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Testimony

Before the Subcommittee on Housing,  
Transportation, and Community  
Development, Committee on Banking,  
Housing, and Urban Affairs, U.S. Senate

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For Release on Delivery  
Expected at 2:00 p.m. EDT  
Wednesday, June 20, 2007

## **PUBLIC HOUSING**

# **Information on the Financing, Oversight, and Effects of the HOPE VI Program**

Statement of David G. Wood, Director  
Financial Markets and Community Investment





Highlights of [GAO-07-1025T](#), a testimony to the Subcommittee on Housing, Transportation, and Community Development, Committee on Banking, Housing, and Urban Affairs, U.S. Senate

## Why GAO Did This Study

Since fiscal year 1992, the Department of Housing and Urban Development (HUD) has awarded more than \$6 billion in HOPE VI program grants to public housing authorities to revitalize severely distressed public housing and provide supportive services to residents. HUD has encouraged housing authorities to use their HOPE VI grants to attract, or leverage, funding from other sources, including other federal, state, local, and private-sector sources. Projects funded with public and private funds are known as mixed-finance projects.

This testimony is based primarily on three reports that GAO issued between November 2002 and November 2003, focusing on (1) the financing of HOPE VI projects, including the amounts of funds leveraged from non-HOPE VI sources; (2) HUD's oversight and administration of the program; and (3) the program's effects on public housing residents and neighborhoods surrounding HOPE VI sites. As requested, the statement summarizes the key findings from these reports, the recommendations GAO made to HUD for improving HOPE VI program management, and HUD's actions in response to the recommendations.

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## PUBLIC HOUSING

# Information on Financing, Oversight, and Effects of the HOPE VI Program

## What GAO Found

In its November 2002 report, GAO found that housing authorities expected to leverage—for each HOPE VI dollar received—\$1.85 in funds from other sources, and that the authorities projected generally increasing amounts of leveraged funds. GAO also found that even with the general increase in projected leveraging, 79 percent of the budgeted funds in mixed-finance projects that HUD had approved through fiscal year 2001 came from federal sources. GAO recommended that HUD provide the Congress with annual reports on the HOPE VI program, as required by statute, and provide data on the amounts and sources of funding used at HOPE VI sites. HUD has submitted these reports to Congress since fiscal year 2002. According to the 2006 report, HOPE VI grantees have cumulatively leveraged, from the program's inception through the second quarter of fiscal year 2006, \$1.28 for every HOPE VI grant dollar expended.

In its May 2003 report, GAO found that HUD's oversight of the HOPE VI program had been inconsistent for several reasons, including a shortage of grant managers and field office staff and confusion about the role of field offices. A lack of enforcement policies also hampered oversight; for example, HUD had no policy regarding when to declare a grantee in default of the grant agreement or apply sanctions. GAO made several recommendations designed to improve HUD's management of the program. HUD concurred with these recommendations and has taken actions in response, including publishing guidance outlining the oversight responsibility of field offices and notifying grantees that they would be in default of their grant agreement if they fail to meet key deadlines.

In its November 2003 report, GAO found that most of the almost 49,000 residents that had been relocated as of June 2003 had moved to other public or subsidized housing; small percentages had been evicted, moved without giving notice, or vacated for other reasons. Grantees expected that about half of the original residents would return to the revitalized sites. Limited HUD data and information obtained during GAO's site visits suggested that the grantee-provided community and supportive services had yielded some positive outcomes, such as job training and homeownership. Finally, GAO's analysis of Census and other data showed that neighborhoods surrounding 20 HOPE VI sites (awarded grants in 1996) experienced improvements in several indicators used by researchers to measure neighborhood change, such as educational attainment levels, average household income, and percentage of people in poverty. However, for a number of reasons, GAO could not determine the extent to which the HOPE VI program was responsible for the changes.

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to be here today as the Subcommittee considers legislation to reauthorize the HOPE VI program. In 1992, Congress established the Urban Revitalization Demonstration Program, commonly known as HOPE VI, administered by the Department of Housing and Urban Development (HUD). Under this program, HUD competitively awards grants for revitalizing distressed public housing—through rehabilitation or demolition and construction of new, mixed-income developments—and for improving the lives of public housing residents through supportive services such as child care and job training. By providing funds for a combination of capital improvements and community and supportive services, the program seeks not only to improve the living environment for public housing residents, but also to help improve surrounding neighborhoods and decrease the concentration of very low-income families.

Since fiscal year 1992, HUD has awarded more than \$6 billion in HOPE VI grants to public housing authorities. Grant agreements, which serve as contracts between HUD and the grantees, specify the activities that the housing authorities must complete and key deadlines they must meet. To increase the number of affordable housing units developed at HOPE VI sites, HUD has encouraged housing authorities to use their HOPE VI grants to attract, or leverage, funding from other sources, including other federal, state, local, and private-sector sources. Projects funded with a combination of public and private funds are known as mixed-finance projects. HUD also has encouraged housing authorities to leverage additional funds for supportive services.

My testimony is based primarily on a series of three reports concerning the program that we issued between November 2002 and November 2003.<sup>1</sup> These reports focused on (1) the financing of HOPE VI projects, including the amounts of funds leveraged from non-HOPE VI sources, (2) HUD's oversight and administration of the program, and (3) the program's effects on public housing residents and neighborhoods surrounding HOPE VI

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<sup>1</sup>The three reports are *Public Housing: HOPE VI Leveraging Has Increased, but HUD Has Not Met Annual Reporting Requirement*, [GAO-03-91](#) (Washington, D.C.: Nov. 15, 2002); *Public Housing: HUD's Oversight of HOPE VI Sites Needs to Be More Consistent*, [GAO-03-555](#) (Washington, D.C.: May 30, 2003); and *Public Housing: HOPE VI Resident Issues and Changes in Neighborhoods Surrounding Grant Sites*, [GAO-04-109](#) (Washington, D.C.: Nov. 21, 2003).

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sites. As you requested, my statement summarizes the key findings from our work, the recommendations we made to HUD for improving HOPE VI program management, and HUD's actions in response to the recommendations.

In Brief:

- In our November 2002 report, which examined the extent to which housing authorities had leveraged HOPE VI funds with other sources of financing, we found that for revitalization grants awarded since the program's inception through fiscal year 2001, housing authorities expected to leverage—for each HOPE VI dollar received—\$1.85 in funds from other sources, and that the authorities projected generally increasing amounts of leveraged funds. However, HUD considered the level of leveraging to be somewhat higher, because it treated as “leveraged” other public housing funds that the housing authorities would have received even in the absence of their HOPE VI grants. Our analysis of mixed-finance projects HUD had approved through fiscal year 2001 indicated that 79 percent of the budgeted funds came from federal sources. This was a higher proportion than HUD data indicated, because HUD did not treat funds that grantees received through low-income housing tax credits as federal funds—even though the credits represent forgone federal income and are therefore a cost to the federal government. Finally, our analysis also showed that although the majority of funds budgeted overall for supportive services were HOPE VI funds, the amount of non-HOPE VI funds budgeted for supportive services had increased dramatically since the program's inception. We recommended that HUD provide the Congress with annual reports on the HOPE VI program, as it was required by statute to do, and to include in the reports the amounts and sources of funding used at HOPE VI sites. The first such report that HUD submitted to Congress was for fiscal year 2002. Based on data reported in HUD's 2006 annual report, HOPE VI grantees have cumulatively leveraged, from the program's inception through the second quarter of fiscal year 2006, \$1.28 for every HOPE VI grant dollar expended.
- In our May 2003 report, which examined several issues concerning HUD's management of the program, we found that the department's oversight had been inconsistent for several reasons, including limited numbers of grant managers and field office staff, and confusion about the role of field offices; however, in response to our recommendations, HUD has taken steps designed to address these problems. We found a number of instances of limited oversight; for example, by the end of 2002, HUD field offices had not conducted any of the required annual reviews for 8 out of 20 grants awarded 6 years earlier. According to field office managers, the reviews

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had not been performed either because they lacked staff or because the offices did not understand their role in HOPE VI oversight. We also found that the status of work at HOPE VI sites varied, with construction completed at less than 10 percent of the 165 sites that had received revitalization grants through fiscal year 2001; that many grantees had missed deadlines specified in their grant agreements; and that HUD lacked clear enforcement policies to deal with such grantees. We made several recommendations designed to improve HUD's management of the program. HUD concurred with these recommendations and has taken actions in response, including publishing guidance on the oversight responsibility of field offices and notifying grantees that they would be in default of their grant agreement should key deadlines not be met. Because we have not examined HUD's oversight of the program since the 2003 report, we do not know the extent to which HUD's actions have corrected the problems we identified.

- In our November 2003 report, which focused on resident issues and changes in the neighborhoods surrounding HOPE VI sites, we found that public housing residents at HOPE VI sites had been affected in varying ways by the program, and that the neighborhoods surrounding the HOPE VI sites we examined had generally experienced improvements in indicators such as education, income, and housing, although we could not determine the extent to which HOPE VI contributed to the changes.<sup>2</sup> Most of the almost 49,000 residents that had been relocated as of June 30, 2003, had moved to other public housing or subsidized housing, and that small percentages had been evicted, moved without giving notice, or vacated for other reasons. At the time of our study, the grantees expected that about half of the original residents would return to the revitalized sites. The grantees had involved the public housing residents of HOPE VI sites in project plans to varying degrees. They had also provided a variety of community and supportive services to residents, and limited HUD data and information obtained during our site visits suggested that these had yielded at least some positive outcomes; for example, 31 of 49 participants in a Housing Authority of Pittsburgh health worker training program had obtained employment. Finally, according to our analysis of census and other data, the neighborhoods in which 20 HOPE VI sites (1996 grantees) are located had experienced improvements in a number of indicators used

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<sup>2</sup>In examining neighborhood effects, we included only the projects that received grants in 1996. These were the first awarded after HUD allowed revitalization to be funded with a combination of public and private funds, which has become the HOPE VI model; further, because program effects can occur over time, focusing on the earlier projects may have increased the chances of detecting any such effects.

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by researchers to measure neighborhood change, such as educational attainment levels, average household income, and percentage of people in poverty. However, for a number of reasons, we could not determine the extent to which the HOPE VI program was responsible for the changes.

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## Background

In 1992 the National Commission on Severely Distressed Public Housing (the Commission) 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 public housing sites themselves. In response to the Commission's report, Congress established the Urban Revitalization Demonstration Program, more commonly known as HOPE VI, at HUD. The program awards grants to public housing authorities (PHA). The grants can fund, among other things, the demolition of distressed public housing, capital costs of major rehabilitation, new construction, and other physical improvements, and community and supportive service programs for residents, including those relocated as a result of revitalization efforts. Beginning in 1996 with the adoption of the Mixed-Finance Rule, PHAs were allowed to use public housing funds designated for capital improvements, including HOPE VI funds, to leverage other public and private investment to develop public housing units. Public funding can come from federal, state, and local sources. For example, HUD itself provides capital funding to housing agencies to help cover the costs of major repair and modernization of units. Private sources can include mortgage financing and financial or in-kind contributions from nonprofit organizations.

HUD's requirements for HOPE VI revitalization grants are laid out in each fiscal year's notice of funding availability (NOFA) and grant agreement. NOFAs announce the availability of funds and contain application requirements, threshold requirements, rating factors, and the application selection process. 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. NOFAs and grant agreements also contain guidance on resident involvement in the HOPE VI process. HUD encourages grantees to communicate, consult, and collaborate with affected residents and the broader community, but allows grantees the final decision-making authority. Grant applications are screened to determine whether they meet the eligibility and threshold requirements in the NOFA. A review panel (which may include the Deputy Assistant Secretary for Public Housing

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Investments, the Assistant Secretary for Public and Indian Housing, and other senior HUD staff) recommends the most highly rated applications for selection, subject to the amount available for funding.

HUD's Office of Public Housing Investments, housed in 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.<sup>3</sup> 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, 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. Beginning in fiscal year 1999, HUD began to encourage HOPE VI revitalization grant applicants to form partnerships with local universities to evaluate the impact of their proposed HOPE VI revitalization plans.<sup>4</sup>

In 2003, Congress reauthorized the HOPE VI program and required us to report on the extent to which public housing for the elderly and non-elderly persons with disabilities was severely distressed. We subsequently reported that available data on the physical and social conditions of public housing are insufficient to precisely determine the extent to which developments occupied primarily by elderly persons and non-elderly persons with disabilities are severely distressed.<sup>5</sup> Using HUD's data on public housing developments—buildings or groups of buildings—and their tenants, we identified 3,537 developments primarily occupied by

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<sup>3</sup>The revitalization plan includes 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.

<sup>4</sup>GAO-04-109.

<sup>5</sup>*Public Housing: Distressed Conditions in Developments for the Elderly and Persons with Disabilities and Strategies Used for Improvement*, GAO-06-163 (Washington, D.C.: December 9, 2005)

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elderly residents and non-elderly persons with disabilities. Data from HUD and other sources indicated that 76 (2 percent) of these 3,537 developments were potentially severely distressed.

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## Grantees Had Projected A General Increase in Leveraged Funds, Primarily From Federal Sources

According to our analysis of HUD data for our November 2002 report, housing authorities expected to leverage an additional \$1.85 in funds from other sources for every dollar received in HOPE VI revitalization grants awarded since the program's inception through fiscal year 2001.<sup>6</sup> However, HUD considered the amount of leveraging to be slightly higher because it treated as "leveraged" both (1) HOPE VI grant funds competitively awarded for the demolition of public housing units and (2) other public housing capital funds that the housing authorities would receive even in the absence of the revitalization grants. Even when public housing funds were excluded from leveraged funds, our analysis of HUD data showed that projected leveraging had increased; for example, 1993 grantees expected to leverage an additional \$0.58 for every HOPE VI grant dollar (excluding public housing funds), while 2001 grantees expected to leverage an additional \$2.63 from other sources (excluding public housing funds). But, our analysis of HUD data through fiscal year 2001 also indicated that 79 percent of funds that PHAs had budgeted came from federal sources, when low-income housing tax credit funding was included. Finally, our analysis showed that although the majority of funds budgeted overall for supportive services were HOPE VI funds, the amount of non-HOPE VI funds budgeted for supportive services increased dramatically since the program's inception. Specifically, while 22 percent of the total funds that fiscal year 1997 grantees budgeted for supportive services were leveraged funds, 59 percent of the total that fiscal year 2001 grantees budgeted were leveraged funds.

Although HUD had been required to report leveraging and cost information to the Congress annually since 1998, it had not done so at the time of our 2002 report. As required by law, this annual report is to include the cost of public housing units revitalized under the program and the amount and type of financial assistance provided under and in conjunction with the program. We recommended that the Secretary of Housing and Urban Development provide these annual reports to Congress and include

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<sup>6</sup>GAO-03-91. To determine the extent to which grantees had leveraged federal and nonfederal funds, we analyzed data from HUD's HOPE VI reporting system on grants awarded. This data primarily consisted of budgeted or projected funds.

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in these annual reports, among other things, information on the amounts and sources of funding used at HOPE VI sites, including equity raised from low-income housing tax credits, and the total cost of developing public housing units at HOPE VI sites, including the costs of items subject to HUD's development cost limits and those not subject.<sup>7</sup>

In response to this recommendation, HUD issued annual reports to Congress for fiscal years 2002 through 2006 that include information on the amounts and sources of funding used at HOPE VI sites. In each of these reports, HUD included the amount of funds leveraged from low-income housing tax credits in its data on non-federal funds.<sup>8</sup> Based on data reported in the 2006 annual report, since the program's inception HOPE VI grantees have cumulatively leveraged \$1.28 per HOPE VI grant dollar expended.<sup>9</sup> Currently, we have work underway examining, among other things, how and the extent to which leveraging occurs in several federal programs, including the HOPE VI program.

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## HUD's Oversight of Projects and Enforcement of Program Requirements Had Been Inconsistent

Our May 2003 report found that a variety of factors diminished HUD's ability to oversee HOPE VI grants.<sup>10</sup> In particular, the limited numbers of grant managers, a shortage of field office staff, and confusion about the role of field offices had diminished the agency's ability to oversee HOPE VI grants. Our site visits showed that HUD field staff was not systematically performing required annual reviews. For example, for revitalization grants awarded in 1996, some never received an annual review and no grant had had an annual review performed each year since the grant award. From our interviews with field office managers, we determined that there were two reasons why annual reviews were not performed. First, many of the field office managers we interviewed stated that they simply did not have

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<sup>7</sup>Pursuant to the Quality Housing and Work Responsibility Act of 1998, HUD's total development cost policy limits the amount of public housing funds—including HOPE VI funds—that housing authorities may spend to construct a public housing unit. This per-unit limit does not apply to funds leveraged from other sources.

<sup>8</sup>In 2002 HUD reported the amount of funds budgeted for grants. For the annual reports covering fiscal years 2003 through 2006, HUD reported the amounts of funds expended for grants.

<sup>9</sup>U.S. Department of Housing and Urban Development, *2006 Annual Report to Congress on HOPE VI*, (Washington, D.C.: January 2007). Data based on funds expended as of the second quarter of fiscal year 2006. Total HOPE VI grant dollars expended include revitalization and demolition grants.

<sup>10</sup>[GAO-03-555](#).

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enough staff to get more involved in overseeing HOPE VI grants. 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.

As a result of our findings, we recommended that HUD clarify the role of HUD field offices in HOPE VI oversight and ensure that the offices conducted required annual reviews. In response to this recommendation, HUD published new guidance in March 2004 that clarified the role of HUD field offices in HOPE VI oversight and the annual review requirements. According to the guidance, HUD field office responsibilities include conducting an annual risk assessment, which should consider such factors as missed deadlines and adverse publicity and should be used to determine whether an on-site review should be conducted and which areas of the HOPE VI grant should be reviewed. The published guidance included a risk assessment form and sample monitoring review reports. While HUD's action was responsive to our recommendation, we have not examined the extent to which it has corrected the problems we identified in our 2003 report.

Our 2003 report also noted that the status of work at HOPE VI sites varied, and that the majority of grantees had missed one or more of three major deadlines specified in 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. We made recommendations to HUD designed to ensure better compliance with grant agreements. More specifically:

- Of the 165 sites that received revitalization grants through fiscal year 2001, 15 had completed construction at the time of our review.<sup>11</sup> Overall, at least some units had been constructed at 99 of the 165 sites, and 47 percent of all HOPE VI funds had been expended. In general, we found that the more recently awarded grants were progressing more quickly than earlier grants. For example, fiscal year 1993 grantees had taken an average of 31 months to start construction. In contrast, the fiscal year 2000 grantees started construction an average of 10 months after their grant agreement

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<sup>11</sup>[GAO-03-555](#).

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was executed.<sup>12</sup> HUD cited several reasons that may explain this improvement, such as later grantees having more capacity than the earlier grantees, the applications submitted in later years being more fully developed to satisfy NOFA criteria, and HUD placing greater emphasis on reporting and accountability.

To further improve its selection of HOPE VI grantees, we recommended that HUD continue to include past performance as an eligibility requirement in each year's NOFA—that is, to take into account how housing authorities had performed under any previous HOPE VI grant agreements. In response to this recommendation, HUD stated in its fiscal year 2004 NOFA that a HOPE VI application would not be rated or ranked, and would be ineligible for funding, if the applicant had an existing HOPE VI revitalization grant and (1) development was delinquent due to actions or inactions that were not beyond the control of the grantee and (2) the grantee was not making substantial progress towards eliminating the delinquency. According to the fiscal year 2006 NOFA, the ratings of applicants that received HOPE VI grants between 1993 and 2003 can be lowered for failure to achieve adequate progress.

- For at least 70 percent of the grants awarded through fiscal year 1999, grantees had not submitted their revitalization plans or community and supportive services plans to HUD on time.<sup>13</sup> Moreover, the large majority of grantees had also missed their construction deadlines; in the case of 9 grants, no units had been constructed as of the end of December 2002. HUD had taken some steps to encourage adherence to its deadlines; for example, HUD began requiring applicants to provide a certification stating that they had either procured a developer for the first phase of development, or that they would act as their own developer.

However, HUD did not have an official enforcement policy to deal with grantees that missed deadlines. As a result, we recommended that HUD

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<sup>12</sup>At the time of our analysis, 9 of the fiscal year 2000 grantees had not started construction. As a result, we could not be sure that the fiscal year 2000 grantees, as a whole, had moved faster than earlier grantees. 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.

<sup>13</sup>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 had not yet passed at the time of our study.

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develop a formal, written enforcement policy to hold public housing authorities accountable for the status of their grants. HUD agreed with this recommendation, and in December, 2003 notified several grantees that they were nearing deadlines and that failure to meet these deadlines could result in HUD placing the grant in default. According to the 2006 NOFA, HUD may withdraw funds from grantees that have not proceeded within a reasonable timeframe, as outlined in their program schedule.

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## About Half of Public Housing Residents Were Expected to Return to Revitalized Sites, while Evidence Suggested That Communities Surrounding Some HOPE VI Sites Had Improved

In our November 2003 report, we found that most residents at HOPE VI sites had been relocated to other public housing, or other subsidized housing, and that grantees expected that about half of the original residents would return to the revitalized sites.<sup>14</sup> In our examination of sites that had received HOPE VI grants in 1996, we found that the housing authorities had involved public housing residents in the planning and implementation process to varying degrees. Further, HUD data and information obtained during our site visits suggested that the supportive services provided public housing residents yielded at least some positive outcomes. Finally, according to our analysis of census and other data, the neighborhoods in which 1996 HOPE VI sites are located had generally experienced positive improvements in educational attainment levels, average household income, and percentage of people in poverty, although we were unable to determine the extent to which the HOPE VI program contributed to these changes.

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## Most Original Residents Were Relocated to Other Public Housing, and About Half Were Expected to Return to Revitalized HOPE VI Sites

According to HUD data, approximately 50 percent of the almost 49,000 residents that had been relocated as of June 30, 2003, had been relocated to other public housing; about 31 percent had used vouchers to rent housing in the private market; approximately 6 percent had been evicted; and about 14 percent had moved without giving notice or vacated for other reasons. However, because HUD did not require grantees to report the location of original residents until 2000, grantees had lost track of some original residents. Although grantees, overall, expected that 46 percent of all the residents that occupied the original sites would return to the revitalized sites, the percentage varied greatly from site to site. A variety of factors may have affected the expected return rates, such as the numbers and types of units to be built at the revitalized site and the criteria used to select the occupants of the new public housing units.

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<sup>14</sup>[GAO-04-109](#).

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## Among 1996 Grant Sites, Resident Involvement in the HOPE VI Process Varied, While Supportive Services Yielded Some Positive Outcomes

We found that the extent to which the 1996 grantees involved residents in the HOPE VI process varied.<sup>15</sup> Although all of the 1996 grantees held meetings to inform residents about revitalization plans and solicit their input, some of them took additional steps to involve residents in the HOPE VI process. For example, in Tucson, Arizona, the housing authority waited until the residents had voted their approval before submitting the revitalization plan for the Connie Chambers site to the city council. In other cases, litigation or the threat of litigation ensured resident involvement. For instance, under a settlement agreement, the Chicago Housing Authority's decisions regarding the revitalization of Henry Horner Homes were subject to the approval of the Horner Resident Committee.

Overall, based on the information available at the time of our 2003 report, grantees had provided a variety of community and supportive services, including case management and direct services such as computer and job training programs. Grantees had also used funds set aside for community and supportive services to construct facilities where services were provided by other entities. Information we collected during our visits to the 1996 sites, as well as limited HUD data on all 165 grants awarded through fiscal year 2001, indicated that HOPE VI community and supportive services had achieved or contributed to positive outcomes. For example, 31 of 49 participants in a Housing Authority of Pittsburgh health worker training program had obtained employment, while 114 former project residents in Louisville, Kentucky had enrolled in homeowner counseling and 34 had purchased a home.

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## 1996 HOPE VI Communities Experienced Positive Changes

According to our analysis of census and other data, the neighborhoods in which 1996 HOPE VI sites are located generally have experienced improvements in a number of indicators used to measure neighborhood change, such as educational attainment levels, average housing values, and percentage of people in poverty. For example, our analysis showed that in 18 of 20 HOPE VI neighborhoods, the percentage of the population with a high school diploma increased, in 13 neighborhoods average housing values increased, and in 14 neighborhoods the poverty rate decreased between 1990 and 2000. For a number of reasons—such as relying on 1990 and 2000 census data even though HOPE VI sites were at varying stages of completion—we could not determine the extent to which HOPE VI contributed to these changes. However, we found that several studies

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<sup>15</sup> [GAO-04-109](#).

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conducted by universities and private institutions also showed that the neighborhoods in which HOPE VI sites are located had experienced positive changes in income, employment, community investment, and crime indicators. For example, one study found that per capita income in eight selected HOPE VI neighborhoods increased an average of 71 percent, compared with 14.5 percent for the cities in which these sites are located, between 1989 and 1999.

We also observed that the HOPE VI program also may influence changes in neighborhood indicators by demolishing older, distressed public housing alone. For example, in the 6 HOPE VI neighborhoods where the original public housing units were demolished, but no on-site units had been completed, measured educational attainment and income levels increased.

Mr. Chairman, this concludes my prepared statement. I would be happy to answer any questions at this time.

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## Contacts and Acknowledgments

For further information on this testimony, please contact David G. Wood at (202) 512-8678. Individuals making key contributions to this testimony included Alison Gerry, John McGrail, Lisa Moore, Paul Schmidt, and Mijo Vodopic.

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