Testimony of David R. Jones, Esq.

President and CEO, Community Service Society

of New York

on

The Future of Public Housing

Congressional Hearings

U.S. House Subcommittee on Housing

and Community Opportunity

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Thank you for inviting me to testify on the future of public housing, particularly with regard to the New York City Authority's (NYCHA) implementation of Section 3 of the 1968 Housing Act, which requires that HUD funds be used to maximize job and training opportunities for low-income residents.

My organization, the Community Service Society, has long been concerned about the scale and effectiveness of local Section 3 efforts by the New York City Housing Authority. As a more than 160-year-old organization, we were one of the first to address urban poverty issues in America.

To place our experience in context, it should be noted that NYCHA runs the largest and, reputedly, one of the best public housing programs in the nation.

It serves over 180,000 households in 340 developments across the five borough of New York City. With a resident population of about 500,000, its size come close to matching the population of other major cities, like Boston or Cleveland.

NYCHA receives more than a billion dollars in HUD funds each year, which are spent on management, operations, and capital improvements. And this year, NYCHA has already received $423 million in economic stimulus funds, which opens up further opportunities.

In short, NYCHA is a major engine of economic activity within the New York City megaplex. We have good reason to expect its Section 3 efforts to be significant, but we find it falls short of providing economic opportunity to residents at a comparable scale.

In our latest housing policy report, "Making the Connection: Economic Opportunity for Public Housing Residents," we find that 51 percent of NYCHA's 231,000 working-age residents participated in the labor force in 2005. Another 13 percent were engaged in school or training. We estimate that, at present, between 20,000 and 30,000 residents are unemployed - and now actively seeking work - in a recession economy considered the worst since the Great Depression of the 1930s.

Most are Black and Latino women (62%), many under age 24, or Black and Latino men between 18 and 34. That over a third (36%) does not have high school diplomas underlines the importance of a GED component in Section 3 efforts.

Nevertheless, as our report indicates, the Authority's Section 3 effort is small compared to the number of potential job-seekers in NYCHA communities. For that reason, The Community Service Society supports the Earnings and Living Opportunities Act being drafted by Congresswoman Nydia M. Velazquez because it will strengthen existing Section 3 provisions in several ways.

1) It accords first hiring/training priorities to residents in developments where HUD funds are being expended, and then

to those in the broader community. It is hard for residents to watch large-scale improvements carried out in their developments while family members and neighbors have no access to the jobs being created.

2) It provides a “private right of action” that enables aggrieved parties to take legal action against agencies or contractors.
3) It sharpens the requirements for hiring and training for agencies and contractors receiving HUD funds.
4) It creates a Section 3 Office within the office of the HUD Secretary to monitor local Section 3 efforts. It increases local accountability for reporting on and reviewing agency efforts.

However, we urge Congressional drafters to incorporate REAL incentives for housing authorities to intensify Section 3 efforts.

The proposed legislation speaks to “performance incentives” that can be instituted by the HUD Secretary to reward authorities and agencies who demonstrate high Section 3 performance. Oddly, although many housing authorities, like NYCHA, are running at an operating deficit, there is no fiscal incentive to strengthen Section 3 training and employment.

Ideally, a strong Section 3 program is a “win-win” situation for all parties as the economic pie is expanded, as residents have the opportunity to increase their incomes and skills.

The housing authority can offset its operating deficits as residents earn more. HUD can also take credit for a wider tenant income mix in public housing and less reliance on HUD operating subsidies.

However, it doesn't work that way. HUD estimates what a housing authority's operating budget should look like - based on the size and age of buildings, and other factors.

From that, it subtracts estimated rental revenues and allocates the operating subsidies to cover the gap. As a result, a high-performing Section 3 program has virtually no fiscal impact on the authority's operating funds — the effects are revenue-neutral.

We urge Congress and the Secretary to consider performance incentives that enable housing authorities to retain a reasonable share of increased rental revenue that is attributable to its Section 3 efforts.

These incentives should spur housing authorities that are primarily housing management and development entities to collaborate with local workforce development agencies and experienced nonprofits to make Section 3 an effective reality. In the end, what makes Section 3's opportunity a reality at the

local level is largely a matter of local political will and initiative.

We believe that effective performance incentives would motivate housing authorities to expand and strengthen their Section 3 efforts. This would benefit both individual public housing residents as well as the financial stability of the housing authority.

Thank you and I am more than happy to entertain your questions.