

Chairman Schumer, Ranking Member Crapo, and Senators of the Subcommittee:

I appreciate the opportunity to testify in connection with the Reauthorization of the HOPE VI Program. I am Richard D. Baron, Chairman & CEO of McCormack Baron Salazar, a St. Louis-based firm which has been involved nationally in the development of mixed-income communities since the late 1970s.

My partner, Kevin McCormack and I, were directly involved in the design of the “mixed-finance”, HOPE VI initiative working directly with former Secretary Henry Cisneros and his staff in early 1994. Our recommendations to the Department for “privatizing” the future development of public housing as part of larger mixed-income projects grew out of our thirty years of experience in creating affordable housing. Our firm has been involved in the development of nineteen HOPE VI communities throughout the country involving forty separate phases and 9,169 units. The firm has done nearly \$1.9 billion of development and manages a rental portfolio of 16,000 units.

My original purpose for suggesting the mixed-finance model reflected my belief that the original public housing program of 1937 had lost its market of working families and was increasingly isolating low income families from adjoining neighborhoods. Housing Authorities were often estranged from local government, and generally PHAs had no sense of local housing markets and their beleaguered management undermined

efforts to improve adjacent inner-city areas. Public housing had become the housing of “last resort” in most cities.

Our own experience repeatedly demonstrated that if public resources were combined with private capital, and where possible, philanthropic resources economically integrated housing developments could be created that were sustainable, better designed, and available to low and moderate income families without the “stigma” of public housing associated with the sites. I knew that if we could leverage HOPE VI funds with low-income tax credits, as well as other local resources, far better neighborhoods would emerge. This is precisely what has happened across the country. For example, state housing finance agencies, prior to HOPE VI, with few exceptions had virtually nothing to do with local PHAs. This has changed dramatically. HOPE VI has forced HUD and PHAs to view “public housing” as part of a much larger, local market, and its success now provides a new approach for creating housing for low-income families.

The other important element of the HOPE VI program involved funds for Community and Supportive Services (“CSS”). These resources have made it possible to support the families and children of the new communities by connecting and focusing local service providers and schools in more productive ways as partners in the redevelopment.

Our HOPE VI communities have dramatically improved neighborhoods, overcome decades of deterioration and blight, stabilized local schools, reduced crime, created jobs, and re-claimed areas of cities for new investment. It represents one of the most significant domestic programs of the past thirty years – given the partnerships that have been created between federal, state, and local government, and the added resources of local philanthropies. I would urge the Congress to re-authorize the HOPE VI program and insure that funds are appropriated to allow the program to continue at an accelerated pace.