# HUD'S TAKEOVER OF THE CHICAGO HOUSING AUTHORITY

## HEARING

BEFORE THE

SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL RELATIONS

OF THE

## COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

SEPTEMBER 5, 1995

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# HUD'S TAKEOVER OF THE CHICAGO HOUSING AUTHORITY

**TUESDAY, SEPTEMBER 5, 1995**

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON HUMAN RESOURCES AND
INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT,
*Chicago, IL.*

The subcommittee met, pursuant to notice, at 11 a.m., in the Ceremonial Room, room 2525, Federal Building, 219 South Dearborn Street, Chicago, IL, Hon. Christopher Shays (chairman of the subcommittee) presiding.

Present: Representatives Shays, Souder, Towns, and Collins.

Also present: Representatives Weller, Gutierrez, Fawell, and Rush.

Staff present: Lawrence J. Halloran, staff director and counsel; Doris F. Jacobs, associate counsel; Demi Greatorex, professional staff member; Thomas M. Costa, clerk; Bud Myers, minority staff director; and Cheryl Phelps, minority professional staff.

Mr. SHAYS. We would like to open our hearing, and for the record I would like to note that a quorum is present. I would like to welcome all our Members, the witnesses, and our guests at this hearing.

As chairman, I am required to read my testimony for the record. Other Members who would like to read their statements for the record will be doing so. So, we are going to keep the Secretary and the witnesses waiting just a little bit. We will be here all day, and we look forward to this hearing.

I would ask for unanimous consent that all members of the subcommittee be permitted to place any opening statements in the record, and that the record remain open for 3 days for that purpose. Without objection, so ordered.

I also ask unanimous consent that all our witnesses be permitted to include their written statement in the record. Without objection, so ordered.

Many voices called us to Chicago today. First was the strong voice of our colleague, ranking member of the full committee and an ex-officio member of the subcommittee, Congresswoman Cardiss Collins. She and her staff have given the subcommittee invaluable support in preparation for this hearing, and we are very grateful to her and her staff.

We also are drawn here by the voices of those living in Chicago, Indiana, Pennsylvania, New York, Connecticut, and all the places where people are asking for new solutions to old, seemingly intrac-

table problems. They are saying we cannot continue to entomb generations of Americans in isolated public housing development and not expect to pay a tragic price as a society for the death of their dignity and hope.

These voices tell us that bricks and mortar alone will not fix a dysfunctional social system in which 12-year-olds are having babies; 14-year-olds are selling drugs; 15-year-olds are killing each other; 18-year-olds are getting diplomas they cannot read; 25-year-olds are jobless, having never had a job; and 30-year-olds are grandparents. The despair flowing from generations of social decay will surely and utterly destroy any structure we erect.

We are called to Chicago today to listen to the voices of those who seek a way out of the trap we have built for ourselves, and to search for ways to build the next generation of public housing on a sound social as well as physical foundation.

I hear no partisan tones in these voices. Our inquiry into the facts and implications of the Federal takeover of the Chicago Housing Authority has been conducted with the cooperation and bipartisanship befiting the breadth and depth of the problems affecting so many who live here. After we leave, the people of Chicago—Republicans, Democrats, Independents, young and old alike—will face the gangs, the drugs, the deplorable living conditions today, tomorrow, and into an uncertain future. We all seek a better future for those in public housing in Chicago and throughout our Nation.

On this we can be united: What happens next in Chicago has implications from Bridgeport, a community in my district, to Los Angeles. HUD's actions and plans here will chart one possible course for the transformation of public housing redevelopment and management policy. Congress must then write the laws to implement a new vision of a transformed public housing system. We hope to hear such a vision's voice today by HUD, local officials, tenants, and the private sector, all who have been invited to testify today.

We welcome our witnesses, and particularly Secretary Cisneros who has committed his Department to an unprecedented role in running the Chicago Housing Authority. We look forward to his testimony. He has been a voice for change, stressing individual empowerment and responsibility as essential building materials in future public housing. Yet fully 3 months after the formal HUD takeover of CHA, questions remain about HUD's long-term plans here. It is essential the Secretary and the HUD officials testifying today provide details to fill in the picture of CHA's future that has so far been painted only in fairly broad strokes.

Echoing across the chasm of racial and physical isolation, the voices of Chicago's public housing residents are asking for the same things to which every American aspires: safe, sanitary, and affordable shelter in a socially and economically viable community. We are here to listen to those voices. We are here to learn what the Congress, HUD, and the people of Chicago can do to transform the State Street Corridor and all of public—American public housing's dead end streets into roads to self-sufficiency and family security.

At this time I will not call on our ranking member of the subcommittee, I will call on the ranking member of the full committee, Cardiss Collins.

[The prepared statement of Hon. William F. Clinger, Jr., follows:]

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**Statement of**
**The Honorable William F. Clinger, Jr.**
**Chairman**
**Government Reform and Oversight Committee**
**HUD's Takeover of the Chicago housing Authority**

**September 5, 1995**

I am pleased to have the opportunity to participate in this field hearing on the Department of Housing and Urban Development's (HUD) takeover of the Chicago Housing Authority (CHA). Today's hearing reflects a bipartisan commitment on the part of the members present to ensure the integrity of the CHA, protect the billions of dollars of federal investment here, and enhance the lives of CHA residents. I commend Chairman Shays and my colleagues on both sides of the aisle for this oversight effort.

The Chicago Housing Authority has achieved the dubious distinction of operating the worst public housing in the nation. CHA has remained on HUD's list of troubled housing authorities since the list was first created in 1979. Historically, the CHA administration and its residents have been the victims of abhorrent levels of corruption, abuse and violence. The squalid high rises are a tragic product of federal and local policy that should not be sustained.

Public housing has clearly failed in Chicago. Despite the commitment of billions of federal dollars over the last decades, the CHA has not produced viable housing opportunities. In fact, when HUD assumed control of the authority in late May of this year, $600 million in HUD funds for CHA remained clogged in the bureaucratic pipeline.

The federal takeover of the CHA represents an unprecedented act by HUD to reform a troubled housing authority. Given that CHA is the third largest housing authority in the nation, HUD has assumed a vast responsibility. In a hearing before this subcommittee in March of 1994, HUD Assistant Secretary Shuldiner, stated that, "HUD is primarily staffed by people who do audits. We do not have staff experienced in running housing authorities."

The General Accounting Office and the HUD Inspector General have also expressed doubt about HUD's ability to carry out substantial reform at CHA. Consequently, it is my hope that this hearing will assist in efforts to determine what strategy HUD intends to pursue for reforming CHA, determine HUD's capacity to carry out significant reform and determine what implications the takeover has for troubled public housing nationwide.

I look forward to hearing from the witnesses testifying before us today and wish to thank them in advance for participating in today's hearing.

Mrs. COLLINS. Thank you very much, Mr. Chairman. First of all I want to thank you for bringing the subcommittee to Chicago for what I hope will be ongoing oversight of the takeover of the Chicago Housing Authority by the Department of Housing and Urban Development. I also want to thank the chairman of the full committee, Bill Clinger, for honoring my request to convene this hearing, and ranking subcommittee member Ed Towns and my other colleagues, Congressmen Weller, Souder, and Durbin, for joining me here today as we examine this issue.

The takeover of the Chicago Housing Authority is an extraordinary action by the Department of Housing and Urban Development, precipitated by the extraordinary suffering and urgent need for progress of residents of public housing in Chicago. Now, I represent the majority of Chicago Housing residents. I applaud Secretary Cisneros, Assistant Secretary Shuldiner, and others in HUD for recognizing the urgency of the problems of the CHA and moving decisively to address them. Too much is at stake at the CHA for any of us to stand on the sidelines.

Now that the decision has been made to shake up the status quo, the job of rebuilding and reform must be done properly, and I hope that through these hearings and the ongoing oversight of this committee, as well as the appropriations process, the Congress will be a positive part of the broad partnership which will be necessary to reverse 40 years of decline in the quality of life for residents of the Chicago Housing Authority.

The history of broken promises to CHA residents requires that we avoid at all costs raising expectations beyond our capacity to achieve them. Residents must have clear benchmarks against which they can see that meaningful progress is being made in improving the quality of their lives. Not coincidentally, just as residents need these benchmarks, so do members of this committee in order to effectively exercise our oversight responsibility.

Secretary Cisneros has stated that the goal of HUD intervention at the CHA is nothing less than the transformation of public housing; and that the transformation of public housing in America begins with the transformation of the Chicago Housing Authority. By these statements the Secretary has made the intervention at the Chicago Housing Authority the linchpin in the reinvention of the Department of Housing and Urban Development.

The 1994 TAG Associates' final report on the organization and operation of the CHA correctly states the scale of the physical, social, and security problems facing these communities and the Chicago Housing Authority as truly daunting. While we welcome the grand vision which calls for transformation in public housing as we know it, such promises mean little to residents for whom a visit from a plumber, elevator repairman, or police officer would be a momentous occasion.

Immediately upon taking over the CHA, Secretary Cisneros recognized the importance of short-term, visible progress in the physical environment of CHA developments to establish a seriousness of purpose and good faith with CHA residents. He stated that a program to fix-up, clean-up, and secure would be launched so that residents would notice physical improvement within, "a matter of weeks." We will hear today whether that goal has been met.

Again, I commend HUD for its plans for ongoing resident involvement and strategic planning for CHA developments. Genuine and substantial resident involvement is critical to the success of this venture. I recognize also that this commitment to resident-driven strategic planning runs counter to demands made on HUD by the Congress and others to articulate a specific and detailed long-range plan for the CHA. The value of resident planning far outweighs any inconvenience which may result from not having a complete and detailed plan before us at this particular moment. We cannot and should not dictate a plan to CHA residents.

However, neither should we ask CHA residents to commit to a strategic planning process without a real understanding of the fiscal constraints which will be faced. Upon taking over the CHA Secretary Cisneros commented about hundreds of millions of dollars in unused Federal funds which might be applied to the current effort. But recently we have learned of a likely budget shortfall, and that no funds for modernization will be available for this fiscal year. We must avoid at all costs raising these kinds of false expectations if we expect residents to be full partners in this effort.

Given the scope of the task, it is reasonable to ask whether HUD has bitten off more than it can chew with its intervention at the CHA. However, we have to recognize that this is a job that can only be done through a partnership of the city of Chicago, the State of Illinois, the private sectors, CHA residents, and the Federal Government. And we must ensure the interests of CHA residents be placed above all others, including political, private, or the bureaucratic interests of HUD itself.

Finally, if the Congress is truly concerned about improving the quality of life for residents of CHA, we must appropriate funds adequate to the task. The shortfall of modernization funds currently available to the CHA is due, at least in part, to the recision of $35 million in fiscal year 1995 funds.

The oversight of the HUD operation of the CHA is an important role for the Congress and for this committee, but I submit to my colleagues that if we really care about what happens at the CHA we are going to have to put our money where our mouth is. Thank you, Mr. Chairman.

Mr. SHAYS. I thank the gentlewoman, and at this time I would call on the vice chairman of the subcommittee, Mr. Souder from Indiana.

Mr. SOUDER. Thank you. I do not have a prepared written statement, but I wanted to make a few comments. I have been interested for over a decade through my——

Mr. DURBIN. Let me interrupt you a second. Are you hearing in—is this coming through loudly? No? Is that mike on? OK.

Mr. SOUDER. Through my friendship with former Secretary Kemp and with Bob Whitson, I was challenged years ago, when I was Republican staff director with the Children and Family Committee, to go out and actually see what was working and was not working. Visited Irene Johnson years ago at LeClair Courts here in Chicago, which is one of the first resident management operations, and Bertha Gilkey in St. Louis, was in San Antonio with Freddie Garcia and Juan Rivera, and visited about 15 of the different buildings down there and all around the country, and saw that good things

can happen when people are participating and having some influence over the things that are in their daily lives. It was good to be out at Cora Moore's resident management building this morning and seeing her success as well. And I hope we can figure out how to tackle the even more massive projects on the State Street Corridor.

As someone who grew up as a White Sox fan and Los Angeles Fox fan, went over to Operation Beethoven a number of times and visited that area, it is a massive and overwhelming problem that we have tackled here in Chicago, as our oversight function is to sort out as much what we can. And I am looking forward to hearing the testimony today and having an ongoing part of the investigation.

Mr. SHAYS. Thank you, Mr. Souder. At this time I recognize the ranking member, Mr. Towns, who has been a particular delight to work with. He is a gentleman who chaired this committee in the past and may someday get to chair it again. Mr. Towns.

Mr. TOWNS. Thank you for the encouraging words.

Mr. SHAYS. Someday. Someday. [Laughter.]

Mr. TOWNS. Thank you, Chairman Shays. I commend your leadership in convening this hearing to consider the Federal Government takeover of the Chicago Housing Authority. This is an important first opportunity for the committee to examine the Department of Housing and Urban Development's objectives and strategy for transforming Chicago's public housing.

As legislators—oh, this morning my tongue is all right here. As legislators we are often far removed from the consequences of our actions, or sometimes we can be slow to appreciate the needs for action unless it is right under our noses. For this reason I praise my colleague, Congresswoman Cardiss Collins, for calling for this hearing and for insisting that the hearing be held in Chicago; not in Washington, DC, but in her district where two-thirds of the CHA residents reside. I salute you, Congresswoman Collins, for your commitment and dedication to the people of the Seventh District.

The HUD takeover was a necessary action to rescue a housing authority that had fallen into catastrophic disrepair and to prevent further squandering of resources. I look forward to the testimony of each of today's witnesses and their thoughts on these matters.

However, I would like to especially commend Housing Secretary Cisneros for offering to come to Chicago and appear before the subcommittee to discuss HUD's views. Mr. Secretary, I know you are aware that serious questions will be raised here today that challenge both the value and integrity of HUD's intervention efforts. Your presence significantly enhances our ability to understand these difficult issues, and demonstrates the highest level of commitment on the part of your agency and the administration to improve conditions not only in Chicago, but housing throughout the Nation, and I applaud you for that.

Finally, Mr. Chairman, even as we evaluate the Federal takeover, I am concerned about the very likely prospect of HUD's undergoing severe budget reductions in the coming year. These cuts threaten HUD's ability to carry out many of the strategies it is—proposes to put in place to reform Chicago Housing Authority, as

well as other troubled housing authorities that are on the brink of catastrophe throughout this Nation.

Mr. Chairman, while our parties may look at HUD's efforts through different philosophical glasses, I sincerely hope we can agree that a safe, affordable home in a suitable living environment should be the right of all citizens; Chicago, New York, California, Connecticut, throughout this Nation. If so, then we in Congress have a responsibility to provide HUD with the necessary resources, with the tools that they need to be able to carry out the vision for Chicago and other authorities in the Nation.

On that note, Mr. Chairman, I yield back the balance of my time, saying that I look forward to all the testimony coming forward because housing is a very serious issue, and I think that when we look at it I really feel very strongly that not only HUD should be pulled into it, but we should have, in terms of all these other Federal agencies being pulled into it to put resources into it as well, because this is a very serious issue and it should be addressed in a very serious manner. So I'm hoping that somewhere along the line that this committee will also reach out for the other agencies, to bring them to the table, as well. I yield back.

Mr. SHAYS. I thank the gentleman.

At this time I would like to call on Congressman Weller, a new Member who serves not on this committee, but serves on the Banking Committee; Housing subcommittee. This committee here investigates for waste, fraud, and abuse. We look at the operations of programs. Mr. Weller's committee is the committee that drafts legislation governing HUD. At this time I welcome you and thank you for being here.

Mr. WELLER. Thank you, Mr. Chairman, and good morning, Mr. Secretary. Good to see you again.

At the outset I first want to thank you, Mr. Shays, for the opportunity to participate in today's subcommittee hearing. And I also want to welcome my colleagues from out of State, and welcome you to the Land of Lincoln. We are glad to have you here today.

And as a member of the Housing subcommittee, and more importantly for me as a representative of the city of Chicago and the Chicago suburbs in the Congress, I want to of course reaffirm my commitment to working in a bipartisan fashion with members of both the Banking Committee and the Government Reform and Oversight Committee and the Secretary and administration to find solutions for the residents of the CHA who for years, if not decades, have had their most basic needs ignored.

This morning's visit to Cabrini Green depicts the deplorable conditions under which many children in this city are forced not only to live but to fight to survive and merely exist until the next turf war explodes into days of gunfire that could again cut any one of their lives short prematurely. For the children's sake, the residents of CHA, this insanity must end.

And toward that end, I am glad that the problems with the CHA are finally being unearthed in the light of day, and that this hearing serves to allow us to measure the success of the HUD officials who have been managing CHA since Vince Lane's departure in May. I am also particularly pleased that two of those that are testifying today are tenant leaders who rose up over the last few years

to fight the gangs and the CHA bureaucracy, and that they are testifying today; Hattie Calvin and Cora Moore, I am particularly glad they are here.

I am also happy to see that HUD, under the direction of Secretary Cisneros, has dedicated numerous hours over the last 3 months in assessing the situation at CHA and beginning to implement a strategic plan to turn CHA around. However, I remain concerned that redevelopment plans are taking shape at the most high profile sites, such as the Henry Horner Homes which is near the United Center, the site of next year's Democratic Convention. Now, if the convention is the motive for the broad-scale change needed at CHA, I am all for it. Yet as one of those in the Chicago delegation, I must insist that changes reach beyond Henry Horner and Cabrini Green to every 1 of the over 20,000 units, almost 58 percent of CHA's units that Secretary Cisneros has already characterized as not fit to live in.

The plan that HUD has laid out at this point is very ambitious, seeking to address three broad areas of security, maintenance, and administration, and for that the Secretary is to be commended. However, at this stage the focus of the plan only covers three developments. I do not fault the people at HUD for beginning with the developments that already had redevelopment plans in place, but I believe that more extensive preliminary plans for the unfit units on other sites should have been addressed in readily quantifiable terms. Right now that means at least 14,000 units previously characterized as unfit to live—live in by Secretary Cisneros are not covered by HUD's detailed plans.

I commend the Secretary's effort to address the security problems of CHA by scaling back private security forces, increasing the Chicago police field presence, utilizing internal affairs to crackdown on the bad apples that terrorize residents, and placing the entire security operation under the one office of the chief of police. Yet I remain skeptical that these important changes will be effective unless we address the structural deficiencies, such as an open air walkways and stairwells and external elevators that lend themselves to criminal enterprises, and that keep CHA residents trapped in their own homes.

This leads us to the issue of administration and management. Here again I commend the Secretary and his assistants for their ambitious efforts, yet I cannot dismiss the criticisms of Susan Gaffney, the inspector general of the Department of Housing and Urban Development. Testimony before the housing subcommittee in June, Ms. Gaffney argued that HUD was never designed to manage public housing, let alone a troubled housing authority of this magnitude, especially when HUD, as a troubled agency itself, has been downsized from 13,000 employees to 11,000, expecting to downsize further.

I am left with the question that the inspector general raised 3 months ago: Why did HUD not request a court-appointed receiver to run CHA? According to the inspector general, such a move would have insulated CHA's new management from political influences that have crippled the authorities for the last several decades. Absence these pressures, I wonder if HUD or anyone else can root out the corruption that has become CHA. Ms. Gaffney correctly pointed

to the Washington Public Housing Authority which was being run by a receiver as an example. In Washington the receiver was able to cut costs through layoffs that the housing authority found itself unable to do. Moreover, a receiver could cut through the Federal redtape to more quickly address CHA's problems.

In fact, HUD's own actions this far lead credence to the inspector general's conclusions. HUD's ability to move quickly to demolish and redevelop the Henry Horner Homes was made possible because Henry Horner is at the center of a court battle that led to development of court approved plans for redevelopment. With this in mind, I question whether HUD will be able to move as swiftly at the remaining CHA sites without court intervention and approval. The residents of CHA need swift and decisive action; yet more importantly they need effective and lasting change that allows them once and for all to take control of their lives and their communities.

Finally, I remain concerned about the issue of accountability. HUD has been in charge since May, but we did not see a detailed plan from HUD until last week in anticipation of this hearing. Moreover, I am concerned that the executive director is a HUD employee, as is a—is a single person on the board of CHA. While I commend Mr. Marchman and Mr. Shuldiner for undertaking this Herculean effort, I believe that the State of Illinois and that the city of Chicago might be more receptive to HUD's apportionment plans if the State and city had at least one voice on the board.

Again, Mr. Chairman, I want to thank you for conducting this hearing and for allowing me to participate, and I look forward to the witnesses' testimony on how best to serve all the residents of CHA who have been victims of not only the criminal element on the street, but also the ineffective and often corrupt management of CHA. We can no longer wait on promises of change; we must insure that real and lasting change comes to them at last. Again, thank you, Mr. Chairman.

Mr. SHAYS. I thank the gentleman.

At this time I would also like to welcome Mr. Durbin. It is nice to have you here. Mr. Durbin and I go back a ways. I used to work for his predecessor many, many moons ago as an intern, and know the city of Springfield well because I campaigned there, I think in 1966. So I welcome you, and it is nice to—I encourage you to have a statement.

Mr. DURBIN. Thank you, Mr. Chairman, and thank you for coming to Chicago. I am glad that you are joined here by Congresswoman Cardiss Collins who is recognized not only in Washington but in this city as someone with a special sensitivity to the needs of public housing and to the people who live there.

To my colleague, Bobby Rush, who has just joined us here, he too represents an area that is served by the CHA and has spoken to me on many occasions of his concern about the future of public housing. To Ed Towns from New York City; before the hearing, Mr. Chairman, I asked Mr. Towns if things were much better in New York and he said not much better. So we have a national situation on our hands here that we are addressing, an important element here in the city of Chicago. And to my other colleagues—welcome as well.

Let me say I welcome the Secretary's call for changes in public housing. I think all Americans do. For taxpayers, public housing assets represent a national investment of hard-earned tax dollars made by generations of Americans. For those 1.4 million Americans living in public housing, this call for change may finally mean plumbing that works, playgrounds that are safe, clean and comfortable homes, something every family looks for.

A stronger housing authority is a challenge for all of us. Do we have the will and the resources to make sure that public housing in Chicago is an example to America of what public housing ought to be? I think it is important that those of us who work some time in Washington and live back in Illinois and other States to actually come home to see the problems, that we not get lost in the organization charts and statistics; to meet the real families, the real kids that Congressman Weller referred to earlier who actually should be the focus of our attention today. The goal, as the chairman said at the outset, is to make sure that every American, including those Americans living in public housing, have safe, clean, and affordable housing. I thank you for being here.

Mr. SHAYS. Thank you, Mr. Durbin. It is nice to have a member of the Appropriations Committee here as well. And Mr. Rush, I welcome you as a member of the Commerce Committee and resident of Chicago. Nice to have you here, sir.

Mr. RUSH. Thank you, Mr. Chairman.

Mr. Chairman, first of all I want to commend you for conducting this hearing. I know that although you are a Member of the other party, I can vouch for the fact that you are very, very sensitive to the plight of people who reside in public housing, and you are probably a beacon for the Members of the other party in the House regarding these types of issues. And I want to again commend you for coming to Chicago to conduct this hearing.

I want to commend my colleague from Illinois, Congresswoman Collins, for her—all of her efforts on behalf of public housing residents. Throughout the years I have worked very, very closely with her, and I know that she continuously demonstrates the sensitivity and the capacity to work and fight for the interest of people who reside in public housing. I indeed find that she is really a leader in the areas that relate to public housing.

And to my colleague on the Commerce Committee, who as a ranking member of this committee, Ed Towns, I certainly appreciate Ed coming to Chicago, the second city—or the third city, I guess some would say, to look at these particular issues. Ed is very familiar with the plight of public housing residents in that he represents the public housing tenants in New York. And I certainly want to welcome him. And Gerry Weller, I also appreciate the fact that he has come up to be a part of this hearing.

Mr. Chairman, I am going to be quite brief. I sit here with some mixed emotions simply because I know that the members of this committee and myself, are really trying to get to the essence of the problems, we are trying to get a real picture, an absolute understanding of what is happening since the so-called HUD takeover a few months ago. My constituents, people who I have represented as a member of the city council and who I also represent as a Member of Congress, they are concerned. My office continually on a daily

basis is inundated with calls, questions about what is happening with public housing. There are so many questions, so many unanswered questions. There is so much confusion that exists out there, and hopefully this hearing will produce some real answers to some real questions.

I intend to be very forceful in terms of some of my questions, and I want to make sure that when we leave here, Mr. Chairman, not only will you have an adequate picture of what is happening in Chicago regarding this so-called HUD takeover, but I want also to assure that my constituents and the citizens of this city, that they are being well represented by this particular takeover. If they are not, then at least they should know that they are not being well represented, that their interests are not being sincerely adhered to, and then we can make certain strategies based on that particular knowledge.

But my ultimate aim in terms of this hearing is to get the truth, get the facts, to assure the people who have, over the last 40 to 50 years on a day-to-day, month-to-month, year-to-year basis who—who have just been seeking, pleading, and begging for public housing to be the kind of housing that we all can be proud of and that they can be proud of and that they would be proud to live in.

So, Mr. Chairman, with that in mind, I intend to fully participate in this particular hearing, and again I thank you and commend you for coming to Chicago. And I commend Congresswoman Collins for making sure that this event or this particular hearing takes place. Thank you.

Mr. SHAYS. Thank you, gentlemen. It is wonderful to be in Chicago. And before asking Secretary Cisneros—before swearing in our witness and beginning the testimony I am going to submit into the record a statement by Rick Lazio, the chairman of the Subcommittee on Housing and Community Opportunities. Chairman Lazio heads Mr. Weller's committee. I would like to read one paragraph from Mr. Lazio's statement.

He says, "I was affected profoundly by what I witnessed when I came to Chicago in June, and plan to return for a field hearing in early October. When I was here I saw some of the best and worst of Chicago's public housing. I saw massive public housing projects that stood vacant for a decade. Why? Not because of a lack of money, but because of the effects of some well and some not-so-well intended policies." And without objection, I will submit his entire statement.

I would say to those of you who will be testifying, that you have heard some heartfelt concerns by Members here. You could help address some of the concerns you heard from the Members in their opening statements and that will help the process. It is an important process to allow Members to share their feelings, and then to have you respond during the course of this day.

And as I will now point out, we swear in all our witnesses. The Secretary, has come before our committee on many occasions in the past. I will say before swearing you in, Mr. Cisneros, that I think you are one of the finest Secretaries HUD has had. We have had a number of good ones. You are a wonderful appointment by the President and you honor us by being here. And I thank you for coming. And if you would stand and I will swear you in.

[Witness sworn.]

Mr. SHAYS. I would also note for the record that we are going to allow you to make your statement, because we are starting. But we have been joined by Mr. Gutierrez. And it is wonderful to have you here.

Mr. GUTIERREZ. Thank you, Mr. Chairman.

Mr. SHAYS. And during the course of—before you ask your first questions we will invite you to make a statement, if you would like.

Mr. GUTIERREZ. Thank you, Mr. Chairman.

Mr. SHAYS. It is great to have you here. Mr. Cisneros.

**STATEMENT OF HENRY CISNEROS, SECRETARY, DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT, ACCOMPANIED BY JOSEPH SHULDINER, CHAIRMAN, CHA EXECUTIVE COMMITTEE**

Mr. CISNEROS. Thank you, Mr. Chairman, members of the committee. I would be happy to defer to Mr. Gutierrez if he would like to make an opening statement.

Mr. GUTIERREZ. No, Mr. Secretary, I would never do that.

Mr. CISNEROS. Mr. Chairman, in the interest of your time—knowing that you want to get to questions as well as to hear from residents and others who we would not want to keep waiting—I will submit my testimony to you, and instead take a few moments to just walk you through some of the logic of what preceded the decision to take over the housing authority and some of what has been accomplished since.

Let me say at the outset that Congresswoman Collins said it well when she said that this was an extraordinary action. It is extraordinary because we have not acted to take over another housing authority during my tenure as Secretary, now 2½ years. We have different relationships with housing authorities that have been in emergency circumstances, as in Philadelphia, as in Washington, DC, but never have we acted to, "take over." So this was major.

The truth of the matter is that we found, in the spring of this year, Chicago Housing Authority at what I might call near a melt down situation. They had repeatedly failed to submit an operating budget in a timely fashion that had been due in last November, and we still did not have it as the spring went on. For 2 years, we had no independent accountants' review that was able to express an opinion on CHA financial operations. The newspapers were full of accounts of the loss of some $15 million from the pension fund. CHA discovered the employees' deferred compensation plan had been looted. An audit noted that some $5 million in the account was unaccounted for.

An independent auditor noted in July of last year that 9 new legal contracts had been signed, for a total of something like 30 relationships with different law firms in the city, with no sense of just exactly why it was necessary to have 30 different law firms as well as $1.5 million in legal retainers. That is before the law firms even started charging for their time.

The authority had failed to administer admissions and evictions procedures, to the detriment of the residents. Experts will tell us that is one of the most critical things that a housing authority can do is manage screening of people who come in, and act with

strength on evictions when people are outside the law instead of allowing them to remain there.

The preventative maintenance program had virtually broken down because there was no procurement system, and there was not a system for sending people out on maintenance. So it was no surprise, then, that people waited literally months from the time they placed a telephone call until the time they got any response at all on maintenance issues.

The performance management score of a housing authority, is a system that ranks from zero to 100. The best housing authority rank in the 90's. For example, Congressman Towns, the New York City Housing Authority ranks in the 90's. It is a very well-run housing authority. It proves the point that just because a housing authority is big or it has old buildings or high rises, that it has to be mismanaged. New York is well managed.

But the worst housing authorities are in the 30's and in the 40's. Washington, DC, for example, recently has been in the 30's on their—on their management score. Chicago was in the low 40's; in fact about 41 or 42 in their most recent PHMAP scores.

So we face a general situation of melt down, which frankly we knew at some point we would have to address. We had been working on problems, for example, in our first year on the job in Philadelphia, where the mayor took command and named himself chairman of the housing authority. Washington, DC, which Congressman Weller accurately reported was pushed into receivership with our involvement.

But we had held off coming with that level of intensity to Chicago because, No. 1, it is so huge that we knew how resource-intensive it would be. And second, because of its size and the combination of problems, I have said, and I will repeat to you today, I considered the challenge in Chicago as the most difficult in the country, the most troubled housing authority, given the convergence of factors here in this city.

So we began the conversation by talking to the mayor, and I began the conversation by talking to the then-chairman of the housing authority, Vince Lane. And we discussed a series of options. And the general sense was that we would have to begin to work on this more intensively, and we set some time tables, some—for action that would take place in May and in June.

In that time the chairman and the board decided that they would voluntarily relinquish their authority over the housing—this is before we had set any ultimatums or deadlines or set a course. I think they concluded that it was clear that so much had accumulated that they just wanted to go on to other things. I believe the board members felt that way, and I know the chairman felt that way. They had lost an executive director who, when he was named a year ago, Graham Grady, was thought to be a star executive director, and the agency did not have him anymore. They were losing people in other key departments. It just got to be overwhelming. And this sense of melt down was exacerbated by the fact that the very leadership of the agency wanted to leave, as well.

The formality was the submission of a declaration of breach which says, in effect, you are not abiding by your contract to pro-

vide decent housing. That is a formality that needs to occur before we could take over. And we stepped in.

Receivership was considered, but let me just say two things about receivership, Congressman Weller. The first is that it is not a panacea. We have many instances across the country where receivers had been in place by courts to manage school districts or even housing authorities, and circumstances do not automatically change. One of the reasons is that a local judge might pick someone who is renown for their management skill in some other area, but it does not automatically transfer into the area in which they have been named a receiver, so nothing really changes. I felt that it would be more appropriate to bring public housing experts to the job instead of taking our chances in a partnership with a long-term receiver whose skills and identity we did not know.

Second, the mayor I think felt that receivers in the past have taken to look at the local government as if it had infinitely deep pockets. It is easy for a judge to simply demand more and more resources of a local government that it does not have, and therefore we felt that a partnership with those of us responsible for the outcomes and responsible for the resources was a better course than simply turning it over to someone who did not know public housing; and, as I say, whose identity we could not possibly—positively have known.

The time since we did take over and now has been a very busy time. I will not dwell at length on this, but I have asked to be distributed in front of you a memorandum dated September 5, today. Frankly, that is a document that we have retitled for you, but it is a report to the President which I sent on August 25. But let me just very briefly—and I promise it will be briefly—hit the highlights of some of the accomplishments of this period which I think are substantial.

An honest analysis—an objective analysis—tells me that our people have been working just as hard as it is possible to work. If you look at that document dated September 5, on page 1, you will see the six areas of goals of action that we set for this period. Improving security: We promoted 20 CHA police officers to fill supervisory jobs; and added 60 additional CHA police officers; we have changed the screening procedures and eviction policies in order that the residents can have their first priority addressed, which is safety and security.

Second, we attempted to address the maintenance and cleanliness questions. You see that we activated six family developments over the summer; most importantly, hired 400 residents who are now working on day-to-day cleanup so that the better trained custodial personnel can do repairs and maintenance. So it should be a visible and quick effect in terms of demonstrations of cleanliness and maintenance.

Under item 3, on page 2, you will see the action we have taken on Henry Horner, Cabrini Green, and next the State Street Corridor.

Congressman Weller, it is correct that Henry Horner that was first up because it had been longest in the pipeline. It is one of our HOPE VI grants. I promise you it has absolutely nothing to do with its proximity to the United Center but everything to do with

the fact that it was already down the road. It had been held up for years. We have been able to shake the system to move forward on Henry Horner. At Cabrini Green, as you may well have noted this morning, we have begun the asbestos removal which allow us to bring two of those buildings down this fall and replace them with townhouses on the site.

And Robert Taylor Homes and Stateway Gardens are our next priority. I cannot give you details—they simply do not exist—of precisely what we will do at Robert Taylor and Stateway Gardens. But there is a reason for that, and that is that we have committed to the residents that we will work with them and they will have pencil and paper in hand and help draft the direction that we take there. So it would be the worst of presumptuousness for me to bring you a top-down design of what we intend to do there, when we have promised that the residents this fall will be the ones to design the direction there.

Fourth, we have increased residents' participation in the decisions that affect their lives. I will not go into it, but simply stated, we have met with the residents at every CHA development, every single CHA development, since June 1st.

And the mayor, of course, appointed the new advisory board which includes Joe Shuldiner as chair; a member of the mayor's cabinet, Rosanna Marquez; a resident elected by the resident leaders, Mrs. Artensia Randolph, who you will hear from today; a businessman from the community; and a civic leader, a minister. So a five-member executive committee that the mayor and I jointly appointed to include resident participation.

It is very important to note, item 5, some of the CHA administration and confidence-inspiring measures. We have released all audits and management reports which had been held up for years, in order to demonstrate full disclosure.

A new ethics policy was propounded so that we could address issues of procurement and some of the breakdowns that had resulted in corruption. We put out a request for proposal to privatize the Section 8 Rental Assistance Program and the management of the CHA pension fund, and reconcile the 1995 budget with a 15-percent reduction.

And then finally No. 6 is engaging the larger community to break down the isolation that for too long characterized Chicago's attitude toward the Chicago Housing Authority.

Let me just say that what makes this housing authority so difficult and characterizes, in my words, as the most troubled in the country is, as Chairman Shays said: the sometimes good-intentioned, but frequently bad-intentioned history associated with policy here. It is not an accident that 40,000 plus people live on the State Street Corridor on the South Side of Chicago. That was policy in this community in the 1950's when—when African-Americans were first coming to the city from the South, to concentrate people in an area bounded on the one hand by a freeway and on the other hand by a dying industrial area where there were no jobs, concentrating people in a way that they would be away from the rest of the city.

There is a court case on this matter, the famous *Gautreaux* case. But it has created levels of segregation, levels of concentration of

pathologies which are unprecedented in American history or in any other city in the country. That is what makes this situation so difficult, and why it is critical to bring down—to address the isolation and why we have worked hard with foundations and the school district and the parks district and others to begin to bring services so badly needed to the State Street Corridor and to the other Chicago Housing Authority developments.

Let me close my remarks by saying—by trying to anticipate several roots of questioning which no doubt will come up, in order that I can get them on the record, and then I will be happy to answer your questions. The first is whether or not we have a long-term plan or vision.

Let me say that our first task has been to deal with the melt down circumstances that were bad enough in our outside view of them in the spring, but worse than we thought when we actually came on the job. The internal information systems, the management systems, the accounting systems, the budgeting systems, the procurement systems were in some cases nonexistent or so badly structured that they could not function. Our first task was to stabilize the management and budgetary environment, and to stabilize the environment for residents who in those days were saying to me, "Mr. Secretary, please just make it stop." The shooting, the being frisked by gangs as they came into the buildings. Please just make it stop. So our first task over the last 3 months has been basically a stabilization function.

We are now setting out some sense of the longer run. These areas of emphasis—these same six areas, it is fair to say—will characterize what we want for the Chicago Housing Authority over the longer run.

One area of emphasis will certainly be how we proceed beyond Horner and beyond Cabrini Green to the State Street Corridor, and beyond that to other developments, to bring down a percentage of the high rises and use different strategies for replacement housing. Some of it will be townhouses onsite, such as the plan that you saw today at Cabrini Green where replacement townhouses will be built onsite.

By definition, if you build single-family—rather single-story or two-story townhouses you cannot house as many people as a 14-story building. So there will be fewer onsite than the number who were there when the buildings were full. That means we will have to use our section 8 certificates to relocate people throughout the metropolitan area on a fair basis, consistent with the spirit of *Gautreaux*. It also means that the housing authority will embark on a new strategy of purchasing existing single-family houses, as housing authorities are doing across America, notably in Omaha, for example, or duplexes, smaller-scale units, and housing people in neighborhoods throughout the metropolitan area.

This serves a strategy of decentralization, it serves a strategy of bringing down these high rises, it serves a strategy of giving people a fair shake. All of the evidence is that when people live on such a decentralized basis they do better, their children do better in school, they have a better chance to get jobs. We think it is the long-term vision.

Can we get you exact plans that say this development on this date to be replaced by this house on this block in this neighborhood? No. This will be an evolving process of working through all of this in the years to come.

The second question that undoubtedly will be raised is how long will HUD be in this role. There is the critique, of course, made by those who would argue that this is not the Department's function. It is not our function. We have said this is an extraordinary event. But the alternative would have been to watch Chicago continue to slip off the precipice, which we felt we could not sustain as a strategy.

I have said to the President that it is our goal to end this period of HUD's involvement by the end of the year. Our first hope was to bring an executive director. But there are literally a handful of people in the country who could step in and become the executive director of the Chicago Housing Authority, a small handful of people. And frankly, as we approached some of these people, they knew the nature of the job. They said to us they would not come except as a company, for example, where they brought an entourage of people with them and wanted multimillion dollar contracts to do it, which we did not feel was appropriate given the financial circumstances. So we have felt that the right course is to keep our staff in place for the next few months; and hopefully I mean that, a few months, because it is our objective to transition this by the end of the year, and in due course bring top-flight staff from all across the country to be the permanent long-term management of the Chicago Housing Authority. This gives us a chance to do an excellent assessment. And I must tell you we have about 35 people who have been brought, the best, the cream of the crop in the public housing field who are here now from Denver and Hartford and places all across America, who are on the job here running the key departments of Chicago Housing Authority, and it is why I can give you this positive report of what has occurred over the course of the last 3 months. This is a work-in-progress, and given the immensity of what we discovered, I feel like there have been positive first steps.

I know it is the nature of an oversight committee and the nature of a partisan environment to have to denigrate what has been done. But I must tell you, I want to commend the people who have come here and spent the last 3 months away from their families and jobs to try to get Chicago on track. It is a fair demand of us to produce a long-term plan. We will. But we have been in that—in that proverbial swamp fighting off alligators for the last 3 months, and we can now begin to think about the longer term task of draining that swamp.

I have two papers which I do not want to task you with now, but I will ask that they be distributed to you at this point, one of which is dated June 11 that sets out the short-term plan for the summer; and the other is dated June 15, which is a follow-up to that and gives you some sense that we were thinking longer term even at the beginning of the summer about where we want to go with this in the long run.

That terminates my statement. Thank you for giving me the time to give it, and I will be happy to answer questions.

Mr. SHAYS. Well, thank you, Mr. Secretary. Mr. Secretary, before I proceed to ask you some questions, I would like to note for the record that Mr. Gutierrez, besides being a member of the Illinois delegation, serves on the Banking Committee's Housing Subcommittee with Mr. Weller, an important committee to us all. Mr. Gutierrez, if you have any statement you would like to put in the record, I would be delighted to hear it.

[The prepared statement of Mr. Cisneros follows:]

# TESTIMONY BEFORE THE HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL AFFAIRS

CHICAGO, IL
SEPTEMBER 5, 1995




## TESTIMONY ON CHA TAKEOVER BY SECRETARY HENRY G. CISNEROS

Chairman Clinger, Chairman Shays, ranking member Collins, members of the Committee:

Two and a half years ago, the Clinton Administration made a commitment to turn around public housing in the United States. We pledged to take on the problems of the most physically distressed public housing in the country. We pledged to take on problems that had been festering, not just for years, but indeed, for decades. We said we would make a tangible difference. We said that we expected to be held accountable for the commitments that we made, and we expected to see results during our tenure in office.

Today, I appreciate the opportunity to appear before you to discuss the progress HUD is making in Chicago to transform the worst public housing authority in the nation, to rebuild its public housing communities, and to enhance the quality of life for public housing residents who live here.

Across the country, signs of dramatic change already abound. The metamorphosis has begun in cities such as Atlanta, Washington D.C., New Orleans, Philadelphia, Detroit and Baltimore. These recovery efforts -- whether they entail reforming the management and administration of dysfunctional housing authorities, or tearing down obsolete projects and rebuilding with smaller scale, less-dense, more liveable housing -- are proceeding at an unprecedented rate.

Nowhere is the need for change greater than here in Chicago.

Public housing in Chicago should be a springboard to a better life, as it is in many cities and towns in America. When public housing becomes a gateway to self-sufficiency, residents are well-served. When public housing is well run, when buildings are maintained, when the environment is safe, when authorities are fiscally accountable, taxpayers receive a return on their investment. Regrettably, the Chicago Housing Authority (CHA) had failed to meet these goals.

CHA is the third largest housing agency in the nation, behind New York and Puerto Rico. CHA administers over 57,000 public and assisted housing units. 32,000 are family housing units, 15,000 of which are situated in isolated high-rise buildings. The CHA has been on the troubled list since 1979, the year the list was created, with a Public Housing Management Assessment Program (PHMAP) score of 46.38, as of December 31, 1993 (60 percent is considered troubled).

The problems in Chicago have accumulated over decades. Discrimination was part of the problem. Low-income African-American families were segregated in huge projects and deliberately isolated from white neighborhoods. The architectural designs of the past, dense high rises, contributed to the isolation. As the years went on, little attention was paid to the residents' needs in these public housing communities. As a result, projects have decayed and the residents have become poorer. Crime, violence, gang warfare, rampant drug use, drug dealing, and poorly maintained units are the day-to-day realities which too many Chicago

families must face. Of the 15 poorest communities in the nation, 11 are in CHA public housing communities. Seventy percent of the Chicago families in public housing are dependent on public assistance, compared to New York's total of approximately 30 percent. Forty-five percent of CHA's residents are under the age of 14 and, in almost all cases, live in poverty.

I repeat, nearly half the CHA's residents are children. We must find a way to help them.

For 29 months HUD sought to turn the situation in Chicago around. A confluence of factors led to the ultimate decision to intervene. Chairman of the Board Vince Lane began a dialogue with HUD staff to create an improvement team. The improvement team was to focus on a few specific areas to assist in a limited recovery effort. After a few visits, it became obvious that an improvement team could not make significant changes. The problems were too large. The procurement system, Section 8 management, vacancy reduction, financial systems, and the pace of the redevelopment efforts were some of the areas that were found to be seriously flawed.

Key decision makers, including Mayor Daley, Vince Lane, and other board members became increasingly convinced that the CHA needed HUD to play a more prominent role if recovery was to occur and be fully sustained. This culminated in the decision of the Board of Commissioners to on May 30, 1995 to transfer control of the CHA to HUD. HUD subsequently declared the CHA to be in breach of the Annual Contributions Contract, which stipulates that public housing agencies must meet certain conditions, including the provision of decent housing and sound fiscal management, in order to continue receiving federal funds. Thus, while HUD did not precipitate this action, we did accept the responsibility for the administration of the CHA.

HUD's Office of Distressed and Troubled Housing Recovery (ODTHR) is our lead office in addressing the needs of troubled housing authorities. The office provides technical assistance and expertise to public housing authorities like CHA. Before ODTHR was formed, 27 large housing authorities were troubled. Now, only 13 large authorities remain on the list. The road to recovery is not easy. A housing authority must score above 60 percent on its PHMAP indicators to be considered non-troubled. The PHMAP indicators include such items as management, vacancies and rent collections. Once a troubled rating is established, a housing authority can receive technical assistance from HUD. With this, a recovery team can be put into place. The teams are comprised of industry peers and experts who volunteer their time, as well as paid consultants.

Through this new office, HUD is seeking to attack the multiple problems that face Chicago. We are seeking to redevelop public housing communities, institute aggressive security measures, streamline a bloated central bureaucracy by re-deploying resources to the field, and impose strict screening occupancy and lease enforcement measures.

The first question we had to face was "How does the housing authority run on an interim basis until a permanent executive director, or management structure, is identified and put into place?" I asked Assistant Secretary Joseph Shuldiner to become the acting Chairman, and Kevin Marchman, Deputy Assistant Secretary at ODTHR, to became acting executive director. As some of you are aware, Assistant Secretary Shuldiner ran the housing authorities in New York and Los Angeles, and Mr. Marchman was the executive director in Denver for a troubled housing authority that he led to recovery. Mr. Shuldiner has spent between two and three days per week in Chicago, while Mr. Marchman is here in Chicago on a full-time basis.

We did not seek a court-appointed receiver at the outset because judicial receivers tend to be more successful in situations where the problems are principally management related. This is not to say that the CHA has not been mismanaged; there is no question that it has. But the problems in Chicago go beyond just poor management. Receivers are generally ineffective when it comes to securing local government and political support. In Chicago's case, we needed to engage the political forces and elected officials to build public and private support.

Furthermore, going through the courts to put a public housing authority into receivership is a time-consuming process. It took several years to get a receiver on board at the District of Columbia's Department of Public and Assisted Housing. The receivership in Boston took five years. This is simply too long. Residents have suffered long enough.

As I expressed earlier, other housing professionals were also brought in to set the foundation and begin the recovery. Greg Russ, a HUD employee and public housing expert with decades of experience is serving as interim Chief of Staff. John Nelson, executive director of Indianapolis who has had great success in turning around that city's housing authority, is acting director of operations. Ana Vargas, an expert in the area of public housing finance, is heading the finance and administration departments.

As would have been the case for any management firm brought in to turn around a failed business or government agency, it has taken us three months to get a grip on the magnitude of the problems. After three months, I can report to you that the CHA is in even worse shape than had been envisioned. Stabilizing the management and operation of the agency has forced us to assume a crisis management mode. This has not, however, prevented us from making solid progress in areas such as maintenance and security. We have also begun to build a system that will efficiently use public funds to provide low-income families with safe and decent housing, and offer residents the opportunity to live in mixed income communities.

Our immediate plan has three components: 1) stabilize the Authority and rebuild its infrastructure; 2) move into a full-fledged recovery effort and begin planning for the future of the CHA in anticipation of HUD's exit; and 3) accelerate the redevelopment that had been stalled at the Henry Horner, Cabrini Green, and Lakefront developments.

We have used the findings of our improvement team, as well as other reports which have been prepared over the last few years, to formulate and implement our plan. The most in-depth report done recently was by TAG and Associates, Inc. in October 1994. It reviewed the organization, management operations, and public housing stock. This report found CHA's major deficiencies to be:

1) a large and loosely structured middle management layer;
2) centralized control and decision making;
3) difficulty in setting and enforcing CHA-wide performance standards;
4) difficulty in enforcing management controls and maintaining a system of quality control;
5) difficulty in controlling the living environment at certain housing sites;
6) lack of a clear planning process that would identify solutions to problems at troubled housing developments;
7) inability to sustain operational improvements.
8) a high level of resident distress;
9) a difficult type of housing stock to manage, i.e., the large number of high-rises; and
10) inadequate management and information systems.

These findings proved consistent with those of the General Accounting Office and the HUD Inspector General.

With the findings of the TAG study clearly in mind, a 120 day stabilization plan was developed and has been presented to the Committee. The plan outlines 6 specific tasks and goals, with timelines and performance measures. These areas cover:

1) Security and Safety -- increasing the level of safety in and around Chicago's public housing developments and develop community policing plans;
2) Resident Services -- increasing residents' participation in the decisions that affect their lives;
3) Housing Operations -- improving the effectiveness of CHA's maintenance program and improving the appearance of CHA buildings and open spaces;
4) Administration and Financial Management -- replacing the existing CHA administrative structure and creating a new structure which will provide field support for site management, manage CHA assets and resources, and restore confidence and integrity in the Authority;
5) Building Community Involvement -- increasing the community's involvement with CHA programs; and
6) Redevelopment -- demolishing certain high-rise buildings and replacing them with less dense dwellings that create better living conditions and opportunities for low-income families.

Conceding that much more must be done, I nevertheless can report with confidence that significant progress has already been made. Because our efforts to redevelop obsolete pubic housing communities will in large measure judge the success of our efforts, I will begin there.

Efforts to transform Henry Horner and Cabrini Green have progressed more quickly in the last three months than in the past year. The first high-rise ever to be demolished in Chicago has occurred during our watch.

**HENRY HORNER**

Jump-starting the transformation of the Henry Horner development has been a top priority for the Department. Negotiations had been on-going for quite some time, but resolution proved elusive. I am pleased to report that we have reached an agreement with the resident organization. The demolition of two vacant high-rises containing 286 units at the Horner Extension began on August 11. Once the 38 families residing in three mid-rise units -- which contain a total of 180 units -- are relocated, demolition will begin there as well.

Both the law at the time and the consent decree required one-for-one replacement. As a result, low-rise duplexes and townhomes will be built both on and off the site. Half the units will be reserved for public housing-eligible residents who are below fifty percent of the median income. The other half will be reserved for working families eligible for public housing who earn between 50 to 80 percent of the area's median income. In the Chicago area, this translates to between $25,000 -$36,000 for a family of four. The tremendous effort and resources committed to this project will be well worth it. An entire neighborhood on the near West-side of Chicago will be rebuilt and reconnected to the city grid, ending decades of isolation. Just as important, an environment where work is valued will be spawned.

Those residents who are displaced may choose from Section 8, scattered-site homes, or conventional public housing as replacement housing options. In all cases, they will have top priority to return to the new townhomes or duplexes, with construction slated to begin in about four months.

This is a better deal for the residents than the original consent decree, since additional funding will be pumped into the project. In addition to the $30 million committed by HUD, the Gautreaux receiver will contribute $28 million to help fund the additional units for those families occupying the mid-rises. This is the first time the receiver has committed funds to a project where a portion of the redevelopment will occur on-site -- a testament to the soundness of the plan and the need to assist as many families as possible. In all, nearly 700 units of new housing will be built.

As part of the new agreement, the CHA will dedicate $5 million for needed repairs at the Horner Homes, and $9 million will be devoted to the Horner Annex. Residents at the Annex will vote on whether to rehabilitate their buildings or approve construction of new townhomes.

CABRINI GREEN

Chicago has had $50 million in HOPE VI funds reserved for 20 months to redevelop Cabrini Green. The process was stalled by two obstacles: the inability of residents to come together, and the submission by CHA of what we viewed as a financially unworkable plan that failed to include a satisfactory number of low-income residents. Since the HUD intervention, substantial progress has been made. Residents and community leaders have agreed on a process where private entities will submit proposals to redevelop a portion of Cabrini Green. This will inject the creativity of the private marketplace into the process. It will also enhance the probability that more market-rate units will be interspersed among units dedicated for working families eligible for public housing. The agreement on this format has spurred the City of Chicago to negotiate seriously with the CHA on city-owned property needed to facilitate development.

I want to stress that residents will serve on the committee to decide which plan is approved.

Because of these positive steps, previously approved demolition of three vacant high-rises, 398 units, will occur in September. Two partially occupied highrises, totaling 262 units, have been approved for demolition as well. Demolition, however, will not commence until the 174 families living there are relocated.

Even though an approved redevelopment plan is not yet in place, HUD did not want to delay any longer the release of the resident services component of the HOPE VI agreement. A total of $5.3 million has been granted to various nonprofit and resident organizations to implement 13 separate economic development, social service, and other human needs programs. This funding will be used by the resident councils pursuant to a plan they helped to develop.

At Cabrini, we can change the dynamic of public housing by creating one of the most ambitious mixed-income communities in the nation. If things fall into place, public housing residents will become part of a thriving middle-to-upper-income neighborhood on the near-North side of Chicago. The value in terms of increased security, employment and educational opportunities for low-income families is incalculable. This development should rival the tremendous successes enjoyed by families who participated in the successful and celebrated Gautreaux relocations.

LAKEFRONT PROPERTIES

With respect to the Lakefront properties, again HUD's active intervention has accelerated the process. Currently four vacant high-rises containing 609 apartments stand adjacent to a model of public housing success -- Lake Parc Place, two mixed-income high rises located on Chicago's scenic lakefront. HUD and the designated resident organization are close to reaching an agreement on the demolition of the four high-rises, and the development of new townhomes and duplexes in the surrounding area. The agreement is contingent upon the acquisition of land, much of which is city-owned.

While we are pleased with the tremendous progress that has been made, no discussion of redevelopment in Chicago is complete without mention of what is undoubtedly the most desolate strip of public housing in the nation: the State Street Corridor. Comprised of the Robert Taylor, Stateway, Ickes, Hilliard and Dearborn projects, this four mile strip is literally devoid of any commercial, recreational, or other amenities which form a community. During my visit to Chicago last month, I asked Assistant Secretary Shuldiner to begin the planning process needed to redevelop this area. He has already met with elected officials and resident leaders to begin the process, and additional meetings are scheduled this month. We will also try to connect our plans with the Chicago Empowerment Zone, which encompasses part of the State Street Corridor.

In the critical area of public safety and security, where one study indicated that crime occurs at a rate 62% higher than the rest of the City, immediate action has been taken. Many of these actions were recommended by Carroll Buracker, an expert in the field. Executive summaries of his reports were sent to the Committee.

Sixty additional CHA police officers were hired in our first full week, and all police, security, and crime prevention activities were consolidated. Part of the restructuring included the granting of long-delayed promotions to 20 CHA police officers to fill key supervisory positions. For the first time, an Internal Affairs Division within the Department was formed. It led immediately to the arrest of two officers who allegedly had robbed a resident. The tenant patrol program will be overhauled, augmented through training and technical assistance provided by the nation's leading tenant patrol organization located in New York City.

In order to create an environment where law-abiding residents and the police work together to combat crime, the entire force is receiving training in community policing. One facet of this strategy is the redeployment of the CHA police. Three-quarters of the police will leave their cars and patrol the developments. This will include the creation of a bicycle unit, modeled after similar, successful programs in other cities.

In late September we will convene resident leaders, key CHA resident program staff, local HUD officials and CHA Police for three days of training at the Illinois Institute of Technology. The purpose of this seminar will be to improve the level of trust and communication among all parties, which will result in residents becoming true partners in making their communities safer.

Specialized units are also being developed to combat crimes against the elderly and prevent elevator vandalism. Contract security, which has proven to be of questionable value and which is extremely expensive, will be scaled back by 25% in the initial phase. Further reductions will follow. The newly hired officers and the patrol strategy will more than offset this and lead to a more safe and secure environment for public housing residents.

If the funding exists, on-site police mini-stations will be constructed. These stations

are a vital component of community policing as they provide greater accessibility, heightened communication, and crucial visibility to the surrounding community.

Finally, a key component to enhancing security at the CHA will be greater interaction and coordination with the Chicago Police Department. In that regard, the CHA will be integrated into the City's 911 emergency system, and a coordinating agreement is being developed to facilitate increased communication and interaction.

In the area of resident services, HUD initiated a summertime cleanup effort that proved very successful. At Cabrini Green and Henry Horner Homes, over 600 residents showed up to participate. Similar levels of resident participation were common at other sites. The cleanup included such activities as street cleaning, garbage pick-up, graffiti removal, gardening and beautification, and painting. This project is continuing at a different development each week, and now, at the residents' request, it incorporates the completion of long-standing emergency work orders at each site. To date, more than 1,400 work orders have been filled under this program. Another step taken was a resident survey, taken at each of the family developments, of human service needs. Residents were surveyed in four key areas: public safety, management and maintenance, economic development, and social services. As a direct result of this process, the Resident Programs Department has been restructured so that more resources are deployed at the developments so residents can take greater control of their lives.

One of the top priorities for HUD is to include a broader range of residents in Chicago public housing. In this regard, Assistant Secretary Shuldiner has conducted regular meetings with resident leaders at the CHA offices and with all residents choosing to participate at the various sites. Currently, we are in the process of establishing a system-wide resident planning process to give residents unprecedented involvement in planning the redevelopment of their communities. In addition, we are working with the residents to ensure fairness as they prepare for their elections in December. We are also working with selected resident management corporations and community groups to improve homeownership opportunities.

One initiative that has received a good deal of publicity is the imminent hiring of 400 residents to perform basic custodial services at their buildings. Professional firms will join resident organizations to train new workers and to promote resident-owned businesses. We view this as an excellent opportunity to put residents to work, create entrepreneurial opportunities, and free the existing maintenance staff to do basic repairs in the units.

Other resident events in which we have been involved include the Chicago Inner City Games and the Midnight Basketball all-star game. These events proved very successful and exemplified the spirit of cooperation between HUD, the CHA, a variety of Chicago organizations, as well as the Mayor's office. The Inner City Games enabled thousands of low-income children to participate in a full week of sports competitions, art, poetry, creative writing contests, life skills, and entrepreneurial activities. Former NBA basketball player

and current HUD employee Ron Carter has been instructing the young men who participate in midnight basketball on a regular basis. The curriculum centers around leadership, economic development, and career planning.

Housing Operations is the key management component of any housing agency. A primary goal in operations is to improve the effectiveness of CHA's maintenance program and improve the cleanliness and appearance of CHA buildings and open spaces. In addition to the aforementioned clean-up and work order reduction effort, a wholesale maintenance reorganization plan is being designed. The current system is totally unworkable. We will correct the deficiencies in distribution, availability of supplies, training, and job performance, all of which will intertwine to produce a quality system that will better meet the needs of the residents.

Part of this strategy will entail the redeployment of resources from headquarters to the sites, and standardizing the work order system. In addition, more competent maintenance workers and craftsmen will be dispatched to the sites where residents can see the difference.

A new ethics policy has been approved which will restore credibility to the agency by holding employees to higher standards of conduct and reducing the incidence of conflicts of interest. A new contract approval process has been implemented which will lower the threshold from $1,000,000 to $100,000 for the sole-sourcing of contracts.

Vacancy reduction efforts, using previously appropriated but unspent federal funds, have also been undertaken. This will help speed up the process by which families, many whom have been on the waiting list for years, can receive decent, affordable housing.

When HUD began its intervention, I made it clear that private firms and resident management corporations would be solicited to manage some of CHA's housing stock. Now CHA out-sources some of its scattered site developments, some of its senior developments and a very few family developments. HUD has established a comprehensive effort to increase private and resident management of CHA properties. To illustrate the unprecedented level of interest by the private sector, over 100 firms have picked up bid packages in response to a Request for Qualification, and nearly 40 participated in a pre-bid conference late last month.

Our approach will improve upon the current method of private management by insisting upon specific deliverables and performance measures, improving and streamlining monitoring, and instituting specific penalties for non-compliance. HUD will determine which developments to make available to private managers. Contract negotiations will be entered into with the most qualified respondents. It is expected that the selection process will be completed by the end of the year and the private management firms will be in place by February, 1996. By pursuing this course, we can concentrate CHA resources on those developments which demand the most attention, while enlisting the private sector and resident organizations, which in many cases can provide more effective management and

service provision.

HUD will soon award a contract to a qualified private firm which will manage the 17,000 Section 8 certificates and vouchers currently under CHA's control. The Section 8 program was wrought with mismanagement, leading to the subsidizing of poorly maintained units, incorrect rent payments, financial disarray, and the failure to utilize up to 2,000 certificates. The selection process has whittled qualified applicants to three, and the contract is expected to be awarded shortly.

Another policy area which demanded immediate attention is the related issue of screening, lease enforcement, and evictions. At a time when affordable housing for low-income families is becoming more scarce, it is absolutely critical that housing agencies guarantee that only law-abiding, lease-compliant residents occupy units. A draft screening policy has been produced which calls for more diligent security and credit checks. By increasing the probability that tenants admitted will pay their rent, the abysmal level of rent collection, currently at 75%, will be improved as well.

While the screening process applies to potential residents, the tougher lease enforcement and eviction policies will remove habitually disruptive tenants and law-breakers. This will complement the security measures being undertaken, and change the longstanding and ingrained belief that public housing is the housing of last resort, and that anyone may get in.

In the area of Administration and Finance, an evaluation and restructuring of the CHA leadership staff has taken place. Further efforts are ongoing to assess current staffing levels, and reduce or redeploy existing staff. We have studied in detail CHA's organizational structure, including each department's oversight and daily responsibilities. This has led to the restructuring and consolidation of the central office, including the finance and accounting department. The legal department is also being reorganized and the management and information systems department is being upgraded and totally revamped.

In addition, a Request for Proposal has been made to manage the CHA pension fund, which lost $15 million due to theft and mismanagement. HUD is working with special counsel and formal U.S. Attorney Anton Valukas to recoup as much of these losses as possible. To date, nearly $4 million has been secured from the liable individuals and firms, and the recapture of millions more are being vigorously pursued.

Grasping control of the budget has proven to be one of our most difficult challenges. We have revised the 1995 Operating Budget to reflect the actual expenditures to date, reduced administration expenses and increased maintenance contracting. This reflects our philosophy of reallocating resources to improve the maintenance of units. In addition, in order to adjust the Comprehensive Grant Fund to reflect the reduction in funding approved as part of the recision bill, we will be forced to eliminate a yet-to-be determined number of positions funded by this program.

The accounting records are in such disarray that we have asked the external auditors, Delloitte & Touche, to help us determine the cash and reserves balances by program, which was nonexistent in CHA budgets. The reserves for the low-rent program estimated by staff as of December 31, 1994, are $8.2 million. Based on HUD standards, this reserve should be at least $38.9 million. In 1994, CHA used half of the $16 million balance in the reserves to cover an operational deficit bringing the reserves at the end of the year to the $8.2 million balance. Given that CHA is self-insured and that we believe the insurance reserves are inadequate, without aggressive action there is the potential for the Authority to become insolvent. Therefore, we will be reviewing an actuarial report currently being prepared by the respected accounting firm of Ernst & Young to better assess the potential liabilities. CHA has not had an unqualified opinion in over ten years. For the past several years, the auditors have issued a disclaimer which means that they are unable to certify the Financial Statements. We are addressing the multiple issues that need to be resolved in order to obtain a clean opinion in the areas of management information systems, internal controls, and enforcement of policies and procedures.

An issue which has generated a great deal of interest, both here in Chicago and across the country, is the designation of seniors-only buildings. The law currently allows housing agencies to mix the elderly and disabled populations. The law requires that recovering drug and alcohol abusers be included in the definition of disabled. The law also permits PHAs to designate certain senior buildings as "seniors only." Prior to the HUD intervention, the CHA submitted a designated housing plan which was deficient in that it did not adequately address the relocation of disabled individuals who would be displaced. The new proposal, being written to comply with HUD requirements, will enable 20 of the 58 senior developments in Chicago to be designated as "seniors only." Implementation will occur upon completion of the required public comment period and final approval from HUD.

I have said from the beginning that HUD cannot transform the Chicago Housing Authority alone. The entire community must join us. Integral to HUD's success is ensuring that we all find a "Chicago solution," not one dictated from Washington. At the same time, it is incumbent upon HUD to convince the community that the recovery of the CHA is instrumental to the viability of the City as a whole. In that regard, regular meetings with the City and local elected officials, as well as local business and community groups are taking place. Organizations such as Windows of Opportunity, US Equities, the Greater State Street Council, Operation Push, the City Club of Chicago, the YMCA, the Metropolitan Planning Council, LISC, the Chicago Equity Fund, the Union League Club, and the Corporation for Supportive Housing have all been solicited to participate or are participating in CHA's recovery.

During the next two months, I will address various business and foundation leaders to solicit outside support for the CHA, especially for resident programs that will be more difficult to fund in light of the already approved and anticipated budget cutbacks.

This community outreach effort will come together through the appointment of an

Executive Advisory Committee, selected jointly by myself and the Mayor. Assistant Secretary Shuldiner chairs the Council which will assist and guide the Department in formulating policy and strategic planning. Realizing that this local input is crucial if we are to be viewed positively in the community, it includes a resident leader, an appointee of the mayor, as well as a business and community leader. Besides policy and planning, this Advisory Committee will help chart the future of the agency and establish policies that help prevent fraud, abuse, mismanagement, and discrimination. Helping to establish and maintain the integrity of the Authority will be one of the committee's highest priorities.

Including the aforementioned meetings at the respective developments, official Advisory Committee meetings, open to the public and the press, are scheduled every three weeks at different developments. Even before the Committee was in place, these meetings were held to discuss actions that the Authority was contemplating and to hear resident concerns. These meetings are preceded the evening before by a city-wide resident meeting which focuses on a particular policy issue, such as security or private management.

To help augment HUD's commitment to turn around CHA, federal support for the Chicago recovery effort has been provided by the President's Domestic Policy Council. Already the Justice Department has agreed to help save much needed anti-drug and crime funds that are now jeopardized due to previous mismanagement. We will also approach the Departments of Labor and HHS with the hope of establishing a welfare-to-work strategy for CHA residents.

Three months have elapsed since the HUD intervention, and I believe these remarks will attest to the fact that real progress, not merely headline-grabbing, temporary fixes, has been made. We have stabilized the agency and are instituting sound management reforms and bringing fiscal responsibility to the Authority. We are beginning to dismantle an outdated, 50-year old bureaucracy, and turn the CHA into a lean, efficient housing manager.

I am fully aware that many, including some Members of Congress, have questioned how long HUD will stay and when a permanent director will be named. During my visit to Chicago last month, I pledged that a new director will be named by no later than the end of the year. While in Chicago on a day-to-day basis, we are determined to:

1) Fully implement the 120 day plan;
2) Increase the capacity of the CHA to function as an effective housing manager;
3) Ensure that the CHA can deliver needed services in an efficient and timely manner;
4) Have in place a long-term plan which sets the course for the future of the CHA, including a strategy to deal with its entire housing stock.

We anticipate a continued HUD role on the Advisory Committee until we are confident that such progress is sustainable. It should come as no surprise that the search for a permanent management apparatus has been a lengthy one. Given the gravity and depth of

the problems facing the CHA, HUD needs to be confident that a new team can handle the new challenges ahead of us. These will be exacerbated by the severe cuts being contemplated by Congress in public housing. While management reforms will certainly produce savings -- and wiser expenditures will produce better results -- the capital and redevelopment demands, as well as the social needs of the residents, exceed the supply of existing resources. Dramatically smaller budgets in the future will compound these needs. Tough choices will have to be made, both by HUD and the future managers.

However difficult the challenge is, we are determined to stay the course and build upon the successes we have achieved thus far. It would be an awful disservice to the residents of Chicago's public housing to do otherwise.

Mr. Chairman, I would like to thank you and the Committee for this opportunity to testify before you today, and now I would be happy to answer your questions.

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

June 11, 1995

**MEMORANDUM FOR:** Henry G. Cisneros, Secretary
Joseph Shuldiner, Assistant Secretary for Public and Indian Housing

**FROM:** Kevin E. Marchman, Deputy Assistant Secretary for Distressed and Troubled Housing Recovery

**RE:** Blueprint: Chicago

You have asked for an honest working document which spells out HUD's immediate and long-term goals regarding the Department's intervention in the Chicago Housing Authority. In addition to bringing meaningful, positive change to CHA residents, these goals also reflect a long-term, big picture vision of what this Administration would like to see as its contribution toward "transforming public housing."

Our intervention in Chicago must do two things. First, it must repair the foundation of a badly broken agency that is not capable of delivering even the most basic services to its residents in a timely or effective manner. Second, it must make sure that the foundation is strong enough to support moving the agency forward in a new direction. That direction must be guided not only by the Department's reinvention of public housing, but also by the question of what is doable and practicable, given diminishing resources and the tools we have to work with. The CHA and its developments are so far beneath the baseline of acceptability that we cannot expect it to respond to "whiz-bang" solutions. We can, however, restructure the agency so it can provide safe and decent housing to its residents.

If Chicago, as conventional wisdom muses, drags all of public housing down, then improving Chicago will increase the likelihood that the rest of public housing will improve and become more acceptable of the kind of change outlined in HUD's reinvention blueprint. Thus, it is important to keep in mind that our efforts in Chicago will to a large extent determine whether the Department met its priority of "transforming public housing."

We believe this plan meets the Department's overarching goal of improving the lives of public housing residents and changing public housing as we know it. At the end of the day, we will and should be judged on whether HUD's intervention in Chicago made a positive difference in the lives of CHA residents.

## OUR VISION

***"The transformation of public housing in America begins with the transformation of the Chicago Housing Authority."***

Our vision of public housing in Chicago is the same vision we have for America. We want public housing to blend in with the communities in which it is located. Public housing should not stand apart physically or architecturally; it should be woven into the fabric of our communities. If low-rise apartments and single family homes are the rule in a neighborhood, then public housing should be built to blend in with them.

Public housing should not be islands for the poor, it should be home to families of mixed incomes, and it should be sited in economically diverse and growing neighborhoods. Public housing residents cannot be viewed as second and third class citizens due to their living environments, but given access to job opportunities, good schools, and public services.

Our vision is to see public housing serve its originally intended purpose as a point of transition to a better life for individuals and families. Our long-term vision of public housing includes -- and is supported by our goals -- less and less federal regulation, increased programmatic flexibility, and more resident and site-based decisions. We must create environments which decentralize administrative authority and promote resident participation. At the same time that we recognize tenant rights, we must also insist upon tenant responsibilities. This vision is supported by HUD's reinvention, articulated by its leadership and can firmly be put into place in the long run.

The CHA is not prepared to get there, yet. In both the buildings and the systems, we have found very little to keep and much to transform and restructure. So, any transformation of CHA must follow a disciplined, rigorous approach and plan of goals designed to implement our vision.

## OUR GOAL

***"To strengthen the Chicago Housing Authority so it is better able to provide a safe, decent and livable environment for its residents."***

Our initial attempt at a plan of simply stated goals and obtainable achievements follow. They express and incorporate several ideas.

First, in Chicago, HUD is not tinkering around the edges. We have made a serious, real commitment to transforming public housing and are prepared to take risks under intense attention and scrutiny. Second, instead of taking the safe approach of proclaiming public policy from Washington and hoping it fits the desired outcome, we are on the ground and know that the policy must fit the need in real time. Third, we can do what we say we can do.

**GOALS:**

**Security**

Goal: Increase the level of safety in and around Chicago's public housing developments

(1) Hire 60 additional police officers

(2) Restructure and strengthen the tenant patrol program

(3) Use the Buracker report as a guide to reorganize the Chicago Housing Authority Police Force

(4) Address leadership issues with current CHA Police Force

(5) Consolidate all police, security and crime prevention efforts

(6) Establish on-site mini stations/lobby stations at all CHA family developments

(7) Create specialized units to focus on:
(a) senior citizens
(b) elevator vandalism
(c) evictions

(8) Initiate community policing

**Maintenance**

Goal: Improve the effectiveness of CHA's maintenance program and increase the baseline cleanliness and appearance of CHA buildings and open spaces

(1) Overhaul CHA maintenance operations

(2) Implement a preventive maintenance and management program

(3) Standardize and centralize the CHA's balkanized work order system (will result in a vast reduction in back workorders)

(4) Replace the leadership of the operations staff

(5) Establish a summertime cleanup/painting program

(6) Accelerate vacancy reduction program, continue STEP UP program

**Redevelopment**

| | |
|---|---|
| Goal: | Demolish obsolete high-rise buildings and replace them with less dense, smaller buildings |
| *Henry Horner* | Demolish five buildings within the complex, relocate daycare operations and begin construction and replacement housing in the spring |
| *Cabrini Green* | Demolish three buildings within the complex, complete relocation of residents and begin construction of replacement housing on-site |
| *Lakefront* | Demolish five buildings and begin construction of replacement housing |
| *Washington Park* | Work with city officials to identify land and begin the replacement program on- and off-site |

Suburban Demonstration Program: With the cooperation of the receiver, initiate the Suburban Demonstration Program to give residents more choice in housing

**Resident Programs**

Goal: Increase residents' participation in the decisions that affect their lives

(1) Establish a system-wide resident planning process and give residents unprecedented involvement in planning the redevelopment of their communities

(2) Follow through with the CHARISMA program which joins CHA, the religious community and businesses to serve CHA developments

(3) Follow through with the State and The Woodlawn Organization to open up a transition facility for CHA families in crisis. This would mean a reuse of CHA apartments as a temporary safe haven for troubled individuals and families

(4) Provide an ongoing support system to residents participating in Resident Management Councils. Encourage resident ownership programs through homesteading and the "My Own Home Program"

**CHA Administration**

Goal: Replace the existing CHA administrative structure and create a new structure which will (1) provide field support for site management; (2) manage CHA assets and resources; and (3) restore confidence and integrity in the Authority

(1) Restructure and consolidate the finance and accounting and administrative departments

(2) Reconcile 1995 budget which includes a 15 percent staff reduction

(3) Begin reorganization of the legal department

(4) Prepare and release RFP for private management of senior housing developments

(5) Prepare and release RFP for Management Information System

(6) Prepare and release RFP for Section 8

(7) Implement corrective action plan to address procurement and contracting issues

(8) Continue legal and investigative efforts related to the Velukas report

**Asset Management**

(9) Prepare and release RFP for pension fund management

(10) Outsource the management of deferred compensation plan

(11) Investigate procurement of third party administrator for workmen's compensation assets

**Building Community Commitment**

Goal: Increase the community's involvement with CHA programs

(1) Establish roundtable discussions with decision-makers from the civic, business and religious communities to familiarize them with CHA initiatives

(2) Form an executive committee to govern the CHA

(3) Create a public information forum to keep media, residents and the public at-large informed of the changes at the CHA

(4) Engage foundations, universities and the business sector to active partnerships with the CHA

U. S. Department of Housing and Urban Development
Washington, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

June 15, 1995

**MEMORANDUM**

To: Henry G. Cisneros, Secretary
Joseph Shuldiner, Assistant Secretary for Public and Indian Housing
Edwin Eisendrath, Secretary's Representative

From: Kevin E. Marchman, Deputy Assistant Secretary for Distressed and Troubled Housing Recovery

Re: Blueprint: Chicago Workplan

Attached please find the first draft of the Blueprint: Chicago Workplan. The workplan is a product of the goals we forwarded to you earlier this week. I have also attached a copy of CHA's old organizational chart and the new transitional structure.

## THE INTERVENTION MISSION

HUD's bottom line for intervening at the Chicago Housing Authority (CHA) is to bring about measureable, positive change in the lives and environment of residents who are subjected to unsafe, unsanitary and indecent conditions of this City's public housing. For such an effort to succeed, the Department has forged a committment with Mayor Daley's administration, is working to organize resident leadership for unprecedented involvement, and has begun restructuring CHA's organization, operations and resources to more efficiently address CHA's basic mission.

The May 31, 1995 voluntarily transfer of legal assets and liabilities, accompanied by the resignation of CHA Commissioners, compelled the Department to act swiftly. Yet what lies ahead is a challenge of daunting magnitude, requiring careful, decisive, and long-standing action in order to be accomplished. HUD views this challenge to entail a fundamental transformation in how the needs of Chicago public housing residents can be better addressed, so as to end their isolation within the civic, economic and social life of the City.

Within CHA, HUD's intervention must do two things. First, it must repair the foundation of a badly broken agency that is not capable of delivering even the most basic services to its residents in a timely or effective manner. Second, it must make sure that the foundation is strong enough to support moving the agency forward in a new direction. That direction must be guided not only by the Department's reinvention of public housing, but also by the question of what is doable and practicable, given diminishing resources and the tools we have to work with. At the beginning stages and over the long haul, HUD must also prevail upon the City, private industry, community businesses and non-profits, philanthropic sources, and public housing residents themselves, to take responsibility for problemsolving.

The CHA and its developments are so far beneath the baseline of acceptability that we cannot expect it to respond to "whiz-bang" solutions. HUD intervention can, however, restructure the agency so that CHA can provide safe and decent housing to its residents.

At a minimum, saftey, security and sanitation of Chicago's public housing must be restored, so that residents can seek to improve themselves, obtain economic opportunities and exercise greater responsibility to contribute as citizens in the City's productive life. Public housing should not be islands for the poor, it should be home to families of mixed incomes, and it should be sited in economically diverse and growing neighborhoods. Homes and buildings must be serviced by the City and commerce for basic utilities, commodities, goods and services that maintain, secure and protect the resident community. Public housing residents cannot be viewed as second and third class citizens due to their living environments, but given access to job opportunities, good schools, and the most essential public services.

Looking ahead from now, the physical transformation (rehabbing, demolishing, rebuilding and

redeveloping) of Chicago's poorly-designed and dysfunctional public housing stock will involve decades of work, given the available and foreseeable financial resources. Public housing in Chicago needs to blend in with the communities in which it is located. Public housing should not stand apart physically or architecturally; it should be woven into the fabric of the City's communities. Rehab, demolition, height limitations for new and redevelopment, community meeting and recreation facilities, and commercial business facilities are important ingredients for drammatic change that can breathe new life into existing settings. If low-rise apartments and single family homes are the rule in a neighborhood, then public housing should be built to blend with them.

Significant changes to the current CHA landscape can not hope to get started, however, without combined civic leadership, resident cooperation, and intergovernmental and industry involvement to forcefully eradicate the immediate dangers, restore safety and establish an orderly foundation of basic service.

## THE FRONTEND PARTNERSHIP AND INITIAL STEPS

In the first two weeks of HUD's intervention, immediate attention went to receipt of legal transfer from the Board, appointment of HUD's interim Executive Director, revamping internal communications and management direction, reviewing threats to site security and public safety, conducting resident outreach, along with grounds cleanup, and assessing breakdowns in routine maintenance and basic services. Currently, weaknesses in major systems, management procedures and staff capacities dealing with property operations, capital programs, finances, accounting and administration are being prioritized for short and long-term technical assistance strategies.

To buttress leadership voids and weak expertise in existing operations, HUD has recruited and deployed an on-site transition team. Highly skilled problemsolvers drawn from well-performing public housing agencies and the department's own ranks, are serving in temporary capacities until agency re-organization and subsequent employee replacements and transitions are accomplished. In the coming months, other technical expertise and assistance will be determined on the basis of what is needed to carry out working plans and strategies developed with residents bodies, CHA staff, and City officials.

## RESTORING SAFETY & BASIC SERVICES; A CRITICAL SERVICES TASK FORCE IS NEEDED

An immediate and essential next step is the formation of a Critical Services Task Force to which are appointed key supervisory staff from both the City and CHA, along with HUD. On this Task Force should be City officials who can authoritatively represent Police, Fire, Rescue and Ambulance Services, along with regulated Utilities (Water/Sewer, Electrical, Gas and Telephone). HUD/CHA participation needs to include Executive staff responsible for CHA's Property Operations (management, maintenance and occupancy), Security, Resident Services and General Counsel.

Front-end budgetary, personnel and in-kind resources should be committed by the HUD, CHA and the City in support of the Critical Services Task Force; so that it can be assigned to execute and oversee discrete priorities to secure and stabilize particular public housing sites during the 120 Day Start-up period and beyond. Where necessary interagency or cooperative agreements can be executed to this effect, eg. the Drug Elimination Program Cooperative agreement with the City Police Department for coordination with CHA policing efforts needs to be embellished and made part of the Task Force. Site emergency responsiveness, maintenance performance results, and service improvements acheived by any given Service component can be reported at regular meetings of the Task Force as a whole, to ensure and account for progress. (HUD should consider redirecting existing funds being spent on CHA security contractors --- an estimated $20 to $23m--, augmented by a special allocation of 6(J) funding, to leverage this relationship with the City of Chicago agencies, who would be asked for a matching in-kind commitment. It is not inconceivable that in this fashion, an additional 200 City Police could be dedicated to execute priorities to restore safety and security at the State-Street sites.)

## A 120-DAY WORK PLAN

While internal re-engineering of CHA processes for better performance and the Critical Services Task Force swing into motion, HUD must also ensure day-to-day continuity of routine and non-emergency housing services, and administrative support such that their quality does not decline. The following 120 day work plan sets forth the goals and objectives as tasks to be carried out towards these ends, along with performance measures, estimated timelines and the lead staff (CHA/HUD recovery team) responsible for carryiing them out.

### AREA OF PRIORITY: ADMINISTRATION AND FINANCIAL MANAGEMENT

SPECIFIC GOALS:

CHA Administration

**I. Task 1 Restructure and Consolidate the finance and accounting and administrative departments**

**Subtask: Announce consolidation**
**Performance measure: consolidation announced**
**Lead Responsibility : Kevin Marchman**
**Time Frame : one week**

**Subtask: Implement consolidation**
**Lead Responsibility :Addrienne Archia Earl & A Vargas to implement**
**Time Frame : one month**
**Performance measure : Task completed**

**II. Reconcile 1995 budget which includes a 15 percent staff reduction**

**Subtask: Analyze budget vs actual expenses and position control**
**Performance measure : task completed**
**Time Frame : three weeks**

Lead Responsibility: Ana Vargas & Addrienne Archia Earl

Subtask: Meet with department directors to discuss current vacancies and alternatives to accomplish budget levels.
Lead Responsibility: A Vargas, A Earl
Time Frame : one month
Performance measure: Meetings with all departments completed

Subtask : Make recommendations to ED or designated person regarding alternatives to accomplish balance budget.
Lead Responsibility: A Vargas & A. Earl
Time Frame: two months

III. Begin Reorganization of the legal department

Subtask: Review ------- Report and make recommendations to ED
Lead Person: Marylin Johnson ; Greg Russ & Ana Vargas
Time Frame: one month
Performance measure: Recommendations presented to ED

IV.Prepare and release RFP for private management of senior housing developments

Subtask: Prepare draft RFP
Lead Person: ?
Time Frame: 60 days
Performance measure: Draft prepared

Subtask Review of RFP by other departments including legal and management
Lead Person:
Time frame: 30 days
Performance measure: RFP approved for issuance

V. Prepare and release RFP for MIS

Subtask: Analyze current system to prepare RFP
Lead Person : MIS Director, Ana Vargas, J Nelson, MIS consultant
Time Frame:
Performance measure: Task Completed

Subtask: Prepare draft RFP
Lead Person:
Time Frame: 30 days
Performance measure: Draft prepared

Subtask: Review RFP
Lead Person:
Time Frame: one week
Performance measure: RFP in final form

VI. Prepare and release Section 8 RFP

Subtask: Issue RFP
Lead Person:
Time frame: two weeks

VII. Implement corrective action plan to address procurement and contracting issues

Subtask: Meet with Acting Director Procurement, HUD contract person,CHA IG Budget & finance and users to prepare plan

Lead Person: A Vargas , Al Rutyna, Frank Slezak
Time Frame: two weeks
Performance measure: Plan prepared

Subtask: Implementation of Plan
Lead Person: A Vargas , Al Rutyna

**Time Frame : Six month**
**Performance Measure: Plan implemented**

**Financial Asset Management:**

**Task: Prepare and release RFP for Pension Plan Management**

**Subtask: Draft RFP**
**Lead Person: A Earl & A Vargas**
**Time Frame: one week**
**Performance Measure: draft prepared**

**Subtask: Release RFP**
**Lead Person : A V, Addrienne**
**Time Frame one week**
**Performance measure:RFP released**

**Task : Outsource management of deferred comp. management**

**Receive & evaluate proposals**
**Time Frame: two month**
**Lead Person A Earl**
**Performance measure: contract awarded**

**Task: Investigate procurement of third party administrator for workman's compensation program**
**Time Frame: sixty days**
**Lead Person: A Earl, A Vargas**
**Performance measure : Recommendations to ED**

**AREA OF PRIORITY: HOUSING OPERATIONS (MAINTENANCE & MANAGEMENT)**
**SPECIFIC GOALS:**

**MAINTENANCE**

**(1) Overhaul CHA maintenance operations**

-- Subtasks:

Establish maintenance reorganization work group consisting of residents, staff, and an outside consultant;

Review deployment of existing workforce;

Estimate workloads by site (requests for repairs, vacancies, PM, custodial, grounds, other);

Discuss with barginining unit the conept of cross-work efforts

Determine number and type (trade, mechanics, laborer) positions to be assigned to the properties;

For each property develop a maintenance organization profile that: (a) identifies work and responsibilities of the site-crews and any central support crews or functions; (b) describe size of site crews, number and job titles for employees assigned to the crews; (c) lists vehicles available/vehicles needed; (d) lists equipment available/equipment needed;

Determine number and type of central or specialty crews (if any) to support property-based maintenance; develop central or specialty crew profiles as described above;

Determine which work efforts can be contracted; determine if any work can be contractedto resident group or residnt owed business

Establish supply line procedures for use by the sites
Revise work requests procedures for residents;

Reassign maintenance staff;

Provide training and orientation for maintenance staff, maintenance supervisors, and property

managers;

Implement site-based maintenance program under the control of the property manager.

-- Person responsible: Director of Operations

-- Time frame: 3 to 4 months

-- Performance measure: milestones based on subtasks, number of sites under project-based management

**(2) Implement preventive maintenance program**

-- Subtasks:

Develop with site staff and residents PM work schedules and models. (Use the repair/clean-up crews in (5) below to introduce the concept of PM)

Identify properties where PM can have impact; identify, by site, by building, the types of repairs that could be accomplished using a PM crew (involve site staff and residents);

Identify staff, trade skills for PM crews;

Establish link to HQS unit inspection process to generate PM work orders; train residents to perform HQS inspections;

Determine area of operation for PM crew (site-based, group of properties, agency-wide);

Determine if PM can be contracted, use CHA staff, or both;

Assign staff to crews or initiate procurement;

Implement pilot PM program at selected sites.

-- Time frame: 3-6 months to initiation at selected sites.

-- Person responsible: Director Field Operations

-- Performance measure: # of apartments and buildings that receive PM on an annual basis

**(3) Standardize CHA's work order system**

-- Subtasks:

Review work order intake procedures; track volume of work requests received; review staff assigned; examine MIS options for intake and distribution of work orders;

Revise procedures, adopt interim, manual procedures if MIS cannot immediately accommodate new processing steps;

Adjust staffing to accommodate volume;

Train staff on new procedures;

Implement new work order system.

-- Time frame: 75 days

-- Person responsible: Director Field Operations

-- Performance indicator: revised procedure in place, number of transaction handled, work orders completed.

**(4) Replace leadership of the operations staff**

Subtasks: none

Time frame: 10 days

**(5) Establish a summertime cleanup/painting/minor repair (?) program**

**POLICY OPTION: insteaad of doing this we could focu all are effort on PM and use the PM process in lieu of a summertime programm**

-- Subtasks

Identify work items that are feasible to do in the interior of buildings; prepare a maintenance task profile for each building (site staff and residents); identify only those items that can be fixed, repaired, painted over a 2-3 day period;

Establish a per unit cost threshold for each building to limit scope of effort to items that are doable given the time and skill of the workers and residents.

Establish repair/clean-up crews to work the interior of buildings on a scheduled basis, this could be a year round activity that can be used to launch a PM program (see above).

Initiate program

Time frame: 30 days to start-up

Person responsible: Director of Field Operations

Performance indicator: # of buildings and sites that receive repair/clean-up

**(6) Accelerate vacancy reduction program**

-- Subtasks

Review vacancy reduction achieved so far; review quality of work, cost, and person hours;

Determine whether to use force account, contract for work, or both;

Examine feasibility of establishing JOC program for vacancy reduction

Initiate JOC procurement process

Select JOC contractors

Issue notice to proceed

-- Time frame: 120 days to start-up

-- Person responsible: Director Maintenance Support Services

-- Performance indicator: # of units placed on line, # of units results in net gain of available units for CHA

**AREA OF PRIORITY: CAPITAL PROGRAMS (PLANNING/DESIGN, BUILDING CONSTRUCTION AND REDEVELOPMENT)**

**SPECIFIC GOALS:**

**Redevelopment**

| | |
|---|---|
| Goal: | Demolish obsolete high-rise buildings and replace them with less dense, smaller buildings |
| *Henry Horner* | Demolish five buildings within the complex, relocate daycare operations and begin construction and replacement housing in the spring |
| *Cabrini Green* | Demolish three buildings within the complex, complete relocation of residents and begin construction of replacement housing on-site |
| *Lakefront* | Demolish five buildings and begin construction of replacement housing |
| *Washington Park* | Work with city officials to identify land and begin the replacement program on- and off-site |

Suburban Demonstration Program: With the cooperation of the receiver, initiate the Suburban Demonstration Program to give residents more choice in housing

REDEVELOPMENT

-- Occupancy subtasks to ready buildings for demolition

As part of Admissions & Occupancy Policy rewrite, standardize and simplify transfer categories; transfers take priority over new admissions;

Review occupancy levels in each building at each site

Review family demographics

Estimate number of families to be transferred, size, type of unit required; estimate the number of families that require certificates or vouchers, have accessible unit needs, or are not served by an intra-site transfer

Issue Certificates and vouchers to families who want to permanently move.

Identify units suitable for an intra-site transfer (different building, same property)

Identify units suitable for inter-site transfer (different building, different property)

Ready units for occupancy by transfer families

Initiate intra-site transfers to consolidate occupancy

Initiate inter-site transfers to consolidate occupancy

Issue certificates or vouchers to hard to house families

Time frame: 45 days

Person responsible: property managers, Director of Occupancy

Performance measure: # of families transferred, buildings come down

**AREA OF PRIORITY: PUBLIC SAFETY AND SECURITY**

**SPECIFIC GOALS:**

(1) Restructure the delivery of Public safety services

Start date: June 15
Completion date: August 1

Appoint a full-time police chief (current chief on-loan)

Consolidate all police, security and Crime Prevention programs under one chief

Increase police visibility through redeployment

(2) Implement A Public Safety Resident Advisory Council/Committee

Start date: July 1
Complete date Sept 1

Gain resident input on a regular basis about crime and suggestions for change

Develop an advisory committee from each police/security district station to report to the district commander

Assign district representatives to monthly meetings with the Chief of Police

(3) Implement a Community Policing Strategy that:

Start date: July 15
Completion date: Sept 15 (?)

Refocusses emphasis from reactive police/security services to a "Safe environment"

Forges a partnership among residents, police/security and housing officials

Assigns officers to foot and bicycle patrols within the developments

Establishes motorized quick response units

Establishes mini-police stations in each of the 12 developments

Implements mobile/foot inspection patrols by security guards

Establishes a totally integrated police/security system, tenant programs, technical security

(4) Implement Specialized units with Current Police and Security Staff

Start Date: July 1
Completion date: Sept 15

Senior Citizen Unit - will focus on crimes against the elderly

Elevator vandalism unit -structured to prevent and reduce costs and timing of elevator repairs

Eviction Unit - accelerates the timing of evictions and reduces the need to remove officers from walking beats

(5) Begin installation of Mini-stations/Lobby stations to:

Start date: July 15
Completion date: Sept 15 (for one?)

Improve resident access to police and security forces

Retain offciers and security personnel in the developments

Ecourage resident participation in police/security programs

Reduce crime and fear of crime through increased police/security visibility

Reduce gang activity

(6) Finalize a written service agreement between CHA and the Chicago Police Department

Start date: June 15
Completion date: Aug 15

Define Specific roles and responsibilities

Improve communications between agencies

Coordinate police/security services for CHA residents

(7) Begin Community Policing training for CHA police and officers and residents

Start date: Aug 15
Completion date: (On-going) ?

(8) Improve police supervision by making promotions that have been delayed

Start date: July 15
Completion date: Aug 1

(9) Authorize, Develop and Activate Critical Services Task Force

Start date: July 1
Completion date: 120 days and beyond

(10) Re-examine Private security Guard Contracts to assure accountability and performance

Start date: July 1
Completion date: Sept 1

(11) Develop Intermediate and long-term plan for Technical Assistance program

Start date: June 15
Completion date: Sept.15

**AREA OF PRIORITY: RESIDENT SERVICES**

**SPECIFIC GOALS:**

Goal:
Increase residents' participation in the decisions that affect their lives

(1)
Establish a system-wide resident planning process and give residents unprecedented involvement in planning the redevelopment of their communities

Task Reassign nineteen (19) staff from the CHA Office of Resident Programs, to be on-site resident concerns consultants to the Local Advisory Councils (LAC's) and Resident Management Corporations (RMC's)

Completion Timeframe: 30 days

Lead Responsibility: CHA Director of Resident Programs

Performance measure: Deploymentof Staff to Properties

Task- Detail 4 HUD/PIH staff from CRI for a period of up to six months to provide TA to a cluster of 4 to 5 developments that have each been assigned a CHA resident concerns consultant.

Completion Timeframe: 30 days

Lead Responsibility : PIH A/S and Office Director for CRI

Task- Work with LACs and RMCs in establishing working groups todeal with specific site planning issues, eg. security, mod., etc.

Performance measure: Group List/Meetings schedule

Completion Timeframe: 60 days

Lead Responsibility: CHA Resident Concerns Consultants, along with HUD/CRI detailees

Task- Schedule and facilitate various meetings of the working groups with rsponsible CHA staff to address specific issues or concerns

Completion timeframe: 60 days (as needed)

Lead responsibility: Resident Concerns Consultants

Task- Prepare a document that would certify that both the LACs and the RMCs were involved in the planning process for a specific site

Completion timeframe: One month as needed

Lead Responsibility: Resident Concerns Consultants

** Develop and Conduct Resident Survey on each development on Quality of Services, needed Improvements, Security, Family Issues, Social development and economic opportunity needs

Completion timeframe: 90 to 120 days

Lead Responsibility: (Same as above, along with HUD/CRI detailees and Resident leaders)

(2)
Follow through with the CHARISMA program which joins CHA, the religious community and businesses to serve CHA developments

Task- Arrange for briefing of the CHARISMA Program to the CHA Citywide Advisory Council (CAC) and have CAC recommend on the Program's merits to be implemented within CHA

Completion timeframe: 90 days (?)

Lead Responsibility: Resident Concerns Consultants

Task- If CHARISMA is recommended, schedule briefings with all developments who wish to participate

Completion timeframe: 90 to 120 days (?)

Lead Responsibility: resident Concerns Consultants

Develop specific implementation schedules and milestones for each new participating development

Completion timeframe: 120 to 150 days (?)

Lead Responsibility: (Same as above)

Task- Submit monthly program progress resports to the CHA Executive Director

Completion timeframe: 120 to 150 days

Lead responsibility: (same as above)

(3)
Follow through with the State and The Woodlawn Organization to open up a transition facility for CHA families in crisis. This would mean a reuse of CHA apartments as a temporary safe haven for troubled individuals and families

Task- Follow the same procedures as described in #2 above (Note: Both programs could be handled concurrently.)

(4)
Provide an ongoing support system to residents participating in Resident Management Councils. Encourage resident ownership programs through homesteading and the "My Own Home Program"

Task- Attend monthly meetings of LAC's and RMCs to provide updated information on Resident Ownership programs and refer interested residents to specific staff responsible for homeownership programs.

Completion timeframe: 90 days

Lead Responsibility: (Same as above)

Task- Maintain case file on each referral and keep resident concerns consultants informed of status of each referral

Completion timeframe: 30 days and on-going

Lead Responsibility: (Same as above)

Task- Arrange for homeownership-interested residents to visit prospective purchase sites and talk to new homeowners

Completion timeframe: 30 to 90 days

Lead responsibility: (Same as above)

Task- Maintain accurate records and provide monthly report of resident participants in homeownership program

Completion timeframe: 30 days and on-going

Lead Responsibility: (Same as above)

**AREA OF PRIORITY:COMMUNITY INVOLVEMENT AND PUBLIC COMMUNICATIONS**

**SPECIFIC GOALS:**

Building Community Commitment

1

**Establish roundtable discussions with decision-maker from civic, business and religious community to familiarize them with CHA initiatives**

Tasks:

*
Identify community-based (resident and non-resident) organizations
Identify elected leadership
Identify business (Chambers of Commerce) leaders
Identify religious organizations/leaders

Lead:
White, with CHA Office of External Affairs
Time
frame
:

7 days
Deliverable
:
Computerized data base

*
Develop "round-table" strategy; ie., identity proposed processes, participants, issues, goals, objectives, etc.

Lead:
White, with CHA Office of External Affairs
Time
frame
:

14 days
Deliverable
:
Written strategy and tactical plan

Issues could include: Safety coordination, economic development, training and education, job placement, etc.

*
Identify city-wide leader(s) (preferably elected or formally elected city-wide official and business community types) to co-chair the effort to ensure "community-wide" responsibility.

Lead:
White (Schuldiner and Marchman, possible Secretary)
Time

frame
:

30 days
Deliverable
:
Co-Chair(s)

*
Identify regular schedule and meeting location.

Lead:
White, with CHA Office of External Affairs
Time
frame

14 days
Deliverable
:
Written schedule

2
.
**Form an executive committee to govern CHA**

Tasks:

*
Establish regular contact with Mayor's office

Lead:
White
Time
frame
:

Immediate
Deliverable
:
Regularly scheduled meeting with Mayor's office and Schuldiner/Marchman

*
Work with Mayor's office to develop short-list of potential board members

Lead:
Schuldiner/Marchman
Time
frame
:

Immediate
Deliverable
:
List of potential board members

*
Establish resident input regarding "important qualities" of potential candidates

Lead:
Schuldiner/Marchman (ORI)
Time
frame
:

7 days
Deliverable

Interaction with and engagement of resident leaders

*
Establish Organized Labor's input regarding "important qualities" of potential contact

Lead:
Schuldiner/Marchman (White)
Time
frame

7 days
Deliverable

Interaction with and engagement of labor leaders

*
Identify scope of responsibilities for board

Lead:
Schuldiner/Marchman
Time
frame

7 days
Deliverable

Board strategy and objectives

*
Identify meeting schedule for board

Lead:
Schuldiner/Marchman (White)
Time
frame

7 days
Deliverable

Regular board meetings

3

**Create a public information forum to keep media, residents and the public at-large informed of the changes at CHA.**

Tasks:

*
Identify strategic outline for short-term goals and tactical plan

Lead:
Schuldiner/Marchman (Cousar)
Time
frame

Immediate
Deliverable

Short-term strategic outline and tactical plan

*
Identify strategic long-term goals and tactical plan

Lead:
Schuldiner/Marchman (Cousar/White, et. al)
Time
frame
:

30 + days (Ongoing)
Deliverable
:
Long-term strategic outline and tactical plan

*
Organize regular media briefings, conferences, and events

Lead:
White, with CHA Office of External Affairs
Time
frame
:

Ongoing
Deliverable
:
Regular media contact

*
Organize regular residents meetings

Lead:
Schuldiner/Marchman (ORI)
Time
frame
:

14 days
Deliverable
:
Regular resident contact

*
Organize regular labor organization meetings

Lead:
Schuldiner/Marchman (White)
Time
frame
:

14 days
Deliverable
:
Computerized data bas

4
.
**Engage foundations, universities and the business sector in active partnerships with the CHA**

*
Identify internal opportunities for outside sponsorships

Lead:
ORI
Time
frame
:

14 days

Deliverable
:
Data base of existing and potential internal partnership opportunities

*
Identify potential local partnering entities

Lead:
White, with CHA Office of External Affairs (HUD Special Actions)
Time frame
:

30-45 days
Deliverable
:
List of potential CHA partners

*
Identify potential national partnering entities

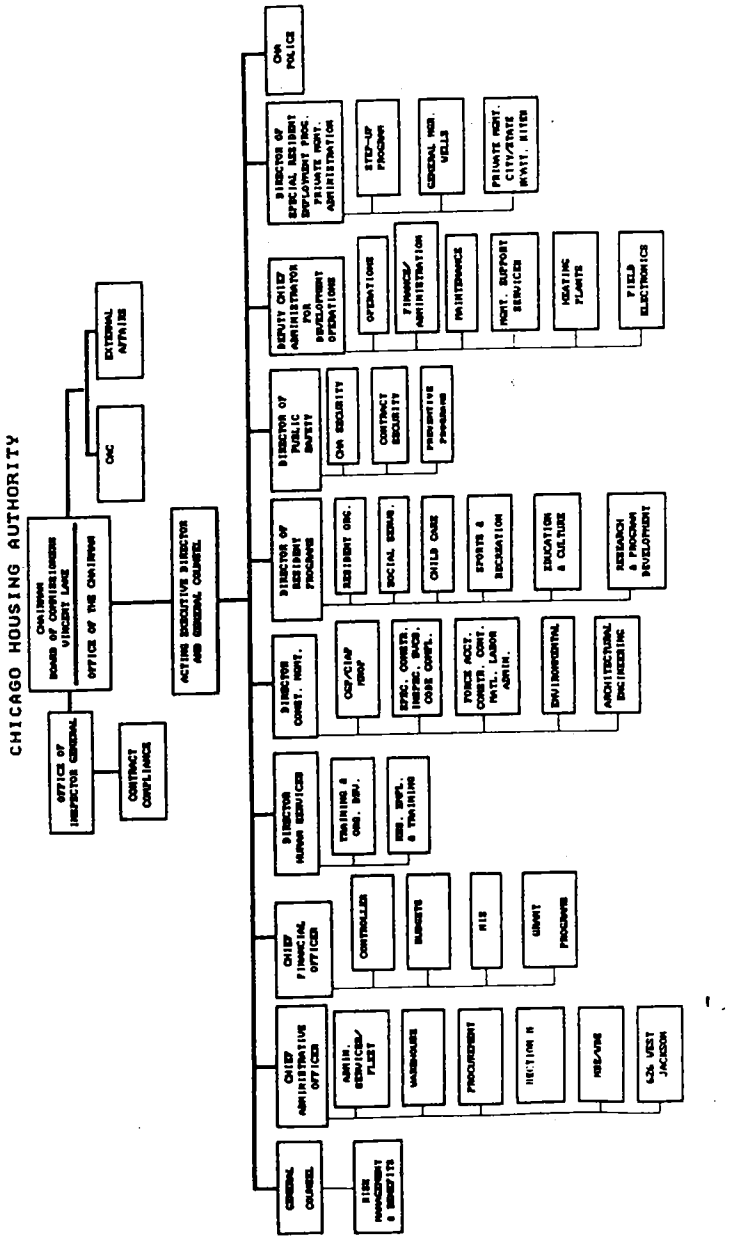
Lead:
White, with CHA Office of External Affairs (HUD Special Actions)
Time frame
:

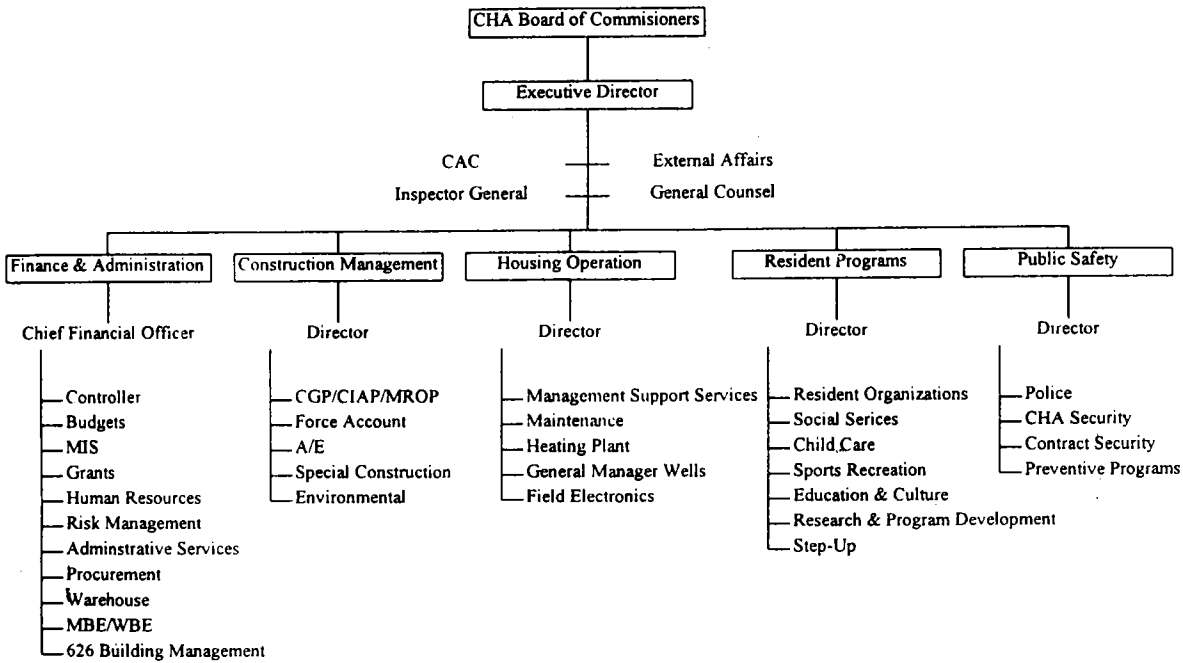
30-45 days
Deliverable
:
List of potential CHA partners

*
Contact and engage potential partners regarding sponsorships and partnerships

Lead:
Schuldiner/Marchman (HUD Special Actions)
Time frame
:

45-60 days
Deliverable
:
Active partnerships with outside entities


CHICAGO HOUSING AUTHORITY
CHAIRMAN
BOARD OF COMMISSIONERS
VINCENT LANE
OFFICE OF THE CHAIRMAN
OFFICE OF INSPECTOR GENERAL
CONTRACT COMPLIANCE
OHC
EXTERNAL AFFAIRS
ACTING EXECUTIVE DIRECTOR AND GENERAL COUNSEL
GENERAL COUNSEL
RISK MANAGEMENT & BENEFITS
CHIEF ADMINISTRATIVE OFFICER
ADMIN. SERVICES/ FLEET
WAREHOUSE
PROCUREMENT
SECTION 8
RISE/ADM
626 WEST JACKSON
CHIEF FINANCIAL OFFICER
CONTROLLER
BUDGETS
MIS
GRANT PROGRAMS
DIRECTOR HUMAN SERVICES
TRAINING & ORG. DEV.
EMP. DEVPT. & TRAINING
DIRECTOR CONST. MGMT.
OCP/CIAP MGMT
ENGR. CONSTR. INSPEC. (MCP) CODE COMPL.
FORCE ACCT. CONSTR. CONT. PATL. LABOR ADMIN.
ENVIRONMENTAL
ARCHITECTURAL ENGINEERING
DIRECTOR OF RESIDENT PROGRAMS
RESIDENT ORG.
SOCIAL SERVS.
CHILD CARE
SPORTS & RECREATION
EDUCATION & CULTURE
RESEARCH & PROGRAM DEVELOPMENT
DIRECTOR OF PUBLIC SAFETY
CHA SECURITY
CONTRACT SECURITY
PREVENTIVE PROGRAMS
DEPUTY CHIEF ADMINISTRATOR FOR DEVELOPMENT OPERATIONS
OPERATIONS
FINANCE/ ADMINISTRATION
MAINTENANCE
PROP. SUPPORT SERVICES
HEATING PLANTS
FIELD ELECTRONICS
DIRECTOR OF SPECIAL ASSISTANT EMPLOYMENT PROG. PRIVATE MGMT. ADMINISTRATION
STEP-UP PROGRAM
GENERAL MGR. WELLS
PRIVATE MGMT. CITY/STATE MGMT. SITES
CHA POLICE


CHA Board of Commisioners
Executive Director
CAC
Inspector General
External Affairs
General Counsel
Finance & Administration
Construction Management
Housing Operation
Resident Programs
Public Safety
Chief Financial Officer
Director
Director
Director
Director
Controller
Budgets
MIS
Grants
Human Resources
Risk Management
Adminstrative Services
Procurement
Warehouse
MBE/WBE
626 Building Management
CGP/CIAP/MROP
Force Account
A/E
Special Construction
Environmental
Management Support Services
Maintenance
Heating Plant
General Manager Wells
Field Electronics
Resident Organizations
Social Serices
Child Care
Sports Recreation
Education & Culture
Research & Program Development
Step-Up
Police
CHA Security
Contract Security
Preventive Programs

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

MEMORANDUM

FOR: Members of the House Government Reform and Oversight Committee

FROM: Henry G. Cisneros Henry Cisneros

DATE: September 5, 1995

SUBJECT: Our Partnership with Mayor Daley to Stabilize the Chicago Public Housing: Ten Weeks of Accomplishments

The Administration joined hands with Mayor Daley in May to pave the way for a turn around of Chicago's deteriorating public housing. I promised then that before this summer was over, we would make real change in the operation of the Chicago Housing Authority (CHA) and visible improvements in the physical landscape of its developments.

We have operated upon the basis of goals which I outlined in a "CHA visions" document from last June. After ten weeks, the Administration can point to real accomplishments which the attached clips show are generally acknowledged in the Chicago press. Although local conditions are unique to every city, the Administration's success in reforming public housing in Chicago is a strong indicator of the potential for transforming the worst of public housing across the country.

1. **Improving security.**

- Consolidated two branches of police and crime prevention under a single chief for stronger response. Part of the restructuring included the granting of long-delayed promotions to 20 CHA police officers to fill key supervisory needs.
- Hired 60 additional CHA police officers. The officers are currently in an 8-week training program that will conclude at the end of August.
- Announced tougher tenant screening procedures and strengthened resident eviction policies. In brief, police records will be used in determining occupant history of an applicant, and any violation of the lease is subject to immediate eviction. Eviction is currently spotty and sometimes a multi-month process.

2. **Improving the maintenance and cleanliness of CHA buildings and public spaces.**

   - Initiated an intensive summertime cleanup effort at six family developments, including Cabrini Green, Henry Horner Homes, and Ida B. Wells. At least several hundred residents, community leaders, and the City participate in each cleanup. Cleanups include street cleaning, garbage pick up, graffiti removal, weed removal, and painting. Cleanups will continue once a week.

   - Initiated a targeted and intensive campaign to fulfill the backlog of work orders requests from residents, ranging from leaking roofs to broken windows.

   - Announced plans to hire 400 residents in janitorial positions to assist in basic maintenance jobs. The new "janitors" will be placed in over 100 buildings, thereby freeing up the professional maintenance staff to concentrate on fulfilling the backlog of requests for major repairs. Hiring anticipated September 1, 1995.

3. **Bringing down the most troubled high-rise buildings and replacing them with less dense, town house-style units and other smaller scale buildings.** HUD has expedited plans for transforming three major developments:

   - ***Henry Horner.*** On August 10, 1995, Mayor Daley and I kicked off the demolition of two buildings at Henry Horner (a total of 466 units). Three additional mid-rises will be torn down by next spring, pending the relocation of current residents and asbestos removal. These five buildings will be replaced by 700 new townhouses and two- and three-flat homes throughout Chicago's Near West side. On August 14th, a federal judge gave HUD the green light and the funds to build the replacement homes on the Near West side.

   - ***Cabrini Green.*** HUD has accelerated the process to revitalize the Cabrini Green area through the use of $50 million in HOPE VI funds. More than $7 million of those funds has been made available to Cabrini Green residents for community services, social support, resident employment and public safety for these summer months. HUD has also approved the demolition plans for three high-rise developments, which we anticipate will take place by mid-September. Asbestos removal is taking place in at least one development.

   - ***Robert Taylor Homes and Stateway Gardens.*** Last summer, you gave a crime bill speech at Robert Taylor Homes, a public housing community which is part of the three-mile stretch of neglected public housing known as Chicago's "State Street Corridor." Along with remaking Henry Horner and Cabrini Green, I have made it a priority to transform Robert Taylor and Stateway Gardens. HUD met with the residents on August 16th to begin designing the plans for replacement housing.

It is important to note that as we demolish and rebuild these troubled public housing developments, we work closely with the residents. It is not surprising that residents -- as they watch the homes they grew up in come down -- express fear, anxiety, and skepticism over

their future. Whether residents choose to return to live in their original neighborhoods or move to other parts of the cities, they will be living in town homes or low-rise apartments, a dramatic change from the mammoth high-rises they have come to know. In Chicago and other cities across the country, HUD is providing life skills counseling to public housing residents to help them successfully transition from isolated, high-rises to new opportunities.

4. **Increasing residents' participation in the decisions that affect their lives.**

   - Met with residents from every CHA development since creation of the local-federal partnership on May 31st.
   - As part of the effort to keep the public informed of our activities, hosted regular meetings with residents, weekly meetings with elected officials, and maintained ongoing dialogue with the media.
   - Started the process of bringing in a management team to run resident elections.
   - Co-hosted Chicago Inner City Games with the Chicago Park District, the Chicago Board of Education, Chicago Public Library, and other non-profit organizations.

5. **Streamlining CHA's administration and restoring confidence in the Housing Authority.**

   - Released audits and management reports of the CHA thus providing full public disclosure of the financial and management situation at the Authority.
   - Presented a new ethics policy that defines the standards of conduct for procurement, management information systems, pension funds, motor vehicles, warehousing, financial management, and the billing of outside counsels and contracts.
   - Issued a Request for Proposal (RFP) for the private management of the Section 8 rental assistance program.
   - Issued an RFP for new management of the CHA pension fund, which lost $15 million due to mismanagement.
   - Reconciled the FY 1995 budget to include a 15 percent staff reduction.
   - Worked with Mayor Daley to create the CHA Advisory Committee, which includes a resident, the Mayor's representative, a community leader, and a strong business leader.

6. **Engaging the Community Leadership in improving the CHA.** Edwin Eisendrath has met with many leading Chicago public organizations to discuss their potential role in the improvement of the CHA, such as the City Club of Chicago, the YMCA, the Metropolitan Planning Council, the Chicago Equity Fund, the Union League Club,

MacArthur Foundation, and the Corporation for Supportive Housing. We will continue outreach to civic, business, and political leaders of Chicago for support and partnership with the CHA.

The Administration has made great headway in building the foundation for a smooth transition to a permanent solution for the City of Chicago. We are working with the Mayor on the longer-term goals of the Chicago Housing Authority and aim to make a joint announcement on the turning over of the CHA management to a permanent Executive Director as soon as possible, but no later than the end of the year. I will keep you apprised of our progress as we finalize our "exit strategy."

My sense is that the general appraisal in Chicago of our decision to step in at the CHA and of our progress since June is positive. I know we have brought the Chicago Housing Authority from the brink of "meltdown"; the task now is to create conditions which everyone involved agrees are noticeably better for the residents and for the taxpayers of Chicago.

Mr. GUTIERREZ. Thank you very much, and thank you for hosting this hearing here in Chicago. I want to thank Secretary Cisneros for being with us in Chicago today, and for all of his leadership on housing issues in general, and of course specifically for his dedication in working to improve the condition of the Chicago Housing Authority.

In the past when urban areas in general—and Chicago, specifically—have looked for leadership and guidance from Washington, DC, we have found a vacuum. That has not been the case under Secretary Cisneros. Under his leadership, HUD has been a Federal agency that has had an open door to our concerns, and I wish to express thanks to him publicly today.

I believe we have all greeted the HUD takeover of the CHA with guarded optimism. We have all hoped that it would help CHA residents to live in safety and dignity. As basic and simple as that goal might be, it is a goal that has quite obviously not been reached in the past.

Public housing in our Nation was designed to be an option for people who might need a helping hand during a tough time, a way to help people make ends meet while they worked to improve their lives. I do not believe it was ever designed to be a dangerous and unhealthy trap that keeps people from moving forward and reaching their goals. I think we must judge HUD by seeing how much progress it is making in restoring hope to our people. And I am sure the Secretary would agree that this goal is too important to be neglected, and we must all work together tirelessly to reach it. Thank you very much, Mr. Chairman.

Mr. SHAYS. I thank the gentleman.

Mr. Cisneros, there are a number of issues that you have raised, but first we will make sure that your June 11 memorandum is submitted for the record, as well as your memorandum of September 5.

Mr. CISNEROS. And then we have this June 15—this plan that we——

Mr. SHAYS. OK, and that also will be in the record, as well as your statement. It is helpful to have them all for the record.

One of my concerns is that you have very capable people who are being asked to focus a lot of their time and attention on Chicago. I notice on your left is Mr. Shuldiner who is your Assistant Secretary for Public and Indian Housing, a full-time job. It is not so much a question of whether he has the ability to run the Chicago Housing Authority with the assistance of Kevin Marchman, your acting person on the job is——

Mr. CISNEROS. Kevin Marchman.

Mr. SHAYS. Yes. It is really a question of whether the Assistant Secretary has the ability to do both jobs. I salute you as well for having a number of people from all over the country come here, and to use it almost as a pilot program.

In response to Mrs. Collins, my concern is not that you have a blueprint in every instance. You want tenant involvement and we want to empower those residents who live there to be participants in the plan. But what I am hearing you say is that it is your intention by the end of the year to transfer authority from HUD central to a team of people who will be full time, working as——

Mr. CISNEROS. Employees of the Chicago Housing Authority.

Mr. SHAYS. Exactly. OK. And that would be—that is in fact your intention?

Mr. CISNEROS. Yes, sir. I have made that commitment to the President and intend to abide by it.

Mr. SHAYS. I am going to be asking some questions, but I am going to at this time recognize the ranking member who may want to yield to Mrs. Collins, but I recognize him.

Mr. TOWNS. Thank you very much, Mr. Chairman. What I would like to do is to yield to the ranking member of the full committee, the person who is really responsible for us being here, Congresswoman Cardiss Collins.

Mrs. COLLINS. Thank you very much, Mr. Towns and Mr. Chairman.

Mr. Secretary, you testified that after trying to work with the Chicago Housing Authority for 29 months, and that once you got here you were surprised by the depth of the problems that you found here. And so my question is: How is it that you did not know that these problems were so deeply entrenched, after having looked at this for 29 months?

Mr. CISNEROS. Congresswoman, I did not mean to say we were intensely looking at this action for 29 months. For the better part of the first 2 years our relationship with the Chicago Housing Authority was the traditional relationship we have with a housing authority: Trust the local board; trust the local management; and provide funding for the resources.

We, of course, grade them. The PHMAP scores, the management scores for the CHA showed very low scores, but we did not have the kind of intense, daily involvement that we would have when we actually came to run it. So we were surprised that what we had heard about the inadequacy of procurement systems was as serious as it turned out to be, or the inadequacy of financial management to keep track of financial management questions.

We, like you, read the newspapers and saw stories of $15 million lost in the pension fund, but we were not running the CHA at that time. So it was not until we actually had people on the jobs, our own accountants going through it, that we discovered the circumstances had slid to that point.

Let me say that part of the reason why—and this allows me to speak to the chairman as well on his earlier point—when you have really good people, as no doubt you have discovered in your career of analyzing and assessing people, they can see things quickly. Joe Shuldiner has been the public housing authority manager for New York City and Los Angeles, the two largest cities in the country. Like a good businessman who has run many businesses, a workout artist, if you will, he can look at a business and immediately tell what is there. He had never had an insight into the Chicago Housing Authority until the day that we actually came here and took it over, like that which he now has.

Mrs. COLLINS. Do you think that your trust in the local board for management was misplaced during this 29 month period?

Mr. CISNEROS. Well, I do not want to choose a word like misplaced. I do not know that I would characterize it in that way. I would say that different people have different strengths, and that

we found that Mr. Lane's long-term vision was essentially a correct vision. And we are, on the whole, abiding by that vision, which was: Bring down some of the high rises, replace them with townhouses; seeking some integration; seek private business—private investment, development investment on the sites. The big vision was correct, but we would have had no way to know that the management circumstances were as severe as they turned out to be.

Mrs. COLLINS. To your knowledge, Mr. Secretary, has the CHA Executive Committee seen the 120-day plan yet, the action plan?

Mr. CISNEROS. The plan that I have been sharing with you?

Mrs. COLLINS. Yes.

Mr. CISNEROS. It is my understanding that it is a regular communication to them, updating of how we are doing on that plan.

Mrs. COLLINS. May I ask you another question? Have you been advised by those 35 or so members of HUD staff who you say have been here on the ground now for—for 3 months?

Mr. CISNEROS. HUD and other housing authorities.

Mrs. COLLINS. OK, I stand corrected; HUD and other housing authorities. That the residents of the Chicago Housing Authority now see a physical difference in what has happened on the ground, and have a better sense of security since you have been here in this short-term plan?

Mr. CISNEROS. Madam Congresswoman, that is a very hard question. I cannot speak for the residents. You will hear from them today and I think it is more appropriate that they should answer that question. I would not presume to say we have made that kind of difference.

I will say this: We have worked very hard with the residents, we have been respectful of the residents. I have come to Chicago numerous times during this period and met with them, and every time insist on meeting with the resident leaders. I will tell you that I think early on, the first couple of months, it was just too early for them to tell me that they had seen any difference. Plus you will find, as you well know, the level of distrust; the level of having been lied to so many years; of having been told one thing and another thing done; of having a leader come in as executive director and leave a year later, with great fanfare, and then it falls through the floor; people are just horribly skeptical about anything.

But on my more recent trips, as I ask people face-to-face, eye-to-eye whether they are noticing anything different, more are telling me that they are seeing some difference. But I think you have put your finger on the right test. We must not rest and cannot congratulate ourselves on anything we have done until by and large the residents can tell us that things are physically better.

Mrs. COLLINS. Mr. Chairman, I know the red light is on. I would appreciate you allowing me to make a very short statement.

Mr. SHAYS. Happy to have you do that.

Mrs. COLLINS. I will tell you what that statement is. Mr. Secretary, you mentioned in your remarks that sometimes when people come into a district and in a partisan surrounding, that there is a tendency to denigrate those who come here to try to do some good. I want to go on the record now as saying I do not believe it is the intention of those of us who are deeply concerned about the Chicago Housing Authority to denigrate anybody or their efforts. I

think that we are just anxious, very anxious and very frustrated because people have come here, as you have said, and looked at the situation, and made promises that were not kept.

It is not a matter of trying to denigrate anyone, but we want to see to it—we want to be helpful, we want to work with whomever you send here to make sure that when all is said and done the residents of the Chicago Housing Authority have a better way of life than they had before. Thank you, Mr. Secretary, for coming; thank you, Mr. Chairman, for your time.

Mr. SHAYS. Mr. Souder.

Mr. SOUDER. I want to reinforce that last comment as well, because nothing is a more—makes somebody more angry than to watch the people who have ripped off and lied to the poorest of our citizens of this country, regardless of party. HUD has been rife with this through its history, and I commend anybody who is really committed, and everything in your plans and everything that we see here sounds good. But we also have an oversight function——

Mr. CISNEROS. Sure, absolutely.

Mr. SOUDER [continuing]. To ask tough questions. Not being from Chicago, I do not have a lot of stake in—in worrying about feelings one way or the other, and have no particular stake in the politics. But as I have read through the documents in the last few days and listened to your testimony, some questions do come up. Because it seems that it was kind of a congenial transfer of power on the surface, and at the same time you have used "near meltdown," "lied to," there was no way to know—suggested, at least, that authority could not function, really condemning words for the previous housing authority.

Are those—are you saying that—I mean, how can you say that while they were doing a reasonably good job or——

I know Mr. Lane. I have heard him testify several times; has been highly commended in his field. Are you saying that when you went in and saying they did not have any budgeting procedures, they did not have any reporting, that funds were missing, that is pretty condemning language of somebody who is supposed to be running.

Mr. CISNEROS. Congressman, those are—are simple reflections of the public record. Those kinds of things have been reported in the local newspapers, so I am not putting my own characterization on the conditions.

I have great respect for Mr. Lane. I believe he knows that. I have tried to characterize the different skills that people have. And Mr. Lane's vision of the macro questions, the big picture for the Chicago Housing Authority, in my view, was a correct one. To begin to decentralize these massive concentrations, to bring investors into the mix, to deal with security questions, to build townhouses on those sites and create communities that are more integrated in the larger fabric. But he was not the executive director, the COO, he was the CEO.

Mr. SOUDER. One of the jobs of the Chicago Housing Authority and the CEO is to pick people who implement the policies, not just to—to go and lecture and talk.

Mr. CISNEROS. On that score the record will have to speak for itself, of what was there, what was publicly reported, and what we found.

Mr. SOUDER. What on—you say there is a ranking procedure, professional management scores. Could you provide a list of the rankings of the different housing authorities for us?

Mr. CISNEROS. Sure.

Mr. SOUDER. How many were below Chicago?

Mr. CISNEROS. Not many. I can get that information for you. We have housing authorities that have been ranked in the twenties. D.C. I think once fell as far as 17 on a scale of 0 to 100. The most recent ranking of Chicago was 42. Not the most recent, but over the last year.

Mr. SOUDER. Does it not—does it make you nervous when you say that you have professional management scores and that individuals who head housing authorities like Chicago can get all kinds of awards around the country for leading an innovative and—authority that is doing a lot of changes, and yet they do not have budgeting procedures, they are letting legal contracts out, they have no evictions procedures, they have no preventative maintenance schedule that does not break down? What does that say about our oversight function, when we are putting all these millions of tax dollars into these housing authorities? How do we know this is not true elsewhere if you did not know until you took it over?

Mr. CISNEROS. Well, what it says is that we knew Chicago was a very troubled place, its scores were low, our system caught that, and we acted on Chicago. What it says is that, you know, when something stands out for those reasons that you have cited, we have taken action. Others that have low scores are under some similar kind of oversight. We have not taken others over, but as I cited, Philadelphia; Washington; Kansas City; New Orleans; Chester, PA; all of these are cases where we have some kind of special relationship.

Mr. SOUDER. And you did not take them over because when you looked at them you did not see the depth of the problems, or why did you not take the others over?

Mr. CISNEROS. Well, that would be—that would be part of the reason, but also because there was a better alternate plan. For example, in the case of Philadelphia, Mayor Randell told me that he would name himself chairman of the board, and the president of the city council would become vice chairman of the board, and they, with their reputation, both of them, John Street and the mayor would—would take full responsibility for bringing that housing authority around. I would much rather have that kind of local——

Mr. SOUDER. So you are saying that the city of Chicago would not take such leadership as Philadelphia did?

Mr. CISNEROS. I do not want to characterize——

Mr. SOUDER. You said you were bringing 35 people, the cream of the crop from around the country to help save Chicago. Is there an implication there that you are—cannot find it in Chicago?

Mr. CISNEROS. I would say that I would just repeat my earlier comments, that the Chicago situation is the most challenging housing authority circumstance in the country.

Mr. SOUDER. Thank you.

Mr. SHAYS. Just for the record, it is fairly clear that problems that HUD has had in Chicago have existed for more than 2 years. This is a legacy, frankly, of corruption and mismanagement.

Mr. CISNEROS. The categories that define a housing authority as "troubled" have existed in Chicago since 1978.

Mr. SHAYS. So the real question is why did we not do it even under previous administrations. We should have ended this a long time ago.

Now, Mr. Towns—Mrs. Collins, I get to recognize you. If you want to yield to Mr. Towns, you may.

Mrs. COLLINS. I will be more than happy to yield to the ranking member.

Mr. TOWNS. Thank you very much.

Let me just say, first of all, Mr. Secretary, I want to applaud you for your efforts, and especially during this very difficult day and time, to assume this kind of responsibility. I think that recognizing the fact that everywhere we go we are talking about budget cuts, and of course we are talking about budget cutting in terms of your own budget, you know, and I must say to you that recognizing all of that, for you to step in to say that something needs to be done and that you are going to do something about it, I think that that is something that should not go unnoticed.

And I also wanted to say that I think that you said it so well at the end there, that you are not talking about something that just happened overnight, you are talking about something that happened over a number of years that led to the problem that we have at this particular time here in Chicago.

Let me just sort of raise the question, though. Recognize that it goes sort of beyond your agency, some of the problems. What has been the response from the other agencies in terms of Justice, HHS and all the agencies out there that would have to come in to be able to help turn this around? What has the response been from those agencies?

Mr. CISNEROS. Congressman, we have had support from the other Federal agencies with specific projects. The Department of Education, we were working with them because there are schools adjacent to many of the developments; the Department of Labor, because we need job training program onsites; the Department of Health and Human Services, because Headstart and youth clinics and other programs are necessary; the Department of Justice has been with us in the context of Operation Safe Home, which is our inspector general's initiative to get at both white collar crime and—and other kinds of violence-related crime in public housing settings. So we have had good support.

Indeed early on, right after we moved to take it over, I approached the Domestic Policy Council Director, Carol Raskill in the White House, to tell her that we were going to need support from other agencies. She quickly convened a meeting and those commitments of support were made, and we have seen evidence of that kind of support.

Mr. TOWNS. Let me just say that—and I am going to yield back after this, that I notice a comment was made about the fact that could you not find them in Chicago, could you not—I think that

that is not even the question. I think the question is that if there is somebody out there that has knowledge, that has information that could be tapped, I think that you, as Secretary, should sort of tap that. And I will be honest with you, that in terms that you have Shuldiner there who has a great reputation throughout the Nation, you know; people in New York are still talking about him and, would like to get him back. I think that if anybody is going to be annoyed or be angry I think it should be me and not somebody else. [Laughter.]

I think that this is the kind of thing that we need to talk about, though, is where we have expertise, to be able to tap into it. And I think that is what you have done here.

And I want to let you know that this member here supports that, and whatever we can do to sort of be able to shake the bushes to be able to get additional resources in, not only in terms of HUD, period, I think that is the issue that we should be talking about more than anything else, is that how we should be able to get the resources in to make certain that there is not other situations that develop like what has happened here in Chicago. And resources are needed to be able to turn some of these things around, there is no doubt about that.

Mr. CISNEROS. Congressman, if I may, let me direct my comments to the committee as a whole and to the chairman, because you have put your finger on a problem that is a national problem. There is a tendency in cities across America to think that running a housing authority is something that anybody can do. And so mayors across the country have used housing authorities as a kind of patronage dump traditionally, where their best fundraiser or political friend went to the housing authority in some job. And so the talent level is thin across America generally in housing authorities.

What we have is people running the procurement operation who do not know anything about procurement, or running the—the operations system, which is maintenance and repairs and capital scheduling, who do not know anything about those subjects. Someone who had a small real estate company, it is assumed because they supported the mayor in a given city, would become an excellent public housing authority executive director. Well, there is just no connection. These are huge operations. It is like running a small city. You need city-management type skills.

We are going to create a HUD academy for public housing talent because we needed a deeper assemblage of skills across the country as executive directors, as property managers, as procurement/maintenance specialists, et cetera. That will take some money.

But this committee, if it wants to put its stamp on the quality of these housing conditions across America, could do few things that would have more impact than to help us create that kind of human resource talent base which frankly just does not exist in the country today. It is very thin, and we need to beef up that talent base.

Mr. TOWNS. Thank you very much, Mr. Secretary, and I yield back.

Mr. SHAYS. Thank you. Just before I ask Mr. Weller—Mr. Secretary, have you gone before the Appropriations Committee with the suggestion to do this?

Mr. CISNEROS. No, this is as a result of our experience in Chicago. This is emerging now.

Mr. SHAYS. OK. Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman. And Mr. Secretary, if my history and limited knowledge of history of course serves me correctly, I believe in 1987 Department of Housing and Urban Development indicated a desire to take over the Chicago Housing Authority at that time, and I believe that was when Secretary Pierce, I believe, was the Secretary of HUD. And then-mayor Harold Washington I believe fought vehemently in the effort for a takeover. So I believe there has been an attempt previously, and now 8 years later you have taken on that tough job.

And of course, like all of us here, we are committed to working with you in a bipartisan fashion. We want to see you succeed, because clearly, as you pointed out, particularly the children who are half the residents of the CHA, are the victims; just like in Chicago Public Schools, the atmosphere of Cook County politics, they emphasize patronage and—and contracts and accumulation of personal power, has forgotten the real needs of the people that are supposed to be served in the CHA. And we are certainly committed to working with you in a bipartisan fashion.

I believe, if I recall correctly, in June 6 at the previous hearing that the housing subcommittee had, shortly after the CHA takeover, you had indicated at that time—and I believe if the figures I have are correct, they are staff figures—and as of August 1 there were about I believe $12 billion in HUD funds that were not obligated or basically that are currently unspent within HUD, and that $600 million are allocated for the CHA. And I was wondering if you could tell us the status of that $600 million and what your plans are to use them?

Mr. CISNEROS. Let me get Mr. Shuldiner to speak to those specifics, if I may, because I am not familiar with the details of it. I can say it is my understanding, from a briefing that I received from Mr. Shuldiner last week, that those funds do exist; that they are largely targeted to specific developments that are in the pipeline for development or for modernization. They are not available for general operations. So there is a—those are different accounts. But on the whole those funds do exist.

I do have another one page that I would like to submit for the record, and that is an impact on the housing authority of the recisions that we have just come through, and anticipating the 1996 HUD cuts from the House version. We have no way to know what the Senate will do. But those will give you some idea of the impact of those recisions.

Mr. SHAYS. We will submit that for the record.

Mr. WELLER. Mr. Secretary, it is my understanding, though, that there is $12 billion that is unspent currently within your current budget. And of the $600 million for—that would be—that is allocated to the CHA, there is $327 million in unexpended funds for modernization, and an estimated $172 million in unexpended funds for development which of course could be used for new—for replacement construction. Mr. Shuldiner.

Mr. SHAYS. You know, unfortunately I did not swear you in, Mr. Shuldiner. And if we could just wait for your testimony when you

testify, I think you have given us some general comments. And if the gentleman would be willing—otherwise I—I am willing to swear Mr. Shuldiner in.

Mr. WELLER. I would like an answer to the question.

Mr. SHAYS. OK. All right, then, if you do not mind, Mr. Shuldiner, I am going to swear you in now and we will not have to do it later.

[Witness sworn.]

Mr. SHAYS. For the record, the witness has responded affirmatively. Mr. Shuldiner.

Mr. SHULDINER. Mr. Weller, basically the $600 million figure the Secretary mentioned first arose in response to the question—a question that was raised when the Secretary was talking about the larger picture of redeveloping the Chicago Housing Authority and its stock, and it was really a question of Mr. Lane having spoken about the need for literally billions of dollars in order to effectuate a true redevelopment. And the Secretary indicated the $600 million as being available for the purpose of making a start.

And as the Secretary said, this is primarily capital money to do redevelopment as opposed to money that would be used for ongoing operations. Approximately half of it is either general development moneys that have been allocated to the housing authority in the past, or moneys specifically allocated in this case to Cabrini and Horner. That is over 300—$300 million of the money.

The balance is the $150 million or so that they receive each year in operating subsidy; the $179 million through recision that they received for modernization; and I now recall $30 million I did not mention in the list I gave you of vacancy reduction moneys.

Your specific question about the obligation: The Horner money, by the consent decree, was considered obligated upon signing the consent decree. As you know, their demolition has started, and construction will not start, of course, until the site is made available and we start in the spring.

In the other development, the housing authority and HUD do not actually do the development. Under the *Gautreaux* consent decree, that redevelopment is done by the receiver, the Habitat Co., and Habitat is basically building scatter-site throughout the Chicago area and is literally slow going, identifying sites and then going forward to construction. To their credit, they have produced approximately 1,000 units and have literally hundreds more of construction. But it is—it is a big task, and I think it is understandable that capital money is spent on a somewhat slower basis than operating funds.

Mr. WELLER. If I could have a quick followup on that. As—as I indicated, the $12 billion of unspent funds that are currently in your 1995 budget for HUD agencywide—and of course I have a copy of the impact of—estimated impact that your staff has put together of the appropriations bill. And if I recall correctly, the appropriations for HUD reduced funding for HUD by about $6 billion as part of the effort to balance the budget, while there is $12 billion in unspent funds. That is $6 billion more than the spending reduction for the coming year.

If the CHA is of course the top priority and a model to be used for HUD for fixing a system that has failed, now, can you use some

of these funds and reallocate them from elsewhere in these unspent $12 billion?

Mr. SHULDINER. OK, let me just remind the panel that public housing receives $8.3 billion—I am sorry.

Mr. SHAYS. No, it is not your fault. These mikes pick it up even if it is a little further back. So it will pick it up.

Mr. SHULDINER. I am sorry.

Public housing is funded predecision, so the $12 billion number is only a year and a half's worth of money. When you are you talking—basically the overwhelming majority of that money is capital expenditure. Be it modernization or development, I would not call that $12 billion either—a backlog, because that is the time it normally takes. Without knocking other departments, I think departments that have capital expenditures, whether it be highways or buildings, it takes a few years to spend that money because of the process of getting architects, doing the plans, awarding the jobs, et cetera.

The idea of taking other people's money, as—as you—as you know, Congress has—and HUD, itself, has moved more and more to formula funding. And maybe the Secretary should answer this, but his discretion is—is really rather limited in terms of allocating funds. We allocate funds either by competition or by formula, and there is—there is not much that is kind of left over to be—to be discretionary.

But again I would suggest to you that the $12 billion, you know, it—it gets spent during the course of the year then it gets replenished. If you were just to take $6 billion out of it, as has happened, there is—there is virtually no float. And again, the noncapital work is primarily staff and salary and supplies, and they get spent rather rapidly and regularly.

Mr. WELLER. Of course, you reallocated staff which could have been sent elsewhere in the country, to come to this priority which is the CHA.

Mr. SHULDINER. Yes, sir.

Mr. WELLER. So you made that decision internally in saying what you could do with your dollars?

Mr. SHULDINER. Yes, sir.

Mr. SHAYS. If I could, I would like to get to Mr. Rush.

Mr. RUSH. Thank you, Mr. Chairman.

Mr. Secretary, in my opening remarks I neglected to welcome you back to the city of Chicago again, and please forgive me. I do welcome you back to the city of Chicago, and I do have some questions that I would like to get an answer to.

Mr. Secretary, you and I have had some public discourse and some private conversations regarding CHA over the years and the plight of CHA, and frankly I must say that I am somewhat amazed at your characterizations at this point, not regarding the problems, but regarding the failure of the management team that existed there. And I do not want to sound at all political here, but I must remind members of this committee, and also you and other witnesses and the people in the audience, that some of us have to live here. And we are going to live here with public housing when you all have gone on to loftier heights and to much more mellower

grounds, let us say. But some of us have to live and wrestle with this problem, and we have wrestled with it over the years.

I want to ask you pointblank at this time. You have indicated earlier about the cooperation or about the attitude that prevails in Philadelphia, I think was the city that you were concerned about, where there was a real commitment by the leadership of that city to deal with public housing. And I have maintained over the years that that commitment has been sorely lacking in the city of Chicago and that is the reason—the essential reason for the failure of public housing in the city of Chicago.

We understand quite clearly about the history and what this history of public housing in the city of Chicago has been about. And the wise city council, back when public housing was developed, Chicago City Council segregated public housing in one geographical area. And as a result, with this concentration of public housing tenants and buildings, we have reached a problem that frankly no one seems to be able to turn around now.

My question to you is: Has there been a renaissance or have there been a reawakening or what is the attitude of the city administration as of this date regarding the issue of public housing, the takeover? And is there a day-to-day interaction and coordination of efforts and plans between the city administration and the CHA?

Mr. CISNEROS. Congressman, the answer to—to both questions—in short, is yes. I do believe there has been a new attitude shown by the city administration. And yes, there is a day-to-day collaboration.

Mr. RUSH. OK. And when I said——

Mr. CISNEROS. If I may, this not only answers your question but refers back to Congressman Weller's question earlier. I know the history of the past, but I must tell you that Mayor Daley has shown tremendous willingness to work on this problem. I think he really wants to make change. And there are very few mayors in the country who would talk in advance about a possible Federal intervention in their cities. They would view it as some kind of negative thing for the Federal Government to come into their city.

But the mayor talked with us early on about this as a live option, which said to me early that he recognized the problem, and that it could not go on in the way that it was going, and that there needed to be some correction.

I would also say, and I will close with this: That as against other cities—for example, in Philadelphia where the mayor actually took command of the housing authority—the mayor, at the time we were talking about this, had to weigh other facts, like the fact that the State legislature in Illinois was giving the mayor responsibility for the schools at that moment. So the mayor was going to have new and full responsibility for the oversight of the schools, and welcomed someone else taking responsibility for the housing authority.

Now, even as we have done that, the mayor has acknowledged responsibility for the housing authority, we jointly named the executive committee, and a member of his key staff is a member of that executive committee.

Mr. RUSH. Mr. Secretary, I appreciate your commentary. But let me just ask you this. The board of directors of the prior administration, who appointed those members of the board?

Mr. CISNEROS. The mayor.

Mr. RUSH. OK. And by those being the mayor's appointees prior to the changeover or prior to the CHA's "takeover," would we not conclude that the mayor had an inordinate amount of responsibility for the failures that you so eloquently voiced regarding the failures of prior administration?

Mr. CISNEROS. Congressman, I do not think it is appropriate for me to try to place blame. I have tried to avoid doing that throughout my testimony.

Mr. RUSH. I appreciate that.

Mr. CISNEROS. I would simply say——

Mr. RUSH. I can appreciate that, Mr. Secretary. I really can. But my problem is, that there seems to be a willingness to finger-point at Mr. Lane and his administration, and completely take what you might perceive as being his failure out of the context of what is happening in the city of Chicago locally, and that is the problem that I have right now.

Mr. CISNEROS. Congressman, from day one on this matter, even as the press has tried to push me to put blame somewhere, I have avoided blaming anyone. And I must say I hope that my remarks today are not interpreted as a blaming of Mr. Lane.

I have gone out of my way to say that I thought different people have different skills, and I have tremendous respect for Vince's vision. The facts we found are simply a statement of disclosure of what was there.

Mr. SHAYS. You have been extraordinarily gracious to everyone, Mr. Secretary. Mr. Gutierrez.

Mr. GUTIERREZ. Thank you very much.

No. 1, Mr. Secretary, thank you very much for sending new talent to Chicago. Chicago needed an influx of new people from outside the city of Chicago. Let me put it this way: I was born here and spent all my life here. I know about Chicago politics. Forty-one years old, and I spent them all here in this city. And we needed people to come from the outside if you are going to do—to make some changes. And I say that as a former member of the Chicago City Council that used to have oversight over the Chicago Housing Authority. So thank you.

And specifically the person in charge of the day-to-day management, I mean, Kevin Marchman is—every time I meet with him he is very gracious, he is splendid, he answers the questions. And I wanted to thank you for him and everyone else that you have brought here.

But we really need, Mr. Secretary, the plan. When we had you come before the Banking Committee and we talked about the plan. I am going to raise three issues just to show you why we really need a plan.

No. 1, the CHA residents deserve this, that they know where they are going and we know what—before we take our first step, where it is we—where the finish line is at. But then specifically the situation of our senior housing that was for seniors only, we do not know what priority that is being given within the plan. And there are many of us——

Mr. CISNEROS. To revert it to senior only?

Mr. GUTIERREZ. To revert it to senior only and to take back that particular housing. And so Henry Horner is important, and there are going to be many competing demands on—on whether we are going to Cabrini Green and where the resources and the energy are going to go. And then I see the seniors and I say to myself they were also made a promise and they were basically told everything is OK, we have worked this out. That obviously did not happen. And so we—we need to know where those seniors are at that—within a plan because I think they are very important and should be put to the top of the plan within the kinds of steps that we are going to take.

I think we need to know about the whole plan because in the past what the Chicago Housing Authority has done and what Habitat has done, for all of the accolades they have been given, is that they have not taken replacement housing and put it throughout the city of Chicago, they have taken replacement housing and put it in the Latino community, the very community that has been denied any resources or access to the Chicago Housing Authority.

So as I read your letter to the President and your comments today that we are going to distribute 700 more units. In the past the Chicago Housing Authority—in the past before your administration—and HUD have met secretly, without any kind of community involvement, in order to designate where those units have gone. And given the fact that the Latino community has the oldest housing stock and the largest families in the city of Chicago, we need to know the whole plan or there will not be any confidence in the plan and there will be obstruction to what occurs because there needs to be that kind of confidence.

So we have the seniors and we have this, because I got a visit from someone last week who said, "I got a letter says Henry Horner is first now. Said Congressmen thought we had an agreement, thought everything was going to be OK. Said the units were going to people in the community. Well, I got this letter, it says, you know, Henry Horner residents are first, the people in our community, after the community had reached an agreement with HUD and the CHA." See, that kind—then I want to be responsive, I want to be helpful.

Mr. CISNEROS. Sure.

Mr. GUTIERREZ. But, you know, it is like, "Burn me once, shame on me." But it cannot continue to happen because the history of the city of Chicago is one of secrecy, is one of back doors.

And it continues to occur even at the present time. And I want nothing but the best, and I will work hard, Mr. Secretary, to make sure that everyone in the city of Chicago has decent, affordable housing available to them.

Mr. CISNEROS. Well, Congressman, let me just say first of all, and I have known you for a long time and I have deep respect for you. And I do not want to be disappointing. But I do not know that we will ever have a plan that can answer all of the questions. Because, as you said, we are seeking to get to the finish line; there is no finish line. This is a very dynamic process that is going to go on in perpetuity, so there really never will be a freeze-frame moment where we can say, "This is the plan that will get us to this point." You understand that.

But we will take the work that we have done in these first 3 months and extend them into a plan that sets priorities, that works with the residents. And we are going to shoot to have that about October 1. So we can at least answer some of the questions that would look at the period for the next year or couple of years ahead and give us some sense of prioritization of resources and so forth.

But many of the questions are simply ponderable. We just do not know until we get underway. When one compounds that by acknowledging that HUD hopes to be out of this posture at the end of the year and have a new executive director team in place, obviously we cannot bind them in perpetuity. We stand behind them as partners with resources, but it is not our plan, it is Chicago's plan.

So I will work on all of these things and try to get as close to a plan. I am intimately familiar, as you know, with the problems—the special problems of the Latino community and the housing authority in Chicago. And there has been a lawsuit on the subject which has reached a level of resolution. We have an obligation to do a better job in that area.

Mr. GUTIERREZ. Mr. Chairman, may I have just 15 seconds?

Mr. SHAYS. You sure may.

Mr. GUTIERREZ. Thank you very much.

Mr. Secretary, I have come and spoken to you——

Mr. CISNEROS. Sure.

Mr. GUTIERREZ [continuing]. And you have taken action in the past. But it is important that the people of the city of Chicago know, and that the seniors particularly in this city know about what is going in the beginning because they have been made a promise.

Mr. CISNEROS. Right.

Mr. GUTIERREZ. See, because you are going to have a lot of problems, because if the promises that we all know about are not kept, as this process goes, you are going to continue to cripple it.

Mr. CISNEROS. Right.

Mr. GUTIERREZ. If the seniors felt there was a commitment a year ago and it is not being carried out, it is going to cripple. If the Latino community feels that hundreds of units of housing are being built right now and that they are not going to—that there is going to be a change in their access to them——

Mr. CISNEROS. Sure.

Mr. GUTIERREZ [continuing]. You are going to cripple. And I wish you and all of your staff the best of success here in Chicago.

Mr. CISNEROS. Thank you, sir.

Mr. SHAYS. Mr. Secretary, we are just going to keep you here for a second more, and I am going to say to the other witnesses that obviously this is a long day. Some of you may want to go and get something to eat. We are going to call our second panel in just a second. Cardiss Collins has a followup question, and I did not ask my question and I have two questions I want to ask.

Mrs. COLLINS. Thank you.

Mr. Secretary, let me just ask a question that deals with—and you hit on it slightly, that deals with the rescission bill that was in the House, and its impact on the CHA; and also the impact of the appropriations bill for the fiscal year 1996 on CHA.

Now, as I understand it, there are going to be no new section 8 certificates issued. That means about 500 lower income families are going to be denied rental assistance; drug elimination, the city was going to receive about $10 million to combat drugs and crimes, and next year CHA will be receiving zero funding from the appropriations bill; for development for HOPE, no new projects. That's HOPE VI. No new projects are going to be there. There is going to be increases in the minimum amounts that section 8 recipients are going to have to pay, et cetera.

With all these impact, negative impact on the budget for HUD, how can we expect for you and HUD to create a better quality of life for the people in CHA? And that is my final question, Mr. Chairman.

Mr. CISNEROS. This is—this is, no doubt—I mean, this is heartbreaking for us to have to be in this role and then deal with fewer resources. But at the time we were undertaking this there was no way to know last spring what the effect of the appropriations process would be. We only got in June and July the Appropriations Committee's marks and so forth, and they went on through to the action, as you know, in July and August. So the decisionmaking context we had was one before all of this.

But even in that, let us assume that the Appropriations Committees would have done exactly the same thing and the Senate does the same thing and so forth, whether it is with us as managers or the previous administration as managers, the cuts would have hit. We think we can do a better job than—than what existed before. That is why we acted to take over. As heartbreaking as it is to have to do it with less money—and it is, it is very difficult—we still think we can touch people's lives marginally better than what they would have had to endure beforehand.

Mrs. COLLINS. With less money?

Mr. CISNEROS. With—with less money in either case. Because the fact that we took over or did not take over was not going to affect what the Appropriations Committees did.

Mrs. COLLINS. All right. Thank you, Mr. Chairman, for your leniency.

Mr. TOWNS. Mr. Chairman, would you just yield just for unanimous consent?

Mr. SHAYS. Yes.

Mr. TOWNS. Local 73, SCIU, has a statement I would like to submit for the record.

Mr. SHAYS. Without objection, so ordered.

And Mr. Secretary, I just have two very fairly general questions, and I'll preface those questions by a comment that I think that the takeover of CHA was long overdue, and that you were either going to do it under the Philadelphia model or you were going to do it under your model. And as I have had time to think about this, I think your only course was to do it under the model you have.

I am comforted to know that you will be moving out, as you hope, by the end of the year. But there needs to be a large wake-up call for the city of Chicago. You have been very gracious in your comments about various people. The bottom line is that the housing authority for years had become an extraordinary misuser of funds,

and how people who live in public housing, to their detriment, have suffered greatly by this.

Now, my basic question is: Are you concerned that you may have set a precedent that you will then be asked to use this model in—in other housing authorities?

Mr. CISNEROS. I am not concerned that we have set a precedent. It is a total discretionary call. We can make it or not make it.

Mr. SHAYS. Do you think it is likely that you will be doing it in the future in other housing authorities?

Mr. CISNEROS. I think, depending on how we exit here, it may be that there would be another case. I cannot envision what that is now. We have nothing in mind. But I do not want to rule out the possibility that at some future point a housing authority would reach the point that this was the appropriate model if it worked here.

Mr. SHAYS. I thank you for coming.

Mr. CISNEROS. Thank you.

Mr. SHAYS. I thank the patience of all the other witnesses who are going to follow. And do you have any closing statement you wish to make?

Mr. CISNEROS. Just in closing, Mr. Chairman, let me thank the members of the committee for their—exercising their oversight responsibilities. I wanted to come because this is very important to us. I have said that the progress we make here will give the Nation some insight into the real problems of public housing, how difficult they are, and allow us to work through together improvements in public housing nationwide.

I would simply hope that as the day goes along, in addition to the other questions that you will ask, you would ask Joe Shuldiner or someone else what we need from the Congress. Not just money. But what we need are things like eliminating the one-for-one replacement rule, or helping us strengthen eviction policies, or helping us deal with questions of giving housing authorities the right to screen tenants so that we do not have persons with active criminal activity coming into housing authorities hurting people, other people, et cetera.

There are concrete things that we need to come out of the appropriations amendments or to come out of authorizing amendments—Mr. Weller is on our Authorizing Committee—or even interventions in the appropriations process that—the conference that is ahead, to not only get Chicago right, but deal with the really difficult problems that are too frequently dismissed away by both sides of the aisle, dismissed away as things that could be solved by—by snapping one's fingers. Eliminate it, saw it off, you know, all kinds of simple answers where real people are involved in 1.4 million households across the country living in public housing. It is not all this bad, but this is an example of how bad it can get.

Mr. SHAYS. We have a number of problems throughout the country, that is clear. You have triggered one last comment from me, and that is that Speaker Gingrich, in conversations with the mayor—and I know has the same feelings toward you, Mr. Secretary—that he would welcome a list of ways that Congress could be innovative and cut through the redtape to get rid of some of the difficulties we see in evicting people when they should be. The

Speaker has asked the mayor to provide a list like that, and I would make that same request of HUD. The list should include things that Mr. Weller and Mr. Gutierrez's subcommittee could be working on.

Mr. CISNEROS. And the appropriators. Because we think that in the absence of a housing bill this year—and I am not giving up on it, I am hopeful that we can. The House has been great, Congressman Lazio is moving right along. We do not think we are going to get as far in the Senate on an authorizing measure. But that means that the appropriators will do a lot of legislating this year. Senator Bond and Congressman Lewis, respectively, are moving a lot of these provisions in the appropriations process. So your attention to that would be very helpful.

Mr. SHAYS. Great. Thank you.

Mr. CISNEROS. Thank you.

Mr. SHAYS. I appreciate you being here. I would also say for the record, Mr. Secretary, that you requested to be here, and felt it was important to be here. We have had you before the subcommittee in the past and did not feel that we wanted to ask you to be here. It is nice that you came.

We have as our second panel Ms. Artensia Randolph, president, Central Advisory Council; member, CHA Executive Committee; former member, CHA Board of Commissioners. Ms. Hattie Calvin, president, Local Advisory Council; building president, Cabrini Green. Ms. Cora Moore, tenant manager, 1230 North Burling Building, Cabrini Green; vice president, Local Advisory Council. Ms. Mildred Williams, teen advocate, West Side Futures, YMCA; former CHA tenant. If they would all come before us and we will swear them in. We just have one witness here? Please come forward. You can just sit right up in front here and we are going to put you a name tag out. And this is Cora—Cora Moore, correct?

Ms. MOORE. Yes.

Mr. SHAYS. Cora, you do not mind being the only one, do you? OK, Hattie is here, too. OK. Ms. Randolph, you are in a wheelchair. Would you like to be wheeled closer to the table and—OK. I am going to ask the two who can stand to stand, and if you would all raise your right hand I am going to be swearing you in, which is our custom. And if you would, raise your right hand.

[Witnesses sworn.]

Mr. SHAYS. I do note for the record, all three have responded in the positive. And Ms. Randolph, we will start with you and I am going to leave this hearing for a few moments. I will be right back, but I leave the gavel in the trusted hands of Mr. Souder.

**STATEMENTS OF ARTENSIA RANDOLPH, CHA EXECUTIVE BOARD MEMBER, CHAIRPERSON, CENTRAL ADVISORY COMMITTEE; HATTIE CALVIN, PRESIDENT, CABRINI GREEN LOCAL ADVISORY COUNCIL; AND CORA MOORE, TENANT MANAGER, CABRINI GREEN**

Ms. RANDOLPH. Good afternoon to the distinguished members of this congressional panel. My name is Ms. Artensia Randolph, president of the Central Advisory Council of CHA. I am and have been a resident of the CHA for 22 years—29 years. The Central Advisory Council is the duly elected representative body for the public hous-

ing authority of Chicago in 19 family housing and communities, 56 senior citizen buildings. Therefore it is the name of the Central Advisory Council that I speak.

We wish to commend you for your concerns over the fate of public housing residents since takeover by the Department of Housing and Urban Development, and we thank Congresswoman Cardiss Collins and Congressman Bobby Rush and Senator Moseley-Braun for their consistent interest in the lives of public housing residents.

We are often asked by concerned citizens and community organizations if this living condition at Chicago Housing Authority has changed for the better since the Federal Government Department of Housing and Urban Development took over. Our candid and honest answer would be no.

If we were to grade the Department of Housing and Urban Development from A to F, HUD would receive a "F" for the following reasons. First, communication is a grade "F" for the Department of Housing and Urban Development. It appears that HUD, in the person of Joseph Shuldiner, is resistant to residents' input and feedback regarding various issues of concern, and moreover the assistant secretary would rather not communicate with me or the Central Advisory Council Board of Directors. This is a negative change. With previous administrations there was always a strong line of communication. The question is: How can the Department of Housing and Urban Development be effective without direct communication with the resident leadership?

We desire and should have a vital role in HUD's plans for the Chicago Housing Authority, for those plans will have an immediate impact on thousands of residents and their families. Communication does not mean agreement, necessarily, but discussion and dialog are necessary elements to building a relationship of trust between Chicago Housing residents and the Department of Housing and Urban Development. The failure to communicate generates suspicions among residents.

We want to work with the Department of Housing and Urban Development as partners who have a common interest that is the reform of the Chicago Housing Authority in order to improve the living conditions in public housing communities. Due to this lack of communication we have no firm sense of HUD's directions in Chicago. What is the Department of Housing and Urban Development's overall plan and strategy? What is the role of the residents in the new scheme of things? Which Chicago public housing communities will be torn down? Will HUD commit to new resources and dollars to improve CHA properties as well as the living conditions here in Chicago? Is there a written plan? There are other problem areas I wish to address.

Second, what problem has HUD addressed and solved since the takeover in May? You still see lack of crafts and janitors in our dwellings, as well as unattended resident work orders which are of a higher volume. What is the Department of Housing and Urban Development's plan for resolving this problem area?

Third, our security problems under HUD are still the same. What is Department of Housing and Urban Development's plan for resolving problems of public safety?

Fourth, our field officers still lack equipment and material to complete work orders. What is the Department of Housing and Urban Development's plan for resolving this problem?

Fifth, we seem to be losing some of our better staff. Why would HUD fire staff who were and are doing a good job? The Department of Housing and Urban Development should answer that question. We continue to see all new staff faces downtown who we do not know, nor in our judgment would better understand CHA and its residents. Where do these people come from? Is HUD hiring administrative people at the expense of service to the residents?

Sixth, if the Chicago Housing Authority has mismanaged as the Department of Housing and Development has stated, why did HUD not take corrective action then? Who will hold the Department of Housing and Urban Development responsible and accountable for their past failures? All we hear is promise, yet see no results.

In closing, the Central Advisory Council wants a strong working relationship with the new management at CHA if they are serious about improving living conditions in public housing, and yet we see the handwriting on the wall; that is, poor people losing their place to stay. We will have no part in destruction of public housing, nor sit back and let it happen. However, we understand a need for change. But residents must have a voice in those changes. We must have a vital role in the new Chicago Housing Authority, for without resident support the Department of Housing and Urban Development is doomed to failure.

We urge our friends, supporters, allies to watch what HUD does very closely, for it may be us today and you tomorrow. Thank you for listening.

Mr. SHAYS. Thank you very much. Hattie Calvin. The mike that amplifies is the one to your left, but it will pick up your voice pretty well.

Ms. CALVIN. Good afternoon. I am not going to read off of my statement that I wrote, I would just like to add a couple of things to it. Everything that is in my statement is true.

Our biggest problems is drugs and gangs, besides management and maintenance. We need to do something about that. If we can deal with the drugs and the gang, maybe we can do something about the conditions of the building. Until we get rid of that, there is no solution to it.

I have a great communication with HUD, I had a great communication with Vince. Our problem with Vince was he did not want to listen to us. And we have that problem with some people in HUD, especially with the security issue. The other issues I can deal, but my biggest problem is security. If you move security off my ground floors you are leaving me wide open for gangs and drugs, worse than what I have now. That is what I need to deal with, along with the other problem. That is it.

Mr. SHAYS. Well, it is—it is kind of like the Gettysburg Address, it gets right to it. And we will have some questions and discussions about what you had to say.

[The prepared statement of Ms. Calvin follows:]

# SEPTEMBER 5, 1995

# FEDERAL TAKEOVER OF THE CHA

## SUB-COMMITTEE:
## HUMAN RESOURCE AND INTERGOVERNMENTAL AFFAIRS

## SPEAKER:

**Ms. Hattie Calvin**
**Building President**
**President, Cabrini LAC**
**(Local Advisory Council)**
**Cabrini Green Homes**
**660 W. Division Street**
**Chicago, Illinois 60610**

Dear Representatives:

My name is Hattie Calvin, mother of 4 children and 2 grandchildren; 1 son, Donald, 3 daughters;Chatsone, E-Tika, Giainni.

I reside in Chicago Housing Authority Development located at 660 W. Division #403. I am currently employed at the Cook County Clerks Office as an Assistant Administrator I, where I have been employed since 1987.

I have lived in Cabrini Green Homes since October 25, 1975 and presently reside there. I am community active in all aspects as a resident. I am building president and also Cabrini LAC President which is the Liaison between CHA and the residents of my development.

There is good and bad in all places of government. CHA is no different than any other type of government. There are those that care and those that do not care about people in public housing. Management has it's good and bad aspects. Management only do what they are told to do from operations. Management cannot make any decisions on their own and same with maintenance.

Our problem with some of the managers is they lease apartments "as is" only to keep their quota for their developments. Some of the managers don't know how to communicate with the residents.

The problem with maintenance is that most of the time they don't have the necessary equipment to work with or the plumbers are not familiar with the work. Some plumbers don't try to do the work they just sluff off on the job then we are left in the same situation we were in before they got there. Plumbers that are hired by CHA should be briefed on the problems that are here and that the jobs are not easy at CHA.

The janitors work is never done they really need assistance. 99% of the time they don't have the necessary items to clean with. The bleach that CHA uses for cleaning is a no-no it does not smell like bleach. Some of the craftsman do half jobs also.

The electricians, carpenters, plumbers, ironworkers, bricklayers and welders should be on all developments, at all times. A development the size of Cabrini should have at least, per sections; 2 Plumbers, 2 Electricians, 2 Carpenters, 1 Bricklayer, 1 Welder, 1 Ironworker and 1 Glazer.

Each building should have the following:

7 story - 2 Janitors
10 story - 3 Janitors
10-16 story - 3-4 Janitors
16-20 story - 3-4 Janitors

One Janitor to take care of the ground floor and outside of the building. Two Janitors in the building to clean stairwells, ramps and the Laundry rooms.

Occupancy

The process time should be shortened for applicants seeking public housing. It takes from 1 to 3 years for a person to be approved for housing. I have a solution that could work for Cabrini.

The entire CHA needs to make a lot of changes from Administration down to the Janitors, starting with drug tests for the entire CHA staff.

Security is an issue that also needs to be dealt with. If the contracted security is relieved of their duties what are the residents of public housing to do. We are already in a war zone, we will really be in a war zone if security is removed.

Realistically, if you have not lived in my shoes or house do not judge me because I am not guilty by association.

The following is an outline of problems that need to be dealt with in the building:

SURVEILLANCE CAMERA:

To activate cameras, that are located on the roof and on the sides of the building, will help security.

LANDSCAPING:

1. Replace the top layer of soil on the lawns.
2. Replacement of sod/grass, shrubs, trees and flowers.

BUILDING GROUNDS/SIDEWALKS AND DRIVEWAY:

1. Front walkway needs to be completed.
2. Parking lots needs to be repaved. In several areas there are pot holes.
3. Parking lots have <u>huge pits</u> that needs to be filled immediately, it is a hazard.

BUILDING APPEARANCE:

1. Tuckpointing
2. Caulking and glazing of windows.
3. Window screens and shades place in each window.
4. Boards bread roaches.
5. Wrought iron fences (post) moved out of the edge of the lawn.

INTERNAL PROBLEMS:

Plumbing:
- Rodding out/opening and unclogging of drains.
- Repairing leaks and breaks in system before winter.
- Water pressure corrected allowing water to be assessable in each unit.
- Exterminating (from the top down) for rats and insects in the building and the grounds.

**LOBBY:**

- Reactivate the door answering system
- Red paint removed from the walls
  (In the past a cleaning solution was used for cleaning followed by a glazing).
- Floor tiles replaced (if you cannot replace the missing pieces of this terracotta tile, do not remove this tile.)
- Repair cracks and holes in walls and floors
- Ceiling panels need to be replaced
- Light fixtures replaced and repaired
- Electrical outlet covers replaced
- Heaters replaced or repaired
- Doors - two entrance doors are missing
- Handles installed on existing entrance doors
- Exposed tubing needs to be capped
- Hole in wall exposing plumbing needs to be recovered
- Brick up or install a door, with a lock to the old incinerator chute.

**STAIRWELLS:**

- Banisters replaced where needed
- Light fixtures installed or repaired
- Light bulbs replaced
- Doors installed on every landing
- Walls painted
- Floors repaired, cleaned, disinfected and maintained daily (if possible painted and glazed)

**RAMPS:**

- Open and unclog drains
- Holes in floors repaired where needed
- Doors installed to all laundry rooms
- Light fixtures replaced and repaired and install light bulbs

- Bars/gates/mesh enclosure repaired or replaced

**LAUNDRY ROOMS:**

- Cleared of debris
- Clean and disinfect
- Drains opened and rodded out.
- (1st floor laundry room) Reopen for tenants use
- Exterminate for rodents
- Electrical outlets operative
- Plumbing problems corrected
- Walls and floors repaired
- Water valves opened and operating

- Install coin/token operated washers and dryers

**APARTMENTS:**

- Repair damaged screen doors and locks
- Weather stripping for the main doors
- Threshold molding replaced
- Closets replaced or installed
- Curtain Rods/Mini Blinds
- Paint jobs to be done professionally (not by tenants) using off whites or beige only
- Electrical outlets repaired or replaced
- Closet replaced or installed
    - . rods
    - . shelves
    - . bifolds/sliding doors
    - . electrical outlets
    - . light fixtures

- All bedrooms and bathrooms should have doors
- Floor tiles to be replaced as needed
- Repair electrical outlets and fixtures
- Correct plumbing problems

**BATHROOMS:**

- Shower heads installed
- Drains in tubs and sinks opened or unclogged
- Towel racks installed or replaced
- Air vents cleaned
- Toilet Bowls and seats replaced where needed
- Provide adequate water pressure
- Medicine cabinets replaced

**KITCHEN:**

- Cabinets replaced

- Sinks faucets and fixtures replaced with fixtures that have spray nozzle

- Appliances replaced(refrigerators, stoves etc.) where needed

- Smoke detectors replaced with smoke censored detectors

**ELEVATORS:**

- Thoroughly checked and given a complete overhaul.

- Replace floors, walls, ceilings, doors and all broken parts.

- Keep clean and disinfected.

Mr. SHAYS. Cora Moore.

Ms. MOORE. Well, I will not say my whole speech, but my speech——

Mr. SHAYS. If you would turn that mike just a little bit. You may read your speech, you may do whatever you would like. You can——

Ms. MOORE. I will not read my speech but I would like my speech to be entered into the record.

Mr. SHAYS. It will be in the record.

Ms. MOORE. I will state rather than management do work, if CHA and HUD would work along with them and give them the resources that they need for resident management. Our main concern, especially in Cabrini, is our resident security program that we have with 200 residents that currently are working with the partnership with contract security, which we are told that today, the 5th, our residents will be unemployed because they are taking security out of housing.

And what we are saying, without resident participation the resident's environment, the new way they want to bring the new security in, one security guards would walk three buildings per day, it is not going to work in public housing in Chicago, and I want to only state Cabrini Green.

My other concern is the Tenant Patrol Program where we have 900 members and we tenant patrol all the buildings in the 19 developments in the city of Chicago. My understanding, that they are going to decrease that program. And they have decreased the stipending on home. I said that is another good program that will go down the drain with resident participation. I understand they are trying to bring in the new model that comes from New York, and it will not work in the city of Chicago because the program that they have in New York had enlisted resident participation.

And I would end to the—all I am saying, all I am—we are asking is that we would have—we want resident participation in Chicago in resident management, in resident security, and tenant patrol. Thank you.

[The prepared statement of Ms. Moore follows:]

**SEPTEMBER 5, 1995**

**FEDERAL TAKEOVER OF THE CHA**

**SUB-COMMITTEE:**
**HUMAN RESOURCE AND INTERGOVERNMENTAL AFFAIRS**

**SPEAKER:**
**Ms. Cora Moore, Manager**
**Vice President, Local Advisory Council**
**President, Security Program**
**President, Tenant Patrol**
**Cabrini Green Homes**
**1230 North Burling**
**Chicago, Illinois 60610**

Dear Representatives:

The recent takeover of the Chicago Housing Authority by the officials at the Department of Housing and Urban Development brings to light their resistance to meaningful resident participation through Tenant Management, poor resource Management skills, and finally their never ending list of rules and regulations whose only purpose seems to prevent anything from ever happening.

Ten years ago ten African American women at 1230 North Burling building were tired of the filthy and deplorable conditions of the interior and exterior of the building. They began meeting among themselves to decide what to do. They began by boarding up vacant apartments and cleaning up the building

Initial investment by the parents at 1230 was poor. The children of 1230 participated and began to encourage their parents to join in. The residents contacted various Foundations to bring in a Resident Management Specialist. Urban Women, Inc., Principal Consultant, Bertha Gilkey, was brought in to train us. After the initial funds ran out 1230 north Burling convinced Urban Women, Inc. that we wanted to control our destiny and that we had hopes, dreams, aspirations, and most importantly a vision of better things to come.

We only needed someone to show us how to make our dreams a reality. Urban Women, Inc. trained us on the lease and what responsibilities the Chicago Housing Authority had to the residents of 1230. Once we understood that we did not have to live the way we lived it was only a matter of enforcing the lease.

Urban Women, Inc. told us that the Chicago Housing Authority received funds to correct the physical condition of 1230 such as, frequently inoperative elevators, broken windows, no lights, rats, roaches, trash, and graffiti-covered surfaces. We were also informed, through our training, that the CHA, through our lease, have a level of responsibility they must live up to or try to achieve. However the CHA resisted but we successfully demonstrated a willingness to challenge their system of waste and mis-management.

1230 had begun to change gradually by cleaning up the building, but also we dealt with residents that did not understand the process or what their mission was. The strong reaction we received from negative (criminal) factions in the complex both physical and emotional was challenging but we were determined to change our lives and control our destiny. Resident training made us aware of not only our rights according to our lease but also our rights to manage our building.

1230 Resident Management Corporation currently operates on only 40% of the budget officially allocated to us because the Housing Authority chooses to keep 60% of our budget to effectively offset their wasteful spending.

As manager, along with the residents of 1230 North Burling (RMC), we have set up a resident security program which I am president of. Operations of the security program is in Cabrini Green and has provided training to 200 residents certifying them as official security officers which has resulted in a 60% decrease in crime in our community.

We also have established a 900 member Tenant Patrol Program that patrols all 19 CHA Developments, therefore, decreasing vandalism by 50% on site. We have opened an on-site Laundry Room Facility which generates economic development and a reserve for future programs at 1230 North Burling. We have also established an Afterschool Tutoring Program with Harlem Hospital Injury Preventative Program who donated a $65,000 playground to the residents. Additionally, we have developed a marketing strategy to rent the apartments, 95% which are occupied.

We currently employ residents in the following positions:

Building Manager
Leasing Clerk
Financial Manager
Social Service Director
Receptionist
Maintenance Mechanic
Maintenance Superintendent
Janitors
A Clean-up Crew
Laundry Attendant
Elevator Monitor

Finally, we are also hiring 35 residents to renovate all of the apartments in our building. When the Housing Authority managed our building we had graffiti, crime gangs, and no employment opportunities. Because of our resident management training we have managed to survive and use the skills that we were taught in a productive way. Our training focused on utilizing the skills within ourselves and also how to obtain money from Foundations, private grants, and economic development.

It is because of our training and our vision of brighter tomorrows, as women living in public housing, we have been able to successfully run a $400,000 corporation, however, it did not happen over night and did not have the blessings of the Chicago Housing Authority.

The CHA paperwork delays are the major barriers to getting things done in a timely manner at 1230 North Burling. As manager, I felt that the CHA did not respond in a timely manner to our supply requests and finally the CHA shows less responsibility toward the building because it believes that the RMC has money for the things they are requesting. Before HUD took over the CHA I had the perception that as we began to manage our on services some employers at CHA felt that their jobs were in jeopardy, therefore, they were reluctant to fully cooperate with 1230 RMC.

For five years Urban Women, Inc., principal trainer, Bertha Gilkey provided pro bono technical assistance training to 1230. They have been essential in changing the knowledge, behavior, and attitudes of the residents of 1230. We deal with real issues of management such as building maintenance, rent collection, building security, social services, public transportation, police protection, and trash collection all of which would take from 1 to 3 months for a response and not a solution from the CHA.

Not only did the residents of 1230 have to fight the tenants who were scared of change but also we had to take on the CHA who were afraid of us when they realized our potential.

In closing the real issue is about empowerment of residents to be given the opportunity to control their own destiny and the CHA refusal to share or relinquish even at their own demise. The residents of 1230 had very high voters registration in the November 1993 election, we had 100% voter turnout. We provided absentee ballots to our seniors. We encourage our people to be self-sufficient.

Home ownership is our ultimate goal therefore, our dream is to buy the building and the surrounding land. Inspiring home ownership for other Cabrini-Green buildings is also important. The resident management program can expand and improve with the right technical assistance to assist them in training in CHA management skills and maintenance skills.

Thank you for giving me the opportunity to speak my opinion regarding resident participation.

Mr. SHAYS. Thank you very much. I think I have a sense from you, Ms. Randolph, what you feel about this question, but I am going to ask all three of you: Do you feel that the model for tenant participation being pursued by HUD is working and will remain in place when a new director is appointed, and should remain in place when a new director is appointed?

Ms. RANDOLPH. Yeah, I think that everything that is—is going to be working well should be or—in place when the new director is appointed. But it is not going to make any difference if they do not communicate with us. Because if it were not for the residents there would not be nobody.

Mr. SHAYS. OK, I just want to be clear. "They" meaning the representatives with HUD, or HUD's communication with you? In other words, your concern is that the representatives representing the tenants are not communicating with the tenants, or is it that HUD is not communicating with the——

Ms. RANDOLPH. They are not communicating with tenants, and especially me.

Mr. SHAYS. "They" being HUD or the representatives?

Ms. RANDOLPH. HUD.

Mr. SHAYS. OK.

Ms. RANDOLPH. All right, let me make it perfectly clear. Like Mr. Shuldiner, he is the acting whatever of the department. A lot of things that go on, I do not know if it is behind closed doors or where, but we, the residents, do not get the true picture of what is happening or what they are talking about.

I am the spokesman for the Central Advisory Council which entails 140,000 units. Now, I am not saying people. But I do not have the information to give to the residents what HUD is doing as it was when we were commissioners. We had all the information and we could take it back to my residents so they would not become complacent, be angry and mad. But as it is now, I just hear a little bit. And if I do not hear from the right persons I cannot disseminate the message to my residents because I do not want to give them no wrong information.

Mr. SHAYS. You know Mr. Shuldiner, I am not really clear how this system works. I am going to ask our other two witnesses, but if you would give me a sense of how HUD is envisioning their outreach to tenants or how it is supposedly reaching out. I am not trying to blind-side you here, I am just trying to be clear, from HUD's standpoint. Or if you would want someone else to explain that, Mr.——

Ms. MOORE. Well, I say one of the things he said was the new administration come on, I think the procedures would change. Because under the past administration that—that came on with CHA's administration and the rules and the regulations changed. Now, the things that HUD put in place today, when the new administration came we would be picketing, we want a new committee because we are going to clear our projects.

Mr. SHAYS. Move the mike over a little bit for me. These mikes really pick it up. OK.

Ms. MOORE. I am sorry.

Mr. SHAYS. No, no, you do not need to be sorry. I just want to make sure we hear you.

Ms. MOORE. The procedures, what I am saying, that is taking place today with HUD, some of it is good and some of it is not. And they are not really listening to the resident as they should, are not taking all the resident want. And like I said, they are having closed door meetings and doing what they want to do.

And another thing, when the new administration comes on in December or January of next year, we will still have other problems because the new administration—they will want to come with their own ideas and they are not going to implement all the ideas that are being put in place now.

Mr. SHAYS. Ms. Calvin.

Ms. CALVIN. I have no problem with it, because if I cannot sleep 24 hours in the day——

Mr. SHAYS. Can you just turn the mike a little toward you.

Ms. CALVIN. I have no problem with it. If I cannot sleep, they cannot sleep. If I have a problem and I cannot reach anyone from CHA, I call somebody from HUD. I figure if I cannot rest and my residents are not satisfied, no one else should be able to rest, either.

Mr. SHAYS. Do you know the issue—I am just trying to be clear. Let me just state it for the record.

Mr. SHULDINER. Please.

Mr. SHAYS. We have HUD taking over CHA. We have a history of concern on the part of tenants as to what their relationship was with CHA. They now have Washington here, and have people permanently here. You are here sometimes, but have you set up a mechanism to improve communication with the tenants? And if so, what is the mechanism?

Mr. SHULDINER. Let me say that because of whether it is the issue that Congressman Gutierrez raised or others, the fact that we were looking for almost site-by-site plans in order—in order to talk about redevelopment in the future, what is necessary, our main outreach has been to the developments, themselves. And I can submit this to you, but we can basically show that senior HUD people have met with resident councils or as city-wide councils approximately 230 times since we have come in here. So that is on the average of two and a half a day that either myself or somebody from HUD or one of the people that—and this is really all HUD staff have been meeting with either resident councils or the—the city-wide or resident management corporations.

So I guess the—what we have been trying to do is go directly to the resident—the development councils to try to determine their needs. We have—we have asked each of the LAC's, the local area councils, to—to provide surveys of needs in the development. We are trying to learn firsthand, on a development-by-development basis, what the problems are in those developments so that we can come up with a responsive plan.

On a personal basis, obviously when I have been here I have been involved in—in both Warner, Cabrini and the Lakefront in the redevelopment, spent a lot of my time on that, and obviously would have had the most contact with—in either—either with the residents or their counsels. Sometimes when it is litigation the counsel does not want you to meet with their clients. But that is—

you know, that is how it goes. So I think we are—we are doing that.

We are also working with Ms. Randolph in the city-wide in terms of preparing for the elections that will occur in early December both to insure, from the residents' perspective and the public's perspective, that those elections represent the wishes of the residents in—in those developments.

Mr. SHAYS. Mr. Shuldiner, my light is off. But I just want to be clear on one other element. What I am hearing is—because I—I do think there has been a lot of contact with tenants. I, one, wanted to know whether there was a formalized structure.

But second, what I am hearing—and maybe I am hearing correctly—it is not necessarily the long-term plans, but it is—you guys are in charge now. I have a problem on something immediate. Who is hearing me? I mean, that is kind of—I mean, it is long term, but it is also the short term. Is there any way that you are trying to change the short-term kind of problem in communication?

Mr. SHULDINER. I understand what you are saying, and please understand it is—it is not just HUD and the residents, it is also the CHA staff. I mean, residents would normally turn to the CHA staff at the site with a specific problem, and some staff may respond, "I do not know what to do because HUD has not told me," or some staff——

Mr. SHAYS. Right.

Mr. SHULDINER. So again what we are trying to do is reach out directly to the resident councils on the—on the local level and establish—establish some kind of rapport. We basically have one—one person from Washington as well as several other people from around the country who, between them, are here all the time to try to—to try to do that. Obviously, based on what Mrs. Randolph said, you know, they—they would like more communication because a lot of things are going, and that is a question that we have to continue to ask ourselves.

I mean, some of the statements made to us, you know, display a lack of information. I am sorry that Congressman Gutierrez is not here. I mean, he talks about the change in—in the tenant assignment plan. That was ordered by Judge Aspen, that was not a HUD or CHA thing. When the settlement at Henry Horner went to Judge Aspen, Judge Aspen said, "You get——."

Mr. SHAYS. OK, let me interrupt you for a second.

Mr. SHULDINER. Sure.

Mr. SHAYS. You have fulfilled my request and you have been responsive, but I want to make sure that this is the tenants' opportunity. And I would suggest——

Mr. SHULDINER. I am sorry, I will step back.

Mr. SHAYS. No, no, you can stay there, it is just—what I would—what may be a factor here is that when you have the former housing director, Mr. Lane, may have given certain people a special ear. And I would think that, you know, the challenge would be for this new group to allow everyone.

So, Ms. Randolph, it may be that you had a gigantic opportunity with Mr. Lane that may not be available to you in the same way and that may be a little difficult, I do not know. Ms. Calvin, I am going to come back to your point about drugs and gangs after other

Members have had a chance to ask questions. I stayed at Cabrini Green last night and I met with some gang members and I would love to ask you some questions about it. Mrs. Collins.

Mrs. COLLINS. Thank you, Mr. Chairman.

Let me ask the panel, in the testimony today, Secretary Cisneros committed to fully implementing a 120-day plan which includes an overall goal of—and I am going to quote now—"increasing resident participation in the decisions that affect their lives." Now, I would like to know if you feel that you have been included and that you have real involvement in these plans? I am going to start with you, Ms. Randolph; and you, Ms. Calvin; and then you, Ms. Moore.

Ms. RANDOLPH. No, indirectly I have not. As being the leader of our organization, I have asked who do I go to. And then I was told to go to Mr. Kevin. A lot of times Mr. Kevin is not in the city, so I do not know what to do. I am supposed to report to the—the young man that is working for Mr. Kevin.

But my only concern is communication. When there is a meeting that is important to our lives, nobody tells me, we are talking about this. Although they have a personnel committee meeting, which to me is—is fine, that is the chairman's business, whatever you want to call him. But giving us information that affects our lives, or what are you going to do today, what development are you anticipating tearing down tomorrow, how many people are you going to lay off? We hear this in the media.

Now, the last meeting Mr. Shuldiner, that was our first executive meeting, he did come to us with some of the plans. But like I think a Congressman asked, is there a written plan, what are you going to do from month-to-month or day-to-day, I have not seen that plan.

Mrs. COLLINS. Ms. Calvin, have you seen the 120-day plan?

Ms. CALVIN. Only plan I have seen is what they tell us that they are doing.

Mrs. COLLINS. But you have not seen the written plan?

Have you, Ms. Moore?

Ms. MOORE. No.

Mrs. COLLINS. OK. Next question is: Do you feel that there has been some improvement, there is a better way of life since HUD has been on the ground here in Chicago for the last 3 months? Ms. Moore, Ms. Calvin, and then Ms. Randolph.

Ms. MOORE. I say in a sense we have more meetings with HUD. But some of the things that the—the residents had wanted, some of the things that they sit and agreed upon, and we agreed upon it one way and the next day you hear it in the newspaper another way. So I think it is lack of communication.

For instance, that we sat at the round table with the committee and we agreed on that tenant patrol and said that we was going to use the one site for the police to take over the building, which would be Robert Taylor. And then the next day it was in the paper saying they were going in five different developments. I am saying that if we are going to be at the round table and coming to a common goal together, then that is the way it should stay.

Mrs. COLLINS. Ms. Calvin.

Ms. CALVIN. I see a change in some of the things they are doing, and some of the things I do not. I see a lot of change in the admin-

istration and in the management staff. And that is a good effort for me in a sense.

Mrs. COLLINS. Now, when you say in management, do you mean in tenant management of the development?

Ms. CALVIN. CHA management staff.

Mrs. COLLINS. OK. In what way is that reflected?

Ms. CALVIN. Well, say for instance someone calls management and complain about something, they cannot get a direct answer from them, they will call me. I will call somebody at HUD and they will call them, ask is there a problem with alleviating this problem.

Mrs. COLLINS. But that is certainly a positive. Ms. Randolph.

Ms. RANDOLPH. Yeah. No. Honestly, I do not see any difference at this point.

Mrs. COLLINS. Well, let me ask a question that is almost the same question. In your view, Ms. Randolph, how have your responsibilities and authority changed, both in your role as a CAC chairwoman and as an executive committee member since the takeover?

Ms. RANDOLPH. It has changed because I do not get the communication that I need to disseminate to the residents. They call me all day, all night, want to know what is going on with management. I do not know, and I am not going to sit here and say that I do.

Mrs. COLLINS. OK.

Ms. RANDOLPH. I am not going to let my residents down because they call me, they get angry with me and say, "Well, why are you on there? You do not know nothing."

Mrs. COLLINS. Ms. Calvin, a final question. Are you aware of the fiscal restraints that are faced by CHA? We have talked about that some today, about some of the resources not being there that we thought were going to be there. We have also talked today with the Secretary about possible cuts in modernization funds and elimination of development and—and HOPE VI and drug control funding. Now, given these possibilities, what role do you see yourself playing in limiting resources in the development of the long-term recovery? Do you think that you can see long-term recovery when you do not have the resources in order to put these things in place?

Ms. CALVIN. If the budget is cut like they say it is we will be hurt tremendously, much worse than what we are now.

Mrs. COLLINS. So you do not see improvement in the area of increasing any kind of drug control funding or any kind of drug control projects?

Ms. CALVIN. It is going to hurt me more for cutting, because most of the budget goes for the drug elimination, and that is dealing with security.

Mrs. COLLINS. And that is going to hurt? All right, thank you very much. Thank you, Mr. Chairman.

Mr. SHAYS. Thank you. Mr. Souder.

Mr. SOUDER. I wanted to ask Ms. Calvin a little followup on the crime and—and drug question. I know that when I visited at LeClair Courts probably 6 years ago as they were in the third year of the transition over where they had taken the control of the project and the Chicago Housing Authority was working alongside in the 3-year transition program, one of the things that Irene Johnson said was—is that previously there was a lack of trust with the

Chicago Police Department that when the—somebody would report a crime nothing would be followed up and there would be retaliation of the residents who in effect talked to the police and were viewed as snitches or squealers or whatever, and there was a pressure not to report. And the police, on the other hand, would get frustrated because sometimes they did not come in because they felt that the residents were not cooperating.

And one of the first things they did was they sat down with the police, as the residents were running the projects, particularly the—I think 10 of the 13 buildings were resident managed, and sat down and said, "Look, we will cooperate with you if you will cooperate with us." And then in a period they went from one of the higher drug areas to a place where I think they had, in the stretch I had been there, two arrests for loud music was the only two arrests during that last period.

Do you have problems coordinating with the Chicago Police? Are you—are you able, through resident association—I will ask Ms. Moore that question in a minute, too. You seem to—you say that is the No. 1 problem. Clearly it is. How much can be done with that, and how much is structural? How much is dollars versus conflict?

Ms. CALVIN. It is a problem with it when you call the 911 or you call directly into the station the first thing you want to know, who you are. It automatically shows up on the 911. If I call for 911 or call the police station and tell them who I am, the first thing they are going to do when they get to the development is knock on my door and ask me did I call the police. That is putting me on Front Street. I do not think that should be necessary. If I call to tell you it is a drug deal going down or you have got some gang members hanging in the lobbies or in the stairway you should not have to come to my door, you should go where I call and tell you the problem is at. That is the lack of communication. We do not want to deal with the Chicago Police Department because 99 percent of the time they put us in jeopardy.

Mr. SOUDER. Every public housing project that I have been in, their first complaint is always drugs and crime because much of the deterioration and the problems in the projects that have been built, particularly high rise, are related to that.

Have—do you believe there is an acknowledgement of that up front, in sitting down? Are you sitting down and meeting with the police to try to work these things through on a building by building, or what type of interactions are there? Because if it is—if it is a common denominator that we see everywhere, it would seem like that would be an immediate focal point.

Ms. CALVIN. I have a good communication with the commander that is over there now and Chief Murray. That is because I talk to them on a one-on-one. But going before their lieutenants and sergeants and talking, I would not do. I have to talk to them one-on-one so no one would know who is giving them the information. Other than that, I would not have cooperation.

Mr. SOUDER. Ms. Moore, could you explain a little bit what you have seen in your resident management program, and also you—you referred to your—where the residents themselves are doing an amount of the patrolling and you said this morning that you did

not have much crime and there was a lot more security as residents have been taking on some of that responsibility. Is that not correct?

Ms. MOORE. Yeah, the resident have taken on that responsibility and we do have monthly meetings with the police department. We have a meeting with the CHA police, and along with security officers, and to try to establish a partnership with all three groups combined.

Right now I am the captain of my own beat at 1822 with the camp programs for the Chicago Police Department, to start a shift here where we will try to maintain Cabrini to stop the crime and to make it more safer and secure for the residents. In doing this, this is the way we have these monthly meetings with the three parties, to curtail this.

Mr. SOUDER. One of the things that—it seems like when you get an area that starts to become demoralized, it just gets more demoralized. And that is why safety and crime are so critical. Because if you have—if you do not feel safe, you wonder whether or not it is worthwhile to paint and to fix up and whether—I notice that the—the basketball hoops were not bent at your particular building, which often they are and which is a sign. And that I would like to followup, if I can, to see how widespread this movement is in Chicago to give more local control and to see whether there has been efforts in other areas too, and I will followup later. I see my——

Mr. SHAYS. Thank you. Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me sort of pick up on—I had heard you, Ms. Randolph. You said that nothing had improved. Let me ask you, are you optimistic?

Ms. RANDOLPH. No. I live there. And as big a city or a development is—but I would just like to—the young man that just got through speaking, I would like to tell him how I feel. I do not feel like I live in a project.

Mr. SHAYS. If you would just turn the mike a little toward you. Thank you, sir.

Ms. RANDOLPH. I do not feel that I live in a project. I live in a housing development. Each of us have a name. My development is Washington Park Home. When the buildings was put up, being built, they were projects. Now we are in them, that is our home. And my home has a name, Washington Park. Thank you.

Mr. SOUDER. I apologize for any inadvertent offense.

Ms. RANDOLPH. Because we are trying to uplift ourselves. And I am not going to sit and let nobody denominate me, say I live in a project. I do not. Thank you very much.

Now, can you restate your question, please.

Mr. TOWNS. I think you sort of answered it. In fact, you gave me more than an answer.

Mr. SHAYS. He does not want to ask anymore questions. [Laughter.]

Mr. TOWNS. Let me move on to—I guess to—to Ms. Calvin and a question to Ms. Moore. You know, this tenant manager is sort of new to me, coming from—from New York. I think it is a concept that I am very interested in. Now that the housing authority has

been taken over, have you experienced additional resources in any way?

Ms. MOORE. As tenant management, we have been in tenant management on 3 years. We have a standing contract with the housing authority. Our resources and things are about the same. And tenant management is glad that HUD took over so that we—and tenant management we will have more resources.

Mr. TOWNS. Right. Ms. Calvin, for you, same question. Now that HUD has taken over do you feel additional support and additional resources now that they have taken over?

Ms. CALVIN. Yes, I do.

Mr. TOWNS. Is it the turnaround time in terms of getting things repaired or what do you feel? I mean, in terms of what areas have you felt improvement?

Ms. CALVIN. Improvements in management staff, maintenance, security, and jobs that I understand some I am sure will be coming on board within the next couple of weeks.

Mr. TOWNS. Well, you know, we were talking earlier about in order to make this work that a lot of resources would be needed. And we are talking about in terms of offsite, other agencies coming in and providing resources. Has that started yet in terms of other agencies becoming available to sort of pitch in to help in terms of giving you additional kind of support? Have you felt that yet?

Ms. MOORE. Not in Cabrini.

Ms. CALVIN. There are more politicians getting involved now that have been involved. [Laughter.]

Mr. TOWNS. Yeah, this is a pretty——

Ms. CALVIN. Especially at Cabrini.

Mr. TOWNS. This is a pretty big group up here, too. [Laughter.]

Ms. CALVIN. No harm or disrespect to no one, but all of a sudden everybody is interested in Cabrini. Where were they at years ago when we needed all these help, more than what we need now. All of a sudden everybody want to stick their hand in and grab something. I do not understand. Maybe it is me. But all of a sudden you want to come in and give help, because they are talking about they is going to give me $50 million. This $50 million is to help me? This $50 million is to take away some of my homes from my residents. Every politician in the world that know Cabrini is getting something, some of them are there to help me, but some of them there are not to help me. And I know this——

Mrs. COLLINS. Will the gentleman yield?

Mr. TOWNS. I would be delighted to yield.

Mrs. COLLINS. I thank the gentleman for yielding.

Ms. Calvin, I think that you will remember that it was at a time when there was a great deal of discussion about Cabrini Green that both Bobby Rush and I had come to Cabrini Green, along with others, to insure that the $50 million promise would be made to you.

Ms. CALVIN. I understand that.

Mrs. COLLINS. And I just want the record to show that. I thank the gentleman for yielding.

Mr. TOWNS. Right. Let me just sort of say this, you know. And I have listened to Mrs. Randolph and I have listened to all of you, and I am happy to hear there is positive feeling. I happen to know some of the people that are coming into the authority and people

that have asked to provide leadership, I have had the opportunity to work with them in other settings and I know their strong commitment and dedication and ability. So I will be honest with you: I am encouraged, based on the fact that I know who is involved. So I just want to sort of share that with you.

And I know that communication is always a problem. And I am hoping, Ms. Randolph, that the communication can be improved because I know that when you are providing leadership for a group, when they ask you questions they want answers.

Ms. RANDOLPH. That is true.

Mr. TOWNS. And if you cannot provide answers it creates a serious kind of problem. And I think that it would be in the best interest of the people that are coming in to provide you with that information, because in order to fight this army they will need a lot of soldiers.

I yield back, Mr. Chairman.

Mr. SHAYS. Thank you. Mr. Weller.

Mr. WELLER. Thank you, Mr. Chairman.

I am particularly interested in the resident security program, and regardless of what—where your home is, what neighborhood you live in, whether it is CHA, another neighborhood in the city or the suburbs, or the country where I grew up, public safety is a major concern for the quality of life. And feeling safe, particularly for children or the elderly, and their ability to walk around freely and feel safe and confident and enjoy the freedoms that we all have.

The—and I am also particularly interested in the—the tenant involvement. Of course, Jack Kemp pioneered that on behalf of the—the residents of public housing throughout the country to give more tenant involvement, not only in working as employees, but also to have a say in—in actual management of—of public housing. And I really enjoyed the opportunity, Ms. Moore, this morning to have an opportunity to visit with you and to learn more about your program right at Cabrini Green.

And as I understand that you had indicated this morning that you have seen a—an impact from neighborhood involvement, the community involvement that is part of the resident security program, and indicated at least cutting in half the crime rate, about half in your—in the community. And I wanted to hear from you, No. 1, as—with the—the now HUD managed CHA, what is the view that HUD has given you of your program? Have they been supportive, do they view your program as a model that could be used elsewhere in CHA housing in Chicago?

Ms. MOORE. I would say no because they are talking about cutting the programs. This one program, we—I had met with HUD and come up with ideas and hoping that they would keep our programs, because it is—it is resident that are involved. In fact, there is over 200. And they do security at Cabrini Green. And we were told that it would be—today would be the last day they would be employed because they were going to transfer them and put them with the regular polices in them.

Mr. WELLER. So you are saying they have taken the—the 200 individuals that you had trained and they are going to be incor-

porated into the—the CHA police force, separate from your resident training—I mean, resident security?

Ms. MOORE. Yeah.

Mr. WELLER. OK.

Ms. MOORE. The same thing with the tenant patrol program which I am the president of that is city-wide. They want—they have put that program, as they said, on freeze. And—and they would decrease the membership, which now I have 900. And if—with the program, the way they are talking about doing it, well, they would pay coordinators to monitor the building. Like my building at 1230 Burling, we have 20 tenant patrol members. If you pay two members out of that building, well, then the rest of the volunteers is not going to do anything, it will just be those only two members working.

Mr. WELLER. Now, is the resident security program, are they volunteers or are they paid a stipend of some sort to participate?

Ms. MOORE. The resident security program pays staff, and they are paid by the contract security which we have a partnership with.

Mr. WELLER. Now, the tenant——

Ms. MOORE. Our local—they have a partnership with the security company. And the security company is the one that they are going to have transferred out and put in regular police.

Mr. WELLER. And then tenant patrols, are they volunteers?

Ms. MOORE. They are volunteers, too.

Mr. WELLER. OK. But you are saying that they—that HUD wants to reduce the number of tenant patrols?

Ms. MOORE. The tenant patrol program, with 900 members where they volunteer, and they only get stipend off of their rent. But I am saying now they are saying they want to pay some of the peoples, which maybe about 20 peoples or 30 at the most, if they go that high, to be coordinators to come and monitor the different buildings. And what I am saying is if you go that route then you are only going to have those staff persons working like it is in New York, while we have over 900 tenant patrols that do not mind going up and down the buildings all time of night and bringing in reports when the lights is out and the laundry room is open. They bring in daily reports on this.

Mr. WELLER. Well, thank you, Ms. Moore. And I will yield back the balance of my time. Mr. Shuldiner, when you come up on the next panel I would be very interested to hearing your perspective and the involvement of tenant patrols in the future of CHA. Thank you.

Mr. SHAYS. I thank the gentleman. Mr. Rush.

Mr. RUSH. Thank you, Mr. Chairman.

Mrs. Randolph——

Ms. RANDOLPH. Yes.

Mr. RUSH [continuing]. Let me ask you a question regarding the CAC's and also the LAC's. In your opinion, what is the future relationship?

Ms. RANDOLPH. Well——

Mr. RUSH. Well, let me just ask you, Mrs. Randolph, based on what you see as the current relationship with the interim board and with CHA, what do you see as being the role of the Central

Advisory Council and the LAC in the future of the Chicago Housing Authority?

Ms. RANDOLPH. You know, you ask me very hard questions which I am going to answer because I do not mix friendship with business.

Mr. RUSH. Right. Absolutely.

Ms. RANDOLPH. This committee or board or whatever should be business and not run on friendship. We are all supposed to be friendly, but I am not going to say, yeah, you are doing a good job, because you are my friend. But it is——

Mr. RUSH. I know, Ms. Randolph. You have told me that a number of times as your Congressman, so I——

Ms. RANDOLPH. But it could be better if communication or self get out of the way. Now, as chairman of the city-wide organization I do not know anybody but Mr. Kevin Marchman and Mr. Shuldiner of department heads. So how can I function when I do not know anybody?

Communication is the main thing. I know Mr. Shuldiner, I know Mr. Kevin, which when I said they do not communicate with me, that do not make me be their enemies. I want to be a partner; partnership with them. But how could you be a Congressman and you do not know Cardiss Collins? How can I be functioning when I do not know anybody to ask anything?

I knew the person from human resources, I knew everybody. But everybody that I know is just about gone. But nobody has brought these people to our meetings, community service meeting to say, "Mrs. Randolph, I would like to make this person—present this person to your body." So they are asking me who are the people I do not know. I am not a fortune teller. Nobody has made me acquainted with those persons that have come here to do the work. And that is my concern. And I will not be satisfied until I know who they are.

Mr. RUSH. Would you——

Ms. RANDOLPH. So I can ask them questions: How are you going to do this? How are you going to do that? I have talked to Mr. Kevin, but I do not know that he can tell me all the names of these people, himself. Or Mr. Shuldiner, yeah, I have asked—I can talk with him, but I need for us to sit down and talk together. I am not going to run them down, and I do not want them to run me down. But I do know we have got to communicate if we want to work in partnership for this thing to work.

I can be more help to them than I can be harm. And, Mr. Chairman, you know how I—Mr. Congressman, you know how I work. I do not lie on nobody. But I do not get the response from them that I need to carry on my organization.

Mr. RUSH. Would you say that the relationship between the CHA and the LAC's and the CAC is nonexistent at this point, is that what you are saying?

Ms. RANDOLPH. No.

Mr. RUSH. Is nonexistent?

Ms. RANDOLPH. Nonexistent. They come to a meeting once a month, but if you put oil in your car once a month how are it going to run? Because you have not got nothing in it. But if they do not—we do not communicate together oftener than we do, everything is

going to go this way. You hear this, you hear that. I cannot say, no, that is not true because Mr. Marchman told me that was not so. But everybody is coming to me with all kind of different things.

Mr. RUSH. Well, Ms. Randolph, in light of that, now, there has been—the Secretary and others have talked about this—this overwhelming, broad-based involvement in terms of the LAC elections that is coming up in December. Now, given that there is no——

Ms. RANDOLPH. Yeah.

Mr. RUSH [continuing]. Current role for the CAC——

Ms. RANDOLPH. This year, yeah, they plan now what—we have plans to be—to get somebody to do an RFQ. But see, since then nobody has talked to me. I heard that they say, "Well, you all are going to—supposed to have an election, but there is nobody." But now, has not nobody come to me and said, "Mrs. Randolph, do not get all upset. The election is going to be." See what I am saying? Nobody.

Since we did all this planning it come out: Well, we do not know whether you all are going to have an election or not because there is no money. But I feel Mr. Kevin or Mr. Shuldiner should have said, "Mrs. Randolph, I do not know what is going on, but you will have your election." That is communication.

Mr. RUSH. Well——

Ms. RANDOLPH. I do not know how the residents hear all this stuff.

Mr. RUSH. Well, now, Ms. Randolph——

Ms. RANDOLPH. They call me and——

Mr. RUSH [continuing]. Let me try to go through this. Now, what impact your current relationship with the CHA board——

Ms. RANDOLPH. It would be good.

Mr. RUSH. Let me finish. What impact would that have on the enthusiasm, the energy, the excitement, the interest for elections in December if here in September the CAC is nonfunctional because it does not have a relationship with the LAC? I mean, do you think that it would help? Do you think that that would help?

Ms. RANDOLPH. It would be—yeah, it would be a good impact just to know—it is a good impact with the residents knowing you and Cardiss Collins was here. It would be a good impact for us to know that HUD's people, the most influential ones, are talking to us and telling us this or making plans, and then we can understand what they are saying and what they are doing. That would make a good impact. But this way it is no impact because there are nobody talking.

Mr. SHAYS. Ms. Calvin, I just want to ask you a question about gangs, because I have a number of feelings about gangs, particularly as they exist in my community of Bridgeport, CT. Some of them are downright vicious. We have had the FBI and the marshal's office and FDA and others working pretty hard to get at the Bridgeport gangs, and they have had some success.

When I was here last night in Cabrini Green, I met with a few gang members. I asked them to tell me their assessment of the gangs. They had some negative comments about it, but they had some very positive ones. One is, in Cabrini Green there has been kind of a peace treaty in a sense between the two gangs to allow each to go in the other's area. Is that a fact?

Ms. CALVIN. Yes.

Mr. SHAYS. Do the gangs try to portray themselves as helping to provide leadership for some of the younger men? What are the negatives of the gang and what are the positives?

Ms. CALVIN. I do not see any positive in them. The reason the young boys and girls go to them is because they are looking for protection. A lot of those kids do not have love and understanding, and they figure that the gangs can give it to them, and this is why they go to them. We have no programs there that would help motivate them.

Mr. SHAYS. You are saying you have no programs?

Ms. CALVIN. We have no programs that would motivate them, the youths or our young mothers. If we had some self-sufficiency programs or programs in general that would motivate them maybe we could keep some of them out of the gangs and away from the drugs and things. We would have something that would give these young girls something to do besides running to these young boys as protection.

Mr. SHAYS. I was out walking about 1:30 last night, 2 a.m. and I was amazed at the number of young girls who happened to be mothers, I am assuming, who happened to be there with their kids, walking with 2 and 3-year-old kids, 11:30, 12:30, 1:30, 2:00—2 a.m. I told one of the gang members, I said, "This—you know, with all due respect, this—I have got a problem with this." And he said, "Well, it is a holiday."

Ms. Moore, I was introduced to someone who is involved in your tenant organization, really clean-cut, sharp young man who I was told at one time had been a former gang member, involved in maintenance and so on. Really handsome young man. How did you outreach to someone like that?

Ms. MOORE. With the help of Bertha Gilkey. At first it was very difficult because when the youths come to our meeting they was a little leery. Then they kept on coming and started being involved. And then with Bertha Gilkey, we helped change their way of thinking. And that is when our maintenance mechanic started helping with the building, changing his lifestyle and getting married and starting a family.

Mr. SHAYS. I almost feel high rises work for seniors. They have not, wherever I have gone, worked for families. The kids end up trashing the place. We had a wonderful place in—well—I do not want to get carried away. We had a rebuilt 12-story facility in what was Trumble Gardens in Bridgeport. We had two of them. We tore down the others in what turned out to be terribly built townhouse kind of single-story units that were just—candidly, they fell apart. They were built, in my judgment, by a crooked builder.

But the two high rises ironically were nice because they had seniors in them. The problem with that, though, was that HUD had to say that the seniors had to leave because they were two and three and four units, so they were for kids. With one of the units they brought in the kids and in 2 weeks time the elevators were destroyed, the security systems were destroyed, and—and now they are just like they used to be.

You seem to be making some headway in having a high rise where you have kids. Why do you think you are making a difference?

Ms. MOORE. Well, one reason, we have activity for the youths. We have over 150 youths in our building and we have recreation, a counselor, we have a social service director who on a weekly basis come out with recreation for all ages in our building. We normally have monthly meetings with the adults. And then we have meetings, through Bertha Gilkey, with all the relatives and the youths.

Mr. SHAYS. Before I leave this topic, I was struck by the number of young mothers with their kids, and I was also fascinated by this. I ended up staying with a young man who had a place at the Row, but took me to one of the red buildings. There was fairly nice furniture in there and his explanation—and this is not a criticism—was that he had bought the furniture for his woman. He said he basically had four places that he had in Cabrini Green. And he described to me a situation where guys basically take care of certain women, and these young mothers are basically protected and taken care of by these guys. Is that an uncommon kind of comment to be made to me?

Ms. MOORE. I let Ms. Calvin answer that question.

Ms. CALVIN. It is not uncommon. He say he has four houses that he take care of, right? He probably have babies by all four of them women.

Mr. SHAYS. Yes.

Ms. CALVIN. Or it is a drug house or it is a gang hangout. So that is not uncommon in public housing.

Mr. SHAYS. The problem is, the reason I did that is I would not have learned that today if I had gone around in a tour, you know. And Brother Bill, who is a gentleman who is out there in—in his robe, went working with the gangs in the parks. Is that a person you know?

Ms. MOORE. What was that name?

Mr. SHAYS. Brother Bill.

Ms. MOORE. Oh, Brother Bill, yes.

Mr. SHAYS. OK. It was interesting interacting with him as well. The bottom line to my conversation is that you had to—Ms. Moore, you had to push HUD to have tenant involvement. And I hope that—that we are waking up to the fact that the only salvation is tenant involvement. And you may have come across a formula that can save some high rises from even needing to be taken down.

If your formula works, the last question I want to ask you is: Under your formula, though, do we have to pay every tenant who works there and contributes, or can we expect that some tenants will contribute to the upkeep and the maintenance and the security by just being a tenant and caring?

Ms. MOORE. Yes, sir.

Mr. SHAYS. Do some of the tenants who help, are they helping voluntarily or are they all paid?

Ms. MOORE. Well, a lot of them working voluntary. A lot of them working voluntary. When we first started 3 years ago the only paid staff was me because I was working for the Chicago Housing Authority. Everything—everybody else was volunteer. And we had 24 hour security, and the security was volunteers that was not getting

paid. And I was one of the volunteer officers before I coordinated the program throughout Cabrini Green.

We believe we are able to secure ourself to make it safe for our kids. And money is not in vain. Like I said, like we have the 900 tenant patrol, they are not staff, they are volunteering. The only thing they get off—a stipend off on their rent. We do not mind staying up all night long making sure our building is secure where we live at because we have concern where we live at. And we want a decent and secure place to live and raise our kids.

Mr. SHAYS. Speaking of the children—would you be offended if I said to you I do not blame some kids for joining gangs?

Ms. CALVIN. I would.

Ms. MOORE. But I would be offended if you did not have another avenue for the kids. I mean, Cabrini in the past, after 1978, has no kind of program for kids, period. No kind of program. And I do not think—that the U.S. Congress will bring some of those programs to Cabrini.

Mr. SHAYS. Ms. Calvin, you would be offended. But let me ask you this. If you were a young kid and you were convinced that the gang was your best form of protection because you could not get protected by a parent or by the police, would you be offended if I said that?

Ms. CALVIN. I would leave.

Mr. SHAYS. You would what?

Ms. CALVIN. I would leave.

Mr. SHAYS. If you were a young kid?

Ms. CALVIN. Uh-huh.

Mr. SHAYS. You know, you are——

Ms. CALVIN. If I could not get love and——

Mr. SHAYS [continuing]. If you are 12 years old where do you go?

Ms. CALVIN. I would find someplace to go. I am being honest with you, I would find some——

Mr. SHAYS. I appreciate your honesty. The nice thing is we can be honest with each other.

Ms. CALVIN. Because there is a better venture out there besides drugs and gangs.

Mr. SHAYS. Yes.

Ms. CALVIN. Some of those kids cannot help themselves, and this is why they stay at other peoples' houses. And that is why you saw some of them young girls out in the streets with their babies, because they go from house to house. They have no place to go. Some of their parents are on drugs, some of those kids are reaching out for help and we cannot help them because we have no way of helping them.

Mr. SHAYS. Well, what I am hearing you say is that while you do not think a gang is an alternative, you understand why they feel that they may need to go somewhere. But you think it would be futile for them to go to a gang. I am not advocating gangs, I just—I have a little more sensitivity to sense why somebody may feel that there are very few alternatives in their lives.

Mr. Souder, do you have a question?

Mr. SOUDER. Yes, I wanted to follow with Ms. Randolph for just a minute. In some of the calls that you are getting and you are saying you are not able to answer those, is some of the fear that the

highrise buildings are going to be knocked down without having an alternative plan for the residents?

Ms. RANDOLPH. There was fear that some of the homes would be knocked down, or we were hearing—I do not know where I heard this—that there would be no replacements. Now I am hearing that when they are knocked down there will be replacements. So I do not know what to believe at this point on very few things.

Mr. SOUDER. So one of your strongest concerns that you are hearing, is that you see a plan prior to the——

Ms. RANDOLPH. I have not seen the plan.

Mr. SOUDER. But your—the residents are saying to you, "We want to see something before they are destroyed?"

Ms. RANDOLPH. Right. Right.

Mr. SOUDER. That happened in—in Norfolk where an area was removed near a new mall and they did not see the plan, and there was a fear they were not going to get back into theirs. That has happened in other cities. It is not—Yolanda Rivera in South Bronx, when they said they were going to clean out the whole area, stayed in her building until she saw a plan.

Ms. RANDOLPH. I cannot focus on this administration because in 19—I think in 1985 or 1986 no prior place—we had six buildings. Only two have been finished. So that is what makes residents in other developments afraid to take the chance of demolishing something and nothing has been built. Now, we have got two buildings—four buildings yet to be redeveloped. So that is what makes them upset. Because in 6—5 years only two buildings have been finished and the other two are still standing. And, but it has been promises, promises, promises. So I cannot say that this is going to be HUD's fault this time. I do not know whose fault it was.

Mr. SOUDER. Right. And I think everybody who has been here on the panels agrees that this has crossed party lines and it has been something that has gone on under multiple housing authorities in multiple cities under multiple administrations. But it is—it is a—not an illogical fear of somebody who has a home, as you so eloquently described, and sees the potential of losing that and not knowing where to go next.

Ms. RANDOLPH. But my only concern is working closely with the department of urban housing. You know, we could work close as a partnership. I would not have any more problems because I would have some answers, right or wrong. I would be taking what they say, going back to my residents saying, yes, I talked to Bobby Rush, I talked to Mrs. Collins. But I cannot go back and say I talked to anybody.

Mr. SOUDER. Let me ask one other question that Mr. Rush—Congressman Rush raised and you answered it in the reverse form. You said that it would help in the elections if you had information. Is depriving you of information going to affect elections in the other way?

Ms. RANDOLPH. Sure. Sure.

Mr. SOUDER. Are you suggesting that might be part of any of the lack of communication?

Ms. RANDOLPH. I do not—after today I do not know if it will be.

Mr. SOUDER. Thank you very much.

OK, thank you—thank you very much for your testimony on this panel. And could the third panel come forward. That would be Mr. Shuldiner, who has been here already; Ms. Judy England-Joseph; Mr. Jeffrey Lines. Thank you very much.

[Witnesses sworn.]

Mr. SOUDER. For the record, the witnesses answered in the affirmative. Well, Mr. Shuldiner, do you want to make a statement in the beginning here or make any comments on what we have heard on the other panels?

Mr. SHULDINER. If I could. I mean, I do not have a written statement beyond what the Secretary has submitted. Just a couple of things which would be more appropriate as part of this panel.

**STATEMENTS OF JOSEPH SHULDINER, ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING, HUD, CHAIRMAN, CHA EXECUTIVE COMMITTEE; JUDY ENGLAND-JOSEPH, DIRECTOR, HOUSING AND COMMUNITY DEVELOPMENT ISSUES, GENERAL ACCOUNTING OFFICE; AND JEFFREY LINES, PRESIDENT, TAG ASSOCIATES**

Mr. SHULDINER. There has been some discussion in terms of what the role of HUD should be, and whether HUD has the capacity to take over a housing authority, and whether it is moving to take over other housing authorities. When HUD submitted its blueprint back in December and talked about the—the reinvention of the Department and the future of the Department, the fact of the matter is we envisioned a much smaller Department that would have much fewer functions; that the Department would basically obviously be a funder; that it would be a reviewer of plans; that each community would have to submit a consolidated plan that HUD would review; that it would provide technical assistance; but that it would also have an enforcement arm. And that in fact, whether it is taking over housing authorities or individual section 8 developments privately owned or publicly owned, that that would in fact be a function that—that HUD would have in the future.

So I think the question of yes, HUD has not done it in the past, HUD is not—is not—up until a year or two ago HUD was not constituted to have that capacity, but we are in fact migrating that way. In this administration we have created the Office of Distressed and Troubled Housing Recovery, we have brought in people, plus have created indefinite quantities contract so that we have technical consultants on contract whom we can call on specifically to have the capacity to do an intervention if it becomes necessary.

In fact, if I may go further and say HUD—HUD suggested legislation that—that would institute a death penalty, if you will, for housing authorities that remained on the troubled list beyond a certain period of time, that HUD would be enforced to intervene; that it was not, you know, HUD deciding to intervene when the overwhelming pressure would be not to; but in fact the reverse, that these are conditions that are intolerable, that must in fact be addressed, and that the—and that the result would be that HUD would intervene in effect through an administrative receivership action. So I just wanted to bring out that point.

There had been some discussion about how do residents feel about the HUD activity. One of the things that we have done is we have provided money to in fact do resident surveys. While they focused on three developments where there was an—a preexisting contract with APT Associates, we are looking at a way to have some sampling of residents throughout—throughout the housing authority, so in fact from year to year changes can be measured. And when we are talking about is what we are learning here prototypical or can it be used elsewhere, I would like to see a time in which every housing authority, as a matter of course, surveyed its residents on a variety of issues in terms of what its priorities are, how is the work going, et cetera, which is not something that—unlike something that a private company would do in terms of serving its customers.

Just on the resident patrol, let me just quickly say on that when we came the resident patrol had a history of paying rent—they basically gave rent abatements, partial rent abatements to people who participated. That had been suspended before we entered because of alleged abuse. We have—we are looking to increase the involvement of resident patrol because we recognize that resident involvement is the only answer to the—to the question of—of security, but we also have an obligation to ensure that we do not start this up until we have the safeguards to see that the program is not abused.

Now, Mr. Weller asked a very interesting question about would residents respond if they did not get the rent abatement. While there can be some question as to whether the New York program in whole can be implemented here, it is interesting to note that the residents there are volunteers, do not get rent abatements, and that the only stipend is for the building captains, the people who coordinate the effort of the volunteers who are in effect part-time employees.

Again, we are not suggesting that rent abatements would not be an appropriate way to go. Frankly, the rent abatements is a whole lot cheaper than the cost of the rest of the security. But I think we have an obligation to the America taxpayer to review this program and make sure that if we are going to give funding, that there are proper controls.

Last, let me just talk about the strategic plan and the question that I think it was Congressman Rush or whomever raised about—or perhaps yourself, about the issue of would residents know before we take down any buildings. What we have proposed is to provide money for every development that is interested in hiring their own urban planner to do their own strategic plan for their site. We want resident-based plans. We would like residents to go through the process of looking at their development and really determining what it should look like in the future.

Unfortunately, many of the developments do not lend themselves to just, well, fix it up and keep it as it is. There are physical problems at the sites, there are other issues at sites which do not make the present configuration or structure the appropriate one for long term.

But we do not want to—as the Secretary said, we do not want to come in and say, "This development is over." What we—instead

we are offering to work with residents to produce their own plan and their own sense of community that—that hopefully in the future we can identify funds to support. That is why we cannot answer and should not be able to answer the question of which development is slated next. We have no next. We came in working on three, Cabrini, Horner, and the Lakefront.

Residents in Clarence Darrow have come to us, and so at some time in the near future we hope to start talking to them. But after that it is really a question of, you know, let us sit down and have a joint planning process where you control the planning in the beginning. So, and we think that in the long run that will be more successful. With that I just await your further questions. Thank you.

Mr. SOUDER. Thank you. Ms. England-Joseph.

Ms. ENGLAND-JOSEPH. Good afternoon. I appreciate the opportunity to discuss the recent events at the Chicago Housing Authority related primarily to the May 30, 1995, takeover by the Department of Housing and Urban Development.

HUD's takeover was necessary because of the poor physical condition of CHA's extensive housing stock and the troubled management of the housing authority, among other longstanding problems. And many of these were problems that were making the improvements at CHA practically impossible.

Now, in preparing for this hearing we attempted to try to answer three questions for the subcommittee. The first was: From among several intervention alternatives, did HUD choose the most appropriate one by using temporary staff from HUD and other housing authorities and industry groups? Two: What obstacles will HUD face as it tries to plan for the rebuilding of the CHA? And three: What has HUD accomplished in the past 3 months, and what additional steps can HUD take to ensure not only the recovery, but the sustained revitalization of Chicago's public housing?

Our testimony is based on ongoing work that we are doing in the low-income housing area, as well as recent work in the community development area. In fact, we just testified before the subcommittee a few weeks ago on that community development work. What I would like to do is summarize our answers to those three questions and submit our entire statement for the record.

For the first question—did HUD choose the right or most appropriate intervention strategy—once HUD decided to intervene into the management of CHA there were several strategies that were available to them, a couple of which have already been discussed. Specifically, seeking a third party or a court-appointed receiver to manage the housing authority; replacing CHA management with a professional housing manager; or assigning HUD staff to manage the CHA.

Because CHA's executive director, the board of directors, and other key staff resigned, and Chicago's mayor did not support receivership, HUD's decision to take over CHA with its own and borrowed staff appeared to be the best option available.

In answer to the second question—what obstacles will HUD face as it tries to rebuild the CHA—it will face significant obstacles, including the deteriorated condition of much of Chicago's 40,000 housing units; the CHA's cumbersome organizational structure;

residents' distrust of proposed changes; substantial security and crime problems; geographic and social isolation from the rest of the Chicago community; Federal laws and regulations; and finally, insufficient funding. Because of the severity of these problems the recovery of the CHA will at best take us into the next century.

In answering the third question—what has HUD accomplished in the past 3 months and what additional steps can HUD take to ensure not only recovery but sustained long-term revitalization—during the past 3 months HUD has reorganized the CHA's management; taken steps to privatize selected functions; and developed short-term plans to improve maintenance and security, rehabilitate the physical stock, and foster community development.

However, HUD has not selected a new executive director nor hired some key upper level managers. In addition, HUD has not committed to a long-term plan for phasing itself out of CHA and installing a permanent management team. Committing to and making progress toward such a plan is necessary if CHA is to gain the trust and cooperation of the residents, the CHA staff, and finally the city.

In summary, Mr. Chairman, we believe that HUD officials had little choice in taking over CHA, and we also believe that it was long overdue. Even if the progress that HUD has made in stabilizing CHA to date continues, HUD will not solve CHA's problems in the near future. Because of the magnitude and persistence of these problems, improvements at the authority will take years to accomplish, and short-term gains will be difficult to achieve or sustain.

Thus, it is important that HUD officials do not raise expectations of tenants or of the public for immediate solutions to these difficult and chronic problems. Although HUD has established and already met some short-term goals, preparing a comprehensive, long-term recovery plan will be critical to ensuring sustained success.

Mr. Chairman, that concludes my statement. I would be happy to answer any questions you or Members of Congress may have.

Mr. SOUDER. Thank you very much. Mr. Lines.

[The prepared statement of Ms. England-Joseph follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Human Resources and Intergovernmental Relations, Committee on Government Reform and Oversight, U.S. House of Representatives

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# PUBLIC HOUSING

# Status of HUD's Takeover of the Chicago Housing Authority

Statement of Judy A. England-Joseph,
Director, Housing and Community Development Issues,
Resources, Community, and Economic Development Division

GAO/T-RCED-95-275

Mr. Chairman and Members of the Subcommittee:

We are here to discuss recent events at the Chicago Housing Authority (CHA) related to its May 30, 1995, takeover by the Department of Housing and Urban Development (HUD). HUD's takeover was necessary because the poor physical condition of CHA's extensive housing stock and the troubled management of the housing authority, among other longstanding problems, had made improvements at CHA practically impossible.

Today, this Committee is addressing a series of questions that include the following: (1) From among several intervention alternatives, did HUD choose the most appropriate one by using temporary staff from HUD and other housing authorities and industry groups? (2) What obstacles will HUD face as it tries to plan for the rebuilding of CHA? (3) What has HUD accomplished in the past 3 months and what additional steps can HUD take to ensure not only the recovery but the sustained revitalization of Chicago's public housing? Our testimony is based on our ongoing work on low-income housing issues and our recent work on community development for your committee.

We would like to summarize our views on these questions and then turn to a more detailed discussion of them.

-- First, once HUD decided to intervene into the management of CHA, several intervention strategies were available, including seeking a third party (court-appointed receiver) to manage the housing authority, replacing CHA management with a professional housing manager, or assigning HUD staff to manage CHA. Because CHA's executive director, board of directors, and other key staff resigned, and Chicago's mayor did not support receivership, HUD's decision to take over CHA with its own and borrowed staff appeared to be the best option available.

-- Second, as HUD works to rebuild CHA, it will face significant obstacles, including the deteriorated condition of much of CHA's 40,000 housing units, CHA's cumbersome organizational structure, residents' distrust of proposed changes, substantial security and crime problems, geographic and social isolation from the rest of the Chicago community, federal laws and regulations, and insufficient funding. Because of the severity of these problems, the recovery of CHA will continue into the next century.

-- Finally, during the last 3 months, HUD has reorganized CHA's management; taken steps to privatize selected functions; and developed short-term plans to improve maintenance and security, rehabilitate its physical stock, and foster community development. However, HUD has not selected a new executive director nor hired some key upper-level managers. In addition, HUD has not committed to a long-term plan for phasing itself out of CHA and installing a permanent management team. Committing to and making progress toward such a plan is necessary if CHA is to gain the trust and cooperation of residents, CHA staff, and the city.

BACKGROUND

CHA is one of our nation's largest public housing authorities. After the housing authorities in New York City and Puerto Rico, the Chicago Housing Authority ranks third in size with about 40,000 housing units. Over 15,000 of these units are in high-rise buildings and need extensive repair. According to CHA, renovating these buildings will cost about $1 billion, an average of over $66,000 per unit. Compounding these deteriorated housing conditions is CHA's long history of mismanagement. Since 1979, HUD has rated CHA among the poorest performing housing authorities. In May 1987, HUD's Chicago Field Office recommended that HUD place CHA in the hands of private management due to the authority's inability

to manage its housing stock. No action was taken on its field office's recommendation. Subsequently, in 1989, we reported that CHA had long-standing management problems in virtually all operational areas and severely distressed housing conditions.[1] Moreover, a 1994 evaluation by the consulting firm of TAG Associates, Inc., found that CHA's management problems and property deterioration had continued and recommended that significant actions be taken to improve conditions.[2]

HUD'S TAKEOVER OF CHA

Over the 15 years that CHA has been on HUD's troubled housing list,[3] HUD has tried several approaches--short of taking direct control--to improve the conditions at this severely troubled housing authority. In May of this year, HUD officials met again with CHA management to discuss the authority's troubled status. The subsequent resignation of CHA's executive director and board of directors left a substantial void in the leadership at that time. With these resignations and the immediate need to provide day-to-day management for the authority, HUD had few alternatives including taking control of the CHA with its own staff. Other alternatives included contracting with a private manager or petitioning the courts for a receiver. These alternatives, however, required additional time to accomplish.

Receivership did not appear to be a reasonable option following the board members' resignations. HUD had neither the time nor the

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[1]Public Housing: Chicago Housing Authority Taking Steps to Address Long-Standing Problems (GAO/RCED-89-100, June 8, 1989).

[2]Chicago Housing Authority: Management Capacity Assessment, TAG Associates, Inc., (Norwood, MA: Sept. 1994).

[3]HUD classifies public housing authorities as "troubled" if they score less than 60 out of 100 points against a set of 12 performance indicators. Currently, HUD rates 92 of the 3,300 authorities as "troubled."

resources to seek a receiver to assume management of CHA. According to a HUD and city offical, Chicago's mayor did not favor receivership, but would agree to HUD's taking control of CHA. The mayor's resistance could have delayed appointing a receiver as occurred in other cities like Boston, MA, and Washington, D.C.

Because of the circumstances HUD faced in May 1995 HUD's decision to take control of CHA with its own staff, on balance, appears to have been the best option available. The immediate need for leadership prevented HUD from taking the time to exercise other options, such as contracting with a property management firm. Nevertheless, private management and receivership are still viable options for developing long-term solutions to CHA's problems. We note that HUD is currently considering a change in its regulations to require Departmental intervention when a housing authority has been unable to improve its performance over a specified period of time. Under such a requirement, there would have been no question about the consequences of CHA's chronic low performance and HUD's responsibility to intervene. This type of requirement could alert housing authorities, motivate them to improve their performance, and stimulate needed improvements or other actions at several other large housing authorities that, like Chicago, have been troubled for over a decade. Working against the effectiveness of this requirement, according to HUD's Assistant Secretary of Public and Indian Housing, is that the Department may not have in the future the expertise to manage several troubled housing authorities at one time.

## HUD FACES SIGNIFICANT OBSTACLES THAT WILL TAKE YEARS TO OVERCOME

As HUD tries to rebuild CHA, it will face many challenges. According to the conditions we have witnessed at CHA, documents we have reviewed, and statements made by HUD officials currently

struggling to stabilize the authority, obstacles to this recovery include

-- the need to demolish or rehabilitate 15,000 high-rise housing units--at a cost estimated by CHA of $1 billion--against the wishes of distrusting tenants and within the agreements that CHA has with over 20 labor unions whose work rules often make contracting for and accomplishing repairs a cumbersome and time-consuming process;

-- CHA's top-heavy organizational structure and the ineffectiveness of the authority's maintenance, finance, accounting, and management information systems;

-- gangs that threaten residents, visitors, and CHA staff, even though CHA spent $70 million last year on the security of its public housing residents;

-- reduced federal funding and a public housing community that has been historically isolated by the greater Chicago community, a community that needs to be made part of the solution to sustain any improvements made by HUD staff; and

-- federal statutes and regulations, such as rent rules that discourage people from working and admission rules that favor the lowest-income families to fill vacancies, thus promoting increasing operating subsidies to offset lower rental income.

## HUD HAS MADE PROGRESS, BUT LONG-TERM PLANNING IS ABSENT

During the last 3 months, HUD has made progress in achieving the recovery goals set for CHA shortly after the takeover. Staff from HUD and private consultants are working at CHA on both a full-

and part-time basis to restructure the organization and address operational deficiencies. However, HUD has not taken some additional steps needed to ensure CHA's long-term success. For example, HUD has not hired an executive director and other upper-level management. In addition, HUD has yet to develop a long-term recovery plan that demonstrates, among other things, how it intends to devolve responsibility for day-to-day management and policy-making back to CHA. Without hiring permanent CHA management and planning for the future, HUD is unlikely to encourage increased involvement and long term commitment by stakeholders in actions needed to turn around CHA and make it part of the broader community and economic development.

HUD Is Making Progress Toward Short-term Goals

In a June 11, 1995 memorandum, HUD Deputy Assistant Secretary Marchman, acting as CHA's interim executive director, stated a series of recovery goals for strengthening CHA that included specific improvements to the physical stock, organizational structure, and management systems. Over the past 3 months, many of these goals have been built into a 120-day action plan and HUD has made some progress toward achieving them. However, CHA's troubled conditions at the time HUD took over make it difficult to expect substantial improvement in residents' quality of life before the end of the year.

Since the takeover, HUD has condensed the organizational structure, has taken steps to privatize selected housing functions such as the Section 8 program, hired additional police, and has continued redevelopment of selected properties. In addition, HUD is revising tenant admission, occupancy, and eviction policies, overhauling maintenance operations, and improving budgeting, accounting, and procurement systems.

HUD Has Not Developed a Long-Term Plan

HUD has yet to develop a long-term plan describing the direction it will be leading CHA and its residents after the goals in the 120-day plan have been met. HUD officials recognize the need for a long term plan. A long-term plan would help address such issues as comprehensive rehabilitation of the housing stock, resident satisfaction, quality of resident services, progress toward community enhancement and development, and the quality of the relationship between the housing authority and the other key parts of the broader community. The long-term plan also might help determine how HUD would extricate itself from the day-to-day management of CHA and to whom HUD will turn over responsibility for managing the authority in the future. The plan could also set forth the objectives and milestones that need to be met before HUD withdraws from CHA and HUD's role after the transition. Furthermore, including tenant, city, and community organizations in developing the plan would foster their support of the changes that must be made to solve the problems of Chicago's public housing.

An important element of the long-term recovery plan is an ongoing assessment of progress. HUD officials are attempting to establish accurate baseline data for maintenance, finances, inventories, and other areas to measure the success of their efforts at CHA. According to public housing experts and others familiar with CHA's conditions, additional indicators of improvement should include vacancy rates, rent collections, unit turnaround time, and modernization. Such indicators, however, are only useful for evaluating trends in a housing authority's performance over an extended period. In the near term, HUD expects that CHA vacancy rates and unit turnaround times may actually increase as new occupancy and tenant screening policies are put into effect.

Creating a Sustainable Community Requires Commitment

HUD's short-term plan for the CHA identifies the steps needed to change the community and economic environment of public housing neighborhoods in Chicago. Our work in community development shows that success in distressed neighborhoods is most probable when the complex, interrelated problems they face are addressed in tandem and when commitment from all stakeholders is sustained over a long period.[4] Integrating public housing into the larger community is important because the average income of CHA residents (many of whom are below 10 percent of area median family income) would rise if greater economic activity existed in the areas around housing authority developments. However, the public housing is often in neighborhoods where there are no jobs and little or no commercial activity. Because businesses have moved out, poverty has increased, and public and private services have been reduced in these neighborhoods, community development experts cautioned us that significant improvements may take a generation or longer to achieve.

While HUD's plan to create mixed-income neighborhoods to reduce residents' isolation and help them become part of the nearby community is a beginning, the plan also needs to go beyond housing to encompass all aspects of community development, including social services and economic development. To gain widespread commitments, the entire community--from nearby and public housing residents to local businesses and service providers--should participate in developing components of the plan. Ideally, it would include partnerships with foundations and corporations to provide funding and expertise, but also incorporated into a larger citywide plan that addresses housing, economic development, and social services

[4]Community Development: Comprehensive Approaches Address Multiple Needs but Are Challenging to Implement (GAO/RCED/HEHS-95-69, Feb. 8, 1995).

needs for the whole Chicago area. Developing such a plan will not be an easy task.

Creating sustained community commitment can be a time-consuming, multistep process that involves many stakeholders. Although results may not be visible for many years, involving the CHA in existing community development activities such as the Empowerment Zone[5] would be beneficial. Although this zone includes many CHA public housing developments, it will be years before these neighborhoods realize significant economic development.

Despite outreach efforts by the city's planning department and the importance of community involvement, residents generally have little confidence in CHA's ability to manage its properties. As a result, residents will likely continue to be apathetic and skeptical about community development efforts until their basic housing needs are met satisfactorily. Similarly, business and community leaders have been hesitant to commit to new initiatives without a clear understanding of how CHA will effectively manage its responsibilities. Thus, HUD's success in implementing its short-term recovery plans plays a critical role in building the necessary bridges to the community for long-term development that will link public housing to the broader community.

Although HUD's plan outlines initiatives to involve the community, including various corporate, community, religious, and academic leaders, we found little progress in this area because these stakeholders are not yet convinced of CHA's effectiveness. This skepticism is compounded by the absence of an executive director or a permanent management team. Without commitment from

[5]The Empowerment Zone and Enterprise Community program promotes the comprehensive revitalization of distressed communities by funding broad, community-based strategic plans. Chicago was designated as one of six Empowerment Zones in December 1994.

HUD and its successor management, community leaders will probably remain reluctant to become involved with CHA development.

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In summary, Mr. Chairman, we believe that HUD officials had little choice in taking over CHA. Even if the progress that HUD has made in stabilizing CHA to date continues, HUD will not solve CHA's problems in the near future. Because of the magnitude and persistence of the problems, improvements at the authority will take years to accomplish and short-term gains will be difficult to achieve or sustain. Thus, it is important that HUD officials do not raise expectations of tenants or the public for immediate solutions to difficult and chronic problems. Although HUD has established and already met some short-term goals, preparing a comprehensive long-term recovery plan will be critical to ensure sustained success.

Mr. Chairman, this concludes my statement. We would be pleased to answer any questions that the Subcommittee Members or other Members of Congress may have at this time.

(385492)

Mr. LINES. Sure. I am Jeff Lines and I am the president of a firm called TAG Associates, and also as of tomorrow will be my first anniversary as the receiver of the housing authority of Kansas City, MO, under the Federal district court.

I was called upon a little over a year ago to do an assessment study of the Chicago Housing Authority, having been involved off and on with the CHA for some period of years, having predated my time with public housing and been sort of a sister agency at Boston to—to Chicago.

Much of what my findings were, were covered in the June 7 testimony I gave, and also were covered in the Secretary's testimony. But by and large, we found a rather significantly distressed organization, one that primarily had the worst housing stock in the Nation. I take a little bit of exception to the Secretary in the sense that New York City's housing stock is more typical of the housing stock in New York City, with a different sort of a structure and design that blends and is more suitable to the type of management scenarios that you have in New York City. So Chicago's housing stock is significantly different, significantly hard to manage, very difficult, in very poor condition, was not designed for long-term sustainability. So you have very, very difficult housing stock. Coupled with the size, the institutional isolation, the growing middle management and a number of other conditions had resulted in a very distressed agency.

I also, however, pointed out in my report that under Chairman Lane that there were a number of significant initiatives that were undertaken, and I pointed out to what they were. And I said, "But, however, we have little instance here with long-term sustainability and follow through on improvements." And my findings were basically that there were certain systemic problems inherent to the structure and type of the Chicago Housing Authority such that if they were not addressed, ultimately you would have little long-term progress in solving the needs of low income households in the city of Chicago.

Some of my concerns, the most important ones, I think, has been addressed as HUD has made their early moves at CHA. First of all, 120 days or 90 days or whatever is not enough time to assess a recovery effort. What we have to do is we have to look at certain key components that they have put in place. One is they have stabilized senior management, regardless of how they have done it. I know, and I agree with the Secretary, that there are too few managers with substantive public housing experience who could come in and manage a housing authority. I have got that problem; HUD has that problem; we all have that problem. And when you have short-term needs it is very hard to accommodate that.

The second issue is that they have moved toward stabilization. In other words, they have moved aggressively toward prioritizing those sites that could move forward and those management activities that would result in the best improvements in the agency in the short-term, and that they, as HUD, can essentially initiate. I would disagree with Congressman Weller that—sort of to say that they should be able to give quantitative measures as to which developments they are going to move at, at which time and which place. These problems have taken decades to occur, and my report

alone said that essentially CHA needed to consider divesting itself of its most troubled portfolio, and that needed to be done after some careful plan and study except at those at Cabrini and Ida B. Wells and a couple of others where there have been significant planning already.

The second thing I also indicated was that we needed to have a different management structure and approach, which I think CHA is now considering for the other very large, difficult high rises which can probably be treatable through more conventional but yet not typical means.

And that third, that the CHA needed some significant management restructuring. The security area is important. It is very important that you focus on resident safety and health, and that you focus on maintenance and security, which is where they are now. That is the appropriate way to go. However, at the end of December CHA will be better but it will be far from having its problems cured. And what I worry about, being a receiver, being somebody who is under constant political barrage, having been—being an appointee of a court, as to how the agency will be able to act with sufficient authority with whomever it installs as an executive director in order to do the right thing, make the right decisions and manage public housing resources as well.

Fundamental issues of procurement, personnel management, and the management of financial resources require both competence and far-sweeping capacity either through the local political environment or through some other sorts of actions such as receivership type powers in order to deal with something as significantly troubled as the Chicago Housing Authority.

Those are my basic comments. I would rather just turn it over to questions. You have got my written testimony. So, thank you.

[The prepared statement of Mr. Lines follows:]

# TESTIMONY BEFORE THE U.S. HOUSE OF REPRESENTATIVES COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT SUBCOMMITTEE ON HUMAN RESOURCES AND INTERGOVERNMENTAL AFFAIRS

BY JEFFREY K. LINES, PRESIDENT OF TAG ASSOCIATES, INC.
AND
RECEIVER FOR THE HOUSING AUTHORITY OF
KANSAS CITY, MISSOURI

SEPTEMBER 5, 1995

**Testimony of Jeffrey K. Lines Before the U.S. House of Representatives Committee on Government Reform and Oversight Subcommittee on Human Resources and Intergovernmental Affairs on September 5, 1995**

Thank you for the opportunity to testify today on issues affecting HUD's role and interventions in the operations of very large troubled public housing agencies. Let me start by telling you something about myself and my company. TAG Associates is a firm that is actively working in the field of distressed and troubled public housing and currently serves as the Receiver, of the Housing Authority of Kansas City, Missouri, the Alternative Administrator for the Ellen Wilson Hope VI Program in Washington, D.C., as a principal member on the Washington, D.C. Independent Management Team (IMT) supporting the Receiver and is working as a part of the public housing recovery efforts in Detroit. I have been actively involved in working in troubled and severely distressed public housing for nearly twenty years and was a senior management team member of the Boston Housing Authority working directly for the Receiver. I also administered a Hope VI style severely distressed public housing program at the state level for state assisted public housing in Massachusetts. I and my firm served as the lead technical consultant to the National Commission on Severely Distressed Public Housing established by the U.S. Congress.

My experience indicates that the task of addressing the needs of large and distressed public housing is one that requires utilizing a range of solutions including the direct intervention in the operations of public housing and the management of this housing. Taking steps such as appointing receivers through federal and state courts or alternative administrators through HUD are appropriate steps which should be considered and pursued when circumstances warrant dramatic and aggressive intervention. Caution needs to be exercised in not implementing one size fits all solutions which may not be appropriate to a particular agency. For example, the method of intervention and the objectives for remedying causes of severe distress in public housing will clearly be different for Chicago than for Kansas City.

The basis for measuring progress in remedying distressed and troubled public housing needs to be set carefully and cannot always be based on a set of mostly numerical measures such as is used for the Public Housing Management Assessment Program (PHMAP). Clearly one set of quantitative measures for approximately 3,200 public housing agencies nation-wide is not the basis on which decisions should be made on whether to take control of the operations of housing agencies or to measure progress toward achieving critical objectives.

Recently, I was asked to provide testimony to the House of Representatives Subcommittee on Housing and Community Opportunity (June 7, 1995) which covered many of the topics being reviewed by the Committee on Government Reform and Oversight at today's hearing. I am going to provide similar testimony to this committee as was provided for the hearing held on June 7th with some additional thoughts and comments based on HUD's continued efforts to address the needs of severely distressed public housing in Chicago and in other cities.

**I. Issues confronting distressed and troubled public housing.**

Troubled public housing is considered to be that housing which clearly has significant difficulty being managed and serving as a viable housing resource for low income households. The reasons for troubled public housing developments are many: high rejection rate by low income households (forcing high turnover among residents); high vacancy rates due to the inability to ready vacant units or receive or program the funds needed to correct substandard conditions; lack of staff capacity or management systems to effectively deliver essential operating services; lack of public and private institutions in the overall neighborhood to provide traditional supports for a residential housing community (i.e. police protection, job opportunities, recreation space, etc.); and the inability of the public housing agency to adapt its management programs and organizational structure to meet the changing needs of its public housing communities. The causes for the above problems can vary and can often be traced to the level of difficulty in managing specific public housing developments.

In the case of the Chicago Housing Authority (CHA) many core problems relate to the overall conditions of distress found within the agency and at a number of its specific public housing developments. The CHA has a large concentration of what must be considered the most difficult to manage public housing developments in the country. The needs of the CHA are so great and the problems it encounters are so large that careful scrutiny and attention will need to be given to the development of any approach for infusing significant resources into this organization. The problems of the CHA are not money alone and a comprehensive and coordinated strategy for addressing the needs of the public housing program is absolutely necessary, if the problems faced by this housing authority and the residents it serves are to be addressed. The major findings with respect to the CHA's organization and structure are listed below.

1. The CHA has a large and loosely structured middle management which impedes program accountability and creates inefficiencies in its operations.

2. CHA utilizes a highly centralized and controlled system for decision making, which limits its capacity to effectively pursue and realize the benefits of a more decentralized and site based management structure.

3. CHA has been unable systematically to implement management controls and to maintain a system of quality control.

4. Despite extraordinary efforts on the part of the agency, there continues to be an overall inability to control the general living environment at certain housing developments in terms of management rules, security and physical conditions.

5. CHA has not effectively implemented planning processes for seeking solutions to the problems of its troubled public housing developments.

6. The agency is, in many cases unable to sustain operational improvements it has made in the medium and long term because it has not effectively undertaken certain critical activities required to improve its administrative systems.

However, it is critical to view CHA's problems in the context of the scale and complexity of the challenges it faces. As indicated above, CHA owns and manages some of the largest, most troubled public housing communities in the country. Several of the communities meet every definition of distress developed by the National Commission on Severely Distressed Public Housing (NCSDPH). The scale of the physical, social and security problems confronting these communities and CHA is truly daunting.

Many of the problems with the CHA's organization and operation are present to some degree at other housing authorities but, the severe conditions of distress at CHA are not always found at these other housing agencies. The size and level of difficulty in managing CHA housing is what distinguishes it from other public housing agencies and requires an extraordinary and different approach to addressing the needs of this agency.

While the CHA's problems are not related to just funding, the level of funding and consistency with which public housing is funded has a significant affect on both the ability of CHA and other troubled PHA's to operate as well as to plan to improve operations in the future. The capacity of troubled PHAs can be enhanced through a rational and predictable level of funding and rules. The lack of consistency in financial support and regulatory procedures governing public housing continues to contribute to an unstable and uncertain environment for public housing agencies which has an adverse affect on troubled public housing agencies in particular.

Addressing the need for regulatory reform and providing stable funding for public housing agencies is critical to support PHAs in effectively planning for the future. There is a special need for 6(j) funding to support public housing turnaround efforts and receiverships. Further, receivers should be given first priority for this funding to support their efforts in addressing the needs of distressed public housing agencies.

**II. Movement toward direct intervention in the operation of distressed and troubled public housing.**

In the past year or two there has been a movement (by HUD) toward taking a more direct role in the operation of distressed and troubled public housing. Two areas of note are that troubled public housing agencies were required to designate alternative administrators for Hope VI Urban Revitalization Demonstration housing developments as a condition for

participating and receiving funding under this program. TAG Associates is serving in this capacity as a part of a team acting as the alternative administrator in Detroit and Washington, D.C. The Alternative Administrators are to serve as the "agent" or in many respects in lieu of the housing authority in its dealings with the community, HUD and other institutional actors engaged in these full scale revitalization programs. It is important to note that CHA did not designate an Alternative Administrator for its Cabrini Green project.

Steps have also been taken by the federal courts in Chester and Kansas City to take control of public housing agencies and to appoint receivers. In both of these cases the receiver has been a private firm and not an individual. In Washington, D.C. a local court has finally prevailed and taken control of the public housing agency naming an individual as the receiver. Prior to this experience a local court had only taken control of the Boston Housing Authority and appointed a receiver (in February, 1980). In rare cases (East St. Louis and Bridgeport) HUD has taken control of a public housing agency by declaring a breach in the Annual Contributions Contract which is the method apparently being used to take control of the CHA.

In the cases of Kansas City and the District of Columbia the level of distress at these public housing agencies is quite high but the approaches to correcting conditions of distress are far more conventional than what will be required for treating distressed public housing in Chicago. When taking control of a public housing agency it is important to have clear objectives for remedying the conditions of distress and moving the agency back to a new or longer term governance structure that does not require such extraordinary intervention. Privately managed public housing certainly can be one of the approaches to operating a public housing agency or housing development in the future. However, within a short period of time a "receiver", "alternative administrator" or other "alternative operator" of public housing needs to have a plan and program for what direction the agency is to move in so as to no longer be considered troubled. In the cases where I have been involved the plan is developed in three to six months and lays out a program for remedying conditions of distress (i.e. in Boston and Washington, D.C. the process for developing a plan was six months and in Kansas City it was three months).

Extraordinary flexibility and support is needed from HUD if outside intervention in public housing is to be successful. There can generally be just one "person in charge" and that person in the case of a receiver is typically not HUD. Being hands-off while providing resources and logistical support to an individual or firm is generally incongruous with the way a federal regulatory and monitoring agency such as HUD is conditioned to operate.

When considering interventions in troubled public housing it is important to consider that HUD is a regulatory and monitoring agency and not a supervisory agency (i.e. it is not organized in a way that it has the capacity or organization to operate public housing agencies - let alone an agency the size of CHA). Therefore, HUD needs to be clear about its objectives and approach to intervening in the operation of public housing agencies and have a plan for moving the agency to a form of governance that does not require HUD directly administering

the operations of a housing agency (beyond the limited time period necessary to convey operations to another individual or entity). The intervention in the agency by HUD needs to include a program for developing a plan or in implementing a specific plan for remedying distress that has already been developed prior to HUD assuming operation of a housing agency.

HUD recovery team members in Chicago have embarked upon a stabilization effort to address many immediate problems of staff capacity, program administration problems and non compliance which is necessary in the short term. HUD now seems to be moving in the direction of finalizing a longer term plan for the agency which incorporates key elements of the TAG Associates report. In future endeavors such as this, it would be helpful to be able to have further developed a plan and to publicize this plan before taking control of a troubled PHA.

HUD's willingness to take direct action in addressing the needs of troubled and distressed public housing is welcomed by many but, it is also important that in pursuing this new, more aggressive posture that HUD not become "trigger happy" by overusing this approach except, where it is clear that there can be improvement in the operation of a public housing agency through direct intervention in the agency's operations.

**III. Need to expand range of available options for treating distressed and troubled public housing.**

There are a variety of options that HUD can pursue in addressing the needs of distressed and troubled public housing. One approach is to look at what it is that has caused the agency to become distressed and whether the conditions of distress relate to certain portions of the housing agency's portfolio or whether the root cause of the problem is the agency's failure to operate its programs throughout most or all areas of its housing operations. Requiring that a housing development be alternatively managed or that it be designated for redevelopment (that may include demolition, replacement, reconstruction, privatization or some combination of these forms of treatment) could be what is required along with certain management changes at the housing agency in order to remedy distress. Public housing agencies need to be viewed as asset managers rather than as whole organizations that manage a monolithic housing stock. In viewing housing authorities as owners and managers of different types of property, the primary or most severe causes of distress can often be identified as relating to conditions at one or more housing developments. By taking a housing development based approach to intervening in a housing agency's operations HUD can minimize its risk and focus efforts in ways that have a greater likelihood of success.

Clearly, there are times when housing development based approaches are not effective and it is appropriate and necessary to treat the entire housing agency. Direct control of an agency is appropriate in some cases such as for Washington, D.C. and Kansas City where

there exist a number of systemic problems that affect the entire operation of the housing agency. Taking control of the agency and separating the housing authority from the local government and even in some cases, its normal relationship with HUD is what can be required. HUD has options that it can pursue regarding the above which can include the following.

1. Petition the courts to appoint a receiver which can often be accomplished by working with existing plaintiffs in a court action seeking a remedy such as receivership.

2. Taking control over an agency by declaring a breach of the Annual Contributions Contract and moving to appoint a receiver.

3. Taking control over one or more housing developments and requiring the appointment of an alternative administrator or receiver for one or more developments (which is a practice followed in the private sector for assisted housing developments).

4. Outlining a set of improvement and related actions on the part of the public housing agency that if not undertaken will "trigger" steps to intervene in its operations which can include the appointment of an alternative manager.

5. Requiring that certain distressed properties actually be assigned to a new housing agency or entity such as a public benefit corporation as is recommended for Chicago and being considered in New Orleans.

The above options are not mutually exclusive and provide a wide range of intervention actions that can be taken by HUD to remedy distress in public housing.

The most important issue to be considered is that HUD act in a way that will result in longer term benefits to public housing residents when an agency is found to be distressed and not progressing in a reasonable manner toward remedying conditions of distress. In some cases steps can be taken without having to resort to a direct intervention in the operations of the public housing agency. In the case of Indianapolis we have worked with this public housing agency to establish a series of management and operational improvements and to implement programs to treat its more severely distressed public housing developments. A part of the program for remedying conditions of distress has been to create a separate city agency for public housing and for the agency to develop its own independent and internal management systems (i.e. financial management, capital improvements management, automated management information systems, procurement and so on).

On a larger scale, this is the program that is being pursued for Detroit's public housing. In this case HUD must take the role of providing support for the agency's operations

and agreeing to a management plan that is fully tailored to meet the improvement needs of a specific agency's situation. The size and complexity of the Indianapolis public housing program is far less than that of Detroit's. Indianapolis' improvement program was implemented in 1992 and resulted in the removal of the agency from the list of troubled housing authorities in 1994 (after more than a decade of being on the troubled list). Detroit's improvement effort will require many years before using the mostly quantitative PHMAP method of measuring performance will result in it being removed from the list of troubled housing agencies. However, if clear qualitative measures are established and being met along with the development of a separate housing agency and the revitalization of distressed properties, "what reason would there be for HUD intervention in the operation of the agency"? Therefore as stated previously, HUD must be careful to not use "one size fits all" solutions to intervening in distressed public housing and the Congress must consider that requiring single uniform criteria in undertaking interventions in a public housing agency may significantly limit the success of this method of treating severely distressed public housing. As discussed below, the program proposed for Chicago requires many actions be taken in a number of areas in order to begin to address the problems in that agency and with the housing stock.

Whenever takeover or receivership actions are needed it is important that the administrator or receiver be given a high level of support and authority. Oftentimes, local governments and HUD Field Offices find the receiver to be imposing and attempt to limit or even impede the receiver's efforts. This situation can create a high level of difficulty and adversely impact the turnaround efforts at a PHA. Receivers need broad and uncontested powers that can usually be granted by a federal court but can prove time consuming and cumbersome to exercise. It is recommended that Congress grant receivers for public housing the power to bypass procurement rules, local laws governing personnel practices (i.e. civil service and related laws), to acquire and dispose of housing, the ability to program federal funds at the discretion of the receiver and so on. Attempts to limit the receiver's powers in Kansas City and in those areas have made certain turnaround tasks more difficult. HUD recent legislative proposals for administrative receivership and related actions would provide some significant support for takeovers of troubled PHAs.

**IV. Need to differentiate between very large urban public housing agencies and those that are in the large and medium size categories.**

Very large urban public housing agencies today are in a unique and very difficult position. They manage a diverse and geographically dispersed housing stock. Some of the housing stock is entering its fifth or even sixth decade of use and needs substantial re-investment and management attention to remain viable. Public housing agencies face a difficult operating environment in that they must maintain efficient operating systems while adhering to several sets of statutory and regulatory requirements. For public housing to remain viable, large housing agencies need to invest substantial effort in providing a combination of good management and adequate modernization and maintenance, yet they must

do this in an environment that typically yields limited public resources to support services to low income public housing.

Very large public housing agencies in most every respect are some of the largest real estate operations in the areas of the country where they are located. For example, the accounting and other financial requirements of large public housing authorities can be enormous as well as the reporting and regulatory requirements of these agencies. The level of regulation of public housing program activities has served to stifle management at the most complex housing agencies and given "cause to inaction" due to a mind set that exists in which there are too many rules affecting what can and can not be done in public housing. Rules governing admissions and occupancy of households, the income mix of households, the use of capital improvement funding, the setting of rents and so on have contributed to an environment where public housing agencies find it difficult to administer large programs in a flexible and effective manner. Unless there can be greater flexibility in operating public housing and these larger organizations can be operated in ways that are more decentralized, it will be difficult to make the progress required in remedying distress at the larger, more high profile public housing agencies.

The above is illustrative of the Chicago Housing Authority which it is important to note has taken a number of steps over the past several years to improve conditions in its public housing. It is the lack of overall success resulting from improvement actions which tend to lead to the problems at CHA being viewed as systemic in nature and relating more directly to its size and operational structure. The CHA has been severely troubled for many years and the recent administration of CHA resulted from steps taken in 1988 by the Metropolitan Planning Council, the former Mayor, and HUD to stabilize the agency by appointing a Chairman and Chief Operating Officer. The agency at that time was in a severe crisis situation and was having difficulty undertaking even some of the most basic functions of a public housing agency. For the past six years or so the agency has sought to define critical goals and objectives and has taken steps to accomplish those goals. Some of the more significant goals of the organization and related accomplishments are presented below.

1. *Instituting Private Management at CHA* - CHA's accomplishments have included implementing private management in its scattered site portfolio in a demonstration using private management in revitalized high-rise buildings (e.g. Lake Park Place).

2. *Instituting Resident Involvement in the Operations of the CHA* - CHA has supported resident involvement, which has resulted in increasing the number of Resident Management Corporations (RMCs) and the overall level of resident participation in the agency.

3. *Establishing Programs to Better Control the Environment at Large Distressed Public Housing Developments* - This includes a range of innovative programs such as Operation Clean Sweep.

4. *Promoting Intensive Social Support Services at Distressed Public Housing Developments* - CHA has implemented successful programs such as "CADRE" (Combatting Alcohol and Drug Abuse through Rehabilitation and Education).

5. *Instituting a Major Anti-Crime Effort* - CHA has initiated a number of public safety and security programs, of which some are "first in the nation" approaches now being used by other large public housing agencies.

6. *Other Special Programs* - A range of program initiatives have been developed and implemented including income mixing, construction management and comprehensive and coordinated planning approaches to redevelopment.

Each of the above represent areas of strength and accomplishment in CHA operations. Even though these actions are commendable the review of the CHA clearly indicates that their agency is severely distressed both operationally and organizationally. The review of the CHA confirms a range of systemic problems across major operational areas including housing management, maintenance, financial management and security.

The size and complexity of the CHA as a very large public housing agency make the task of addressing its needs to be extremely difficult and to require extraordinary levels of change in the organization. For many very large public housing agencies which are severely distressed there improvement efforts need to be evaluated not in the context of whether they show intent and effort to improve but rather, whether the efforts will result in sustainable improvements in the operation of the public housing agency. HUD's strategies for intervening in the operations of a public housing agency must clearly include an understanding of the extent of change and needs of the organization as well as those approaches which will actually result in needed improvement in the public housing. The strategies and problems of large and medium size public housing agencies differ significantly from those of very large agencies and this needs to be a part of the program to be followed by HUD.

**V. Programs for treating the needs of the public housing program in the City of Chicago.**

Any strategy for improving the operations of a very large public housing agency must recognize both the present strengths and weaknesses of the agency. The report prepared by TAG proposes an overall strategy that is tailored to the problems and needs of the agency and provides an overall program for addressing the needs of the CHA's most distressed housing communities. A summary of the key elements of this strategy is summarized below.

A. Undertake revitalization of selected large high-rise developments - revitalization is proposed for certain high-rise properties which can be treated under a variety of approaches, ranging from the efforts outlined for Cabrini Green under the Hope VI Program to models such as those presented for Ida B. Wells (and reviewed by the

NCSDPH). These types of revitalization efforts are likely to require significant outside assistance and the services of skilled private development teams. Also, it is recommended that these "treatable" severely distressed housing properties be assigned to another entity that is created to oversee these revitalization efforts. The entity must have the independence and capacity to move these projects forward.

B. Address the problems of certain high-rise developments which are not treatable under any available program or approach - these are housing developments so distressed that revitalization and hard unit replacements are not feasible. In other words, these properties need to be demolished. Moreover, hard unit replacements for these types of developments are not possible to provide or to create. Therefore, soft unit replacements will need to be made possible.

C. Undertake a coordinated stabilization effort to support large scale revitalization and restoration of selected public housing units - this approach is needed to help stabilize housing developments which cannot be treated in the short term due to the need for planning or due to overall capacity problems with trying to simultaneously move more than one or perhaps two major projects forward. Some or perhaps all of these developments should be assigned to the new operating entity referenced above.

D. Separate from severely distressed properties those properties that can be managed and treated through more conventional approaches - the CHA does have many developments which can be managed successfully using more traditional public housing approaches and can remain under the more routine oversight of a public housing agency. By retaining a portfolio of less distressed housing developments the CHA can undertake the significant management and operational changes required to move a troubled housing agency to a better status.

E. Take steps to assure that the governance and leadership structure of the public housing program is reflective of the scale of change and significant resource commitment required to undertake the above strategies - the level of intervention in the public housing program and the significant level of redevelopment required must be undertaken with a high degree of cooperation among residents, the City and others if it is to be successful.

The above elements constitute a strategy and framework for treating public housing in Chicago. Absent a coordinated and intensive effort to address problems in this City's public housing program and an infusion of significant resources, however, the conditions of severe distress should be expected to continue and even worsen.

Essentially, three major actions are needed. First, CHA must divest itself of the larger, very troubled housing developments. The CHA as an "entity" simply cannot "work" as long as it must direct its management attention and resources to these properties.

The agency must transfer these properties to another entity or organization.

Second a new entity or organization must assume responsibility for the large, troubled housing developments. This responsibility will include transferring treatable developments to private or other forms of non-public development entities and overseeing the operation of these Hope VI style programs.

Third, the CHA without the responsibility for the problems associated with large, troubled housing developments must undergo a comprehensive management and operational improvement program in order to allow it to be re-organized as a well functioning public housing agency. Without the larger, troubled housing developments it can be in a better position to achieve management changes and to increase its operating effectiveness (and efficiency).

The above strategy and approach is intended to offer a program for making major changes in the operations of the Chicago public housing agency on a scale never before attempted or achieved. It is the approach to identifying programs and actions that relate to addressing the most troubled housing developments in Chicago (and in the country), which HUD needs to give careful attention to as it proceeds with its assuming direct operational control of the agency.

Further, comments offered above regarding turnaround strategies for distressed large urban PHAs need to be given careful consideration by the Congress. Also, Congress needs to consider giving receivers more statutory powers to carry out their programs for remedying distress in public housing. Finally, greater attention to providing a consistent level of funding, offering regulatory relief and granting 6(j) financial support for troubled public housing is needed.

Thank you for the opportunity to speak to you and to participate with the many distinguished members of this panel.

Mr. SOUDER. I thank all the witnesses. I think I will hold my questioning, and if Congresswoman Collins would like to begin as our ranking member of the full committee.

Mrs. COLLINS. Thank you, Mr. Chairman. Before I begin to do that, let me recognize the presence in the room of Mayor Maynard Jackson. It is good to have him here and it is good to see you again, Mr. Mayor. Thank you for coming.

Mr. Shuldiner, let me say, too, that I want to personally thank you. I did so on the telephone, but I want to personally thank you here for keeping me apprised of the activity that you were undertaking in regard to the Chicago Housing Authority. I found it very, very helpful, and it kept me informed as to what was going on so that when my constituents asked questions I did have accurate answers that I could give them.

The question that I have, Mr. Shuldiner, is that there are some recommendations that have been made, and I cannot help but wonder if there are going to be recommendations to separate distressed stock further and—and all those kinds of things. Now, would that not lead to more isolation of communities and exacerbate their distress?

Mr. SHULDINER. When you say "separate out," for example, I—I mean, since it is a little early to know what the plan will be exactly for Cabrini, if I could just turn to Horner as a—as an example. In Horner, on the space that we are demolishing, the two high rises and the three mid-rises, there will be low rise housing, plus it will—there will be in-fill construction in the community surrounding it. So what we are—and we are restoring the street grid. So what we are in effect doing is revitalizing the community with the understanding that a certain number of units within the community will be permanently available for—and affordable for low income housing. So I think we are doing the—the reverse. The plan is to in fact incorporate these troubled communities back into the community that is around them, if there is one.

Now, obviously in some places there is no surrounding community and that presents a different kind of—a different kind of need, again, which is why we think there has to be local planning. But I would say that our objective would be to strengthen communities, make them more viable, have as much mixed income as possible so that public housing residents of the future in Chicago do not feel themselves isolated and part of projects, but that they have units in the larger community.

Mrs. COLLINS. Can you tell us whether any private managers have expressed interest in managing CHA's very severely distressed stock; and if so, what are the incentives for taking on these kinds of properties, Mr. Shuldiner?

Mr. SHULDINER. Let me just say that on the beginning of August we issued a request for qualifications. We are going through a two-step process in terms of identifying potential private management of CHA buildings. And the first is just to have people come forward, express their interest, and express their qualifications, and if they meet a certain standard, be placed on a panel.

We would then later negotiate with the panel members for management of specific developments. Residents from the city-wide basis would be on the first group, on the RFQ, and then the resi-

dents from the specific development would sit on the second panel to determine the management of those. Approximately 40 companies showed up at a prebid proposal; more than 100 proposals—more than 100 bid packages have been picked up. And I believe that those proposals are due in September—well, we extended it to the 15th. It was the 7th, and it has been extended to the 15th.

So at this particular time we know that there is a tremendous amount of interest. Whether they will express desires for specific developments we do not know. I would expect that if we are going to ask a private manager to take on what would be considered a troubled development, we might have to package it with another development or two that would be easier, say a senior citizen building or something like that. But at least initially there seems to be tremendous interest.

Mrs. COLLINS. Well, in Mr. Lines' report, he outlined—in the TAG report a recovery program that recommended CHA demolish some of the worst stock, have private managers for other severely distressed stock, and have CHA manage the remaining stock itself. So then my question would be that if that is the case, would you consider receivership for the stock that you cannot unload?

Mr. SHULDINER. I think we will consider everything. Again, I guess the only—it is—a receiver is appointed by a court, and I am not sure we can go to court to ask for a receiver for a specific development or two. So whether it is an administrative receiver or how we would do it, I do not know. But I think, you know, again, your approach is the one we are taking. I mean, let me just for example—the CHA itself issued a similar RFP it was—not an RFQ—back in November 1993 for private management for all of its senior citizen buildings and got 23 proposals and then did not award them. And—and we are not sure why it would contract out senior citizen housing exclusively when in fact many of them tend to be easier to manage than some of the—some of the family developments.

So we—our approach will be: What do we have the capacity to do? That which we do not have the capacity to do would be our priority for contracting out, and if there are things we cannot do and do not have the capacity to handle, yeah, then any port in the storm; we would be happy to consider any alternative. Yes.

Mrs. COLLINS. Thank you. Thank you, Mr. Chairman.

Mr. SOUDER. OK, I wanted to have a couple of kind of initial questions here with Mr. Lines. And I think Mr. Shuldiner—and I apologize for—did I say the name correctly that time?

Mr. SHULDINER. This past time, yes.

Mr. SOUDER. Yes. I apologize for the earlier. That I believe you just partially answered this question, but Mr. Lines, you said that certain ones had prospects, but they should divest themselves potentially of the others. Do you think there would be people who would take the State Street Corridor, or would you have to package this with——

Mr. LINES. Well, I am not talking about—excuse me—necessarily managing. I am talking about eliminating the stock in some cases, or turning them over to redevelopment. We—I mean, one of the hard, fast sort of things that we did is we said, "Look, there are some developments we do not think you can necessarily save.

There is no program or form of treatment that you could come up with, given where they are. There are some that we think you need to sort of privatize or hand off in some sort of a redevelopment scenario, and others that are treatable in different sorts of ways." And we gave a couple of categories of conventional treatment. And we felt as though planning with the residents around the future would be an acceptable interim strategy.

See, if you plan—and I pointed out that the—one of the things that I pointed out, because we did the work with the national commission, was Ida B. Wells, the planning process I thought was not very genuine. Folks did not come to grips with financial reality, did not come to grips with where the future was going to be. I mean, that is why I think Mr. Shuldiner has the residents at the Darrow buildings coming to see him. After awhile when you tell folks that something is possible and it is not, and then they realize it is not, then they come to grips with the fact that they either need to tear these down and move toward something else, or they need to reconfigure or look at something else. And what I tried to do is to say, OK, HUD asked us to, we will bite the bullet, we will say that there are some developments that cannot be saved and folks need to figure out how to move that along, and we gave some illustrations.

Mr. SOUDER. Do you—this is slightly different. I want to come back and revisit that in a minute if I have time.

Mr. Shuldiner, on the 35 people or however out-of-town people that have come in at this point, is that—have they made long-term commitments to Chicago?

Mr. SHULDINER. Well, some of them are—are HUD staff who are detailed; some are either technical consultants or working for other housing authorities and they are here in a consultant capacity through an indefinite quantities contract we—we have with the National Association of Housing and Redevelopment Organizations. We are beginning to identify people and approach them to fill some of the vacant management positions. That includes people who have been on the recovery team, or just people in other housing authorities that we have great respect for. So we are seeking to put in that level of management on a—on a permanent basis and meet the Secretary's timeframe to be able to phaseout toward the end of the year.

Mr. SOUDER. One of my concerns, in hearing what you said today and your plans, is not with the plans in particular. They—they sound ambitious and energetic, and I think Mr. Lane had ambitious plans as well. But we have heard that people feel like the past executive director came in and left; that it does not do any good right now to talk to the former Chicago Housing Authority employees because they may not be the people making the decisions, that you in fact are making them. Does it not make it more difficult for—while somebody has to clean up the situation and get some order, that now you are going to, in effect, hand it off—I mean, is your goal hopefully to have it cleaned up enough that the people bidding on it will decide it is worthwhile to take over, or are you going to have new planning systems in place and then have a new authority take over at the end of this year who redoes it again?

Mr. SHULDINER. OK, I—I think you have identified the intention correctly, which is to stay long enough to create a path that will be followed when we leave, and yet not stay too long because it—at least at this point it is an unusual situation for the Federal Government to be directly in control of a local agency. That is—that is the balance that we—that we have to get to.

Again, let me just say that right now of the 40,000 or so units in Chicago, 6,000 are managed by private entities. So we are not looking to put all of them under private management, but we are looking to expand that number again as part of the capacity building for—for the housing authority. We still have 4 months to go, and the issue will be: To what extent can we create a path and a plan and move it far enough along so that we can in fact say with confidence that after we leave the plan will be carried out by the people who are put in charge? That is—that is—I guess if there is any finish line—and the Secretary said it keeps moving—I guess that is it.

Mr. SOUDER. I thank you. Congressman Rush.

Mr. RUSH. Yes. Mr. Shuldiner, earlier today the Secretary alluded to the fact that CHA had begun to purchase single family homes and duplexes throughout the city. Let me ask you this: How many CHA single family and duplexes have been purchased outside areas other than where they are presently located at?

Mr. SHULDINER. I—with all due deference to the Secretary, please understand that development is really handled outside of CHA. Under the control agreement, Habitat does all the development. They are the ones who would identify sites to be—to meet with the control decree. So they are in fact building scatter-sites. I would certainly suggest that purchasing existing buildings is another way to go. I would have to get back to you in terms of whether it has actually been done and where.

Mr. RUSH. OK. I just want to say that it is absolutely critical to any type of reformation in public housing in the city of Chicago. I mean, to me that is a linchpin issue that—I guess both the other panelists here have testified that some of the buildings are in such a deteriorating condition at this point that it is almost impossible to turn the housing stock itself around. Plus you have got the real problem of a concentration into one smaller geographic area. And I would think that you would have as one of your priorities to really promote the expansion of housing opportunities to public housing residents throughout the city of Chicago. I mean——

Mr. SHULDINER. Yeah, I could not agree with you more, Mr. Congressman. And—and again you—you have raised an issue which is—is one of those where it is difficult for us to properly transmit it to the residents. As Mr. Lines says, they have to go through the experience themselves; that is why I am pushing for them to have—you know, acquire an urban planner, ask themselves these questions, go through the process.

For example, buildings that residents believe are viable, whether they are viable or not, when you are faced with the exterior elevators, when you are faced with the stand pipes being on the outside of the buildings, when you are faced with the exterior walkway on a single stack building, so much money would have to be spent to address those problems, as well as asbestos and lead, before you

could spend dime one on actually improving the living conditions for the individual resident, that—that one would question that kind of expenditure, especially, as Congresswoman Collins reminds us, in this environment of we are going to have less money. Can we really put $70,000 or $80,000 into an existing unit when at least theoretically we might be able to have a new unit for not much more, and a desegregated or a de-concentrated living opportunity.

So those are the things that we have to balance. We have to recognize that in some of this we have made good progress; in others there is a long way to go. We have to work with Habitat or whomever in order to use the money that we have wisely and increase these opportunities, as you said.

Mr. RUSH. Mr. Shuldiner, with all due respect, I maintain that public housing residents will—if there are opportunities in other parts of the city to get into clean, safe, wholesome environments and communities, that they will leap for those opportunities, they will jump for those opportunities. And I am not surprised about what is happening in Ida B. Wells because I know that residents are looking for clean, safe, positive communities to live in.

Let me just finally ask you an additional question here. The 400 employees that have been taunted about as being—coming on board as of September 1, are they permanent positions?

Mr. SHULDINER. No, these are not CHA positions. What we have proposed is that we would actually contract with the local resident council, that they would hire the employees. These are—in fact, we are going to just provide—we are going to pay money for a specific service. What we are proposing to the resident councils is that they hire up to four people—four persons per high rise building and we would—we would provide the money to do that. But in fact they would be employees of the resident council, whether they would be—you know, whether they would do——

We assumed four half-time people. If they do two full-time people or eight quarter people is not really our concern. What we are doing and what we are using this month to do is work with the resident councils. We have given them a list of private companies that are willing to partner, be a joint venture with them, with the residents owning at least 51 percent of the joint venture to help them do the business stuff for those who are not ready. You know, pay the workers comp and the unemployment insurance, et cetera, and the taxes.

So we are—we are hopeful that those resident groups can start the hiring this month, but these will not be full-time employees of the housing authority; they will not be employees at all of the housing authority.

Mr. RUSH. Mr. Chairman, my time is up but I just want to take a moment to join with my colleague, Congresswoman Collins, in welcoming Mayor Jackson from Atlanta to this hearing. Thank you.

Mr. SOUDER. Mr. Shays—Chairman Shays.

Mr. SHAYS. Mayor Jackson, it is wonderful to have you here. I have watched your career for many, many years, and it is nice that you are here. And I am tempted to invite you to come and make a statement when others are finished. [Laughter.]

Mr. JACKSON. Thank you very much for welcoming me. I am glad to see my old friends, and pleased to sit in just for a few moments.

An important issue to every city in this country, including Atlanta. Very important to Chicago, my second home.

Mr. SHAYS. Are we going to have a nice Olympics?

Mr. JACKSON. Pardon?

Mr. SHAYS. Are we going to have a nice Olympics?

Mr. JACKSON. The best ever. Twice the size of the L.A. Olympics, largest gathering of nations in history, and everybody's welcome to tickets right outside. [Laughter.]

Mr. SHULDINER. Could I be excused to go get my tickets? [Laughter.]

Mr. SHAYS. Mr. Shuldiner, I am hoping that you take some of the suggestions of Mr. Lines and Ms. England-Joseph. I think both of them made some very valid points when I read their statements.

I tell people that being a legislator is like going to school and learning something new every day. One of the things that I am struck by with respect to housing authority officials is the lack of training for their line of work. In fact, in some cases we have almost a reinforcement of bad policies. Candidly I think almost every public housing authority has been susceptible to political appointees.

I feel one of my biggest contributions in my city of Bridgeport was to protect the housing director from the political machinations that take place in the city over years and years and years. I credit the last three mayors, two Democrats, one Republican, for having a hands-off policy and for letting our Bridgeport Housing Authority run more as a professional organization.

So having said that, I just want to reemphasize that Mr. Lines, your comment about decentralizing and the fact that you cannot be—and I want to make sure I am accurate. That one of the messages that I am hearing from you is that—that HUD cannot think of—of this big public housing as a central—that can be run totally and completely from a centralized basis; that CHA needs to be decentralized and have the ability to interact with different units and different developments while maintaining the flexibility to treat each of them differently.

Mr. LINES. That is exactly right. I mean, it is not one city, it is actually a series of public housing sites that—and just good management, most good real estate management—although nothing is religion in this business—says that you want to be delivering services closest to your customers. And the way in which you are going to get the developments used as a—viewed as a community resource, you want to make sure that your presence is there, and that you want to be certain that it is—for quality control purposes, for surveillance purposes, for purposes of understanding, you know, what the needs are of those sites, you want to—you want to make sure it is housing-development specific.

And given how large some of these properties are, you know, the Cabrini Green housing development, I mean I think as you have probably heard, would be, I do not know, maybe the 10th or the 11th or 12th largest public housing authority in the United States. So in some respects, you know, a place like a Cabrini Green or another development might even—you would even break that down further. And we have done so in some scenarios in Boston and elsewhere where we actually called them villages. You want to break

them down into manageable pieces where people can have a sense of community, where folks who deliver services can be closest to their clients and have a sense of also deployment and control so that the quality of the services can be there.

Mr. SHAYS. Provided we do not do what New York City did with its local boards of education. They end up becoming the political dumping grounds, candidly. And the school systems begin to be run more politically than from an educational basis. So that is the danger, I think, when you sometimes decentralize.

Mr. LINES. I commented earlier, sir, that my main concern, being the receiver in Kansas City, is that the political demands on a large urban housing authority far outdistance those instances. We have got 3,400 housing authorities; we have got a handful that service large populations and have tremendous pressures upon them. And that absent of somebody who is going to run that housing authority with sweeping powers in the areas of procurement, personnel management, and the management of financial resources, I think that you will continue to have that type of a problem.

So, in other words, if you have got somebody who oversees it who can deal with those situations, you can help prevent that type of thing occurring.

Mr. SHAYS. I need to be clear on this, because this is of interest to me. Under certain areas you still maintain a strong centralized control of finances and so on?

Mr. LINES. Or you have the ability of an individual to provide, like you do to your director in Bridgeport, sir, the cover, and also the ability to make tough decisions about terminations and allocations of resources.

Mr. SHAYS. Yes, because that is the other thing. Sometimes you simply have to be pretty strong in your positions that may not be popular with tenants.

Mr. LINES. Not only tenants, but Members of the U.S. Congress, sir.

Mr. SHAYS. Sure. Sure. Sure.

Mr. Shuldiner, I want to qualify one thing. It is one thing to say HUD central is out, but it does not mean that CHA is back in; it just means you have basically someone who is under the authority to run public housing in Chicago, but not under a board and under the mayor; is that correct?

Mr. SHULDINER. Right. I think the Secretary mentioned the fact that the exit strategy, if you will, is—you know, is not finalized. I think he would see us out from the day-to-day control by the end of the year. But exactly whether that would be the point that we would go to the mayor and ask him to reappoint a board or whether the advisory committee would seem to continue to function, it is——

Mr. SHAYS. Now, I just want to clarify this, though. When Bridgeport was taken over——

Mr. SHULDINER. Right.

Mr. SHAYS [continuing]. It had a consultant, and then what they did is said the Bridgeport Housing Authority would have some independence, but a lot of things will still have to be approved by

HUD Washington and HUD Connecticut. So you are still going to have a lot of oversight?

Mr. SHULDINER. Yes, sir.

Mr. SHAYS. But you are going to take your central—your own employees and push them out. And this is to your point, then, Ms. England-Joseph. Your point is that you have not seen those people stepped in, moved in. I spoke with the Secretary when he was finished with his testimony and he feels pretty convinced they can do that, but I do not know about the pool of resources of people you have and I do not know if you are going to be able to actually do that. And are you saying to me that it is going to be your hope, but not necessarily that you will have done it?

Mr. SHULDINER. I think by the end of the year that—that we will—we will have the management positions filled. I mean, obviously there could conceivably be one or two people we could leave in the interim. But I think that as the Secretary said, the upside—I mean, Jeff has talked about the magnitude of the job, but I think the upside is it is viewed as a tremendous challenge. And the people that are good in the industry actually, you know, are looking forward to participate. That is why we have been able to attract people even on a detailed basis or a consulting basis to come here, because people want to be part of this effort. So at least at this point—at least at this point I believe that we will be able to attract permanent staff.

Mr. SHAYS. One final question. Is the figure concerning the 35 people involved a specific number or is it a general number, about 35? And second——

Mr. SHULDINER. It is general.

Mr. SHAYS. Is it all HUD people, or are some of those people individuals you have brought from around the country?

Mr. SHULDINER. No, no. It is—many of it is HUD, but many of it is from other housing authorities across the country.

Mr. SHAYS. Who is being lent, and who are actually here?

Mr. SHULDINER. Either lent, or their personal services contract allow them to consult elsewhere and we are paying. We have an—we have—as part of technical assistance HUD has indefinite quantities contract with NAHRO, and we are making use of that contract to bring people in as consultants. So it is a combination.

Mr. SHAYS. One last thing. I do not need to know it now, but I would like you to specifically tell us how many positions need to be filled and how many of them have been filled by permanent people? That is something that I am expecting the committee staff to follow up on. That would be very helpful for us.

Mr. SHULDINER. Sure.

Mr. SOUDER. Congresswoman Collins had some more questions.

Mrs. COLLINS. Just a final brief question. You will recall, Mr. Shuldiner, that when Mr. Towns was here he asked the Secretary if there were a sort of a unified plan with other agencies within the Government, and the Secretary pointed out that HUD could use some help from the Justice Department, Education Department, Department of Labor, and all of that. My quick question is: Have any formal requests been made of HUD, that you know of, to those particular agencies?

Mr. SHULDINER. I would say that there are two that we have actually done. First we have had success with the Justice Department. They have helped us, as the Secretary said, through Operation Safe Home. We have also been discussing with them pursuing the prosecution of the people involved in the—in the pension fund mess, as well as other issues that they are looking into.

We have gone to them in Washington to help us with certain funding issues and have been responsive. In addition, we are looking at—as the Secretary said, with labor potential identifying sites here for programs. I cannot say that it has been formal, that there has actually been a writing for specific funds or—but I know there has been discussions, and the same is true of HHS, that kind of thing, whether programs can be situated on our sites.

Mrs. COLLINS. Thank you. Thank you, Mr. Chairman.

Mr. SOUDER. I have a couple of additional questions, as well, one for Ms. England-Joseph. We heard pretty much everybody on the panel talk about the—Mr. Lines talked about the sweeping powers necessary, which I assume you agree with, that you need to have those kind of powers to reform Chicago. Do you agree with his statement on the procurement, personnel, and financial resources?

Ms. ENGLAND-JOSEPH. I would say that there needs to be greater flexibility. I think some of the proposals that are part of the blueprint both that the administration has proposed and some that are coming out of Chairman Lazio's subcommittee address some of the Federal statutes that need to be reconsidered or repealed. So yes, I think there needs to be greater flexibility.

Although in our review, when we talked to HUD officials, they were not really in a position to tell us how much change in the law or additional flexibility—procurement flexibility—they really need. I think some of what they see is that they can try to work within the system and see if the system itself can be used effectively. So I do not know that they were identifying real show-stoppers that caused them to feel that they were not going to be successful if certain laws or certain regulations or certain procurement requirements were not addressed immediately.

Mr. SOUDER. One of the concerns I have, because on the one hand using Chicago as a model can be very exciting and a challenge to people who are experts around the country, and on the other hand we have seen various other kind of model cities or exciting periods come and go and the people in that city, itself, not being in charge of it. And you kind of backed into your statement where you said that because the Chicago Housing Authority executive director, board of directors, and other key staff resigned, and because the Chicago mayor did not support receivership, this was the best option. Are you saying that perhaps, had they been willing to show leadership or not resign, you would not think this would have been the best action?

Ms. ENGLAND-JOSEPH. Basically, I think this was the only alternative HUD had. The minutes those keys were turned over there was little left, I think, that HUD could do quickly. And so I think that is why we felt that it was an appropriate action.

But certainly if the board and the executive director had been willing to agree to whatever actions HUD felt needed to be taken to improve the CHA, I think that could have worked. HUD could

have laid out a set of requirements or a set of actions that had to be taken in order for HUD to feel that the board was giving appropriate attention to key parts of the CHA. I think that could have worked just as well. And I think if the mayor had not been opposed to receivership, perhaps receivership would have been another approach; although I think the time it takes to get a receiver may have caused HUD to still step in for some period of time until a receiver could be named.

Mr. SOUDER. I had two other questions. One, when the—for Mr. Shuldiner in the—When the—we heard the concerns about the building demolition. I admire your—your seeking resident input, and that you need to have resident input. And you also made a couple of references to funds for—or excuse me, for planning, you know, that they send a plan. Are you providing funds if they want a planner?

Mr. SHULDINER. Yeah, we think that that is—we have technical assistance money that could be used for that. That should not be a large amount of money, and we think it would go a long way toward hastening any——

Mr. SOUDER. If they tapped into that money and developed plans, are you going to have alternative plans in place for the residents before you knock down the buildings, or will you—that is a very tough question. In other words, if you are going to—if you are going to displace——

Mr. SHULDINER. I do not beat my wife in the first place, so I cannot stop.

Mr. SOUDER. No, but if there is a building that—I mean, there are high rise buildings certainly you have—we have talked about earlier today, informally as well as formally, that you are going to have to displace "X" number of residents when you move a building. Will there be a plan for those residents before the buildings——

Mr. SHULDINER. Yes. I think as a practical matter, given the fiscal restraints, we are not going to be able to just do, you know, a lot. We are going to have to—beyond the three or four that are already targeted, we will only have the capacity to take on, you know, one or two a year or—or just several—you know, a few at a time. And I think it is just—we are likely to pursue those who come up with a best plan.

I mean, we want to go first where there is resident support, where the—where the—you know, the residents have thoughtfully looked through the process. That does not suggest that there may not be a situation where just under our police power or just the actual physical condition we will not have a choice to act. But if we are talking about an entire development, we are going to have to go—and I think in the package you have my recusal letter, so when I say "we" I mean CHA, not HUD.

We, CHA, are going to have to go back to HUD and ask for funds and be project-specific. And I think we will ask for it—I mean, not "I think," I know we will ask for it in those circumstances where we have a—a plan with the residents involved. That is why, as I said, the most recent one in Clarence Darrow the residents came to us and said, "Look, we want to try something different. Will you go get the money for us to do it?" And—and we immediately sub-

mitted—fortunately we had a week to go before the deadline for the—for this year's NOFA, and we immediately submitted a request for funds so that if the planning works, you know, we will have a—a pot of money.

So I guess that would be—that if you are not talking about an emergency situation, we will pursue those where we have plans.

Mr. SOUDER. I thank the panel for their input and—and your time in coming this long way, for some of you, for the hearing, and appreciate that. And any other comments you want to submit for the record——

Mrs. COLLINS. Mr. Chairman.

Mr. SOUDER. Oh, excuse me.

Mrs. COLLINS. Yes. Mr. Shuldiner, I did not hear you give a specific answer to that question that was just asked. As I understand it, the question that was asked is: If a building is to be torn down, would it not be torn down until after the people who live in that building have found a place to live?

Mr. SHULDINER. You know, we—well, obviously we have——

Mrs. COLLINS. That is a yes or no question, is it not?

Mr. SHULDINER [continuing]. To relocate. But absolutely. Absolutely. We have to relocate them. That is—the law requires.

Mrs. COLLINS. That is all I wanted to hear. Thank you. We are still friends, Mr. Shuldiner. Thank you, Mr. Chairman.

Mr. SOUDER. Thank you. Will the fourth panel come forward. Mr. Marchman, Ms. Rosanna Marquez, Chief Murray, and Mr. William Wallace.

[Witnesses sworn.]

Mr. SOUDER. Note for the record that the witnesses all answered in the affirmative.

Mr. Marchman, do you have any opening statement or words you want to say here at the beginning?

**STATEMENTS OF KEVIN E. MARCHMAN, INTERIM EXECUTIVE DIRECTOR, CHA, DEPUTY ASSISTANT SECRETARY, DISTRESSED AND TROUBLED HOUSING RECOVERY, HUD; ROSANNA MARQUEZ, OFFICE OF THE MAYOR, CHICAGO, IL; GEORGE MURRAY, CHA CHIEF OF POLICE; AND WILLIAM T. WALLACE, MANAGING DIRECTOR, HOUSING TECHNOLOGY CORP.**

Mr. MARCHMAN. Actually I do not. I would just like to introduce myself. My name is Kevin Marchman. I am the Deputy Assistant Security for Distressed and Troubled Housing Recovery, and currently the interim Executive Director of the Chicago Housing Authority.

It is my responsibility, in that position, for the day-to-day management of the housing authority, in charge of both the HUD recovery and the CHA management staff. I would simply refer you to my June 11 memo to the Secretary and to the Assistant Secretary by way of a—of a testimony. Thank you.

Mr. SOUDER. Thank you. Ms. Marquez, is that the correct——

Ms. MARQUEZ. Marquez, that is—that is fine. That is correct.

Mr. SOUDER. OK, you may go ahead.

Ms. MARQUEZ. That is going to be too close. All right, I want to just make a couple of brief remarks and then welcome any ques-

tions that the chairman or any other members of the panel may have.

First, by way of introduction, my name is Rosanna Marquez. I am the director of programs for the city of Chicago under Mayor Richard Daley. Among the duties I have had over the last several years is to coordinate and oversee a number of activities in both the housing and the community development arenas. And so I think it is—it is by way of that work that I have come also to be the mayor's appointee to the executive committee overseeing the Chicago Housing Authority at this time.

I just want to say a couple of things on the city's perspective on the HUD takeover of the CHA. A lot of it I think you have already heard, it is just the city's perspective on it. First of all, HUD did approach the city sometime mid-spring of this year, clearly concerned about the lack of progress in a number of areas at the CHA. While there has been some progress on a number of fronts, there remained a great deal of—of concern about some deep-seeded and pretty—pretty large scale problems at the CHA.

Given this, and given the city's——

Mr. SOUDER. Could you back up the mike just a little?

Ms. MARQUEZ. Sure.

The city shared that perspective, as well; and so with that, very quickly agreed to support HUD's intervention and takeover of the CHA which, as you all know, took place on the 30th.

Given that, it is clear HUD alone cannot do the job. There are a number of parties that need to be at the table and each provide resources, time, and assistance; among them the private sector, the residents, themselves, and the city.

And so to that end the city has done a number of things in active support of HUD's efforts. One, if not the most perhaps obvious, is that the mayor actually appointed someone—me—to serve on the executive committee and play an active role not only in overseeing what is going on at the CHA, but also to coordinate city efforts and to provide whatever city assistance is needed and appropriate to carry forward plans for the CHA.

The city has for years provided a number of services directly to residents of the CHA. That work continues. That includes social services and comprehensive health services. We have a Department of Housing ourselves which provides assistance to private developers and operators of low income housing. That city department has increasingly become active in providing alternatives to publicly owned housing for very low income residents.

We have also made a number of investments in communities that include the CHA, that directly affect and benefit CHA residents. Out in the Horner area, for example, we are building a library; we are investing in the Boys' and Girls' Club; and we have similar activity at Horner and elsewhere.

And then the last general—well, the last—or most recent way the city has been demonstrating a commitment to public housing residents is through designation of portions of CHA housing as part of Chicago's Empowerment Zone. Chicago is one of six urban empowerment zones that has been designated. Large portions of Stateway Gardens and the Robert Taylor Homes are included within Chicago's Empowerment Zone, and are therefore eligible for

some of the benefits and incentives and activities taking place there.

I will say one other thing and then invite questions. My overall sense and assessment of what HUD has done in the last 120 days or so is—is pretty—I am—I am fairly encouraged. I mean, there is clearly a lot of work to do and some pretty deep-seeded problems, but overall the city has been fairly encouraged. We have seen advancement on a number of fronts.

On the redevelopment side we have seen some real movement on the Henry Horner, Cabrini Green and Lakefront issues. We have also seen movement to privatize some key functions where there was clearly a lack of capacity or systems to make—to upgrade those functions out of the public housing authority; the section 8 program, management of some of the specific buildings and developments and so on.

But perhaps the biggest reason why I have been encouraged by what I have seen in the last 120 days is because I have seen the caliber of some of the people who have been brought to work on public—on the CHA issue at this time. You have heard a little bit about that; whether it is 35 or so persons I am not sure, but I have had the opportunity to work with and observe the work of some of these people, from Joe Shuldiner to Kevin Marchman to Greg Russ, John Nelson, Ana Vargas, Bob Prescott. There are some really talented people that HUD has recruited to work on CHA issues here. They are very energetic, clearly talented and committed, and it is perhaps for that reason that I am the most encouraged by what I have seen so far. And with that, I will stop.

Mr. SOUDER. Thank you. Chief Murray.

Mr. MURRAY. First of all, good afternoon to the distinguished panel. My name is George Murray. I am chief of the Chicago Housing Authority Police Department. I have served in this capacity for approximately a year and a half. That being the case, I was on board prior to the HUD intervention of CHA, and I have been on board since the intervention.

The HUD intervention of CHA has been short in duration, but in my opinion as CHA police chief, the intervention has been focused and productive in the areas of police and security operations. Let me give you some examples of that. To begin with, during the first 2 weeks that Mr. Shuldiner and Mr. Marchman were on board, I met with them and advised them that we had a desperate need for 15 new sergeants and 5 lieutenants, and advised them that these vital promotions had been gridlocked in the system for about 6 months. The decision to provide these much-needed promotions was made, and within 3 weeks they were promoted, on the street, and functioning.

Next, we also had discussions reference the fact that we needed additional police officers. And once again, I advised them that I had a requisition for 16 new police officers that was gridlocked in the system and I hadn't heard anything in over 6 months. Once again, within a matter of weeks the 16 new officers were in the Chicago Police Academy, were being trained, and they are due to graduate toward the end of this month and they will be ready to be deployed.

Subsequent to that, in working with Mr. Shuldiner and Mr. Marchman and members of the HUD team, we made certain other basic decisions which I feel eventually will make a major difference in how police and security functions are administered, a difference for the better. First, we have decided exactly what it is that we are going to be. And we decided that the old reactive model reference responding and showing up after someone had been shot or a crime had been committed was not as effective as it could be, and that we needed to go to a community policing model with much more emphasis on preventing crime, interacting more—much more with the residents in trying to prevent crime before it started and initiated. That is in place.

Also we immediately changed our deployment. We went from about 30 percent of each watch being spent on foot, to our current situation in which 75 percent of each and every watch of the CHA police and security force personnel is spent on foot. And this new deployment came in extremely handy, was very viable during the heat wave which took place in our city weeks ago. The CHA received praise from Mayor Daley on a number of occasions, and the CHA police in particular, in that we were ready. We had our people out on foot, knocking on the doors, and talking with the residents.

Subsequent to that we made a number of additional changes. We have made them. Which I feel will make a major difference. I will not go into too much detail because the testimony is before you. But just in brief, we have initiated a new bicycle patrol unit which is much anticipated and is going to be very popular. We have initiated an elevator vandalism unit which we anticipate over a period of time will save millions of dollars and also save lives. This is much anticipated and also is in effect right now, along with the bicycle team. We have initiated resident—monthly resident meetings with the site commanders. Prior to that, the vast majority of the interaction in—with the resident leaders had been between myself, as chief, and my deputies, and not nearly enough with the site commanders. That has changed.

In addition to that, plans are being made reference the implementation of many stations in addition to the main police stations that we have in effect.

But perhaps the major change which has taken place in this short 120 days, in my opinion, is that the HUD team, working with myself as chief of police, has finally confronted the issue of the contract security guards. The reality is, is that everyone has been saying for years that the contract guards were a waste of money, that we were spending millions of dollars, the authority was, unnecessarily, and getting relatively little production for the millions of dollars spent. The fact is that in 1987 the cost for police and security functions was about $7 million. Currently it was—it has increased to the point of that we are spending about $75 million. Obviously that has to end sometime, somewhere. The money is not there, and even as a career police officer I can say that some of that money could be better spent on plumbing, fixing doors, and dealing with the physical environment. Because similar to one of—what one of the several of the distinguished panelists have said, the physical environment must be dealt with in addition to the police and the security matters.

In summation, as chief of the CHA Police, I feel that the overall HUD intervention has been extremely positive, and that we are moving in the right direction, and that in a relatively short amount of time the residents that we serve will see a major difference in how services are delivered.

Mr. SOUDER. Thank you very much. Mr. Wallace.

[The information referred to follows:]

## SECURITY
## OPERATIONAL HIGHLIGHTS

**• Restructured the Department's Top Leadership and Reorganized Management of the Chicago Housing Authority Police Department (CHAPD)**

Under the new HUD administration, several key supervisory positions have been filled with promotions resulting in five new lieutenants and 15 new sergeants to the Chicago Housing Authority Police Department (CHAPD). The CHAPD, prior to the actions taken by HUD, had a dangerously low number of supervisory staff for approximately eight months. In addition, the position of full-time CHA Chief of Police will soon be posted and will have under its command all CHA safety arms. These arms: the Chicago Housing Authority Police Department (CHAPD) and the Chicago Housing Authority Security Force (CHASF), under stabilized leadership, will be moving towards extensive Community Policing strategies.

320 employees from each safety arm will participate in a three-day Community Oriented Police Training Session conducted by the Chicago Police Department. The Community Policing Effort will be a combined effort on the part of CHAPD, CHASF, and CHA Tenant Patrol. All forces combined are necessary to the success of community policing and will best be achieved through a partnership beginning with training. Along with the restructuring already in place, the CHA is expecting an additional 60 officers to graduate from the Academy in September.

**• Creation of a Police Bicycle Unit and an Elevator Vandalism Unit**

During the month of August, CHA will invite four trainers from the New York Housing Police Department to work in coordination with the CHAPD and CPD to train and provide tactical and technical expertise for the newly created Police Bicycle Unit which will consist of 21 officers and the newly created Elevator Vandalism Unit which will consist of 10 officers.

The patrol officers assigned to these units will patrol year-round and will be extremely visible and accessible to the community. The equipment purchased for these newly created units will be paid for out of drug forfeiture money seized by law enforcement agencies.

**• Redeployment of the entire police force, which places 75 percent of all patrol officers on foot in the housing development communities, and reprioritizes specialized units.**

To phase in a Community Policing Strategy, in CHA communities, CHA/HUD has developed a new deployment plan for the CHA Police Department and the CHA Security Force. The new plan puts 75 percent of the police officers on the street, including those assigned to the bicycle patrols. Four developments are initially targeted in this Community Policing effort and will coordinate the efforts of CHA's in-house security under one leadership. Foot patrols will be a key part to the Community Policing Effort, security forces will be more visible and accessible to the residents.

• **Employed civilians for administration positions which are currently staffed by patrol officers**

As part of the overall redeployment of the CHAPD, nine civilians have been hired for administrative desk positions within the stations currently being held by patrol officers. Three of the new hires CHA residents.

• **Creation of an Internal Inspections Team for the Department, which will coordinate with the Inspector General's Office / Civilian Complaint Review Board**

CHA/HUD has put in place a CHAPD Internal Inspections Unit to coordinate efforts between the CHA's Inspectors General's Office and the Civilian Complaint Review Board. This has already heightened accountability within the force, with the arrests of two CHA patrol officers through routine spot checks since the unit was implemented.

• **Restructured Tenant Patrol Operations and Implemented Training For Tenant Patrol Members**

The Tenant Patrol program is joining forces with the CHAPD. In this way, it can more effectively coordinate with and support the CHAPD. It is also being restructured to serve as a liaison between the residents and the CHAPD officials in their developments. Again, the New York Housing Authority, which has recruited over 11,000 residents for its Tenant Patrol Program, will conduct the training.

• **Established a Police Tenant Council**

A Police Tenant Council has been created in all four of current CHAPD sub-stations to help ensure that the CHAPD and residents work together on keeping their communities safe. Residents will have input into developing security measures that are community-specific. A CHAPD commander will be assigned to each community area and will be responsible for enforcing the crime prevention measures for that area.

The Council will meet with residents on a regular basis to inform them of the CHAPD's crime fighting efforts. The meetings will also provide a forum for each community to raise concerns they might have. Commanders will then be responsible for working with the residents to address their concerns.

• **Coordination with the City of Chicago's Bureau of Communications for inclusion into the new 911 Center for Centralized Dispatching and More Efficient Command and Control.**

After evaluating the current system, the CHA hopes to be put on board with the new 911 Center for the City of Chicago. This inclusion must be an integral part of any Community Policing effort. This coordination with the City of Chicago's Bureau of Communications will secure the safety of our officers, ensure prompt response to our residents, eliminate the loss of manpower due to the duplication of services, and provide prompt backup to our officers.

The coordination efforts will further empower the CHAPD and provide much needed support for the security of the residents in the community.

- **Conducting coordination meetings with command level officers from both CPD's Public Housing Unit and District Commanders**

These meetings will overall enhance the system of safety already in place and will provide a dispatch protocol which will improve the command and control between the CHA and CPD. The officers will also be able to discuss and agree upon unified assessments that will ensure future cooperation and understanding between the two departments.

- **Assessing the construction of Mini Police Stations for the developments**

CHA/HUD is currently assessing the possibility of constructed Mini Police Stations throughout the developments. They hope to begin in the developments already targeted as part of the initial Community Policing program. These stations are a vital component of Community Policing as they provide greater accessibility, heightened communication, and crucial visibility to the surrounding community.

Mr. WALLACE. Mr. Chairman, members of the committee, Representative Collins, again let me express my appreciation for being invited before this committee to give you my views relative to CHA.

I once lived on West Maypole. Let me preclude that statement by saying my testimony is before you. I would ask that it be read into the record.

I once lived on West Maypole before there was a Henry Horner. My family moved because of Henry Horner. Recently I watched the beginning of demolition of Henry Horner buildings. Before that I had watched the demolition of hopes and dreams and aspirations of people I had come to know personally.

I have listened here today. You have talked about management, fiscal responsibility and you have talked about administrative things. Two things that I have not heard: I have not heard anyone talking about CHA working itself out of business. I have not heard of anyone talking about reducing the population of CHA by creating contributing citizens. Somehow we have forgotten about that.

I am an architect and I am a planner. And like those in my profession, I tend to stray. We assume great license, we philosophize, we deal in technology. We predict futures, we deal with built environment, things like that. And supposedly those things that we build leave a mark of the times that we have passed.

Today, I come as a west-sider to talk about the use of technology to generate opportunity for people who have been relegated to this housing, this public housing that we have created.

I recently, and after several years of work, was privileged to receive, in partnership with my partner from France, a patent for construction technology that promises to yield opportunities for low income people and lower skill level people to involve themselves in the building of homes that would afford them re-housing and that would afford them an opportunity to service a marketplace beyond public housing. This would not be a dead end activity.

I can truthfully say, having been responsible for the design, construction, and the followup oversight of over 5,000 units since 1969 in the Chicago area alone, I can truthfully say there is no such thing as poor housing or public type housing. A brick is a brick; a stone is a stone. It is the character of hope, administration, and program that causes it to be a place that causes the degeneration of hope.

High rise, in and of itself, is not a bad thing; but wrong thinking has made it bad. So now we have to eliminate it. We talk about reducing density because we cover more land and therefore there will be fewer people.

But we really do not talk about the thing that we need to talk about: generating people who want to be off public housing—out of public housing, off the dole, able to look at an opportunity of going to a job and coming home and facing their sons and daughters squarely in the face and saying, "I made a day's pay for a day's work, for a day of opportunity that HUD generated." And I think that is the redefinition of mission that HUD should be pursuing. It should be working itself out of business.

We should look at micromanagement, rather than management. We should give benefits to those middle income that we talk about who would buy in transitional areas, buy homes, and they would

house those people who deserve to be housed as renters, and thus give them the benefit, and give it to them directly, for helping us create new communities of both public housing people, low income people, middle income people, and upper income people.

I simply urge HUD and CHA to examine its mission today and to examine it yesterday, for history is the focus of teaching. Examine their mission today and look to tomorrow; establish a mission that will move people from the public housing roles, that will work HUD out of business and cause you not to have to come to Chicago again for this very purpose. I will answer questions after this.

[The prepared statement of Mr. Wallace follows:]

**Chairman Clinger**
**Chairman Shays**
**Representative Collins**
**Representative Towns**
**Members Of The Committee**

My name is William T. Wallace. My profession is Architect/ Planner. ( See Resume Attached/Attachment "A".) I am Managing Director of Housing Technology Corporation. I have been in independent practice since 1968 with an emphasis on residential design and technology development. I have been involved in the Horner Redevelopment Program from the community side and through my efforts in land Disposition Assessment for the Chicago Metropolitan Housing Development Corporation, the work of which also included preliminary prototypical design of dwelling types to afford maximum practical utilization of available vacant parcels and abandoned viable structures within a defined area deemed suitable to meet rehousing needs or the Horner redevelopment initiative.

Though I have been responsible for the design of a wide range of building types as well as a varying number of physical plans across the United States, in several foreign countries, and in both the public and private sectors, my primary focus has been in the design of HUD supported Housing and associated facilities.

This focus led to my specializing in the development of affordable technologies for delivery of habitat. As an architectural technologists, my associate of some twenty - five years, Mr. Paul Depoudt of Cergy, France and I developed, and received a patent for, a unique light gauge steel construction technology that promises to provide a mechanism for construction of economical habitat. It will provide affordable, energy efficient habitat of high quality while utilizing public housing residents and low income persons. With my testimony, I would like to submit a narrative description and copy of the patent for the hearing record.

Our work with light gauge steel was preceded by development and construction of a major steel based systems development of 459 dwelling units in 1972 here in Chicago. This project was developed under the HUD 236 program. The project was fabricated and erected in 10 1/2 months and remains fully occupied and viable. Most recently one(1) two(2) flat residential buildings were constructed utilizing light gauge steel technology. All acknowledged that the erection time, the quality of construction, the energy efficiency and architectural character of the buildings was superior in every sense. Three(3) very significant facts is merged.

1). Local people could be effectively involved in the construction program both in the field and in the plant ( Horner Association of men participated in the erection and construction program.)

2). The first cost of construction and operating cost of the structures was more than competitive.

3). The time compression achieved was such that full building enclosure can be achieved within 8 to 12 hours.

With the success of these projects, please accept that I thoroughly support the position that sound innovative approaches utilizing technologies and expertise and fiscal conservatism found in the private sector are a critical factor in turning CHA and public housing around.

Public housing in Chicago is now at a crossroads. It is at this crossroad that we will see the redefining of HUD'S mission to serve underprivileged persons. As a component of subsidy, has accomplished little more than funding the "poverty industry". I am confident, certainly hopeful, that the recent change in CHA administration will usher in an era that is truly more beneficial to residents, the city and above all, the nation.

It is my hope that this new attitude will be guided by a solid, in depth commitment to a policy of : " a dollars worth of opportunity, a dollars worth of work, a dollars worth of pay."

To this end it is my belief that through the application if industrialized construction technology we can achieve significant economies and improvements in the construction of housing and, in then, provide employment and wage earning opportunities for low income and under privileged persons.

It is also my belief that we must look at new techniques, methods and materials in the continuing effort to deliver affordable construction. This in every case, must be accompanied by some form of cost benefit certification process that is designed to guarantee that the resulting cost savings accrue to the benefit of housing owners occupant(s). To date, code changes, write down benefits, tax credits, etc... have done just the opposite. These benefits have simply added to the margins of builders and developers. I am not questioning the right to profit but I am questioning the absorption of program generated dollars intended to reduce the cost of housing and in turn, increase the potential for ownership and habitat for those with limited means.

This period of redefinition that promises a new mission philosophy for H.U.D. i.e. CHA presents a massive Opportunity. It, offers a potential demand that could justify the establishment of one, or several, housing production plants that could employ low income housing residents in the production and erection of replacement housing. Such a production plant could also service private market needs for residential, commercial and institutional construction.

Today this nation has mastered technology that dispatches men into space as if on suburban commuter runs, but uses dated technology, methods and materials that lower quality and impacts heavily on our environment. We should now gather our innovative abilities in a comprehensive effort to develops and apply technology, utilizing current steel based industrialized technology for the economical delivery of affordable built environment.

Per my experience with industrialized technology, I strongly urge the establishment of a production plant designed to produce light gauge steel framed components. These factories can't

- Provide and alternative housing source to satisfy housing needs generated by the HUD/CHA rehousing program.
- Provide and economical and affordable source of housing for federal, city, and private sector needs for all income levels.

- Provide an economical and competitive source of commercial and institutional space.
- Provide employment opportunity sourced manpower and break the welfare cycle.
- Employ and train public housing residents and low-income persons to manufacture steel based components necessary to the construction of housing, commercial, and institutional (etc.) projects.
- Provide ownership opportunity to local Advisory Councils, and other residents organizations.

Along with professional involvement, management and training can be provided under existing programs. I hasten to add that use of steel based building technologies in the manufacture of building systems will lower skill level requirements and thus, increase opportunity for persons with less developer skills.

While I strongly recommend the utilization of CHA Rehousing to cost justify the establishment of a manufacturing plant of equal importance is a continuing commitment of HUD to support the effort by providing development incentives such as:

- "Paired Unit" development with benefits being provided for persons in middle income and above income brackets that move into developing and mixed income areas.

- "Paired Unit" development with benefits being provided for persons in middle income and above income brackets that move into developing and mixed income areas.
- Providing incentives for development and utilization of innovative technologies.
- Land cost write down through direct grants or loans on deferred pay back basis.
- Use of seized assets to provide credit enhancement for persons moving developing and mixed income areas.
- Funding of Community policing units in redeveloping mixed income areas.
- Emphasizing of home ownership of small multi-unit (2 to 4 du) buildings with more liberal mortgage insurance terms.
- Partnering with private sector companies and professionals to develop more creative financing methods.
- Sell of public units that offer redevelopment potential for mixed income occupancy while retaining equity in subsequent development and building replacement housing for tenants with proceeds from sale accompanied by allocated maintenance and security budget dollars for the units sold.
- Consideration of negotiated bidding to meet established budgets. ( It has been established that competitive bidding does not always yield the best cost.)
- Use of project management with guaranteed maximum price, to contract and build housing.

In addition to the above, HUD should establish a technology development and assistance program. To Foster Development of Technology that facilitates the employment of low income and Aid recipients under contracted performance guidelines.

I once lived on west Maypole before Henry Homer was built. My family moved because of it's being built, and I have watched, since the demolition of the original residents. Now is the time to right the "wrong thinking" that caused the disaster that is now public housing.

Use this opportunity.

Thank You.

Mr. SOUDER. Thank you for your comments. I think that all of us would agree that it gets frustrating to get down in the details and not deal with the larger question of hope and opportunity which would be our ultimate goal. Chairman Shays, do you want to start with the questioning?

Mr. SHAYS. Chief, let me ask you just a few quick numbers. What are the number of police officers you have?

Mr. MURRAY. We have 462 police officers.

Mr. SHAYS. They are empowered to carry a gun and make arrests?

Mr. MURRAY. That is correct, sir.

Mr. SHAYS. Same powers as the Chicago police?

Mr. MURRAY. Yes.

Mr. SHAYS. Do they work in coordination with the Chicago police?

Mr. MURRAY. Yes, sir; they do.

Mr. SHAYS. So let me understand this. They technically could be put under the command of the police? I mean, if a police officer and a housing officer are at the same site, who supersedes who, if either do?

Mr. MURRAY. If they are at the equivalent rank at this point, there is no definitive statement as to who supersedes who. Normally it works out through mutual cooperation. If a supervisor arrives on the scene, the supervisor assumes control.

Mr. SHAYS. Even if it is a supervisor from the housing authority, he supersedes a lower ranked police officer?

Mr. MURRAY. Normally what happens, it is a mutual cooperation situation, so if a supervisor arrives on the scene, normally that supervisor will assume control of the particular situation.

Mr. SHAYS. Bottom line, it has not been a problem?

Mr. MURRAY. It has—it has not been a problem.

Mr. SHAYS. The contract security guards, I missed your point. Is your point that they are not needed or are they needed? Are they more cost effective or are they less cost effective?

Mr. MURRAY. My point, sir, is that the contract security officers are expensive and that we need to greatly reduce the number of them and replace them by patrols by the CHA police.

Mr. SHAYS. Why would they be more expensive? I mean, in other communities they are far less expensive. You do not have to pay the same overtime, they are not on the same hourly wage. I do not understand.

Mr. MURRAY. They are—they have proven to be expensive historically here at CHA because of the sheer numbers that have been utilized. For instance, as of a month ago there were approximately 900 contract guards that were being paid by the authority. We feel that they can dramatically reduce those numbers, have increased foot patrol by the CHA police and the CHA security officers. There are about 380 CHA security force personnel. And deliver better service more cheaply.

Mr. SHAYS. Do you believe in tenant control, tenant management, tenant involvement?

Mr. MURRAY. Yes, sir; I do.

Mr. SHAYS. Do you not think that the contract guards are one way to involve tenants that would be less expensive than CHA officers?

Mr. MURRAY. If a particular guard firm that significantly hired residents, if it were being administered properly you are right, as far as dollars and cents, yes. However, the problem consistently is that 30 and 40 percent of the time the contract security guards do not even show up for their post.

Mr. SHAYS. You know it might be interesting, and maybe you have done this, if the CHA Police Department developed a program with more tenant involvement such as the program Cora Moore and others have been involved in. I mean, I just think anytime you can involve a tenant and make sure—and I want to say this, make sure that they are putting their time in, and view it as a wonderful opportunity to excel and to grow, I think it would be a wonderful kind of marriage. Maybe I am just missing the point here, but——

Mr. MURRAY. No, sir, you are correct. Those plans are currently in progress. Several weeks ago Senator Carol Moseley-Braun visited the Chicago Housing Authority, and at that time Mr. Marchman and I had a discussion with the Senator reference improving the number of residents that are hired as CHA police officers and CHA security force personnel. We are in the process of developing a plan which will—we hope will significantly increase the number of residents that are hired in these capacities.

In addition to that, I have had the internal inspections team of the CHA police meet with the resident groups and the—in assisting them in developing their own company, providing information as to how they should proceed.

Mr. SHAYS. OK. I mean, so what I am hearing you say, right now, though, you do not have a category of security people other than officers, or do you have this kind of program now?

Mr. MURRAY. The program is being implemented as we speak. We are developing it.

Mr. SHAYS. OK. So the bottom line is, you are receptive and thinking about it. I would love to just be able to pursue my questions and—is that all right, Mrs. Collins?

Mrs. COLLINS. That is fine.

Mr. SHAYS. So why do not you just flip that light off there a second. [Laughter.]

Mr. SHAYS. I want to be clear on this. Is it conceivable that you would have an apprentice kind of program with tenants who would be paid less, providing you with a little more bang for your dollar? Are you contemplating or in actual fact implementing such a program?

Mr. MURRAY. Sir, the way I see it is this. First of all, the authority and HUD are working to strengthen and improve the current tenant patrol that we have. I see a—a stronger, much better organized tenant patrol providing a lot of the walking, vertical patrols, and lobby control work that is currently being done by security. I envision——

Mr. SHAYS. Working under CHA?

Mr. MURRAY. Yes, working under CHA resident programs.

Mr. SHAYS. OK, let me speak later on. I would like to talk with the mayor's representative.

Mrs. COLLINS. Thank you, Mr. Chairman.

Ms. Marquez, let me ask you this question. Secretary Cisneros implied, and Ms. England-Joseph states in her testimony, "Chicago's mayor did not support receivership." Did the mayor voice opposition to the receivership?

Ms. MARQUEZ. Let me answer it this way. The issue actually never came up in the initial discussions that preceded the HUD takeover. When HUD approached us, the scenario it laid out—and it was really the only scenario it laid out—was this administrative receivership that it now finds itself in.

I will tell you also, though, at no time did any—any of the parties contemplate that HUD would actually be in—running CHA day-to-day. But—but that is something that eventually happened because of the board's voluntary resignation, as such.

Mrs. COLLINS. And so as far as you know the——

Ms. MARQUEZ. So at the time it was not even an issue. It came up after the takeover as a possibility down the line. And at that time it is true that the city had some concerns about court receivership. But, as I said, by that point the administrative receivership was in place, so it never really came to a head, if you will.

Mrs. COLLINS. Thank you.

Mr. Marchman, according to Secretary Cisneros, a critical component of the CHA recovery is the cooperation of the city of Chicago and the private, corporate, as well as nonprofit sectors. Now, has this cooperation really materialized?

Mr. MARCHMAN. Yes, it has. We meet with the city, we meet with the residents, we meet with community groups, elected officials on a weekly basis. I am pleased to note that the cooperation has been tremendous, inasmuch as what we have been able to do so far.

Mrs. COLLINS. Can you tell me what options are under consideration to engage the support of the city administration and the local business and community groups in breaking up the geographic concentration of CHA?

Mr. MARCHMAN. I think the Secretary and the Assistant Secretary have mentioned a portion of that. I think it runs to how we look at the redevelopment of Henry Horner, Cabrini, and other developments, that we simply cannot have these dense concentrations of folks on particular sites. I think you cannot do that without the cooperation of the city and other business groups.

Mrs. COLLINS. So are you working on some kind of program to make sure that that happens?

Mr. MARCHMAN. Yes, ma'am, we are.

Mrs. COLLINS. Can you tell us what that is now?

Mr. MARCHMAN. Well, as I have mentioned——

Mrs. COLLINS. Or are you still in the planning stages?

Mr. MARCHMAN [continuing]. It is in the planning stages, but we will not find ourselves in the situation that we are making plans similarly to redevelop that which we already have. We need to be more expansive than what we have been in the past.

Mrs. COLLINS. Do you have any specific cooperation in that regard, regarding the city-owned land that needs to be redeveloped or could be redeveloped?

Mr. MARCHMAN. Yes; we do. We are currently in conversations with the city specifically on the Cabrini sites and the sites surrounding it.

Mrs. COLLINS. Could you tell us what options are under consideration to bring commercial and social services to the area surrounding isolated CHA developments, Mr. Marchman?

Mr. MARCHMAN. Unfortunately, we have no plans yet with respect to that.

Mrs. COLLINS. Do you plan to get any plans?

Mr. MARCHMAN. I think we—we have to. What we have seen in Chicago and other cities, when you simply provide the housing sites, whether it is mixed income housing or not, if you fail to provide commercial opportunities, places to shop, places to eat, the sites will still be isolated. And, therefore, I think it is a critical component in order to have—with the—in this particular case, the Cabrini site.

Mrs. COLLINS. Have you discussed that with the city?

Mr. MARCHMAN. Yes; we have.

Mrs. COLLINS. And that is ongoing?

Mr. MARCHMAN. Yes, ma'am.

Mrs. COLLINS. OK.

Ms. Marquez, I want to come back to you. Can you tell me the specific recommendations that have been generated by the Daley administration in improving conditions at CHA? First, how confident are you that your recommendations are going to be a factor in the current strategic planning? And second, what specific criteria do you think have to be met for the city administration to, in fact, make sure that CHA's ability will be to resume control at some point or other?

Ms. MARQUEZ. OK. The city was never interested in micromanaging HUD. So we will not have said, "Here are some specific things we want you to do, specific recommendations we want you to implement." Having said that, though, there are specific concerns that we have had generally that we wanted to see addressed.

To put in the broadest of terms and the way Mayor Daley would keep putting it is, it is about the quality of life for the residents. So whether that is security, whether that is enhanced cleanups, whether that is enhanced screenings and evictions, whether it is de-densifying, all of those were priority areas that we identified, among them the—to get specific, the de-densification was a clear priority, and we said so but did not say, "Here is how you have got to do it," just, "We have got to address this right off the bat. We have got to address the senior disabled allocation issue. We have got to address providing economic opportunities, job training, jobs to CHA residents."

A lot of it is the nuts and bolts stuff. It is in getting the janitors out there onsite in a timely—you know, timely—responding in a timely way to service requests. That is the way the city approached it and the way the city expressed its concerns to HUD. It is about all this stuff.

The bottom line is about providing—improving the quality of life and opportunity for CHA residents. It is all of these things. However, if you break it down into those pieces, it is not all rocket

science. And if you break it down, it is doable, we will help you. Go to it.

Mrs. COLLINS. Let me ask you one final question. I know my time is up, but it is something I am personally interested in. I want to address it to both you, Ms. Marquez, and to you, Mr. Marchman. And that is: What consideration has been given to linking CHA developments or those redevelopment plans to the Empowerment Zone activities and CTA Green Line? Ms. Marquez, you know Green Line is my thing.

Ms. MARQUEZ. I do. I do. And actually I did not tell you this, but the empowerment zone stuff is—is in my lap, as well. I am also serving as the mayor's——

Mrs. COLLINS. Green Line is the el-subway transportation system linking up the west side of Chicago with downtown and the south side of Chicago. Right now what has happened, Mr. Chairman, is that part of that line has been demolished from the west side. It is going to be rebuilt, but we have got to make sure the money is there. And I want it to be all hooked up, because when you are talking about Henry Horner and Cabrini Green and Stateway Gardens, et cetera, you are talking about Green Line passengers.

Ms. MARQUEZ. And, yes; Congressman Collins is absolutely right. I will start with the Green Line. The Green Line is one particular segment of the CTA transit system that has been completely shut down for a complete overhaul.

The Green Line runs—if you know anything about Chicago, one branch of it runs pretty much straight up west, up the middle of the city, and another branch runs straight down south.

Mrs. COLLINS. Exactly.

Ms. MARQUEZ. Much of the city's empowerment zone revolves around this Green Line.

Mrs. COLLINS. Exactly.

Ms. MARQUEZ. It serves as a backbone with two key ideas. One is transportation is clearly a way to link some of the residents of these areas to jobs perhaps elsewhere in the city. But the other key link was that the rehabilitation of some of these stations could themselves serve as economic magnets. There is an idea that we have all been in discussions at the Chicago Transit Authority about, about creating superstations; places where onsite there are day care, commercial, other services, et cetera. So that is one way to link it.

Bringing in the empowerment zone and the CHA residents together; as I said, good stretches of the State Street Corridor are included in the south portion of the city's empowerment zone. To actually make the plans work for CHA residents as well as other residents of these areas, there are a couple of things that we will be doing. One is, we are currently in the process of appointing a permanent coordinating council, people who will oversee the spending of the money, et cetera, and we clearly want representation from among the CHA and CHA residents. In a sense, I serve exactly that role.

Having served on the interim coordinating council for the city's empowerment zone, and now serving as a member of the CHA Executive Committee, it is in part my responsibility to help ensure that those links occur. So we actually are. And we also intend, as

part of that, to include the CTA and other key agencies in coordinating all our activities as they relate to the entire empowerment zone, but also the CHA residents who are to be served by these various initiatives, as well.

Mrs. COLLINS. Thank you, Mr. Chairman.

Mr. SOUDER. One of my frustrations, as we go through today, is—is once again not with so much that there are a lot of good sounding plans. But in going back to some of—of not having history repeat itself in looking at how we got into where we are at. And it still concerns me as to some of the—I mean, they are stated as facts, not allegations, about how Chicago got in its situation that it is in. There was a questioning whether it was a patronage dumping zone and in fact that is how it got into that mess.

Are—do you believe that some of these things—I think it was referred to by two witnesses as semistructural in Chicago—do you believe that you can actually turn it back to the Chicago Housing Authority? Is there a goal of having this come back into the city of Chicago?

Mr. MARCHMAN. I think that is the specific goal, and I think you have hit the nail on the head. The foundation of the Chicago Housing Authority was broke. It is broken. That if we simply redid what was done before we would be back here in 6 months. And while we had some fine staff at the housing authority, individuals; systems, departments, divisions could not communicate with one another and it was effectively a free-for-all.

If we do not—and we must—break that cycle, we will find ourselves 6 months from now and the city will still not want this housing authority. And therefore, when I mention about the transformation of CHA and public housing, we must build anew to—it has to be a model. And I strongly feel if you can do it in Chicago—and slowly we are doing it. It is not as fast as we want. But we need to be able to have a housing authority for the city to be proud of, like their school board or any other institution.

Mr. SOUDER. Are you saying that if the Chicago Housing Authority and the mayor had the discretion that HUD had, they could have fixed their problems? Or are you saying they were not able to fix the problems or lacked the will to fix the problems? There are not too many options here.

Mr. MARCHMAN. Sure.

Mr. SOUDER. In other words, either they did not have the flexibility, or they did not have the will, or there were some other reasons you could come in and they could not. Did not have the ability?

Mr. MARCHMAN. I cannot say what the city could or could not do. I will not say that. But I will simply say that when we came to Chicago 3 months ago we had a system that did not work. The foundation was not there. And what we must endeavor to do is recast it.

Mr. SOUDER. What we are trying to say is—is that if you—if you say it is—you are trying to say, well, let us do not look at the past and say—in the past and you want to recast it. What conditions have changed in Chicago that will enable you to recast it?

Mr. MARCHMAN. Well, I think that you find a—in Chicago you find a strong residents support. Although sometimes painful, the residents want change. I think you have a strong mayor's office and

city infrastructure that wants change. They are able to and have assisted us in these last 3 months. I think you have a—a willingness to recognize the importance of having a strong public housing authority in the city of Chicago.

Mr. SOUDER. And to some degree you are saying that the will was there, but no—in the sense of the desire was there, but the will to break the back of the existing power structure was not. And if you can change that power structure, you believe a new power structure will emerge that will have a changed authority?

Mr. MARCHMAN. I am not able to talk about power structures. I know——

Mr. SOUDER. Well, the Chicago Housing Authority power structure. You are saying you could not—you could not work with them, you could not make the changes. They lost the pension fund money, they did not—were not using—I mean, they were serious allegations made today, they were not just kind of casual, "Oh, well, they are just not, you know, quite doing their job right." Many people could go to jail for that type of thing in—in private business. What is to believe that, I mean, either—if there are people outside, you clean that up. Is the system going to come back in again or are you saying you are going to be able to find the people? And part of my concern, whatever you say about Commissioner Lane, he was here 7 years. Is there that commitment, people really love Chicago who are committed to changing Chicago, or is it some kind of college experiment?

Mr. MARCHMAN. No, no; far from being a college experiment, we are dealing in real people, real lives in desperate situations in decrepid buildings. I believe as the Secretary mentioned, and the Assistant Secretary, this is a last best chance for CHA. The city, its residents, its community I believe is committed to having a housing authority that works for its residents, that works for its—its community. I think you will have that.

Mr. SOUDER. I think that is one measure we would be looking for.

I also wanted to ask kind of a technical question to Chief Murray. Ms. Calvin raised the question about the 911 and knocking at the door first, which kind of puts the residents on the spot. Do you have any way that you can get anonymous tips on gangs or a way to communicate such that you do not in effect finger who is trying to cooperate with you?

Mr. MURRAY. Well, to begin with, Congressman, Ms. Calvin was talking about the Chicago Police Department, their 911 system, not the CHA police. We have a separate number which is the CHA cops 242–2677 number. Our particular number, the phone call is not traced; and in addition to that, less information is inquired.

Now, reference the Chicago Police Department and that complaint reference their 911 system, we have discussed the issue with them, and that we hope that in the very near future a lot of the communications problems between the Chicago Police Department and the CHA police will be resolved once we look into the viability of going on a common radio frequency, and therefore common telephone lines.

Mr. SOUDER. I think it would be extremely confusing if there is a gang fight occurring or you see a drug deal, what number you

call. And 911 would certainly be easier if you—is there going to be some kind of cooperative link of who residents call, a number?

Mr. MURRAY. Yes, sir. Ms. Sonja Vergos and myself are in discussions with the top commander of the Chicago Police Department. In fact, we have a meeting tomorrow to address those issues. The question was asked earlier about what happens if a CHA police and a Chicago police officer are on the scene. We have found that the two departments work well together, and normally they work it out as if the State police or the FBI or another agency would show up. There is cooperation and few problems.

The problem is that because we are on two different radio frequencies, oftentimes you have two squad cars showing up for the same somewhat routine call, redundant and a waste. And our negotiations and discussions that are ongoing we are hopeful will solve that problem.

Mr. SOUDER. Chairman Shays.

Mr. SHAYS. Thank you. Mr. Marchman, you have basically two functions. One—and your office is a new office, correct?

Mr. MARCHMAN. Yes, sir.

Mr. SHAYS. So you oversee all troubled housing in the United States, but you are here physically running the Chicago Housing Authority; is that correct?

Mr. MARCHMAN. Yes, sir.

Mr. SHAYS. How much time are you able to spend focusing on other troubled housing authorities?

Mr. MARCHMAN. Well, fortunately I have a fine staff in Washington and we have appointed an acting deputy assistant secretary to run that office. I typically spend 6 days in Chicago, 1 day in Washington.

Mr. SHAYS. I appreciate the fact that HUD has created the Office of Distressed and Troubled Public Housing. And I think it makes a lot of sense. Also the more I have focused attention on Chicago's housing authority, the more convinced I am that HUD did the right thing in taking it over. The question mark and the jury is still out as to how good the transition will be from HUD's operation of CHA to a new permanent CHA leadership.

Ms. Marquez, I just want to make sure that we are real clear on this because what I heard you saying is that the mayor does not want to micromanage the housing authority, but he does want to give some macro guidance to the authority. In other words, he is looking at some big picture issues and saying, "I want these resolved," but he does not want to have to run the housing authority on a day-to-day basis; is that correct?

Ms. MARQUEZ. Yes. And I would say, again, that it was never an option. He was not approached or asked to run the public housing authority.

Mr. SHAYS. I thought that, believe me. And I would add, no offense to your mayor or any other mayor, but any mayor who wants to run a city like Chicago, Los Angeles, or New York has to have something a little wrong with them to start with. [Laughter.]

The tasks are so daunting and sometimes the resources are so limited that you have to be a special kind of person. Plus, you know, there are many political challenges. People want your job and people do not think you are doing a good job. You have got to

have thick skin. I mean, I admire mayors tremendously, and I admire this mayor, your boss.

In my discussion with him, he said something that I would like said for public record because I am sure he said it publicly before. He basically said he wants the chips to fall where they may. Although this hearing has not focused in on who is at fault.

And who is at fault can go—it can—it can be the Congress of the United States, it can be HUD, it can be the mayor's office and to it can be the people who are directly involved with running the authority. There are a lot of people who saw this in action for many, many years.

Now, we have not focused in on that because we just did not think it was an appropriate focus right now. I am making an assumption, Mr. Marchman, that any criminal activity is being investigated. And I do not even care to get into it. But I am making that assumption. If I am inaccurate on this, and if anyone else here is aware of criminal activity and does not feel it is being looked at I would like to know that. Because my committee feels very strongly that if there is criminal misdeeds, that those who are involved should be held accountable. And the fact that we have not focused on it in the hearing does not mean that we are indifferent to it, it is just not the issue today.

With regard to Mr. Wallace's comment about CHA getting itself out of business, I am not sure that I agree with you. And I do not want to spend a lot of time because some of this is more theoretical than practice. But let me just tell you what I believe.

I believe you always have to have some kind of rental units that are available for the most disadvantaged. Ideally we like to think of public housing as transitionary. But it is not. One of the problems that I have is the 30 percent rule that basically says you get 30 percent of your income, and even if you have two people in the household earning money, 30 percent could be double the market rate. That gets people out.

Now, I do not want anyone offended by this, but as a general rule I think we have moved away from the working person in public housing. I know there are working people in public housing, but not as much as there used to be. And when I was with these kids last night I was trying to think of who was their—who did they want to aspire to. They could be sports figures.

Last night one of the gang members said to me "There is a lot of money in this housing authority." And I said, "What do you mean a lot of money?" And then I said, "Do you mean a lot of talent?" And—and he said, "Yeah." He was making reference to rap singing. He said, "There are a lot of very talented rap singers in the authority in Chicago." I thought this was interesting, in a way.

Because they have seen athletes leave the housing authority and succeed and they have seen rap singers succeed. I am not sure they see a lawyer living in public housing. They may have seen someone grow up and become a lawyer, but then he is not there. They have not seen a lawyer every day come back to the public housing and live there and work there and talk with the kids and so on. I mean, that is in my own mind, that is kind of my impression.

My bottom line is: what I would like to see out in public housing, I would like to see some of those professions back in public hous-

ing. And I would like to see the kind of mixed use that allows that to happen.

Mr. WALLACE. Mr. Chairman, you may find that we are in agreement. Having a philosophy of working itself out of business is entirely different from the physical improbability of you going out of business working after that. It is a matter of attitude.

I sit here, I am an example. I work every day in the area, I work with public housing people. My efforts within the limited scope of technology lies in developing technology that affords them an opportunity to work in the work place. They do not have skills that will qualify them to do exquisite carpentry. But they develop technology that affords them an opportunity to produce in a controlled environment, and yet service both their re-housing needs and also beyond that, the market rate housing need.

In discussions, in fact, with Chairman Lane when he was there, he said his objective was not to get rid of CHA, but in fact to move CHA to more management and to see involvement moved down the line to the people themselves.

I do not suffer from a dream that CHA will ever disappear. I once read, in fact, a document. I have it, in fact. The writers were describing a place where there were block clubs and there were gardens and planting. It was integrated and people cared. They had their meetings and people could complain. And before I got to the end of the document I was wondering. It was about Cabrini Green. Cabrini Green once before.

I do not think that the housing itself, or the structure itself makes a bad person. I think wrong thinking eliminates opportunity to dream. So I still believe that there will be a public housing authority.

I think that HUD in fact should encourage those that would use innovative technologies to employ people. I think those people that you can consider to manage; you can consider to own production units that would in fact provide housing for them and in the marketplace, things like that. I have every confidence in them, and I do not in fact see public housing disappearing.

Mr. SHAYS. If I could ask one privilege, and that is just to make a statement at the end of this hearing, given that I have traveled so far.

I leave Chicago with a number of different impressions. One is that Chicago looks to me a very livable city. There is a lot of open space, the roads seem to work fairly well. Believe it or not, it looks cleaner to me than a lot of cities. I mean, there were a lot of wonderful surprises for me coming to the city. An extraordinary downtown. You had some areas that look yuppie and every city needs a little of that. But what I came with an impression was, I saw some really ugly schools on the outside. And I compliment the mayor for wanting to—to get more involved. He is getting more involved in a micro way. And I agree that you can only take on so many battles.

I went to St. Joe's School, a parochial school near Cabrini Green and met with some of the students and loved my interaction with them. And then I went to the—is it the Shuler Public School, is that it, that was nearby? And it does not look so great on the outside. But I really enjoyed my interaction with the teachers there.

A lot of, you know, very positive, enthusiastic teachers. What was not so attractive on the outside, on the inside was quite nice.

My biggest discouragement is thinking about these young kids who have no dreams. I mean, I cannot think of anything worse. And the one thing that I get down on my hands and knees for, is I had a mom and dad, admittedly, who just expected certain things of me and made me dream. I mean, I was in third grade dreaming about being in public life working for the government as a civil servant, like you may have been doing, Michael, or being in the capacity that I have right now. I had parents who taught me to dream.

And if we could accomplish nothing else, if we could get these kids to dream and have them think the dreams were realistic, I cannot think of anything better.

And I will just end with this comment. The most memorable meeting I ever had with a constituent was a young woman who was 35 years old. She happened to be white, but that was irrelevant. She came from a family where her father died when she was 12. She had six younger brothers and sisters, and her mother was a teacher. And the one thing she said was her mother expected them to have not college degrees, but graduate degrees. She told me every one of them had a graduate degree; doctors, lawyers, and so on.

That was the dream of a mother and it was not wealth. She was an educated woman but she made a teacher's salary; and she had seven kids and no income other than her own.

Cora, I just want you to know I would love tenants to have more impact in public housing even, frankly, if you screw up a little bit. Because Lord knows it would not be any worse than what has happened before. I would rather have the tenants do it and screw up, and learn from it and grow from it, and we all could be willing to make some mistakes in the process and be willing to forgive each other for our mistakes.

Mr. Chairman, I know that our ranking member has a question. Thank you.

Mrs. COLLINS. I'll tell you what it is. Thank you, Mr. Chairman.

Mr. Chairman, I would appreciate it if Mr. Marchman, for the record, and I know we have it, but it seems to me that the creation of employment and wage opportunities is a critical need among public housing residents. I know this need has been recognized by HUD, particularly in its section 3. So what I would like to have you do, is for the record, because I know the time is very short, to have Mr. Marchman provide us with how he sees these opportunities being exercised in HUD's RFQ's and P's, if possible. That would be very helpful for the record.

Now, I want to go to Mr. Wallace, because I have known him for a very long period of time. He has been to my office and has shown me his design mechanism for the new construction. What Mr. Wallace has not done, though, is to tell us how it would benefit Chicago Housing Authority. I have seen the designs and happen to know that they are cost efficient, that the buildings could be more quickly constructed and could be easily duplicated. Mr. Wallace and I believe you could tell me whether, Mr. Wallace, people who are unskilled builders would be able to find jobs in the kind of building

construction that you have in mind. Could that information be transmitted to those who are in public housing? Could the unskilled work on and help to manufacture this housing?

Mr. WALLACE. Indeed, Congresswoman. And I apologize——

Mrs. COLLINS. That is my last question, Mr. Chairman.

Mr. WALLACE. I apologize for not addressing that. We have worked for better than 2 years with one of the major banks in Chicago to develop an initiative that would afford public housing residents an opportunity to participate in construction of units that, in turn, would house public housing people and market rate people.

Our full objective was to make the technology available. I am an architect. I do not know anything about manufacturing houses. But make the architect—the technology available to public housing organizations, whatever the structure may be, so that they could in turn employ people in public housing.

For example, the Step Up Program here in Chicago, one of the major complaints they have is that no out-placement of the people they train. Why not provide out-placement to the factory that the people own.

We built, in Chicago in 1972, 459 units of housing that was a 50–50 joint venture of a black and a white. We built this housing in 10½ months. Recently we have built a prototype of a unit that preceded our building 20 units in two flats using light gauge steel technology. Men from Henry Horner participated in the erection and construction of that housing. The purpose of the technology, and probably driven by my background, was to develop technology that lowered the skill level requirements, and that could be produced to a great percentage, namely in this 80 to 85 percent in factory that would allow the involvement of these people.

Mrs. COLLINS. So then with HUD talking about demolishing these old buildings that are not efficient and putting in new buildings, a possible means for doing so and a cost efficient and a very quick way, and using CHA residents to help construct those new units is something that you are interested in.

Mr. WALLACE. Cost efficient.

Mrs. COLLINS. And that is what you wanted to say here today; is that right?

Mr. WALLACE. Yes. Yes.

Mrs. COLLINS. I thought it was.

Mr. WALLACE. Thank you.

Mr. SOUDER. We thank all the witnesses for coming today. For those who are in the audience listening, it has been helpful to us. You have great responsibility caring for the many funds of the taxpayers throughout the country, and the little children, and the mothers and fathers, and the different homes that they are in. And wish you the best. And we will keep our eye on it, but we hope everything works out wonderful because we do not have to keep it on too close.

Thank you very much. The hearing is now adjourned.

[Whereupon, at 4:08 p.m., the subcommittee was adjourned.]

[The following information, Coalition to Save Greenview letters, HUD/CHA 120-day working plan, and the HUD/CHA development plans can be found in subcommittee files.]

[Additional information submitted for the hearing record follows:]

# Local 73 SEIU Statement Regarding HUD Takeover of Chicago Housing Authority at Hearing Convened by the Subcommittee on Human Resources and Intergovernmental Relations

## Sept. 5, 1995

Hello, my name is Tom Balanoff. I am the president of Local 73 of the Service Employees International Union, representing 23,000 members statewide, and more than 600 administrative workers and exterminators at the Chicago Housing Authority.

Local 73 has been at CHA longer than Vince Lane, longer than Joe Shuldiner and long before CHA made the headlines every day. Our members stand prepared to discuss all of the problems at the authority. Under the previous administration, our members suffered with a revolving door of supervisors, a disorganized and disheveled management "system" , if you can call it that, and constant changes in management philosophy and enforcement. They faced the daily frustration of trying to do their jobs, and do them well, under increasingly adverse circumstances.

When HUD took over CHA, we applauded the move. We, like many people, had high hopes of real change. We approached HUD immediately, and particularly in the case of the beleaguered Section 8 administration, offered the expertise of the frontline workers in making rapid change that would improve the lives of thousands of people awaiting housing.

We're sorry to say - those offers fell on deaf ears.

While we struggle again and again to make the improvements that employees and residents desperately need, our own contract hangs out like a carrot on a stick - and a rotting carrot at that. While buildings are razed around us, and decisions are made behind closed doors, we sit at a bargaining table facing demands that our living wage jobs be thrown to the bottom of the heap by contracting out to more desperate workers who will make less and have no benefits.

To add insult to injury, CHA has refused, after months of inquiries, to provide any information regarding the millions of dollars pilfered from our pension funds. This money belonged to these employees, not CHA, not HUD, and no one has shown us the decency to tell us what will happen when our members retire, or what actions have been taken on behalf of them.

We are not the problem - we are and we want to be part of the solution. No one person has the answer, but our 600 people at the frontlines have some very definite ideas. Listen to them, and you will learn. Treat them with the respect they have earned in their tenure at CHA and all of us, residents, employees, management and legislators, can only stand to benefit.

Thank you.

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