

Testimony of Walter R. Cates, Sr.  
President of the Main Street Business Association

Before the Subcommittee on Housing and Community Opportunity

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Chairman Ney, Ranking Member Waters, Congressman Tiberi, and members of the Subcommittee on Housing and Community Opportunity; thank you for the opportunity to offer my viewpoint regarding housing and community development policy in the State of Ohio.

I am Walter R. Cates, Sr., President of the Main Street Business Association (MSBA) in Columbus, Ohio. My organization is responsible for the business and commercial revitalization of the two (2) mile length Main Street corridor located in the heart of the Central City on Columbus Near Eastside. From the time our organization was created in 1986, we recognized that commercial revitalization could not be accomplished without tackling the blight and deterioration of the adjoining residential neighborhoods. As the result, the MSBA began early in its history to exert influence on housing practices and housing development in nearby residential neighborhoods; subsequently the MSBA became directly involved in affordable housing production in the mid-1990's. The area of the combined commercial and residential districts measures a little over 2 ½ square miles. In my remarks, I refer to this area as the "Main Street district."

I became involved in community activities because my mother forced me to attend community meetings when I returned from Taiwan when I left the Air Force in 1964. Since that time, I have served my community in a number of capacities including a tour as President of the Columbus NAACP in the mid-70's. During my presidency I filed the local school desegregation lawsuit (*Penick vs. The Board of Education*) and the public safety forces discrimination lawsuit (*Hayne vs. Chupka*).

I am also a proud graduate of the Model Cities program. It was Model Cities that taught me the realities of Central City politics, how federal programs get managed and

implemented, and how municipal government influences the flow of federal dollars to meet its own designs. I also got many hard lessons in the truism that all politics is local. I will never forget Allan Goldfarb of the Chicago Regional HUD office, during the tenure of HUD Secretary George Romney. I had complained to Goldfarb that the City of Columbus was mis-prioritizing, mis-spending, and mis-managing our local Community Development money. Goldfarb explained to me that once HUD had cut loose the cash to local government, the municipality could “paint little green stripes down middle of the street with the money” if they so choose, and HUD would have nothing to say about it.

The economic condition of the Main Street district in the 1970’s and early 1980’s was not much different than any other core urban area in the Midwest. The typical problems of blockbusting, the federal highway system, and redlining in the banking and insurance industry resulted in capital flight, abandoned and blighted buildings, high crime rates, degraded public right-of-way, second-rate municipal services, the proliferation of group homes and various half-way houses and pre-release programs, high incidences of absentee landlords taking advantage of federal rent subsidy programs, and the general perception of the absence of value in the district.

Over the years, we have made modest progress in the redevelopment of the district. The streets and lighting have been rebuilt, public safety issues are being resolved by the construction of a police substation facility and the creation of neighborhood watch groups and civic associations, strategic employment of the Community Reinvestment Act attracted the attention of commercial lenders (although the insurance industry continues to be a problem), property valuations have improved, several business have invested on the street, and the number of owner-occupied houses units has grown. We still have a long way to go; the poverty rate in the district still hovers around 30%.

At the present time, the MSBA is focusing on two major redevelopment projects on the corridor. The first is the development of 90,000 sq. ft. mixed-use retail and market-rate residential facility on a 3.5 acre corner lot owned by Columbus native and former heavyweight boxing champion, James “Buster” Douglas. We anticipate using the FHA 221 (d) to insure the mortgage note on the residential component. The second is the development of a 10,000 sq. ft. combined neighborhood transit center and retail facility in partnership with the Central Ohio Transit Authority, which is using a Federal Transit

Authority TCSP (Transportation and Community and System Presentation) grant to finance the bulk of the construction. HUD dollars (EZ dollars) are being employed to finance land acquisition and site preparation.

My testimony will be limited to emphasizing the following points:

- The redevelopment of urban neighborhoods can only happen when we strike a balance between providing decent affordable housing and enabling residential reinvestment by private home-owners and developers of market rate rental residential properties. At the present time, there is simply not enough capital present in my community for it to be economically viable. Federal programs and most especially the federal managers of federal programs need to appreciate that economic integration is key to redevelopment that is viable over the long-term.
- The Department of Housing and Urban Development must do a much better job of assessing the actual economic impact of its housing policies and how it implements those policies in distressed urban neighborhoods.

I will speak to the second point first. Whether we are talking about housing vouchers, project-based Section 8, HOME or CDBG investments in LIHTC projects, or housing the homeless, and regardless of what mechanisms are employed to manage housing dollars, somebody at HUD needs to be responsible for knowing what is happening at the neighborhood level. Too often in my experience, HUD is so busy talking to national non-profit intermediaries, tenant organizations, and an assortment of public and private agencies and for-profit and non-profit industry groups, that they forget all about actually looking at the project, seeking to understand the pressures and concerns of the neighborhood, and attempting to get a objective assessment of whether the program or project is enhancing or degrading the value of the neighborhood.

Federal housing investments need to be consistent with neighborhood aspirations and the impact of federal housing dollars must be evaluated through the lens of an overall neighborhood investment strategy that includes housing and commercial redevelopment. There is nothing wrong with affordable housing. But badly managed and poorly-maintained housing creates significant neighborhood problems. As a corollary, too much affordable housing in a single district, no matter how well managed, makes it virtually

impossible for that district to compete for private investment in the open marketplace. HUD needs to accept some responsibility for assessing not only the quality of the affordable housing in a neighborhood but also the carrying-capacity of a neighborhood to support affordable housing. Such an assessment presupposes that HUD knows something about the neighborhoods where these dollars are spent. That is not happening today.

Solving the problem does not begin in Columbus or even in Chicago, mechanisms need to be created, management practices need to be instituted, and policies need to be established. Of necessity, such changes can only be initiated by Washington.

To the first point: It is a hopeful sign that the Millennial Housing Commission recommended changes in the project-based Section 8 program that would allow the transfer of these subsidies from their existing properties to replacement housing units. The inability or unwillingness of HUD to allow the transfer of existing Section 8 contracts to alternative units creates an unfair burden for neighborhoods struggling to redevelop and capture new investment. HUD has chosen to interpret its guidance from Congress narrowly and has insisted that it lacks the authority to allow the use of transferred project-based Section 8 subsidies for replacement housing and to remove the use restrictions on properties for which Section 8 contracts have been transferred.

This organization has worked closely with the Ohio Capital Corporation for Housing and the redevelopment arm of The Ohio State University (Campus Partners for Community Urban Redevelopment) to redress major problems in our district and the Ohio State district created by an extraordinarily mismanaged project-based Section 8 housing portfolio known locally as the Broad Street Management properties. Consisting of more than a thirteen-hundred (1,300) units in two-hundred and forty-nine (249) buildings, The Broad Street Management is the largest scattered-site project in the country. More than that, this portfolio has justifiably earned its reputation in Columbus as the “housing of last resort” and fully qualifies HUD as the single largest slum landlord in the City of Columbus.

Because our two neighborhoods share a roughly equal burden, we have worked with OSU to develop a plan that balances redevelopment with de-concentration of the sheer overwhelming volume of existing units. The Ohio Capital Corporation for Housing

has stepped up to the plate with a \$65 million redevelopment deal that incorporates the neighborhood redevelopment component of the plan by providing for the creation of replacement housing in the wider Columbus community. In our part of town, our organization has worked a two-year process of collaboration with area neighborhood organizations to secure consensus for the plan. The City of Columbus and the Columbus area HUD office have endorsed the plan as the best of all practicable solutions both for the neighborhoods and the current tenants.

My next point is likely very predictable. For years our organization and many other civic organizations sought intervention from HUD to “fix” the Broad Street problem. We were told that HUD lacked the authority. Now that local, non-governmental intervention into the Mark-to-Market process has resulted in a collaboration which promises at least a livable solution to a monumental neighborhood and affordable-housing disaster, it is HUD in Chicago and HUD in Washington which amply and regularly demonstrate that they are simply out of touch. The fact is that local control is not a reality and that organizations like are own must rely upon their ability to communicate with their local Congressional delegation in order to get HUD to move off the dime.

For us, OMHAR is a nightmare and HUD an indifferent and self-serving bureaucracy whose sole purpose is to avoid recognizing the facts of the matter at all costs. We continue to struggle against the mantra of preserving existing affordable housing at all costs, particularly when the very existence of that housing is an embarrassment to the City and merely exploitive of the tenants. In our case, about 20% of the existing units will be replaced by housing dispersed to the wider community; the remaining will be redeveloped, brought under responsible management, and stay in the program.

The difference between safe, decent and affordable housing and federally mandated blight can only be gauged at the neighborhood level. For neighborhoods to succeed, HUD needs to be open to local voices and local innovations.

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