homes.

Of the $15 million revitalization grant, $700,000 has been set aside for community and supportive services. The focus of the community and supportive services plan, approved in March 1998, is to implement a comprehensive on-site service delivery system to coordinate existing health and human services with innovative educational and employment opportunities. The Holyoke Housing Authority plans to partner with numerous schools, universities, churches, career development organizations, libraries, and the Chamber of Commerce to implement its self-sufficiency programs.

Current Status

Of the 272 total units to be rehabilitated or constructed, 51 have been completed. The 50 new public housing units planned for phase one were built and fully occupied in summer 2002 (see fig. 20). Additionally, all planned phase one demolition has been completed. The community buildings are in the design phase, and work on the community park has begun and is expected to be completed by summer 2003. One model homeownership unit has been completed. Also, 270 applications to purchase the 60 homeownership units have been received.

Selective demolition has begun for phase two—the rehabilitation of two, five-story walkups. Additionally, land has been cleared and footings and foundation walls have been set. These units are to be completed in the fall of 2003. The housing authority is working with the Catholic Diocese of Springfield and Habitat for Humanity to build new homeownership units on one complete city block. This will be the third and final phase of the revitalization.

By the spring of 2000, a resident services department was established and operating to address the needs of former Jackson Parkway residents. Each Jackson Parkway resident was assessed by one of three case managers, who help residents to find employment, acquire GEDs, take English as a Second Language courses, and receive homeownership counseling.

Factors Contributing to Current Status

Several factors contributed to delays early in the revitalization process. Because Jackson Parkway was the authority's first experience with the HOPE VI program, its staff had to overcome an initial learning curve. For example, the staff had to learn about real estate development and low-income housing tax credits and about how to work with developers. Also, HUD's Inspector General charged the housing authority with procurement violations related to the selection of its first developer. According to HUD officials, they placed procurement review restrictions on the authority because of the lack of sufficient in-house procurement expertise. These restrictions delayed the authority's ability to obtain an infrastructure contractor and a developer for the site. One housing authority official estimated that the procurement charges delayed the progress of the grant by 1 year.

Additionally, approval of key documents took longer than expected. For example, approval of the revitalization plan took 23 months and approval of the mixed-finance proposal for the first phase took 6 months. The housing authority has had seven different HUD HOPE VI grant managers since 1996, and staff believe that this frequent rotation caused temporary disconnects that resulted in delays.

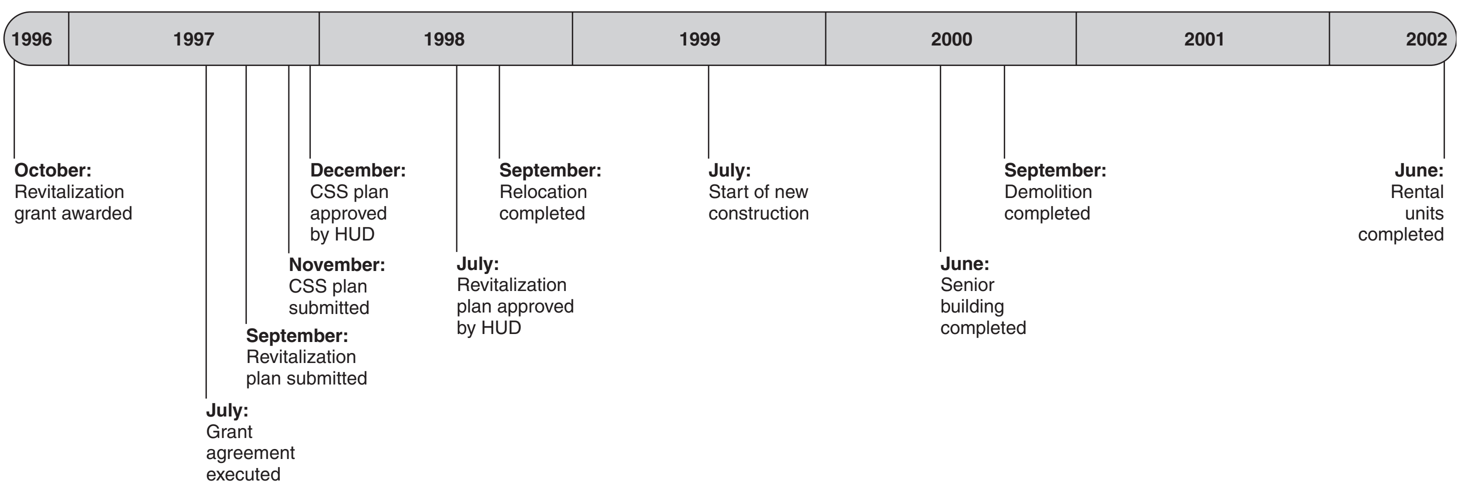
Lamokin Village, Chester, Pennsylvania

The Chester Housing Authority was awarded a $14.9 million HOPE VI revitalization grant in October 1996 for Lamokin Village (see fig. 21). Construction is complete, and all 150 units are occupied. Since 1994, the housing authority has been under judicial receivership resulting from a resident lawsuit concerning distressed housing conditions. The housing authority also was awarded a fiscal year 1998 HOPE VI revitalization grant for Wellington Ridge.

Figure 21: Time Line for Lamokin Village

Lamokin Village prior to demolition.

Chatham Estates (formerly Lamokin Village).



Sources: GAO (except the left photo, which is printed with the permission of the Chester Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Chester Housing Authority.

Background

Lamokin Village was built in the early 1940s and consisted of 38, two- and three-story buildings, totaling 350 units. The site suffered from substantial deterioration; major system problems, such as piping leaks and water table problems; and poor site conditions (see fig. 21). The site also had significant design problems due to its dense, maze-like building configuration with no interior streets. According to the Chester Housing Authority, Chester has been a distressed community for decades. About 56 percent of the population of Chester receives some form of government assistance, and HUD has ranked Chester as the most depressed city of its size in the United States. The housing authority was awarded a fiscal year 1995 HOPE VI planning grant for Lamokin Village and one other site as a part of the overall recovery plan for the city.

Revitalization and Community and Supportive Services Plans

The total amount budgeted for the redevelopment of Lamokin Village is $27 million, which includes other public housing funds and equity from low-income housing tax credits. The revitalization plan for Lamokin Village, renamed Chatham Estates, calls for three phases: (1) 22 new residential buildings with a mix of 110 one-story and duplex row homes, (2) a 40-unit senior building, and (3) 30 off-site homeownership units. All existing units in Lamokin Village were to be demolished.

Of the $14.9 million revitalization grant, the housing authority budgeted about $1.2 million for community and supportive services. The community and supportive services plan, approved in December 1997, proposes a comprehensive welfare-to-work strategy designed to cultivate the economic self-sufficiency of Lamokin Village residents. Specific plans include the establishment of a “one-stop shop” for social services, a community center and educational facility to be built on-site, and a comprehensive evaluative component that will examine the impact of HOPE VI on the Chester community.

Current Status

The 150 units, including the 40-unit senior building, planned for phases one and two are 100 percent complete and occupied (see fig. 21). Thirty-eight former residents returned to the family rental units, and 21 former residents moved to the senior building. The third phase of the plan is being transferred to the housing authority’s fiscal year 1998 HOPE VI revitalization grant.

The authority did establish an interagency “one-stop shop” in 1998 that is used as the coordinating point for all programs and partners servicing the authority’s residents. The shop is located in the Chester Crozier Hospital, along with various other social service agencies. For example, the Chester Education Foundation provides an employment program at the hospital. The authority has also included a family self-sufficiency component, which is optional for residents and provides services such as case management, computer hardware and software training, van transportation, homeownership training, and entrepreneurial training. The supportive services funding was expended before construction of the community and educational center could begin; the authority is currently trying to raise additional funding for this center. Finally, Widener University’s School of Social Work has been evaluating impacts and outcomes of HOPE VI initiatives in Chester since 1997.

Factors Contributing to Current Status

In 1994, the Chester Housing Authority was placed on HUD’s troubled status list after receiving an extremely low evaluation score. During this same period, a federal judge appointed a federal court receiver for the housing authority in an effort to transform the authority. The receivership is scheduled to end in June 2003. According to officials at the local HUD field office, the receiver has brought about many positive changes for the housing authority and its residents, including the two HOPE VI revitalization grants. In 2002, the authority received a high evaluation score, placing it in HUD’s high-performer category. The receiver ensured that the authority had the proper staffing and knowledge to administer its HOPE VI grants. Additionally, the authority brought the president of the resident council on staff, helping to rebuild the relationship between the authority and its residents. The receiver also created a separate police force to increase the safety and security of the authority’s public housing sites, the lack of which had been a major complaint of former residents. Finally, during the receivership, all of Chester’s public housing family units have either been demolished or rehabilitated.

Relying primarily on public housing funds simplified the development process. Tax credit equity was only used to finance the construction of the 40-unit senior building. The remainder of the redevelopment was financed by HOPE VI and other public housing funds. In addition, the housing authority elected to act as its own developer of the family units. Finally, all units were constructed on-site, thus the housing authority did not have to purchase additional property.

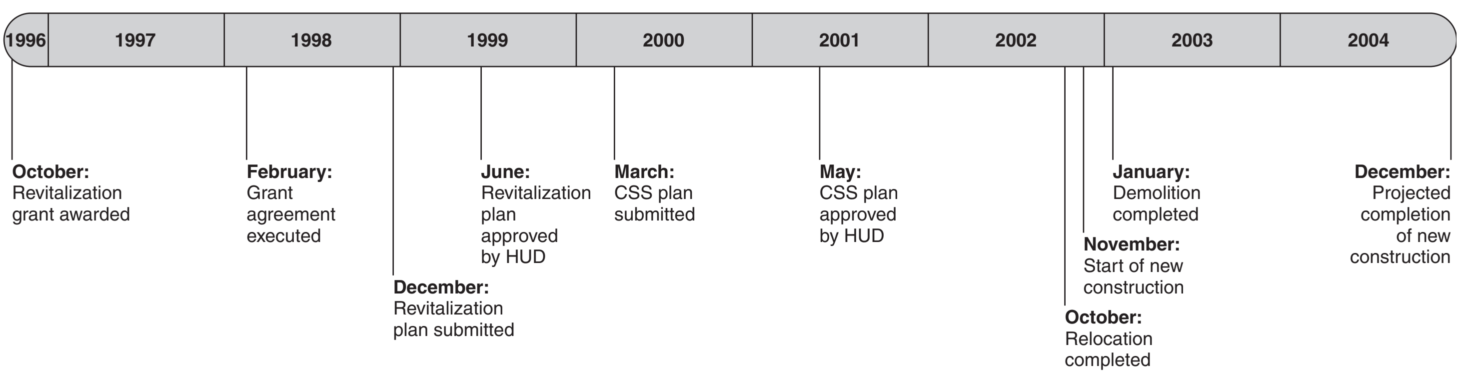
North Beach, San Francisco, California

The San Francisco Housing Authority was awarded a $20 million HOPE VI revitalization grant for North Beach in October 1996. Construction at the site did not begin until November 2002 (see fig. 22). The housing authority has also completed three sites with two HOPE VI revitalization grants—Bernal/Plaza (fiscal year 1993) and Hayes Valley (fiscal year 1995)—and construction at its Valencia Gardens site (fiscal year 1997) is scheduled to begin later this year.

Figure 22: Time Line for North Beach

North Beach prior to demolition.

Vacant North Beach site.



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the San Francisco Housing Authority.

Background

Located adjacent to Fisherman's Wharf and surrounding the historic cable car turnaround, North Beach is situated in the heart of San Francisco's tourist attractions. The site is surrounded by a busy, densely built, vibrant neighborhood that is well-served by public transportation, schools, shopping, and services. However, North Beach itself has been a pocket of poverty, with residents earning, on average, only 17 percent of area median income. The site was built in 1952 and consisted of 13 concrete buildings with 229 walk-up units, which filled two city blocks (see fig. 22). It was poorly designed with large amounts of indefensible space that became havens for criminal activity. Due to repeated earthquake stress, the buildings were weakening and had substandard major systems, including sewer and plumbing. A $400,000 HOPE VI planning grant awarded in fiscal year 1995 for North Beach funded a study of the site. The study determined that due to the dilapidated condition of the site and the high crime rate in the area, complete neighborhood revitalization would be essential to any redevelopment plan.

Revitalization and Community and Supportive Services Plans

In addition to the $20 million revitalization grant, the San Francisco Housing Authority was subsequently awarded a $3.2 million HOPE VI demolition grant for the North Beach site in fiscal year 2001. The total projected budget is $106 million—up from the $69 million estimated in 1996—and includes other public housing funds, other HUD funds, other federal funds, and equity from low-income housing tax credits. The revitalization plans call for 341 units. The 341 units will be divided as follows:

- 229 public housing units, which will be a one-for-one replacement for the units that were demolished on both the east and west blocks and
- 112 rental apartments for families with incomes below 50 percent of the city median income.

Also included in the plans are a parking garage for 323 cars and commercial and retail space surrounding the cable car turnaround area.

Approximately $1.5 million of the revitalization grant was set aside for community and supportive services. This service component was created to provide residents with opportunities to achieve self-sufficiency through education, employment, and entrepreneurship. The community and supportive services plan, approved in May 2001, calls for a commitment to lifelong education that includes the development of basic intellectual skills, specific training for particular types of employment, and a focus on life skills such as parenting.

Current Status

Relocation, abatement, and demolition of both the east and west blocks has been completed (see fig. 22). California awarded the authority $55 million in tax credits in the spring of 2002 for the North Beach site, the largest award in California history. With this additional funding, the housing authority was able to begin construction at the site in November 2002.

About half of all residents currently participate in community and supportive services. Participants create an individual plan with a case manager, who then directs the resident to the various services offered, such as employment assistance, computer, and English as a Second Language classes. Additionally, 30 residents from North Beach are enrolled in the housing authority's family self-sufficiency program. Program participation enables each household to receive up to $1,200 for training in various trades.

Factors Contributing to Current Status

According to housing authority officials, the primary factor contributing to delays at North Beach was resident resistance. To address resident concerns regarding relocation, a former executive director initially promised residents that the redevelopment would occur in two phases, which meant that they would not have to be relocated off-site. However, the housing authority later determined that this option would be too expensive, and that the residents would have to be relocated off-site so that redevelopment could occur all at once. The residents were not happy with this decision and were very reluctant to move out of their apartments.

Funding shortfalls have also contributed to delays at the North Beach site. San Francisco's original HOPE VI application requested $30 million to complete the revitalization of North Beach. Because HUD only awarded them $20 million, making up the difference has been difficult. The authority had to add 112 units to the plan in order to convince the city to provide $10 million in funding assistance. According to housing authority officials, now that the project has been awarded $55 million in tax credits, the pace of the redevelopment should accelerate.

Administering over $118 million in HOPE VI funds for five sites simultaneously has been challenging for the authority's staff. The housing authority has a history of management and financial problems that have affected its redevelopment efforts. HUD took over the housing authority in 1996 after the Mayor of San Francisco requested HUD's assistance. The authority had managerial problems, high crime at its public housing developments, and problems with the physical condition of its housing stock. After implementing new policies and procedures and reorganizing the housing authority, HUD returned it to local control in 1997. Several years after the housing authority was returned to local control, it developed financial difficulties and again sought HUD's assistance. HUD continues to monitor and provide assistance to the housing authority.

Another factor that delayed the North Beach redevelopment was environmental problems on-site. Half of the units contained lead paint and asbestos, and the site's soil had some arsenic, mercury, zinc, and lead contamination (due to the site's early industrial history). As a result, the city required additional environmental reviews before it gave its approval to begin construction.

Riverview and Lakeview Terraces, Cleveland, Ohio

The Cuyahoga Metropolitan Housing Authority was awarded a $29.7 million HOPE VI revitalization grant for Riverview and Lakeview Terraces in October 1996 (see fig. 23). Although the housing authority has completed relocation and demolition, the rehabilitation of units at Lakeview has been slow, and little progress has been made with the construction of new units at Riverview. The housing authority has been awarded two other HOPE VI revitalization grants: a $50 million grant in fiscal year 1993 for Outhwaite Homes/King Kennedy, which is complete, and a $21 million grant in fiscal year 1995 for the Carver Park site.

Figure 23: Time Line for Riverview and Lakeview

Riverview and Lakeview prior to renovation.

Vacant Riverview site; renovation under way at the Lakeview site.

'96 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007

- **October:** Revitalization grant awarded
- **October:** Grant agreement executed
- **January:** Revitalization plan submitted
- **January:** Revised revitalization plan submitted
- **March:** Relocation at Riverview completed
- **June:** Revised revitalization plan conditionally approved by HUD
- **April:** CSS plan submitted
- **May:** Demolition at Riverview completed
- **July:** CSS plan approved by HUD
- **November:** Start of renovation at Lakeview
- **October:** Projected start of new on-site construction at Riverview
- **October:** Projected completion of renovation at Lakeview
- **June:** Projected completion of new on-site construction at Riverview
- **June:** Projected completion of new off-site construction

Sources: GAO (except the left photo, which is printed with the permission of the Cuyahoga Metropolitan Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Cuyahoga Metropolitan Housing Authority.

Background

Riverview, completed in 1963, consisted of 143 family units and 501 elderly units (see fig. 23).[5] Lakeview, completed in 1932, contained 570 family units and 214 elderly units. Riverview and Lakeview are neighboring public housing sites, which collectively housed 715 elderly units and 713 family units. Riverview is on unstable ground, which includes numerous sinkholes. Both developments are located in the Ohio City neighborhood, home to the West Side Market, which has been in operation since the 1880s and attracts around 1 million visitors each year. Due to its age, the Lakeview units had many problems, including high lead levels, lack of parking, and obsolete underground plumbing and storm lines. In addition, the majority of the Lakeview units were one- and two-bedroom units, while the local demand is for three-bedroom and larger units.

Revitalization and Community and Supportive Services Plans

The total projected budget for the Riverview/Lakeview revitalization is about $112 million, which includes other public housing funds, other federal funds, equity from the sale of low-income housing tax credits, bank financing, and other local funds. The current revitalization plan calls for 95 new public housing units, 240 rehabilitated public housing units, and 345 new market-rate and moderate-income units. For Riverview, there are plans to construct 45 public housing units on-site and 50 off-site, to acquire 54 off-site public housing units, and to construct 228 market-rate and 117 affordable (tax credit) units. At the Lakeview site, there are plans to renovate 186 public housing units and a community center. There are also plans for site improvements, including the demolition of garage compounds.

Of the $29.7 million in HOPE VI funds, the housing authority plans to set aside $5.8 million for community and supportive services. The goals of its community and supportive services plan, approved in July 2000, are to track and provide services to Lakeview residents and relocated families from Riverview, make all interested residents meet the qualifications for moving into the newly renovated units, and help Lakeview and Riverview residents make the transition from welfare to work.

[5]The elderly units were modernized in March 1996 and are not included in the HOPE VI revitalization plans.

Current Status

The renovation of the first 56 units at the Lakeview site is under way, and six units have been completed (see fig. 23). The demolition of the garage compounds and rehabilitation work are moving along as scheduled, according to the housing authority. The relocation of 98 households and demolition of 135 units is complete at the Riverview site (see fig. 23). The housing authority has also acquired 54 single-family homes in scattered sites, which are fully occupied, but the construction of new units is not scheduled to begin until October 2004. In June 2002, the housing authority received an award for its plan for the Riverview site from the Congress for New Urbanism. The housing authority is in the process of executing a development agreement.

Case management activities are in progress for 343 Riverview and Lakeview residents. These residents participate in a range of activities, including entrepreneurial and employment training and educational programs. The housing authority is also in the process of implementing a new system for ensuring that residents can receive the job-training services that they need by using vouchers to purchase services.

Factors Contributing to Current Status

The housing authority was experiencing internal problems when the grant was awarded in 1996. The prior administration was not following appropriate procurement procedures, according to HUD officials, and the former executive director was ultimately convicted for theft of public funds, mail fraud, and lying about a loan. A new executive director was hired in late 1998, and the housing authority was finally able to focus on the HOPE VI grant in 1999.

The project has also experienced delays due to cost constraints, consideration of community and resident input, and problems with the site. First, the housing authority requested $40 million to implement its revitalization plan, but it was awarded $29.7 million. As a result, it took time for the housing authority to obtain other funding. Next, the housing authority did not originally plan to put public housing back on the Riverview site because the land was sloping and unstable. Due to community and resident opposition to this plan, the housing authority agreed to put public housing units back on-site. Subsequent analysis by an engineering firm revealed that certain areas were stable enough for new construction. Similarly, while the housing authority originally planned to modernize 12 of the buildings at Lakeview, it later revised these plans to include modernization of an additional 66 row-house units.

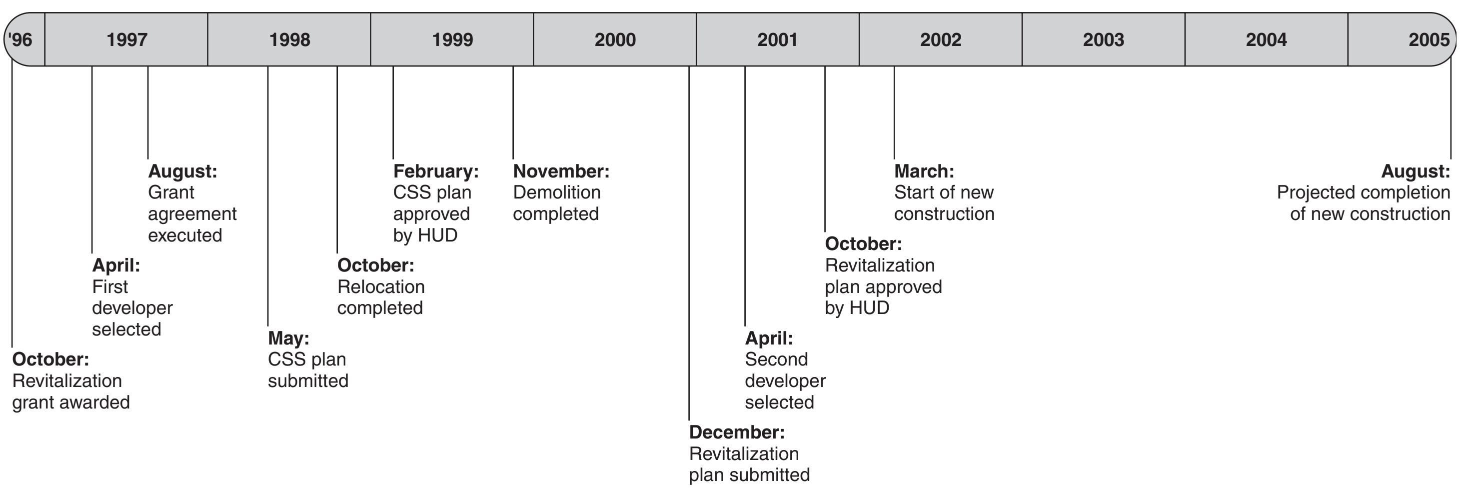
Robert S. Jervay Place, Wilmington, North Carolina

The Wilmington Housing Authority was awarded an $11.6 million HOPE VI revitalization grant for Robert S. Jervay Place (Jervay Place) in October 1996 (see fig. 24). Relocation and demolition at Jervay Place are complete, but construction has been slow to start.

Figure 24: Time Line for Robert S. Jervay Place

Jervay Place prior to demolition.

New homeownership units.



Sources: GAO (except the left photo, which is printed with the permission of the Wilmington Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Wilmington Housing Authority.

Background

Jervay Place, constructed in 1951, was made up of 30, two-story, brick buildings that housed 250 units on 14 acres of land (see fig. 24). The building configuration yielded limited defensible space for each dwelling unit and rendered the site vulnerable to criminal activity. The site needed renovation, lead-based paint removal, asbestos abatement, and modifications for the handicapped. In addition, the resident population consisted of young, welfare-dependent, single-parent families.

Revitalization and Community and Supportive Services Plans

The total projected budget for the Jervay Place revitalization is $33 million, which includes equity from low-income housing tax credits, other grants, and private debt. The revitalization plans called for 190 new units to be developed at Jervay Place and surrounding sites in four phases, excluding a phase dedicated to the implementation of community and supportive services. The construction phases are as follows:

- construction of 14 for-sale or lease-purchase units on the original site;
- construction of 60 units and a community center on the original site and 40 off-site units;
- construction of 44 for-sale or lease-purchase units on the original site; and
- construction of 32 scattered site for-sale or lease-purchase units.

Of the 190 new units, 71 would be public housing units, 29 would be financed with a combination of low-income housing tax credits and project-based Section 8, 28 would be lease-purchase units, and 62 would be other subsidized homeownership units. A 7,000-square-foot, commercial-retail space will also be constructed on-site, but the housing authority has not determined in which phase this will be done.

Of the $11.6 million in HOPE VI funds, the Wilmington Housing Authority planned to set aside $1.5 million for community and supportive services. The focus of its service efforts would be transportation, job training and placement, education, health care, and child care. The housing authority also planned to establish partnerships with local schools and businesses.

Current Status

Relocation, demolition, and 4 of the 14 phase one homeownership units have been completed, and construction of the next 5 units is under way (see fig. 24). For phase two, construction began in November 2002, and tax credits have been approved. For phase three, the housing authority is working on its homeownership plan. The final phase of construction has not begun. The housing authority estimates that all of the units will be complete in August 2005.

HUD approved the housing authority's community and supportive services plan in February 1999. The housing authority administers services through its family self-sufficiency program, through which case managers are assigned to work with individual households and match them with appropriate services. Case managers have worked with participants to assist them with their self-sufficiency goals, including working with residents to prequalify them to purchase the homes constructed in phase one. Residents who wish to return to Jervay Place must be enrolled in this program. As of January 2003, 62 of the 132 original residents were enrolled.

Factors Contributing to Current Status

The procurement of the initial development partner was legally challenged by one of the other bidders. According to HUD, a considerable amount of time was spent resolving this issue, and HUD's Office of General Counsel ultimately determined the challenge was unfounded. However, the housing authority and the initial developer did not work well together, and the developer was released in July 1999. A new developer was hired in April 2001, and HUD assigned an expediter—a private-sector expert in finance, real estate development, or community revitalization—to help move the project. Both the housing authority and the second developer had to work through resistance from the community and residents, who did not understand the plans because they were not involved in the planning by the previous developer and who were frustrated by the lack of progress at Jervay Place, according to housing authority officials. As a result of these issues, the housing authority did not submit its revitalization plan until December 2000. HUD approved the plan in October 2001.

According to housing authority officials, revitalization also has been adversely affected by the city's and HUD's slow approval processes. For example, while the city informed the housing authority in August 2001 that its site plan had been approved, it was informed in December 2001 that the site plan should not have been approved because the setbacks, the space between the building area and the property line, were incorrect. As a result, the site plans had to be changed and resubmitted to obtain the city's approval. Similarly, housing authority officials stated that HUD's slow approval process has contributed to delays. For example, it took HUD 5 months to conditionally approve the revitalization plan. In addition, housing authority officials stated that they had to take out a line of credit to begin construction because HUD was taking too long to make the grant funds available. According to HUD, approval could not be completed until the housing authority fulfilled several conditions, including submission of a mixed-finance proposal, a revised implementation schedule, proposed unit designs, and a revised HOPE VI budget. In addition, the HUD grant manager assigned to the housing authority was responsible for closing six mixed-finance deals as well as reviewing new HOPE VI grant applications during this time frame.

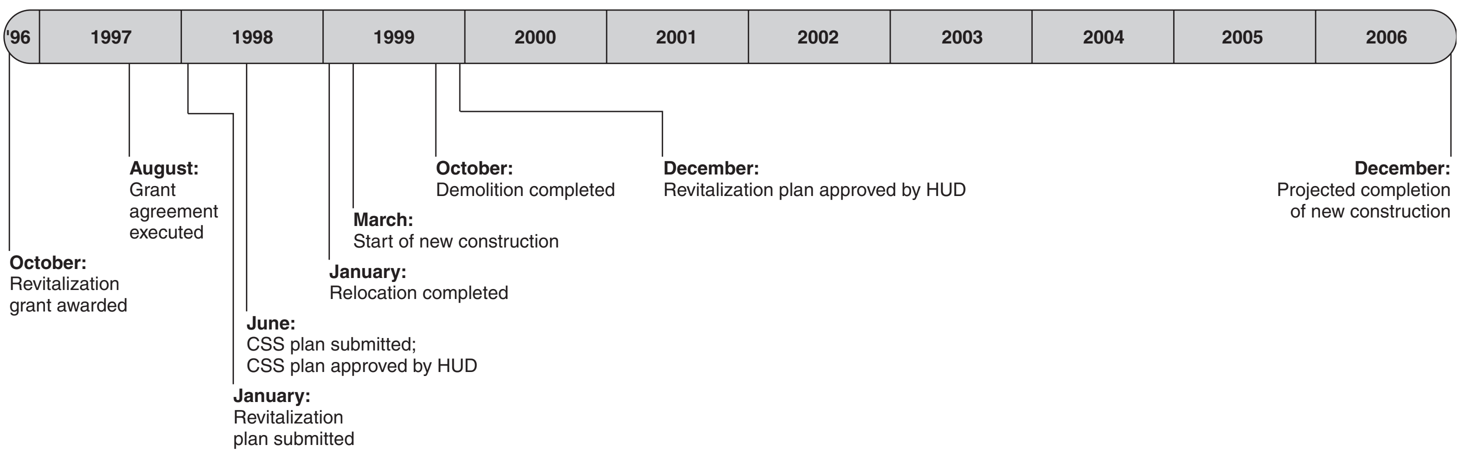
Robert Taylor Homes B, Chicago, Illinois

The Chicago Housing Authority was awarded a $25 million HOPE VI revitalization grant in October 1996 for Robert Taylor Homes B (see fig. 25). Relocation and demolition are complete, and approximately one-quarter of the planned units have been constructed. The housing authority's scattered site program, which includes the development of any nonelderly public housing, has been under judicial receivership since 1987. The authority is in the midst of implementing a 10-year transformation plan, a $1.5 billion blueprint for rebuilding or rehabilitating 25,000 units of public housing—enough for every leaseholder as of October 1999—and transforming isolated public housing sites into mixed-income communities. The authority was awarded a revitalization grant for Robert Taylor A in fiscal year 2001 and has also received grants for the following sites: Cabrini-Green (fiscal year 1994), ABLA (fiscal years 1996 and 1998), Henry Horner (fiscal year 1996), Madden/Wells/Darrow (fiscal year 2000), and Rockwell Gardens (fiscal year 2001).

Figure 25: Time Line for Robert Taylor Homes B

Robert Taylor Homes prior to demolition.

The Langston.



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the Chicago Housing Authority.

Background

The Robert Taylor Homes consisted of over 4,300 units in 28 detached, 16-story buildings along Chicago's State Street corridor, a 4-mile stretch of five different public housing sites (see fig. 25). It was the nation's largest, most densely populated public housing enclave. The Robert Taylor Homes were divided into two subsites called Robert Taylor A and B. The fiscal year 1996 HOPE VI revitalization grant is for Robert Taylor B, which was constructed between 1959 and 1963, and consisted of 2,400 units spread over 16 high-rise buildings. The surrounding neighborhood included many boarded-up buildings, vacant lots, and a few small businesses. However, the site also is near bus and train services and a technical vocational school.

Revitalization and Community and Supportive Services Plans

In addition to the revitalization grant for Robert Taylor B, the Chicago Housing Authority was subsequently awarded a $6.3 million HOPE VI demolition grant in fiscal year 2000 and a $13 million HOPE VI demolition grant in fiscal year 2001. The total projected budget for the Robert Taylor B revitalization is $113 million, which includes other public housing funds, other federal funds, conventional debt, and equity from the sale of low-income housing tax credits. The revitalization plans call for the demolition of 762 units and the construction of 251 public housing units in scattered off-site locations throughout the surrounding neighborhoods.

Of the $25 million revitalization grant, approximately $1.5 million has been budgeted for community and supportive services. The community and supportive services plan was submitted and approved in June 1998. The plan states that the housing authority will provide case managers to monitor families' progress in meeting goals established in self-sufficiency plans. The plan also allowed for the housing authority to use a Boys and Girls Club to deliver self-sufficiency activities until a community center was constructed in 1998. The services provided would include a combination of employment; education; and family services, such as child care and health care.

Current Status

As shown in figure 25, a 116-unit site, referred to as The Langston, has been constructed and is at capacity. Twenty-nine of these units are public housing units and are occupied by former residents of Robert Taylor A and B. The remaining units are a mixture of tax credit and market-rate units. Construction of a second site, referred to as The Quincy, is also complete. The Quincy has 107 units, including 27 public housing units, which are fully occupied. The remaining units are also a mixture of market-rate and tax credit units. In February 2003, HUD approved the combination of the 1996 grant for Robert Taylor B with the 2001 grant for Robert Taylor A for planning and implementation purposes as well as the extension of certain grant agreement deadlines affecting the 1996 grant. As a result, while the housing authority is still obligated to complete 195 more public housing units under the 1996 grant, these units will be developed as a part of a new three-phase Robert Taylor Master Plan. Construction on the first phase of this plan is scheduled to begin in late 2003.

The housing authority is currently in the process of revising its community and supportive services plan to incorporate its service connector program, in which case managers work individually with residents to provide either necessary services or refer them to the appropriate providers. The housing authority is in the process of locating the original residents, finding out whether they are using any supportive services through the housing choice program, and determining what services they need. According to the housing authority, the primary service provided to the original residents has been relocation assistance. In addition, the Charles Hayes Family Investment Center opened in September 1998 adjacent to the original site, offering a one-stop source for computer training, job placement, medical, and other supportive services.

Factors Contributing to Current Status

The revitalization of Robert Taylor B has been slowed by tension early in the relationship between the Chicago Housing Authority and its receiver and by the need for the plans to comply with the Gautreaux consent decree. In 1966, African American residents of the Chicago public housing community filed suit against the housing authority for creating a segregated public housing system. In response, the court issued a judgment that prohibits the housing authority from constructing any new family public housing in a neighborhood in which more than 30 percent of the occupants are minorities (limited areas) unless it develops an equal number of units in neighborhoods where less than 30 percent are minorities (general areas). In 1987, the court appointed a receiver for Chicago's scattered-site program, which includes the development of nonelderly public housing.

According to a housing authority official, the first delay at Robert Taylor B occurred because the housing authority did not develop its revitalization plan with the input of the receiver. The housing authority submitted the plan to HUD in January 1998, and 9 months later HUD informed the housing authority that it could not act on the plans without the concurrence of the receiver. It took over 1 year for the housing authority and the receiver to revise the plans together and to address HUD's specific concerns. HUD approved the plan in December 1999, but it only partially approved the HOPE VI budget because the housing authority and the receiver had not come to agreement on the receiver fee. The determination of how grant funds should be dispersed between the housing authority and the receiver was not finalized until May 2000.

The housing authority also has experienced difficulty obtaining off-site locations for the balance of the public housing units that need to be constructed. To address this difficulty, the housing authority has proposed combining the revitalization efforts of Robert Taylor B with the revitalization funded under the fiscal year 2001 Robert Taylor A grant. The housing authority is working on obtaining a revitalizing order for the Robert Taylor community, which would waive the Gautreaux restrictions. Revitalizing orders allow the construction of new family public housing units in limited areas without requiring an equal number of units to be built in a general area. The revitalizing circumstances must support a reasonable forecast of economic integration, with the longer term possibility of racial integration. The housing authority hopes that it can use the work already completed with the Robert Taylor B grant to show that the area is being revitalized.

Finally, receipt of the fiscal year 2001 HOPE VI grant for Robert Taylor A has slowed progress at Robert Taylor B. After receiving this grant, the housing authority took time to develop a master plan to coordinate the development of both Robert Taylor A and B. The master plan allows the housing authority to combine the grants for planning purposes, although they remain administratively separate. In addition, the Robert Taylor site has not consistently been a top priority for the housing authority. According to a housing authority official, other sites that are further along have been selected to get the majority of the housing authority's time, energy, and resources.

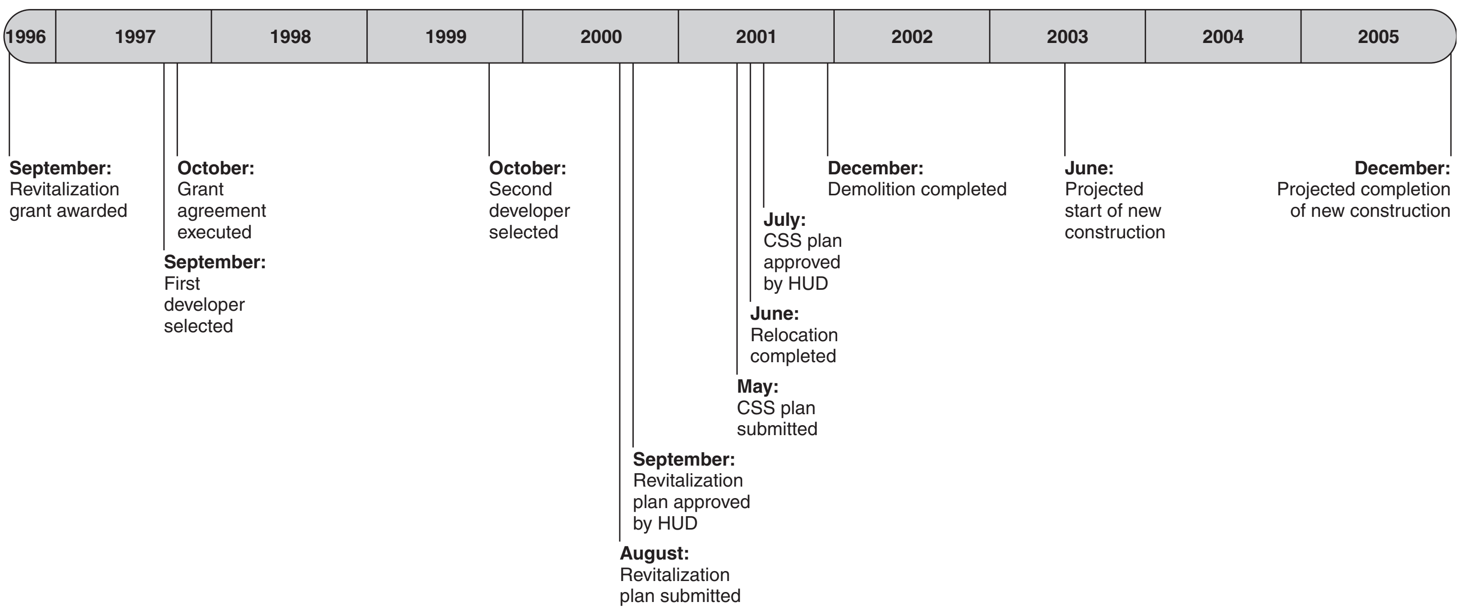
St. Thomas, New Orleans, Louisiana

The Housing Authority of New Orleans was awarded a $25 million HOPE VI revitalization grant for St. Thomas in 1996. Although relocation and demolition have been completed, no new units have been constructed (see fig. 26). The housing authority is currently under administrative receivership. The housing authority was also awarded a HOPE VI revitalization grant for the Desire site in fiscal year 1994.

Figure 26: Time Line for St. Thomas

Original St. Thomas buildings.

Cleared St. Thomas site.



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the Housing Authority of New Orleans.

Background

St. Thomas, completed in 1941, consisted of 1,510 public housing units on almost 50 acres (see fig. 26). The site was located in a mixed-use neighborhood close to the central business district and the Garden District. The neighborhood in which St. Thomas is located was recently designated as a historic district. St. Thomas had a vacancy rate of 50 percent when the Housing Authority of New Orleans applied for the HOPE VI grant. The original site had a density of approximately 30 units per acre and contained long spaces between buildings, which were conducive to criminal and violent behavior. Moreover, underground utilities were either obsolete or deteriorated. Stormwater flooding and sanitary line overflows were common. The odor of sewage was pervasive throughout the site.

Revitalization and Community and Supportive Services Plans

In addition to the revitalization grant, the Housing Authority of New Orleans was awarded a HOPE VI demolition grant in the amount of $3.5 million to demolish 701 units at St. Thomas. With funds from the city, state, tax-exempt bonds, and other sources, the total projected budget for the revitalization of St. Thomas is $293 million. The revitalization plans call for

- a total of 1,238 units, including construction of 182 on-site public housing units, 107 on-site public housing eligible rental units, 15 on-site affordable homeownership units, 100 off-site public housing eligible rental units, and 50 off-site affordable homeownership units;
- construction of a 200,000-square-foot retail center on 17 acres adjacent to the site; and
- historic preservation and renovation of five of the original St. Thomas buildings.

Of the $25 million revitalization grant, the housing authority plans to spend $4 million on community and supportive services. The housing authority will attempt to contact all of the original St. Thomas households and conduct assessments of their needs. On the basis of these assessments, a detailed case management plan will be drafted. The St. Thomas community and supportive services plan, which HUD approved in July 2001, documents goals and objectives for achieving self-sufficiency for the residents of St. Thomas in the following areas: employment and income generation, education, training, homeownership training and assistance, health, strengthening families, and services to build community leadership.

Current Status

The St. Thomas site has been cleared, but construction has not yet started (see fig. 26). The relocation of 739 families was completed in June 2001, and demolition of 1,365 units was completed in December 2001. As of April 2003, infrastructure work at the St. Thomas site was 60 percent complete.

The transfer of property from the housing authority to the retail developer for the construction of the retail center is scheduled to occur by June 2003. This property transfer is contingent upon the housing authority's submission of documents to HUD for the closing of the first phase of construction on residential units, an escrow deposit from the developer to guarantee the construction of residential housing, and the environmental clearance for the retail site. State economic development bonds were approved in December 2002, which enabled negotiations regarding the retail center to progress. The historic preservation of five of the original St. Thomas buildings also has begun.

The housing authority has hired Kingsley House, a social service provider located near the St. Thomas site, to perform assessments and provide case management plans in accordance with the community and supportive services plan. The Kingsley House, established in 1896, administers a variety of programs from Head Start to adult day care. Assessments have been conducted on 451 of the 739 families that were affected by the redevelopment plans.

Factors Contributing to Current Status

According to housing authority officials, progress has been delayed due to funding shortfalls. Although the housing authority requested $40 million, HUD awarded $25 million, which was not enough to revitalize the St. Thomas site. Similarly, the city could provide $6 million of the $20 million needed for infrastructure at the site. As a result, the developer had to take time to identify other funding sources. Moreover, it took approximately 2 years from the time that the developer told HUD its intentions to employ tax-increment financing (TIF) until the New Orleans City Council approved it. Approval of the TIF was delayed due to public pressure against the TIF concept and the project itself. Moreover, the state bond commission did not approve the issuance of bonds until December 2002, after nearly 6 months of delays due in part to the need to complete environmental review processes.

Also, although the housing authority selected a developer in September 1997, the HUD Office of Inspector General identified problems with the selection process.[6] Specifically, the Inspector General found that the

[6]U.S. Department of Housing and Urban Development, *Developer Selection; St. Thomas HOPE VI Grant; New Orleans*, *Louisiana*, 98-FW-201-1813 (Fort Worth, Texas: July 24, 1998).

housing authority allowed the majority of the selection panel members to be nonhousing authority individuals. The Inspector General also found that the interaction of the initial developer with certain members of the selection panel and St. Thomas residents constituted both a perceived and actual conflict of interest. As a result, the housing authority selected a new developer in October 1999. Once selected, the new developer reconfigured the revitalization plan.

Delays continue because the St. Thomas site is located in a historic district. Preservationists opposed demolition of existing buildings and the construction of the retail center because of its size, design, financing, impact upon traffic, and negative effect upon local businesses. The housing authority consulted with environmental and preservationist groups and executed a Memorandum of Agreement in September 2000 that stipulated the preservation of five of the original St. Thomas buildings and a warehouse as well as other measures aimed at minimizing adverse environmental impact in and around St. Thomas. Consultation began in 2001 for an amended Memorandum of Agreement to consider the retail component proposed for the site.

In July 2002, a nonprofit organization filed a lawsuit against the housing authority and HUD (1) stating that they were not in compliance with environmental and historic preservation laws and (2) seeking HUD to withhold all HOPE VI funds from the housing authority. Since the filing of the lawsuit, HUD has completed a supplemental environmental assessment and has published a finding of no significant impact. Moreover, the housing authority, HUD, and other parties have executed an amended Memorandum of Agreement. The case was reopened in March 2003, but it was dismissed by a judge in April 2003.

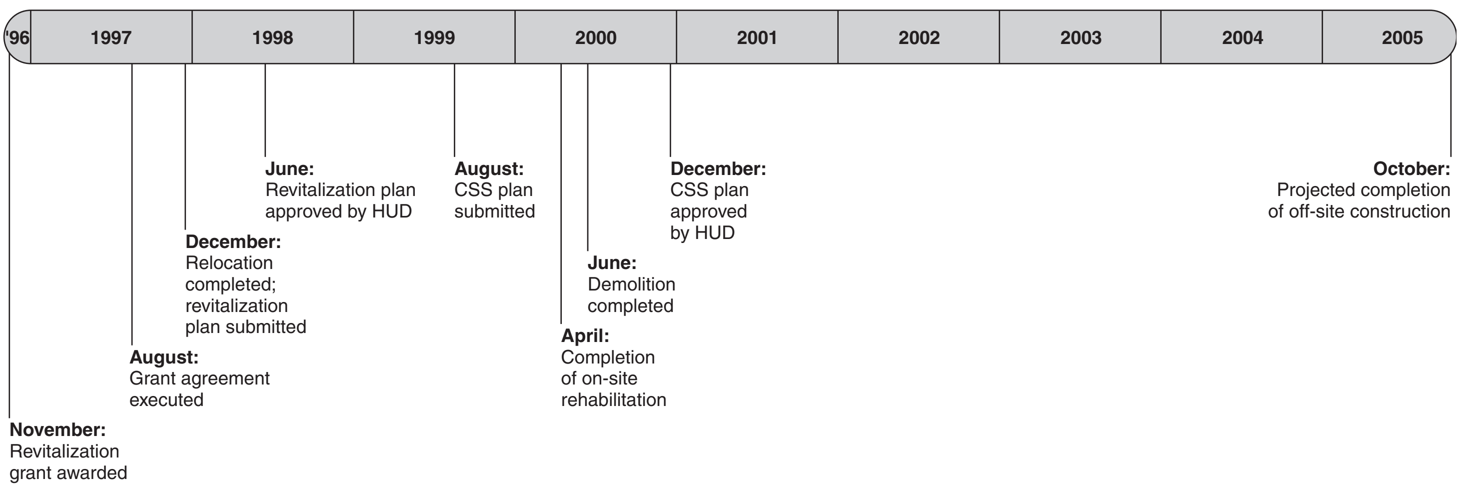
Finally, the Housing Authority of New Orleans has had a long history of management problems, and its public housing has long been in very poor condition. In 1996, HUD entered into a “cooperative endeavor agreement” with New Orleans to correct problems at the housing authority. Under this agreement, HUD dissolved the housing authority’s board of commissioners and chose a HUD representative as Executive Monitor to oversee the authority’s progress in implementing improvements. In 2002, after the housing authority had made little progress, HUD took control of its management and operations. According to HUD officials involved in the receivership, they are working on reallocating staff resources, reorganizing the housing authority’s structure, and cutting back on unnecessary expenditures.

Theron B. Watkins Homes, Kansas City, Missouri

The Housing Authority of Kansas City, Missouri, received a $13 million HOPE VI revitalization grant for Theron B. Watkins in November 1996 (see fig. 27). This grant has funded the revitalization of the Watkins site and will fund additional revitalization plans at another site and off-site units. The authority has had numerous problems related to management and maintenance of its properties, and it was placed under judicial receivership in 1994. The authority also was awarded three other HOPE VI revitalization grants—a fiscal year 1993 revitalization grant for Guinotte Manor, a fiscal year 1997 revitalization grant for Heritage House, and a smaller revitalization grant for Heritage House awarded in fiscal year 1998 that is complete.

Figure 27: Time Line for Theron B. Watkins Homes

Theron B. Watkins Homes after revitalization.



Source: GAO.

Note: This time line is based on GAO analysis of data provided by the Housing Authority of Kansas City, Missouri.

Background

For many years, the Theron B. Watkins site served as the symbol for urban decline in Kansas City. With its deteriorated structures, large open entryways, and outdated and neglected electrical systems, the site suffered from many of the same problems identified in housing of similar design throughout the country. The site was built in 1953 and contained 288 units in 22, three-story buildings. In the late 1980s, living conditions at the site began to deteriorate at a rapid pace with drug dealing and related crime rampant; units in disrepair and neglect; and the housing authority unable to address problems due to its mismanagement problems. These conditions created an unsafe living environment that prompted residents to vacate the site in large numbers. Upon the arrival of the receiver in 1994, problems at the site included a 43 percent vacancy rate; enormous backlogs of uncompleted maintenance work; high rates of criminal activity; and hundreds of families living in dangerous, substandard conditions.

Revitalization and Community and Supportive Services Plans

According to the revitalization plan, the Housing Authority of Kansas City, Missouri, would use their $13 million HOPE VI revitalization grant to fund portions of several redevelopment projects. The majority of the grant would fund the rehabilitation of 75 units at the Theron B. Watkins site. (Other public housing funds would be used to complete the rehabilitation of the remaining units.) Additionally, some of the HOPE VI funds would be used to rehabilitate 74 townhomes at the housing authority's Wayne Miner site. Finally, the funding would be used to demolish 24 units at Theron B. Watkins. These units would be replaced in two off-site communities. Of the $13 million revitalization grant, $1.4 million was budgeted for community and supportive services. The funds would be used to provide case management, community policing, and programs and activities. An additional $314,000 would be used to renovate the housing authority's family development center.

Current Status

Of the 173 total planned units, 149 have been completed. The rehabilitation of 75 units at the Theron B. Watkins site is complete (see fig. 27), as is the renovation of the family development center. The rehabilitation of the 74 townhomes at the Wayne Miner site was completed in March 2003. The replacement of the 24 demolished units in two, off-site, mixed-income developments remains in the planning stage. However, due to recent tax credit awards, construction on 13 of the 24 replacement units is scheduled to begin in June 2003.

Community and supportive services for residents of Theron B. Watkins include bilingual case management for the large immigrant population, community policing, transportation, public health programs, and youth development activities. The housing authority recently conducted a needs assessment of its residents, which demonstrated the residents' preference for case management. Services for children are offered at an on-site community center, including Head Start, Parents as Teachers, Boy/Girl Scouts, and the Police Athletic League.

Factors Contributing to Current Status

The housing authority had already begun the revitalization of Theron B. Watkins with other public housing funds when the fiscal year 1996 HOPE VI revitalization grant was awarded. Additionally, the receivership improved the management of the housing authority, which ensured that the authority had the staffing and expertise to implement its HOPE VI grants.

Although the on-site renovation was completed by April 2000, the other two parts of the redevelopment effort have faced challenges. The housing authority's initial HOPE VI application included the Wayne Miner site as a mixed-income development, but after an evaluation of financial feasibility and market demand, the housing authority decided that mixed-income development would not be sustainable at the site. Thus, the housing authority had to redo its plans for the site to include only public housing. The plans to replace the 24 demolished Theron B. Watkins units at two, off-site, mixed-income developments were delayed when the housing authority's fiscal years 2001 and 2002 applications for low-income housing tax credits were denied. However, in early 2003, one of the two mixed-income developments was awarded tax credits, and construction is expected to begin in June 2003. The housing authority plans to reapply for tax credits for the other development in the fall of 2003.

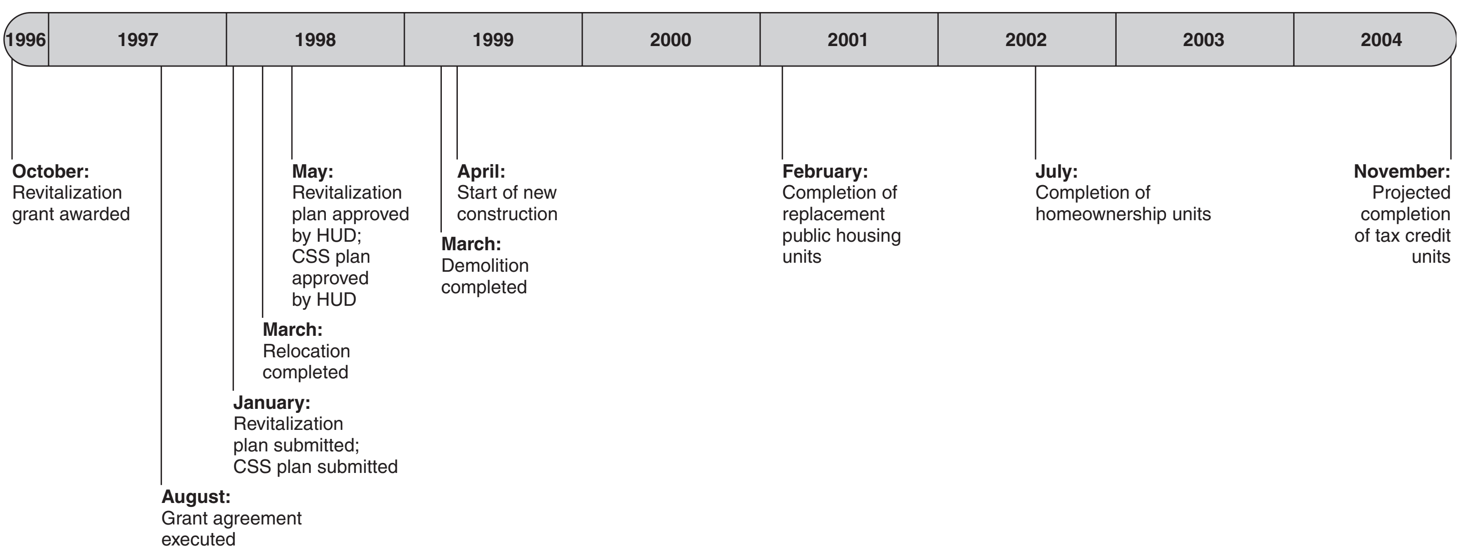
Tobe Hartwell Courts and Tobe Hartwell Extension, Spartanburg, South Carolina

The Spartanburg Housing Authority was awarded a $14.6 million HOPE VI revitalization grant for Tobe Hartwell Courts and Tobe Hartwell Extension in October 1996 and has completed all of the planned public housing and homeownership units, a community center, and nearly half of the planned tax credit units (see fig. 28).

Figure 28: Time Line for Tobe Hartwell Courts and Tobe Hartwell Extension

Tobe Hartwell Courts prior to demolition.

Tobias Booker Hartwell Campus of Learners (formerly Tobe Hartwell Courts and Tobe Hartwell Extension): rental units, computer room, and gymnasium.



Sources: GAO (except the left photo, which is printed with the permission of the Spartanburg Housing Authority).

Note: This time line is based on GAO analysis of data provided by the Spartanburg Housing Authority.

Background

Tobe Hartwell Courts and Tobe Hartwell Extension—constructed in 1941 and 1952, respectively—contained 266 units in concrete and masonry buildings (see fig. 28). High density, narrow streets, limited rehabilitation options, and general disrepair characterized the development. In 1996, incidents of crime were 19 percent higher at this development than crime in Spartanburg public housing in general, and nearly 40 percent of the residents did not have a high-school diploma. The housing authority was awarded a $400,000 HOPE VI planning grant for Tobe Hartwell Courts and Extension in May 1995.

Revitalization and Community and Supportive Services Plans

The total projected budget for the project is $30 million, which includes tax credit equity and private funds. The revitalization plans for Tobe Hartwell Courts and Tobe Hartwell Extension, renamed the Tobias Booker Hartwell Campus of Learners, call for 268 new units to be developed in the following four phases:

- Phase one: 118 public housing replacement units and a community center on the original site.
- Phase two: 50 single-family homes on two off-site locations.
- Phase three: 50-unit, off-site apartment complex (40 low-income housing tax credit units and 10 public housing units).
- Phase four: another 50 low-income housing tax credit off-site units.

Of the $14.6 million in HOPE VI funds, approximately $803,000 was set aside for community and supportive services. The community and supportive services plan, approved in May 1998, stated that case managers would administer the program and monitor residents' progress. The community center would be the hub of the supportive services component and would include a day-care facility, a computer center, a clinic, meeting rooms, staff offices, and a combined gymnasium and multipurpose community room.

Current Status

The 118 replacement public housing units were completed in February 2001 and are now fully occupied (see fig. 28). All 50 homes are complete, 36 have been sold, and contracts are in place for 7. Of the 50 tax credit units planned for phase three, all have been constructed and accepted. Site infrastructure work is complete for phase four, and the housing authority is awaiting the 2003 low-income housing tax credit cycle to apply for building funds for this phase.

A needs assessment of the residents was updated in January 2000, and provision of supportive services began in December 2000. The community center is complete, and the day-care and health-care components are fully operational. Classes are also under way in the computer lab, and case managers are on-site.

Factors Contributing to Current Status

Spartanburg Housing Authority officials believe that they have been successful for several reasons. First, receipt of a planning grant enabled the housing authority to thoroughly plan the revitalization. As a result of this early planning, the housing authority made few changes to their plans after the revitalization grant was awarded. Also, housing authority officials emphasized that they involved their residents early and often, enabling them to avoid the delays and difficulties that many other housing authorities have experienced. Moreover, housing authority officials emphasized that their previous executive director provided strong leadership and was the driving force behind the planning and implementation of their revitalization grant.

The financing of this grant was relatively simple compared with the financing that other housing authorities must arrange to construct mixed-income developments. For example, the housing authority put all public housing units back on-site. In addition, in South Carolina, the state housing finance agency sets aside low-income housing tax credits for HOPE VI sites. This made it easier for the housing authority to obtain tax credits for its off-site components.

Comments from the Department of Housing and Urban Development

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

MAY 12 2003

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

TO: David Wood, Director, Financial Markets and Community Investment, U.S. General Accounting Office

FROM: Michael Liu, Assistant Secretary for Public and Indian Housing

SUBJECT: Comments on GAO Draft Report, "HUD's Oversight of HOPE VI Sites Needs to Be More Consistent" (Report to the Chairman, Subcommittee on Housing and Transportation, Committee on Banking, Housing and Urban Affairs, United States Senate)

HUD respectfully submits the following information for consideration in the section of the GAO report designated for Agency Comments.

HUD would like to thank the U.S. General Accounting Office for its thorough and perceptive review of the HOPE VI Program and the opportunity to respond to this second report addressing HUD's management of HOPE VI. In general, we find the report to be fair and accurate in its assessment of the management of the program and would like to offer additional comments and information for consideration. In addition to the comments provided in this memorandum, Attachment 1 provides some suggestions related to specific citations in the report.

As stated, the report sought to study the following aspects of the HOPE VI program: (1) HUD's processing for assessing HOPE VI revitalization grant applications and selecting grantees; (2) the status of work at sites for which grants have been awarded and compliance with grant agreement deadlines; (3) HUD's oversight of HOPE VI grants; and (4) the amount of program funds that HUD has budgeted for technical assistance and the types of technical assistance it has provided.

Following careful consideration of the report, the Department agrees with the three recommendations proposed:

(1) Continue to include the past performance as an eligibility requirement in each year's notice of funding availability;
(2) Clarify the role of Field Offices in HOPE VI oversight and ensure that HUD Field Offices conduct required annual reviews of HOPE VI grants;
(3) Develop a formal written enforcement policy to hold public housing authorities accountable for the status of their grants.

The Department appreciates GAO's support of efforts that have been instituted to improve the HOPE VI program, including measures related to the grant selection process and grantee performance and accountability. The Department was pleased that GAO recognized the decision to include criteria in the FY 2002 HOPE VI Revitalization Notice of Funding Availability (NOFA) that would encourage readiness and accountability. For example, GAO recommended that the inclusion of past performance as an eligibility criteria should be continued in future selection processes, as it can help direct HOPE VI funds to where results can be produced most effectively. The Department agrees with this recommendation and will take action to incorporate it in the FY 2003 HOPE VI Revitalization NOFA.

GAO also acknowledged that the Department has taken steps to encourage grantees' adherence to deadlines, citing, for instance, that the Department notified grantees in March 2002 that ten key dates could no longer be changed in the quarterly reporting system after June 30, 2002 (page 22). While the Department appreciates GAO's recognition and support of the institution of these "locked checkpoints," we are concerned that the Department's commitment to ensuring grantee performance and accountability is not duly conveyed in the report. The Department regards the development of management tools such as the locked checkpoint system to be a key step in the establishment of a formalized enforcement policy, as recommended by GAO.

As stated, GAO recommends that the Department should develop a formal, written enforcement policy to hold public housing authorities accountable for the status of their grants. The Department agrees with this recommendation, and will endeavor to institute responsive measures. For example, the Department is considering possible actions including, a schedule of fines, appointment of alternative administration, recapture of HOPE VI funds, and penalties that would affect a housing authority's ability to compete for non-formula grants.

We look forward to reviewing the ongoing results of your study on the various components of the HOPE VI program. Again, we thank you for your diligent and thoughtful review of the program.

GAO Contacts and Staff Acknowledgments

GAO Contacts

David Wood, (202) 512-8678
Paul Schmidt, (312) 220-7681

Staff Acknowledgments

In addition to those named above, Catherine Hurley, Kevin Jackson, Barbara Johnson, Alison Martin, John McGrail, Sara Moessbauer, Marc Molino, Lisa Moore, Barbara Roesmann, Paige Smith, Ginger Tierney, and Carrie Watkins made key contributions to this report.

Glossary

Case management	An experienced case manager assesses the needs and circumstances of each family holistically and makes referrals to an appropriate range of service providers on the basis of priorities that these individual assessments suggest. Also see **community and supportive services**.
Community and supportive services	Services such as child care, transportation, job training, job placement and retention services, youth programs, addictions counseling, and parenting classes.
Community and supportive services plan	Contains a description of the types of community and supportive services that will be provided to residents, the proposed steps and schedules for establishing arrangements with service providers, the plans for actively involving residents in supportive services planning and implementation, and a system for monitoring and tracking the performance of the supportive services programs as well as resident progress. Also see **community and supportive services**.
Consent decree	A judicial decree that sanctions a voluntary agreement between parties in dispute.
Defensible space program	A program that restructures the physical layout of communities to allow residents to control the areas around their homes and reduce crime. For example, common entryways and grounds are replaced with private entrances and yards.
Elderly rental unit	A unit designated for an individual or for a family whose head, spouse, or sole member is a person 62 years of age or older. An elderly family may include elderly persons with disabilities and other family members who are not elderly and who may or may not have disabilities.
Family rental unit	A unit of affordable rental housing developed for use by two or more persons in a development.

Family self-sufficiency program	A HUD program that encourages communities to develop local strategies to help assisted families obtain employment that will lead to economic independence and self-sufficiency. Public housing agencies work with welfare agencies, schools, businesses, and other local partners to develop a comprehensive program that gives participating family members the skills and experience to enable them to obtain employment that pays a living wage. When a family volunteers to participate in the program, the housing authority and the head of the family execute a contract of participation that specifies the rights and responsibilities of both parties. The 5-year contract specifies goals and services for each family. The housing authority establishes an interest-bearing escrow account for each participating family. The housing authority credits the escrow account, based on increases in earned income of the family, during the term of the contract. If the family completes the contract and no member of the family is receiving welfare, the amount of the account is paid to the head of the family.
HOPE VI demolition grant	Awarded to housing authorities from 1996 to the present, these grants fund the demolition of severely distressed public housing, the relocation of residents affected by the demolition, and the implementation of supportive services for permanently relocated residents.
HOPE VI planning grant	Awarded to housing authorities from 1993 to 1995, these grants were used to fund studies for the area to be revitalized, to develop a plan of revitalization, for economic development, and for technical support.
HOPE VI revitalization grant	Revitalization grants—which have been awarded since the program's inception—fund, among other things, the capital costs of major rehabilitation, new construction, and other physical improvements; demolition of severely distressed housing; and community and supportive services programs for residents, including those relocated as a result of revitalization efforts.
Low-income housing tax credit program	Low-income housing tax credits provide tax incentives for private investment in the development and rehabilitation of housing for low-income households. Under this program, states are authorized to allocate federal tax credits as an incentive to the private sector to develop rental

housing for low-income households. After the state allocates tax credits to developers, the developers typically offer the credits to private investors. The private investors use the tax credits to offset taxes otherwise owed on their tax returns. The money that private investors pay for the credits is paid into the projects as equity financing.

Market-rate unit

Housing unit with no income eligibility restrictions for renters or homeowners.

Mixed-finance development

A method of public housing development that involves a combination of public and private financing sources and may include the ownership of public housing units by a housing authority, or an entity other than the housing authority in which the authority may or may not have an ownership interest.

Mixed-finance proposal

A proposal that must be approved by HUD prior to the development of units financed with a combination of public and private funds. The proposal consists of 12 sections of narrative and attachments and includes basic descriptive information, such as the number and types of units planned, the development schedule, and the sources and uses of funding.

Mixed-income development

A development that combines public housing families with other residents of various income levels in order to decrease the economic and social isolation of the public housing families.

Project-based Section 8 Program

A HUD rent subsidy program that attaches the subsidy to a unit instead of a person. Under this program, landlords are responsible for ensuring that these units are leased only to qualified tenants and that the units meet HUD standards.

Revitalization plan

Consists of a series of documents and submissions that govern the revitalization of a public housing development. The revitalization plan includes, among other things, the grantee's HOPE VI application, budgets, a community and supportive services plan, a relocation plan, and any supplemental submissions that HUD requests following its review of the HOPE VI application and as a result of a site visit to the development.

Tax credit unit

Units financed with low-income housing tax credit equity. Also see **low-income housing tax credit program.**

Tax increment financing (TIF)

Allows a municipality to provide financial incentives to stimulate private investment in a designated area (a TIF district) where blight has made it difficult to attract new development. TIF can be used to support new development or the rehabilitation of existing buildings in industrial, commercial, residential, or mixed-use development proposals. Funding for TIF-eligible activities is derived from the increase in incremental tax revenues generated by new construction or rehabilitation projects within the boundaries of the TIF district. States determine what activities are eligible uses of TIF funds; these activities may include land acquisition, site preparation, building rehabilitation, public improvements, and interest subsidy.

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