

## REINVENTING PUBLIC HOUSING: IS THE ATLANTA MODEL RIGHT FOR YOUR CITY?

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Although public housing is commonly associated with big cities, local authorities own and manage almost 1,200,000 housing units in more than 3,000 municipalities throughout the United States. An imaginative management approach to public housing holds the potential to improve not just housing conditions but also the finances and real-estate-development climates in cities across America.

Local officials—including housing-authority board members—who are contemplating whether a new approach is worth trying ought to consider the following questions:

1. Are local public-housing properties increasingly difficult and expensive to maintain?
2. Is operating and capital assistance increasingly limited or unreliable?
3. Are local public-housing projects known for high crime rates and other social dysfunction?
4. Do local public housing properties inhibit new investment in adjoining parts of the municipality?
5. Is there reason to believe that private developers, whether of subsidized housing or commercial or industrial property, would be willing to build on public-housing sites?

If the answer to any of these questions is yes, authorities in your city ought to consider the lessons developed by the unusually innovative housing authority in Atlanta, Georgia. In 1994, the Atlanta Housing Authority (AHA)<sup>1</sup> owned and operated almost 14,300 apartments in forty-three housing developments, including twenty-six large “family projects.” (The remainder were smaller buildings reserved for the elderly.) By mid-2010, the AHA expects to have demolished virtually all those “family development” units and five of the elderly buildings. (It will continue to own—but not to manage—11 buildings for housing the elderly (a total of 1,861 units) and two small family properties (a total of 92 units).

At the same time, the total population served by the AHA is larger (50,000) than before demolition began—larger,

even, than it was in 1994. AHA-assisted tenants are now almost exclusively housed in privately owned buildings, either apartments paid for by housing-choice vouchers or public-housing units set aside in new mixed-use, mixed-income communities in which low-income households are a minority and whose development and construction has sparked a revival in adjoining neighborhoods. Notably, the terms of such housing assistance have also been dramatically changed, thanks particularly to higher expectations and standards, including a work requirement for AHA-assisted tenants.

Rather than being an owner/manager of a fixed set of properties, the AHA today is better characterized as “an integrated real-estate developer and asset manager,” says its Chief Executive Officer, Renee Lewis Glover. The AHA has outsourced many of its management functions to private companies and reduced the number of people it employs from 1,500 to 300.

### “UNFREEZING” PUBLIC HOUSING

Until recently, it was widely expected that land used for public housing would remain dedicated to subsidized apartments in perpetuity. Housing authorities had this “fixed-use” model in mind as conditions in public-housing projects began to rapidly deteriorate in the 1970s and 1980s. Management made marginal improvements to the quality of life by evicting felons, seeking additional operating assistance, and seeking state or federal monies for major capital improvements. In Atlanta and elsewhere, public-housing projects became isolated campuses of concentrated poverty, crime, family dysfunction, and children failing at low performing schools—with ill-effects on surrounding parts of the city.

In the years since, however, ambitious public-housing authorities like those in Atlanta, Chicago, Seattle, and Philadelphia have developed techniques for significantly improving living conditions and the future life prospects

for public-housing assisted households, jump-starting real-estate development, and increasing the property-tax base in areas blighted by dystopian projects. Atlanta, in partnerships with excellent private sector developers, has used federal grants such as the HOPE VI program, introduced during the first Bush administration and initiated during the Clinton years, to demolish obsolete and poorly maintained, high-crime, “distressed projects”—environments that Renee Glover does not hesitate to call “toxic.”<sup>2</sup> But the Atlanta model goes far beyond demolition and replacement housing. Its new “asset management” approach has led the AHA to new initiatives that range widely but are unified by an overarching insight: *that the land it owns can be leased or even sold and, in the process, put to new uses that support community building and economic development.*

To date, the AHA has replaced thirteen distressed public-housing projects with new mixed-use, mixed-income communities, with the residential components featuring 7,148 total rental units, of which 3,684 are for public housing-eligible tenants and 2,108 for sale as townhomes and detached single family homes, of which 574 are affordable for purchase by low income persons. These new communities are developed and owned by private/public partnerships, funded with public and private funds using private sector market principles and underwriting standards and requirements, and are privately managed. These new communities, such as Centennial Place and Villages of East Lake, have become nationally known.<sup>3</sup>

Some of the tools used in Atlanta—such as major competitive federal grants for relocation, demolition, long-term case management, master planning and design of new housing, as well as operating assistance to pay the operating costs (when added to tenant rents) for units set aside (up to 40 percent) for public-housing-eligible tenants—are not available to all housing authorities. But a new generation of private firms (including the Atlanta-based Integral Group and Columbia Residential) as a result of the mixed-use, mixed-income community revitalization has sprung up to help local authorities gain access to private capital and put public-housing properties to new purposes. Atlanta also received a “moving to work” designation and entered into an agreement with HUD in 2003, giving it discretion to merge various funding and revenues into a single general fund and to pilot locally created initiatives to address affordable housing needs in tune with the local Atlanta market. And key elements of the Atlanta model can be employed by any authority. These include:

### **1. Long-term lease of cleared land owned by the AHA.**

Such a lease requires approval from the Department of Housing and Urban Development (HUD) to change the “deed and trust” that typically governs land owned by a public-housing authority. To date, the AHA has used the resulting cleared land to reposition these distressed projects into market rate quality mixed-use, mixed-income communities. In cooperation, however, with the city’s economic development authority (the Atlanta Development Authority), the AHA is considering whether (depending on market and neighborhood conditions and other factors) it may allow entirely distinct commercial uses, such as retail stores, offices, or industrial parks, and put the sales proceeds that it realizes to work in other parts of the city, in keeping with the AHA’s charter “to develop, acquire, lease and operate affordable housing for low-income families.” Among the key advantages of this approach (in the view of the Development Authority) is that developers will gain access to large parcels of land that have already been assembled and have but one owner. No need, in other words, for eminent-domain procedures or other time-consuming legal changes related to land use.

**2. Housing vouchers and work requirements.** Housing-choice vouchers (commonly known as Section 8 housing vouchers) are central to the Atlanta model, just as they have been key to assisting public-housing tenants in other cities (such as Chicago and Philadelphia) when old public-housing projects were torn down. Some 60 percent of households formerly housed in now-demolished Atlanta public housing have chosen to receive vouchers rather than move into the new mixed-use, mixed-income communities. (Ex-residents have the right to apply to return but have no guarantee of doing so; the mixed-income rental communities include significantly fewer apartments for those of the lowest incomes.) But Atlanta—with a focus not merely on relocating public-housing tenants but encouraging their economic upward mobility—has introduced an important twist to the voucher program, as a result of lessons learned from its mixed-use, mixed-income revitalization program: those who would continue to receive housing assistance must agree to a work requirement. As discussed above, AHA signed a moving-to-work agreement with HUD allowing AHA to, among other things, test ways of promoting upward mobility for its residents. AHA’s policy requires at least one family member to “work thirty hours a week or be enrolled in school full-time.”

Labor-force participation among AHA clients has soared, as has average annual income for non-elderly and non-disabled households. In “traditional” Atlanta public housing, less than 20 percent of household heads worked; in one well-known project, the figure was just 13 percent. By 2009, nearly 70 percent were working (Atlanta allows enrollment in higher education and short-term training courses to fulfill the work requirement, as well). Of those receiving housing vouchers, some 30 percent have moved to other (suburban) jurisdictions, although an estimated 70 percent have remained in the Atlanta area. The number of housing authorities eligible to participate in the Moving to Work program is limited. Yet HUD allows any housing authority to give preference in its distribution of housing vouchers to heads-of-households who have a job or promise to get and keep one. Doing so can be an important signal.

**3. Tax-increment financing.** In areas around and including the new mixed-use, mixed-income communities built on or near former AHA real estate, tax-increment financing districts (or, as they are known in Atlanta, “tax allocation districts”) ensure that a portion of the new property taxes generated by what had been untaxed land will help build and maintain new roads, sewers, and parks. In such arrangements, a portion of property taxes is dedicated to the improvements in the designated area; Atlanta could devote up to 10 percent. AHA claims that the mixed-use, mixed-income revitalization program has resulted in total investment on the various former public housing sites and in surrounding neighborhoods of approximately \$2.456 billion. Significantly, in and around areas redeveloped through the AHA, the assessed value of property has increased since 1998 by some \$1.1 billion, according to the Atlanta Development Authority.<sup>4</sup>

**4. Contracts with private owners.** Many housing authorities have experienced difficulty making use of their full appropriations for housing vouchers (which are typically administered by the same authorities that manage traditional public-housing projects). This reflects the fact that tenants are not always able to find property owners who will accept their vouchers and that some property owners have had difficulty with voucher tenants. Atlanta has addressed these issues through the rules governing leasing of voucher-paid units. In addition to these issues and as a strategic effort to facilitate additional mixed-income housing opportunities throughout the City of Atlanta, AHA used its moving to work agreement (discussed above) to create its project-based rental assistance (PBRA) program—ten-year renewable agreements (which are financeable), competitively awarded to private owners, to

set aside some number of rental units for voucher holders.<sup>5</sup> The AHA has reached agreements for more than 3,000 housing units in privately-owned communities throughout the city. Notably, the agreements give private property owners the right to establish their own site-based waiting lists and screen tenants both at the time of application and every year thereafter. Owners have the right to review and enforce “lease compliance, housekeeping performance based on a home visit, credit reports, utility records and criminal background histories.” An “unsatisfactory screening report” can lead to “termination or non-renewal of the resident household’s lease.”

**5. A mix of financing.** In the thirteen mixed-use, mixed-income communities built on the former sites of “obsolete” public-housing projects, the AHA has worked with private owners/developers using a variety of sources of public and private capital and operating subsidies. The long-term ground lease is itself an investment made by the Housing Authority which, in most cases, can be made at minimal cost to the development partner. New mixed-use, mixed-income developments are complex in their financing structure. The cost of day-to-day management is supported by a series of funding “streams”: federal public-housing operating-assistance or housing-choice vouchers, along with rents collected from tenants for up to 40 percent of units; the proceeds from the syndication of Federal Low Income Housing Tax Credits (allocated by the federal government to state governmental agencies which award tax credits on a competitive basis to individual projects) in exchange for performance guarantees from the private developers who are required to provide below-market rents to moderate-income renters; first mortgage debt from banks and other financial institutions providing capital for the private developer; and direct investment (in the form of subordinated debt) from the housing authority for those apartments that the Authority itself will control. The Authority’s funds come primarily from HOPE VI and other public housing development grants. The city has paid for public improvements in and around the new developments through funds from “specialty” (dedicated use) bond issues. It is important for authorities to keep in mind that approaching their mission in a new way does not mean that they must undertake these sorts of mixed-income projects, which clearly have a great many moving parts. It may well be, however, that this approach is the most politically acceptable, as a replacement for distressed projects.

**6. Case management.** The AHA does not take the view that relocation coupled with a work requirement will lead automatically to an easy transition for all tenants. In-

deed, it found that there were socialization and behavior problems associated with former housing-project tenants who were able to obtain units in replacement housing. That prompted what the AHA calls a “midcourse correction”—a decision to retain private counseling and relocation services to provide long-term (three to five years) individual human development services to former project tenants. One firm providing such services promises, for instance, that “each family member is supported by a well-trained Family Support Coordinator” who helps with such matters as “basic motivation and life skills; education, training, and employment opportunities; career development and increased employability.”<sup>6</sup> A key element of the AHA’s course correction was a requirement that such counseling occur not in a class setting but individually, in a tenant’s home.

#### BENEFITS AND RISKS OF REINVENTED PUBLIC HOUSING

What’s going on in Atlanta must be understood as an exciting experiment—but an experiment nonetheless. The mere fact of the development of new, mixed-use, mixed-income communities with a variety of amenities—indefinitely more attractive today than the projects they replaced—does not guarantee that these properties will retain their value and attractiveness. Developers are candid in saying that successful long-term upkeep will depend on attracting market-rate owners and tenants, lest these new developments themselves become a locus of the “concentrated poverty” that is the named enemy of Atlanta’s effort. To date, the mixed-use, mixed-income communities remain attractive, although occasional complaints about the behavior of some tenants in developments such as the nationally known Centennial Place site can be found online. (Management notes, not unfairly, that complaints are inevitable in major housing complexes, for reasons that may be quite personal.) There is a great deal of reassurance provided, however, by the Atlanta work requirement. Indeed, Carol Naughton of Atlanta’s New Community Ventures, which is seeking to popularize the Atlanta model, says:

The work requirement is absolutely essential for mixed-income communities to work and for families to move up and out of poverty. One of the reasons that market-rate residents move into mixed-income communities which include public-housing-assisted residents is that everyone plays by the same rules, including that everyone works, everyone takes care of their home, and everyone makes sure their kids

go to school. Although the housing provides homes for families within a very broad range of incomes, people share the same values.

Still, the decision to set aside a significant percentage of housing units in the new communities for the very poor inevitably has consequences. Atlanta has found that, notwithstanding economic integration, attractive grounds and good maintenance, commercial retailers such as grocery stores have not gravitated toward the new mixed-income developments. Management firms report that major chains base such decisions on the median income of residents, a median pulled lower by public-housing-eligible tenants.

One would be naïve, however, to think that a demolition/relocation approach to public housing would be uncontroversial. Although tenant votes in Atlanta indicated an overwhelming preference for relocation, there was nonetheless organized resistance, some of which has continued. The Atlanta Progressive News charged that the AHA was clearing the way for big business at the expense of the poor.<sup>7</sup> In other words, clearing and “repurposing” housing-authority land will stir concern. So, too, will the dispersion of former housing-project tenants to suburban areas, where they may be associated with social problems or even bring with them social and behavioral problems. In Atlanta, for instance, a group dedicated to combating gang violence (through the establishment of so-called Violence-Free Zones in schools) reports that it is planning to bring its program to suburban counties where, in its view, the voucher-choice program has introduced incipient gang problems. In effect, the AHA is betting that in a better neighborhood environment—and in the context of a work requirement—tenants who may have posed problems in public-housing projects are less likely to act similarly. It’s a bold bet that may or may not pay off.

As the AHA’s Chief Executive Officer, Renee Glover, puts it:

Rather than address the real issues, many would prefer to debate whether the projects are really communities and whether poor people (who the society, by and large has marginalized and see as incapable because of their status as public housing residents) would be better off in the projects because as bad and destructive as they are, these are their “communities.” Therefore, the issues are intentionally debated around the margins. For example: Where will the people go? Will the people be capable of living in “mainstream” America? Will they destroy the com-

munities into which they move? Will they choose to move to better communities? Will they move next to me? Are they moving to places that they have not earned or do not deserve? Will crime go up when they bring their low morals and incapacity to my neighborhood? What is the best “next” for public-housing residents?

No doubt, these questions are important, and they must be answered. But as the starting point for decision making, I think we can all agree that doing nothing or continuing to do things that have failed in the past makes no sense. There is simply too much at stake.

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## NOTES

1. See <http://www.atlantahousing.org/#>.
2. See Henry G. Cisneros and Lora Engdahl, eds., *From Despair to Hope: Hope VI and the New Promise of Public Housing in America's Cities* (Washington, D.C.: Brookings Institution Press, 2009).
3. See <http://www.atlantahousing.org/portfolio/index.cfm?fuseaction=signature>.
4. See [www.atlantada.com](http://www.atlantada.com).
5. See [http://www.atlantahousing.org/pdfs/AHA\\_FY\\_2007\\_Annual\\_Report.pdf](http://www.atlantahousing.org/pdfs/AHA_FY_2007_Annual_Report.pdf).
6. See <http://www.iyfp.org/programs.htm>.
7. <http://www.atlantaprogressivenews.com/news/0158.html>