

**Testimony of Michelle Whetten
Vice President and Gulf Coast Director
Enterprise Community Partners, Inc.
Before the House Financial Services Committee
Subcommittee on Housing and Community Opportunity
House of Representatives
August 21, 2009**

Chairwoman Waters, Ranking Member Capito and members of the Committee, thank you for inviting me to testify at this important hearing regarding the rebuilding of the Gulf Coast. My name is Michelle Whetten, and I am a Vice President and Gulf Coast director for Enterprise Community Partners.

As I begin my statement, let me tell you a little about our organization. In 1982, Jim Rouse and his wife, Patty, founded The Enterprise Foundation with the ambitious goal of making sure that every American lives in a decent, affordable home.

Today, Enterprise Community Partners is a leading provider of capital and expertise for affordable housing and community development. Enterprise works with local partners – developers, investors, government, community-based nonprofits and others – to reach our goal of affordable housing in sustainable, diverse and thriving communities.

In the more than 25 years since our founding, Enterprise has worked with thousands of nonprofit partners, local governments, philanthropy, financial institutions and private corporations to develop over 250,000 homes across the nation, bringing \$10 billion in grants, loans and equity investment to the poorest of our urban and rural communities, including tribal lands.

Our founder Jim Rouse was a visionary who thought that affordable, decent housing was a platform to help people move up and out of poverty. At Enterprise, we frequently look to his legacy in our work. At a time when neighborhoods were decaying across the country, Jim Rouse created new financing tools and inspired new policies that helped change this negative spiraling course.

It was Jim Rouse's vision that brought us to the Gulf Coast. In 2005, the destruction caused by Hurricanes Katrina, Rita and Wilma and the resulting devastating flooding highlighted the social inequity that had characterized the region prior to the storm. The rebuilding of the physical landscape of the Gulf Coast provides an opportunity to also rebuild the social and human capital of this region to create vibrant, equitable and healthy mixed-income communities.

Since Hurricane Katrina, Enterprise Community Partners has been working with nonprofits and other developers in this community and throughout the Gulf Coast to restore, revitalize and rebuild affordable housing, with the long-term goal of investing \$200 million towards the development of 10,000 affordable, healthy homes.

To date, Enterprise has invested nearly \$100 million in grants, loans and equity, with 1,450 homes completed and another 3,000 in some stage of development in Louisiana and Mississippi.

Our housing includes both new construction and renovation of storm-damaged buildings, and ranges from large-scale rental housing to single-family homes for property owners whose homes were destroyed by the hurricanes. In a region that has for years suffered from concentrated poverty and poorly-designed, unhealthy housing for low income families, Enterprise is helping to raise the standard for affordable housing by demonstrating that housing can be built affordably while also being well-designed, energy-efficient and sustainable.

What is the status of the redevelopment of the Lafitte housing development?

Our most ambitious project in this effort has been the redevelopment and revitalization of the historic Treme/Lafitte neighborhood on and around the site of the Lafitte public housing development. With the Housing Authority of New Orleans and our local partner Providence Community Housing, next week we will break ground on the new 1500-unit mixed-income, green community in the heart of New Orleans, providing a range of rental and for-sale housing options and access to better schools and services for both former Lafitte residents and new families with a broad range of incomes.

Before developing this plan, Providence and Enterprise engaged a local community organizing group to help us locate nearly 600 of the 865 Lafitte households that had evacuated to cities across the country. With a team of architects and planners, we held a week-long series of charrettes in both New Orleans and Houston, where a large concentration of former Lafitte residents temporarily relocated. In these charrettes, residents had the opportunity to describe their vision for the new community and provide on the spot feedback to architects as potential designs were proposed. The residents emphasized that they wanted to live in a community with a variety of low-density housing types that matched the surrounding Treme and Tulane-Gravier neighborhoods. They wanted a safe place to raise their children and for seniors to live comfortably and peacefully that provided access to quality services, job opportunities and good schools. The current plans for the new development include the same house designs and other key elements that residents envisioned and selected during the charrette process.

The 27.5-acre parcel of the Lafitte site, along with scattered site properties surrounding the site, including adjudicated properties awarded to Providence by the City of New Orleans in 2006, allow us to accomplish two important goals: to honor our commitment to provide a one for one replacement standard and to deconcentrate an area of concentrated poverty. And because of the additional scattered site properties, we are able to use Low Income Housing Tax Credits, capital grants and CDBG funds awarded by the State of Louisiana and the federal government to build 900 subsidized rental homes and an additional 600 for-sale homes so that all 865 families who previously lived at Lafitte have an absolute opportunity to return to this new community.

What obstacles or challenges are hampering the redevelopment of the site? How can these obstacles or challenges be addressed?

Although the Lafitte redevelopment was awarded CDBG funds and Low Income Housing Tax Credits in December 2006, demolition was not completed until October 2008. By the time the site was ready for building, the financial markets were in crisis. Within a very short period of time, a large percentage of the investors who typically purchase low income housing tax credits had dropped out of the market. The few remaining investors had their choice of housing

developments in other parts of the country that were perceived to be less risky. When coupled with the looming December 31, 2010 "placed in service" deadline for GO Zone Low Income Housing Tax Credit developments, along with concerns about future flood risk and unknowns about the long-term market for rental housing, many investors opted to pass over deals in the GO Zone.

While the Economic Stimulus Act provided several additional important and helpful programs to address the challenges in the Low Income Housing Tax Credit program, GO Zone Low Income Housing Tax Credit projects were not eligible for some of these incentives, including the tax credit exchange program.

Our development team, working with HANO and HUD, has taken a number of steps to increase the desirability of these credits to investors. We divided our one large project into several sub-phases to reduce the risk to any one investor and to allow us to close on the financing and begin construction on individual sub-phases prior to a placed-in-service extension. We also secured additional project-based Section 8 vouchers to provide more stable cash flow and offset the deep subsidy needs of these rental units.

We will be breaking ground next week on the redevelopment and are hopeful that Congress will soon act on an extension of the 'placed in service date' until 2012 to help ensure the completion of all 1500 homes.

What additional statutory or regulatory flexibility is needed to ensure that the site can be redeveloped?

The Gulf Opportunity (GO) Zone Act of 2005 provided the five states directly impacted by the hurricanes with a valuable resource for rebuilding affordable and workforce housing: increased allocation of Low-Income Housing Tax Credit (LIHTC) authority. To date, Enterprise has worked with partners to secure these credits for the development or rehabilitation of over 2,000 affordable homes. However, a unique set of circumstances in the region coupled with the current national housing and credit crisis threatens further progress. For those reasons, it is essential that the "placed in service" deadline be extended until December 2012.

If the GO Zone "placed in service" deadline were to be extended to December 2012, Low Income Housing Tax Credit investors would be more likely to invest in these vitally needed developments creating more opportunities for the thousands of residents displaced by the hurricanes of 2005 to return home. This additional investment in credits could help create approximately **6,800** units of affordable housing in Louisiana and Mississippi, resulting in a positive economic impact to the region and critically needed homes for its residents. The estimated one-year local impacts of building **5,000** multifamily units in Louisiana include: **\$350 million** in local income, **\$36 million** in taxes and other local government revenue, and greater than **6,500** local jobs. The estimated one-year local impacts of building **1,800** multifamily units in the affected areas of Mississippi include: **\$126 million** in local income, **\$13 million** in taxes and other local government revenue, and another **2,300** plus local jobs.

How many former public housing residents will reoccupy the redeveloped units? What is the process for former residents to return to the development?

Since the beginning of our involvement in this project, our development team has committed to providing an opportunity for all 865 former Lafitte families to return to newly built housing that they are able to afford. Occupancy will be subject to the following order of priority:

1. Prior Lafitte residents
2. Families on the HANO Pre-Disaster HUD Assisted and Special Families displaced by Hurricanes Katrina and Rita lists. Until rescinded or amended, HUD notice HUD PIH 2007-3 guides HUD's reoccupancy policies for pre-disaster public housing, tenant-based voucher, project-based voucher, Section 8 moderate rehabilitation, Section 8 project-based certificate, and Special Needs Families displaced by Hurricanes Katrina and Rita.
3. Any public housing applicant on the residential community site-based waiting list.
4. Residents requiring permanent supportive housing will be prioritized for occupancy in the designated permanent supportive housing units as required by the Low Income Housing Tax Credit Qualified Allocation Plan.

It's important to note that we maintain a database of former residents that is regularly updated and verified through letters, surveys, phone calls and monthly meetings. Of the 900+ households in the database, approximately 250 have indicated that they plan to return to newly-built housing at Lafitte. Residents in the database receive regular newsletters that provide an update on the status of the development and updates are provided at monthly resident meetings. As construction gets underway we will provide clear instructions to residents on the process for applying to live in the new community, consistent with HANO's policies.

What re-occupancy, or occupancy, criteria, if any, will be imposed upon returning residents or new residents? By what process are such criteria established?

The Housing Authority of New Orleans Admissions and Continuing Occupancy Policies (ACOP), based on HUD guidelines, require that:

- The household include a citizen or eligible immigrant
- the household demonstrate the ability to pay the required rent according to the lease
- the household demonstrate the ability to use, care for, and avoid damaging the apartment and associated facilities in the manner required by the lease
- the household demonstrates that they are unlikely to engage in criminal behavior or substance abuse in a manner that poses a risk to the health, safety and welfare of other community tenants or employees
- the household not have outstanding debts to HANO, another PHA or a private landlord in association with a federally funded assistance program. Households with debts associated with Hurricane's Katrina and Rita may be considered as an exception to this policy on a case by case basis

Similarly, the Housing Authority of New Orleans has a "One Strike" policy based on a federal statute and HUD regulations that dictates that:

- Households with a member subject to a lifetime registration requirement under a state sex offender program and households with a member that has been convicted of the manufacture or distribution of methamphetamine will be permanently banned from these units
- Applicants may be denied for:
 - Having a history of disturbances of neighbors or destruction of property in a manner that is determined to pose a risk to the health, safety and welfare of other community tenants or employees
 - Being currently engaged in illegal drug use
 - Having a history of violent crime
 - Having a drug-related eviction from federally assisted housing within the past 5 years

All applicants denied admission will be able to appeal.

Please describe any other insights you may have on the redevelopment of Lafitte.

When we first approached this project and looked broadly beyond the bricks and mortar portion of the effort, we asked ourselves two important questions: ‘who are we serving’ and ‘how well will they be served’? The creation of a new 1500 mixed-income community, serving public housing residents, low and moderate income and workforce housing with rental and for-sale options presents a broad demographic spectrum.

To serve them well, it is important that we look at policies that will help shape the prosperity, equity and sustainability of the neighborhood. We must try to coordinate human and capital resources of the public, private and not for profit sectors to build a sense of community among the residents while ensuring that all resources are leveraged appropriately to more effectively guarantee the long-term success of the Treme renaissance.

With a \$2.5 million in in-kind services provided by Catholic Charities to former Lafitte residents in New Orleans, Houston and Baton Rouge, and a grant of \$900,000 from the Freddie Mac Foundation, over 450 former Lafitte resident families have been assisted with finding stable housing and addressing basic needs after being displaced by Hurricane Katrina. Additional intensive case management services are available to former residents who choose to participate.

Catholic Charities re-opened the Sojourner Truth Community Center adjacent to the Lafitte site in January of this year, where former Lafitte families and other community residents can access a variety of programs for children and seniors, as well as job training and placement activities. Through a network of well-established service providers in the neighborhood, residents are connected with high quality programs including after school, health care and small business development. The Lafitte resident leadership and council has offices in the community center and works closely with our development team to identify needs of residents and advise on decisions related to the development and management of the new housing.

The development team is committed to providing training and opportunities for former Lafitte residents and others in the community to access career-path employment in the redevelopment and management of the new Lafitte. We have hired a full-time Section 3 coordinator who works out of the Sojourner Truth Community Center. In March 2009, we held an opportunities and

resource fair to provide information to the public about subcontracting and employment opportunities related to the redevelopment. Through the fair and mailings to our resident database, 109 former Lafitte residents and 105 additional residents from the community have indicated an interest in employment opportunities.

Pre-employment orientation for these 200+ individuals will be held next week to provide an overview of employment and training opportunities. The orientation will also include screening and literacy testing to identify candidates for our first pre-employment classes. Those classes will include literacy and other soft-skills training and support. After four weeks of Pre-Employment Training, participants will be encouraged to transition to technical training programs available in the Greater New Orleans area. Our Section 3 coordinator has identified three construction training programs which will begin in late September and will facilitate participant transition. Once engaged in external training programs, Section 3 staff will continue to track and support participants to completion of the project.

Another important area we're focused on is education since Treme is surrounded by failing schools. "School-centered community revitalization" is a term Enterprise uses for a new model of community development that combines the improvement of at least one elementary school in the neighborhood with housing, health, and economic development strategies that help children succeed in school. The rebuilt community in Lafitte is an obvious example of the need to coordinate the development of affordable housing with school improvement.

Last fall, due to the efforts of HANO, public housing residents and developers, the state-run Recovery School District announced that all of the sites with rebuilt public housing in New Orleans will have new schools as part of Phase One of the school facilities master plan. The vacant Phillis Wheatley elementary school just blocks from Lafitte will be rebuilt in phase one, which complements the schedule for the redevelopment of Lafitte. Securing funding for rebuilding the school building is only the first step. Enterprise and Providence will work with the Recovery School District to secure a high quality charter school operator to use the new school on the Wheatley site.

The historic Treme neighborhood is on the rebound with not only new housing, but economic and community development including thriving restaurants, a new Tulane health clinic, the revitalization of Carver Theater and the planned new Lafitte Greenway.

A neighborhood is more than just buildings, it's schools, it's jobs, it's health care, it's small businesses and more. Treme needs more than just new housing to be successful. That's why we strongly support Secretary Donovan's Choice Neighborhoods initiative. It is the precise policy prescription to continue the recovery of Treme and will be a valuable addition to HUD's tools for community revitalization around the country. Bringing these disparate government agencies together to bring their specific areas of expertise to solving the problems of Treme is critical for long lasting success.

We are grateful for the leadership of Chairwoman Waters and others in Congress for keeping a spotlight on the ongoing recovery needs of the Gulf Coast. Four years following the most devastating disaster in our country's history, the long-term recovery of the region, particularly for the region's lowest-income and most vulnerable residents, is far from complete.

While progress has been made, critical issues remain. Of those, the most important related to the creation of affordable housing in the region is an extension of the GO Zone Low Income Housing Tax Credit "placed in service" deadline. An extension to December 31, 2012 would lead to the development of thousands of additional affordable homes.

Thank you for the opportunity to appear before this Subcommittee. This completes my testimony and I look forward to answering your questions.