

Statement before
THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS



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by

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Good afternoon. I am Rod Solomon, Deputy Assistant Secretary for Policy, Program and Legislative Initiatives in the U.S. Department of Housing and Urban Development's Office of Public and Indian Housing. I am pleased to have the opportunity to appear before the Subcommittee on behalf of Secretary Mel Martinez.

I commend the Subcommittee on holding this important hearing, regarding the best means of providing the residents of the Housing Authority of New Orleans (HANO) with decent, safe and sanitary housing. That is the most basic mission of the housing authority, and the new administration is committed to taking every reasonable step to see that the mission is carried out as well as possible.

HUD's actions will be based on its prior experience as well as the present situation of the housing authority, and on its own evaluation and those of others. In that regard, HUD will consider carefully both the Audit Report recently issued by the Office of Inspector General's Office of Audit, Southwest District based on a time period that ended last year, and the ongoing work of the Congressionally-mandated National Advisory Council. HUD will promptly take any actions to implement remedies that clearly and permanently promise to improve the living situation of the residents.

With that in mind, I briefly will address the questions raised in the Subcommittee's letter to Secretary Martinez.

The first question requested HUD's views of the effectiveness of the Cooperative Endeavor Agreement and asks whether HUD should attempt to negotiate a new agreement or let the current agreement expire. The Agreement was extended for three years on December 21, 2000. The Agreement reserves HUD's rights to take enforcement actions, including seeking judicial receivership, if necessary.

HUD is mindful of the historical problems at HANO cited by the new Inspector General audit. HUD also notes recent improvements in HANO's performance cited by HUD's New Orleans office and the first reports of the National Advisory Council. Generally, HUD encourages cities to take responsibility for helping to improve public housing, as the City of New Orleans does in the Cooperative Endeavor Agreement. HUD will take further actions with respect to the Cooperative Endeavor Agreement or other enforcement steps if they clearly would appear to be necessary so that residents' conditions improve. At this point HUD would want to hear more from the National Advisory Council before taking such action.

The Subcommittee's second question asked what measures HUD might take to address the problems cited in the Inspector General audit, beyond HUD's official response, and what alternatives remain to improve housing for HANO's residents. Two keys to improving housing quality are always management and money. With respect to management, HUD expects to work with HANO on specific improvements that need to be made and problems that need to be resolved. For example, the Section 8 program's effectiveness is key to HANO's housing improvement efforts, because of the public

housing relocation involved in the broader effort to improve the quality of life for residents. HUD has provided technical assistance and will support efforts to reform the program, including more reliance on the private sector. The Inspector General's audit cites lack of progress resolving issues related to the so-called mandatory conversion of distressed public housing to vouchers, required by Section 202 of the VA/HUD/Independent Agencies Appropriations Act for fiscal 1996; the new administration will promptly enter into discussions with HANO and take any actions necessary to resolve this situation. The Inspector General audit recommends the much more drastic step of breaking up HANO into smaller entities; it is not clear that this step would result in an improvement of the residents' living conditions. With respect to money, the main challenge is to provide the necessary oversight to ensure that HANO uses well and promptly the substantial funds it already has. In addition, however, the Notice of Funding Availability for this year's HOPE VI funds will provide a boost to distressed sites such as some of those in New Orleans, if HANO submits a competitive application.

The Subcommittee's third question was to what extent local city officials and universities will participate in HANO management oversight and program delivery in the future. With respect to the City, in addition to its role under the Cooperative Endeavor Agreement, it is critical that the City like all others fulfill the basic responsibilities to public housing residents it has because they are city residents. This includes access to police and other city services. With respect to the universities, HUD notes the commendation by the Conferees on HUD's fiscal 2001 appropriations law of HUD's decision to continue support for the Campus Affiliates Program, and the Conferees' stated expectation that HUD will continue to participate in this activity. HUD will be mindful of the Conferees' views as it continues to oversee and evaluate the success of this initiative and any future funding proposed for it.

The Subcommittee's fourth question was whether the National Advisory Council and the individual representatives have performed as expected or desired and whether HANO has met all quarterly performance and financial milestones established by the Council. Unfortunately, although the Quality Housing and Work Responsibility Act required appointment of the Council by the end of January 1999, the Council was not appointed until April 2000. The Council has submitted just two reports to Congress, for the two quarters ending December 31, 2000 and the quarter ending March 31, 2001. These reports appear to be constructive reviews of HANO's goals and in the latter report, progress. The latter report indicates that HANO met most but not all of the objectives that it targeted for the first quarter of fiscal year 2001. HUD has been notified that one member of the Council will be unable to serve, and HUD could appoint a replacement. HUD has no grounds at this point to question or criticize the performance of any other particular member of the Council, and notes the impressive experience represented among the Council's members.

HUD looks forward to working with the Subcommittee to improve the living conditions for HANO's residents. The Secretary is committed to improving the conditions at

HANO, as he is with public housing nationwide. Deputy Secretary Alphonso Jackson will be working on this manner personally and the Department will be proposing specific changes within 60 days of Deputy Secretary Jackson's assumption of duties.

I will be pleased to respond to any questions you have.