TESTIMONY BY
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U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON FINANCIAL SERVICES
SUBCOMMITTEE ON HOUSING AND INSURANCE

HEARING ON THE FUTURE OF HOUSING IN AMERICA: A COMPARISON OF THE UNITED KINGDOM AND UNITED STATES MODELS FOR AFFORDABLE HOUSING

MAY 12, 2016

INTRODUCTION

Good morning, Chairman Luetkemeyer, Ranking Member Cleaver, and members of the subcommittee. I am Richard C. Gentry, the President and Chief Executive Officer of the San Diego Housing Commission, which serves low-income residents in the city of San Diego—the eighth largest city in the nation and second largest city in California. I am honored to be here today to testify about the affordable housing models in the United Kingdom and the United States and how they impact the future of housing in America.

I began working in San Diego in 2008; however, my experience in affordable housing spans 44 years—beginning with the U.S. Department of Housing and Urban Development (HUD) in 1972. I have served as the CEO of the public housing authorities in Austin, Texas, and Richmond, Virginia, as well as working in the private sector as the Senior Vice President of Asset Management for the National Equity Fund in Chicago, Illinois, the nation's largest nonprofit Low-Income Housing Tax Credit syndicator, and as the Vice President for Public Housing Initiatives at the Local Initiatives Support Corporation (LISC) in Washington, D.C.

My opinions today reflect the diversity of my background and the breadth of my experience.

I am also privileged to have collaborated with my housing colleagues in the United Kingdom on several occasions, beginning in 1994 and followed by a number of visits over the years, including London, Liverpool, Manchester, Edinburgh, and most recently, Brighton in 2013.

I have come to appreciate the collegial relationship I have with my colleagues across the Atlantic.

The United States and the United Kingdom share a deep history in which similarities in their approaches to affordable housing are rooted. And we can learn from each other.

However, variations in our approaches that are based on culture and history also should be recognized.

Similarities between the United States and the United Kingdom - History

The United States and the United Kingdom support the same objective of empowering individuals and families to realize their potential, while providing a safety net for those who are in need or who require assistance in a competitive world.

This shared perspective is based upon a common philosophical viewpoint of the economy. Both nations espouse individual liberty, freedom of opportunity, and enabling citizens to realize their full potential.

The philosophy at the foundation of the economy in both the United States and the United Kingdom dates back more than three centuries at least to 1688, when William and Mary ascended to power as the King and Queen of Britain and brought with them an economic system that merged the freedom of the individual with collective needs. This philosophy of free market economic principles was further reinforced by the Scottish enlightenment of the mid-1700s, in particular the principles of Adam Smith, a Scottish philosopher and economist. In addition, this free market philosophy also influenced the principles of the Founding Fathers of the United States.

With this economic foundation, both the United States and the United Kingdom developed policies to help individuals and families achieve as much as possible in a competitive economy.

However, by the mid-20th century, after two World Wars and the Great Depression, and with the growing need to provide opportunities to those who had been left out of economic well-being during the first half of the century, the United States and the United Kingdom began to pursue different directions.

In particular, after World War II, there was a significant housing expansion that arrived in both the United States and the United Kingdom, but utilizing far different models for low-, moderate-, and middle-income residents.

Federally funded public housing in the United States dates back to the Housing Act of 1937, which provided Federal funds to public housing for low-income working class families. However, public housing proliferated after the Housing Act of 1949, which began applying income limits so that public housing served low-income residents, while working class families were supported in their access to private sector housing.

HUD was created by legislation in 1965 to oversee Federal housing programs for vulnerable low-income households, such as seniors, individuals with disabilities, and families. As this subcommittee is assessing HUD programs 50 years later that serve our most vulnerable families, it is important to note, however, that private sector rental housing today continues to provide the majority of the rental housing opportunities for both Americans who receive Federal housing assistance and those who do not.

According to HUD, approximately 1.2 million American households live in public housing, which is 1 percent of the approximately 116 million households in the United States, based on U.S. Census Bureau data. In addition, approximately 5 million households, or 4 percent of all households in the United States, receive Federal Housing Choice Voucher rental assistance, according to the Center on Budget Policy and Priorities, based on HUD data obtained through a research agreement. In addition, the highly successful Federal Low-Income Housing Tax Credit program, created in 1986, which assists the development of affordable housing, has financed nearly 3 million apartments for low-income families, seniors, Veterans, and individuals with special needs since its inception 30 years ago, according to the National Council of State Housing Agencies.

The primary government-sponsored resources for the development of housing options for moderate- and middle-income Americans after World War II were Federal Housing Administration (FHA) insurance, authorized in 1935, and the secondary mortgage market, known as the Federal National Mortgage Association, or Fannie Mae, authorized by Congress in 1938. These two programs created a vast expansion of home ownership rates after World War II. In addition, there was substantial growth of private sector rental housing, which provided the housing basis for enhanced economic mobility for many Americans.

However, after World War II, during the time that the United States was developing private market housing programs for moderate- and middle-income Americans and public rental housing for low-income Americans, the United Kingdom developed large swaths of government-owned housing controlled by city and county councils, called “council housing.” By the 1980s, more than 40 percent of the population lived in rental “council housing,” including both low-income and middle-income workforce families.

I would contend that this post-World War II approach by the United Kingdom was counter to the long-term British economic tradition and was not matched by the United States.

In the 1980s, the United Kingdom began to return to what I believe is its more traditional economic perspective by providing greater and more varied housing options, particularly for middle-income workforce families. Policies were developed to reduce the large percentage of British residents living in council housing. This included the Right to Buy under certain circumstances, and in 1988, the beginning of the transfer of "council housing" to nonprofit associations.

However it is important to note that the transfer of affordable housing stock to nonprofit associations was the result of broad fiscal responsibilities that do not apply to the United States. By European Union edicts, the debt from "council housing" added to the United Kingdom's national debt and impacted the ratio of debt to Gross Domestic Product, a critical European Union metric. The transfer of "council housing" to nonprofit associations was primarily motivated by the objective of moving the debt off of the government's balance sheet.

Lesson Learned from the United Kingdom

As I noted previously, the debt issue that the United Kingdom has taken steps to correct by transferring council housing is not a problem that is replicated in the United States. We should be careful not to try to solve a problem that does not exist here.

What does apply to both the United States and the United Kingdom is the focus on:

1) A set of values that creates multiple opportunities for individuals to achieve and become more financially self-reliant; and
2) The need to employ private sector discipline insofar as it is possible in the public sector to provide housing for low-income Americans.

With that said, I believe that the United States' traditional public housing program is no longer viable in its current form to continue serving the needs of low-income Americans. America's traditional public housing program has been, since its inception, a top-down, one-size-fits-all, centralized, command-and-control program operated in Washington, D.C., that is intended for implementation uniformly across the country. In a country as large and diverse as the United States, a public housing program with centralized mandated rules does not work.

This is not criticism or denigration of the low-income individuals and families who live in public housing or those who operate the program. However, the program's structure is flawed and needs to be changed to more efficiently use taxpayer resources to serve the housing needs of low-income Americans. To identify and implement needed changes, and ultimately for the good of the residents and taxpayers, we can learn from the intent of the British model, which is providing more housing options now than under the "council housing" system, more than from the specifics of their programs.

CREATING HOUSING OPPORTUNITIES FOR THE NEXT GENERATION—USING THE SAN DIEGO MODEL

As this subcommittee considers the question, “In the U.S., what will the housing market look like for the next generation?” I submit that for affordable housing, it should look much like San Diego, where we at the San Diego Housing Commission (SDHC) in recent years have implemented innovative approaches that bring together government and the private sector in partnerships to create and preserve affordable housing, provide Federal rental assistance, and address homelessness.

This innovation is essential to face the challenge of creating and preserving affordable housing in the city of San Diego.

Private sector renters in the San Diego metropolitan area paid approximately 40 percent of their monthly income toward rent at the end of 2015—10 percent more than what HUD defines as “affordable,” no more than 30 percent of income expended on housing.

According to the San Diego Association of Governments’ Regional Housing Needs Assessment Plan, the city of San Diego needs 38,680 additional affordable housing units for low- and very low-income San Diegans by 2020.

And to meet this challenge, let me further explain how we are increasing our affordable housing stock and what economic tools we are using to ensure our residents have housing opportunities available to them:

Creating and Preserving Affordable Housing Opportunities

- **Public Housing Conversion – Enhancing Public-Private Partnerships**
  A landmark agreement on September 10, 2007, between SDHC and the U.S. Department of Housing and Urban Development (HUD) transferred full ownership and operating authority for 1,366 public housing units to SDHC—the largest public housing conversion at the time.

  In exchange, SDHC committed to leverage the equity lying fallow in these former public housing units to create at least 350 additional affordable housing units—a number SDHC far surpassed.

  “What the San Diego Housing Commission did was basically say we can’t rely on the federal taxpayer to continue to maintain units, because it’s not serving our residents well.

It’s not serving our community well. They essentially took resources, and then they created better units with them,” said Orlando Cabrera, the former HUD Assistant Secretary, who approved the landmark agreement with SDHC.

The SDHC Board of Commissioners and the San Diego City Council approved SDHC’s application to withdraw from HUD’s public housing program, which HUD also approved. SDHC then implemented an innovative Finance Plan that was developed in 2009, which leveraged significant private sector financial investment.

San Diego City Councilmember Todd Gloria, who served on the SDHC Board of Commissioners at the time the agreement with HUD was being negotiated, said: “I think the concern that I had was how do we maintain the solvency of the agency as we saw the subsidy being reduced. That obviously produced a lot of financial challenges to the organization.”

SDHC leveraged the equity from this new real estate portfolio to create or preserve 810 additional affordable housing in the city of San Diego through direct acquisitions and public-private partnerships. All of the units will remain affordable for at least 55 years.

When the former public housing units converted to SDHC ownership, residents were provided with Federal Section 8 Housing Choice Vouchers. They could then use the vouchers at their existing units or take them with them as rental assistance to another rental home of their choice. Approximately 50 percent of the residents chose to stay at their existing units.

The public housing conversion emerged from a growing realization by the SDHC Board of Commissioners and executive leadership that SDHC’s dependence upon the Federal government’s historic investment in construction and maintenance of public housing could not be sustained under the current Federal model.

Federal public housing subsidies for operations and maintenance were based on a formula, were not keeping pace with need, and were counterproductive to good private sector management techniques. Across the nation, fewer new public housing units were being developed despite a growing demand for workforce and family housing.

“I think one of the most important things is that it created public-private partnerships, gave the Housing Commission the ability to sustain even more affordable housing units and to serve more people, to serve more families. And today if you look at the environment around us where you see an economic downturn, foreclosures, families who are in greater need than they were before, you know it was a really smart thing to do,” California State Assemblymember Toni Atkins, the former Speaker of the California State Assembly and a former San Diego City Councilmember, said in 2012

On October 2, 2012, SDHC published a special multimedia digital report about the landmark public housing conversion and SDHC's Finance Plan. The report, "Creating Affordable Housing Through Public Housing Conversion," is posted on SDHC's website: http://digital.turn-page.com/t/27073-san-diego-housing-commission-public-housing-conversion-report

I also presented SDHC's public housing conversion experience to colleagues in the United Kingdom on March 6, 2013, at the Chartered Housing Institute's South East Conference & Exhibition in Brighton.

In addition to SDHC's own particular type of public housing conversion, there is another landmark Federal program that provides additional public housing authorities with similar opportunities to transform or enhance their public housing:

- **Rental Assistance Demonstration**

  Nearly four years after SDHC's landmark public housing conversion agreement with HUD, the Federal Consolidated and Further Continuing Appropriations Act, 2012, was enacted on November 18, 2011, creating the Rental Assistance Demonstration (RAD) program.

  RAD allows public housing to be converted to long-term, Section 8 Housing Choice Voucher project-based rental assistance contracts. This conversion under RAD enables properties to obtain private financing to perform maintenance that had been deferred.

  Although SDHC has not yet participated in RAD, we may utilize RAD in the future for our 189 remaining public housing units, and we support the public-private principles RAD is based upon.

- **Public-Private Partnerships**

  Public-private partnerships are important for the future of affordable housing, as noted in both of the reports this subcommittee is reviewing, which compare the affordable housing models in the United States and the United Kingdom.

  I acknowledge the value of these reports. However, I will point out that there are many options available for the development of affordable housing. The identity of the participants involved with providing affordable housing is not as critical as the rules they are required to follow. The programmatic structure of the Federal public housing program is the issue.

Replacing the public sector with a private sector organization is not a magic answer. Rules need to be reformed so there is sufficient capital to support the physical structures of public housing and so the housing subsidy system will encourage individual financial self-reliance.

For example, San Francisco recently broke up its public housing and distributed it to nonprofit organizations in the Bay Area for management. I applaud this action. In San Francisco, it makes sense. There are many first-class housing nonprofits in the Bay Area, such as Eden Housing, Mercy Housing California, EAH Housing, BRIDGE Housing and other organizations that do outstanding work.

However, it should be noted that the City of San Francisco is directing additional financial resources of its own to supplement the public housing system to make this conversion work. Absent the extra City funding, the conversion from public to private operations would be much more problematic.

Even the best private sector nonprofit organization managing public housing will experience difficulties under the current structure. As we have shown with the San Diego model, with the exception of SDHC's remaining 189 public housing units, the remainder of our programs are financially solvent and fiscally responsible. We are serving thousands of low-income families and are operating as faithful stewards of taxpayer resources.

Since 1981 SDHC has helped to create 16,049 affordable apartments in the city of San Diego through these public-private partnerships as a:

- Development partner;
- Lender (funding sources include Federal, State of California, City of San Diego and SDHC funds);
- Issuer of Multifamily Housing Revenue Bonds, which are administered by the State of California and are paid with project revenues, creating no financial liability for government agencies; and
- Administrator of City of San Diego affordable housing funding, such as Inclusionary Housing Fees charged on residential developments and Housing Impact Fees applied to commercial developments).

It is important to note that partnerships between SDHC and private nonprofit and for-profit developers continue to successfully create and preserve affordable housing in the city of San Diego.

SDHC partnership developments invested more than $675 million in total development costs to create and preserve affordable housing in the City of San Diego that was completed or under construction in Fiscal Year 2015 (July 1, 2014 – June 30, 2015).

The creation or preservation of 897 affordable housing units was completed. The new construction or rehabilitation of an additional 1,273 affordable housing units was under way in Fiscal Year 2015.

- **HUD HOME Investment Partnerships Program Funds**

One of the critical sources of Federal funding for affordable housing development is HOME Investment Partnerships Program funds, which are awarded by HUD to the City of San Diego and are administered by SDHC.

Since 1992, SDHC has administered more than $186 million in HOME funds awarded by HUD to the City of San Diego, through December 29, 2015. Many of these funds have been used to create 1,785 affordable rental housing units and help 593 homeowners rehabilitate their properties.

One of the innovative developments constructed with HOME funds administered by SDHC is COMM22, a property located at the intersections of Commercial and 22nd streets, which celebrated its grand opening on May 8, 2015.

COMM22 consists of two separate apartment buildings, each four stories high:

- Victoria at COMM22, 69 affordable studios and one- and two-bedroom apartments for seniors (62+) and one manager's unit.
- Paseo at COMM22, with 128 affordable units of one-, two- and three-bedroom apartments for families and two manager's units. Included are 13 units of supportive housing for youth aging out of the foster care system who also have a mental illness, who will receive services under the state Mental Health Services Act (MHSA) program.

SDHC invested $4,190,000 from HOME funds toward the total development cost of $28,799,000 for Victoria at COMM22, which also received a HUD 202 Capital Advance Loan of $4,868,300 for 30 senior units, for which HUD also has awarded federal rental assistance for very low-income seniors, who will pay 30 percent of their income toward rent, with no minimum income requirement.

Additional partners in the public-private development of COMM22 included the developers, BRIDGE Housing Corporation and Metropolitan Area Advisory Committee on Anti-Poverty (MAAC), in partnership with the San Diego Unified School District.

In addition, SDHC has utilized HOME funds to create homeownership opportunities for 1,891 first-time homebuyers. The HOME program provides the flexibility to create opportunities to leverage private sector resources and create homeownership.

However, Federal funding for the HOME program has been cut in half, from $1.8 billion in the Federal Fiscal Year 2010 (October 1, 2009 – September 30, 2010) to $950 million in Fiscal Year 2016.

- **Federal Low-Income Housing Tax Credit Program**

The Federal Low-Income Housing Tax Credit Program, administered in California by the California Tax Credit Allocation Committee, is a successful and critical source of financing for affordable housing partnership developments. It is also a good example of public-private partnerships leveraging substantial private sector investments in affordable housing.

In the City of San Diego, Low-Income Housing Tax Credits have financed 13,960 units of affordable rental housing at 130 properties since 1989.

For example, one recent SDHC public-private partnership that was partially financed with Low-Income Housing Tax Credits:

- **<u>Independence Point Apartment Homes</u> (formerly known as Willie James Jones Apartments)**: 31 newly constructed affordable housing units, of which 25 are set aside for households with members who have developmental disabilities. Units will remain affordable for 55 years. Grand Opening: March 25, 2016.

  Independence Point is the first residential complex in Southern California to provide affordable housing specifically for families with at least one member who has a developmental disability, which includes cerebral palsy, epilepsy, autism, and intellectual disabilities.

  Chelsea Investment Corporation developed Independence Point in partnership with SDHC and the Southern California Housing Collaborative, a San Diego-based a nonprofit organization that locates and secures affordable housing opportunities for low-income individuals with developmental disabilities.

Chelsea Investment Corporation is one of the top 20 developers of affordable multifamily housing across the nation according to the Affordable Housing Finance magazine's website, www.housingfinance.com. More affordable housing developers like Chelsea Investment Corporation under the leadership of Jim Schmid are needed.

- **Leasing City of San Diego Land to Preserve Affordable Housing**

The preservation of existing affordable housing is critical to meeting housing needs today and in the future, a principle also noted in the Housing Partnership Network's report, which this subcommittee is reviewing.

To ensure that affordable apartments will remain affordable for seniors for decades to come, the City of San Diego entered into a new lease for the City-owned land on which an affordable apartment complex for seniors is built. SDHC renovated the San Diego Square Senior Apartments with SDHC's nonprofit affiliate, Housing Development Partners (HDP).

San Diego Square Senior Apartments in Downtown San Diego underwent a top-to-bottom overhaul and will continue to provide 154 apartments for low-income seniors that will remain affordable for 65 years.

"What a transformation we're seeing right before us. It's a perfect example of the innovative ways that San Diego is using to deal with affordable housing," San Diego Mayor Kevin Faulconer said at the grand reopening of San Diego Square last month.

The year-long makeover – which ranged from replacing the building's aging roof to installing energy-efficient doors, windows and appliances – was the first major renovation of San Diego Square since it was built in 1979.

San Diego Square was purchased on February 13, 2014, through a partnership between SDHC, HDP, and LISC San Diego, the regional chapter of the Local Initiatives Support Corporation, a national nonprofit dedicated to investing in affordable housing and community development initiatives.

Additional financial partners who were essential to the renovation of San Diego Square were Citibank and Boston Capital. Funding included more than $17.8 million from State Multifamily Housing Revenue Bonds, which were authorized by SDHC and approved by the Housing Authority of the City of San Diego, and were sold to Citibank to finance the purchase and renovations. Boston Capital provided more than $12.1 million in tax credit equity.

HUD was also an essential partner, administering Project-Based Housing Vouchers that provide Federal rental assistance of $1,445 per unit, per month for the 154 affordable housing units ($2.6 million per year).

HUD's contract to provide Federal rental assistance to residents at San Diego Square would have expired in January 2014. However, with the purchase of San Diego Square on February 13, 2014, HUD agreed to a 20-year extension of its Federal rental assistance contract, through October 26, 2034.

"It's more than just bricks and mortar. It's somewhere folks can call home. There is a computer lab, there is an exercise room, there is a swimming pool, there's easy access to transportation and that says something for the vision of (SDHC) that we're not just going to house seniors in an apartment and let them fend for themselves," said Marcie Chavez, Director of the U.S. Department of Housing and Urban Development's (HUD) Los Angeles Office of Public Housing.

- **Sustainable and Transit-Oriented Development**

  The housing market for the next generation should empower individuals to find affordable housing near employment opportunities with access to public transportation.

  This continues to be a priority for SDHC, which developed a "Three-Year Work Plan to Facilitate Transit-Oriented Affordable Housing Development" in 2011, and updated the plan last year.

  HUD defines transit-oriented development as: "A compact, mixed-use community located within an average 2,000-foot walking distance of a transit facility that promotes economic prosperity and environmental sustainability by providing people of all ages and incomes with improved access to affordable and convenient public transportation including travel by transit, foot, or bicycle."

  This promotes sustainable communities by providing people of all ages and incomes with improved access to transportation and housing choices.

Sustainable affordable housing that is environmentally friendly is also essential for the future, with amenities such as solar heating or photovoltaic power, water-saving fixtures, energy-efficient appliances and drought-tolerant landscaping.

On January 20, 2012, the SDHC Board of Commissioners adopted "Sustainable Development Guidelines":

- Educate residents about energy and water conservation and their impact on the environment
- Use efficient landscaping
- Increase efficiency with building systems and components
- Adopt standards for new construction
- Adopt site selection guidelines

Public and neighborhood groups were consulted as part of the review process for these guidelines, as were appointed and elected officials.

Providing Rental Assistance

- **Section 8 Housing Choice Vouchers**
  In addition to public-private partnerships to create and preserve affordable housing units, SDHC engages with private sector landlords to establish more affordable housing opportunities by providing Federal rental assistance.

  SDHC partners with HUD to provide the most vulnerable San Diegans with rental assistance to help them locate housing in the competitive, high-cost San Diego rental housing market.

  The Section 8 Housing Choice Voucher rental assistance program is the most useful affordable housing program that I have seen the Federal government develop in my 44 years working with affordable housing, and it is the largest program administered by SDHC. It is the most effective option available in the United States today and in the future for providing affordable housing for low-income individuals and families.

  In addition, this program allows local agencies, such as SDHC, the flexibility to categorize Housing Choice Vouchers in ways that best serve their local communities, such as:

  - Project-Based Housing Vouchers: Federal Project-Based Housing Vouchers are awarded to specific affordable housing developments to provide rental assistance linked to their units. When a tenant moves, the rental housing voucher remains with the affordable housing unit so that another low-income or homeless San Diegan is able to move into the unit and receive rental assistance.

- Sponsor-Based Housing Vouchers: SDHC awards Federal Sponsor-Based Housing Vouchers to nonprofit organizations, or “sponsors,” that provide supportive services to homeless San Diegans. Sponsor-Based Housing Vouchers provide rental assistance that pays up to 100 percent of the tenant’s rent, depending on their income level.

More than 15,000 low-income households in the city of San Diego, including homeless San Diegans and chronically homeless Veterans, receive Federal Section 8 Housing Choice Voucher rental assistance from SDHC.

These households include more than 37,000 men, women and children.

Approximately 56 percent of these households are seniors or individuals with disabilities.

In addition to assisting low-income households to obtain rental housing, SDHC’s Housing Choice Voucher program invests millions of dollars in the local economy each year.

In Fiscal Year 2015 (July 1, 2014 – June 30, 2015), SDHC paid $141,953,109 to 5,600 participating landlords in the city of San Diego, who are essential to providing affordable housing to low-income San Diegans.

- **Moving to Work**

The U.S. government’s creation of the “Moving to Work” program in 1996 established a significant tool to provide affordable housing opportunities, combining the flexibility to foster innovation with continuing government oversight from HUD. Public housing authorities must submit their proposed new MTW programs to HUD for approval.

MTW lessens the impact of the top-down approach of the public housing program because it provides flexibility and allows local agencies to determine the most effective programs for their communities.

MTW has been especially significant in the expensive housing markets of California, including San Diego.

SDHC is one of only 39 public housing agencies, out of 3,400 nationwide, to receive the MTW designation from HUD, which allows flexibility to create innovative, cost-effective approaches to provide housing assistance to low-income families.

I want to thank the members of this subcommittee for your efforts to extend the contracts of MTW agencies, such as SDHC, for 10 more years, through 2028, which was approved in the Consolidated Appropriations Act of Fiscal Year 2016 on December 18, 2015.

This Congressional action also will expand the MTW program to an additional 100 public housing agencies across the country. I believe that the MTW program should eventually apply to all public housing agencies other than those identified by HUD as “troubled” to provide them with the structure and flexibility to design programs in their communities.

In San Diego, the MTW program has allowed SDHC to encourage families and reward them for productive activities, as you will see in my comments about the SDHC Achievement Academy.

SDHC’s MTW initiatives provide: opportunities for Section 8 Housing Choice Voucher rental assistance participants and public housing residents to become more financially self-reliant; funding toward the creation and preservation of affordable housing for homeless San Diegans; and rental housing vouchers to address homelessness.

- **SDHC Achievement Academy**

  A significant component of SDHC’s MTW initiatives is that we want to reward households for taking steps to move to work. The SDHC Achievement Academy is a critical MTW initiative to help low-income residents break the cycle of poverty and become more financially self-reliant.

  On October 4, 2010, SDHC opened the SDHC Achievement Academy, a state-of-the-art learning and resource center and computer lab at SDHC’s headquarters in Downtown San Diego. The SDHC Achievement Academy provides programs that emphasize career planning, job skills and personal financial education—at no cost to Section 8 Housing Choice Voucher rental assistance participants and public housing residents.

  In Fiscal Year 2015 (July 1, 2014 – June 30, 2015), 1,667 participants received services at the SDHC Achievement Academy, and 2,000 participants are projected to receive services in Fiscal Year 2016 (July 1, 2015 – June 30, 2016).

The SDHC Achievement Academy’s main program is Family Self-Sufficiency (FSS).

Heidi, age 39, was a homeless, pregnant teen when she began receiving Federal rental assistance from SDHC in 1997. She began participating at the SDHC Achievement Academy in 2012 and enrolled in FSS.

Working as a waitress, she was able to obtain an associate’s degree in 2007. Two years later, she graduated from California State University, San Marcos with a bachelor’s degree in criminology and justice studies, and began her doctoral studies in sociology at the University of California, San Diego, where she will defend her dissertation on May 20, 2016, to obtain her Ph.D.

“There is absolutely no way that I would have had the opportunity to go to school if I didn’t have my rent subsidized. I didn’t have to work three jobs to support my family. I was able to take that time and go to school. I always felt like I had someone in my corner, someone that supported me, someone that wanted me to be successful, and I’m speaking specifically of FSS,” Heidi said.

Heidi will be looking for work as a professor and plans to phase out of Federal rental assistance in two years, making assistance available for another low-income family.

SDHC utilized MTW flexibility to redesign the SDHC Achievement Academy’s FSS, program, to provide enhanced opportunities for families to become more financially self-reliant.

As of March of this year, 326 individuals are participating in the SDHC Achievement Academy’s FSS program.

A voluntary, two-year program, FSS provides a variety of courses, including: job training, career planning, and financial literacy education, such as budgeting, saving, establishing good credit, and income tax preparation.

Participants are required to follow a career plan and obtain a job working at least 32 hours per week. FSS is available at no charge to the head of household receiving SDHC HCV rental assistance and public housing residents.

SDHC Achievement Academy FSS participants are able to earn up to $10,000 in an interest-bearing escrow account based upon their educational and employment-related accomplishments. Funding for these financial incentives is provided by HUD. FSS program participants may use these funds as they wish when they complete the program.

- **Choice Communities**

The United States and the United Kingdom have both experienced transitions in their affordable housing, with a shift to communities that bring together a combination of income levels instead of concentrating low-income housing in one location.

In San Diego, one of the programs that helps to achieve economic integration through more economically diverse, balanced communities is SDHC's Choice Communities program (not the Federal Choice Communities program), an MTW initiative that began on January 1, 2010.

SDHC's Choice Communities program helps Section 8 Housing Choice Voucher rental assistance participants move from high- and medium-poverty areas to low-poverty neighborhoods in the city of San Diego.

Since the launch of the program, 288 low-income families in the city of San Diego have been able to move to areas with more options for transportation, schools, and employment opportunities.

Leasing a three-bedroom home from a private landlord was possible for Maria and her two sons, ages 6 and 12, because of SDHC's Choice Communities program. A no-interest loan through the program helped Maria pay the security deposit for the rental home.

"I would not have been able to do that on my own because that's a lot of money for me as a single mom," said Maria, who works in customer service for a local hospital. Maria has received Federal HCV rental assistance for the last six years.

The Choice Communities program:

- Allows a higher monthly rent subsidy, or "payment standard"
- Provides no-interest loans of up to $1,450 for security deposits, to be paid to the property owner, with low monthly repayments
- Provides additional resources, information and guidance to families interested in moving to one of the specified low-poverty Choice Communities

Overall, 804 Housing Choice Voucher families live in Choice Communities, including families who lived in these neighborhoods before the Choice Communities program began or who are new to SDHC's Housing Choice Voucher program and chose to live in these communities.

I believe that, as we move forward, many of the programmatic tools already exist to assist low-income families, as I have shown with the San Diego model. To help low-income families move out of poverty, it is essential for local agencies to be provided with the flexibility to choose the options that show the greatest success in their communities.

Addressing Homelessness

The flexibility to meet local needs is utterly essential to effective affordable housing strategies. Challenges are not the same in all cities and counties across the country. A specific challenge for affordable housing in San Diego is homelessness.

The San Diego region ranks fourth in the nation in homeless population, behind New York, Los Angeles, and Seattle, according to the Annual Homeless Assessment Report to Congress, published in November 2015.

- **Housing First Model**

  The future of affordable housing includes providing housing opportunities for homeless seniors, Veterans, families, and individuals.

  SDHC is a driving force of the national Housing First model in the city of San Diego – to provide homeless individuals with housing as quickly as possible, with supportive services as needed.

  As an MTW agency, SDHC on July 1, 2010, became one of the first public housing authorities in the nation to receive approval from HUD use Federal rental housing voucher funding to provide long-term housing for chronically homeless individuals.

  HUD also approved SDHC's request to utilize its MTW status to invest its Federal funds to preserve or build affordable housing for homeless San Diegans.

- **HOUSING FIRST – SAN DIEGO**

  SDHC is applying the power of these Federal resources to address homelessness through **HOUSING FIRST – SAN DIEGO,** SDHC's three-year Homelessness Action Plan (2014-17), which was launched on November 12, 2014.

1. **Award Development Funds – Up to $30 Million** over three years (Up to $10 million each year) to create permanent supportive housing that will remain affordable for 55 years

   In the first year, SDHC awarded $8.2 million in Federal, State, and City of San Diego funds administered by SDHC to two developments, which will provide a total 121 affordable housing units for homeless individuals.

2. **Commit up to 1,500 Federal Rental Housing Vouchers** for Permanent Supportive Housing to provide housing to homeless individuals and families (Award up to 300 new housing vouchers each year to complement 576 housing vouchers already awarded)

   SDHC awarded 180 new Federal rental housing vouchers in the first year.

3. **Renovate Hotel Churchill – 72 Units of Permanent Supportive Housing**: 56 units for homeless Veterans; 8 units for youth aging out of foster care; and 8 units for adults exiting the corrections system who also need supportive services

   The renovation of the historical Hotel Churchill is scheduled to be completed this summer. SDHC is working with its nonprofit affiliate, Housing Development Partners, to rehabilitate Hotel Churchill. SDHC invested $9.2 million in MTW funds; $2.9 million in HOME Investment Partnerships Program funds awarded to the City of San Diego and administered by SDHC; and $3.2 million in City of San Diego funds administered by SDHC toward the $20.5 million rehabilitation cost.

4. **Invest MTW Federal Funds to Acquire Property** that sets aside 20 percent of its units for permanent supportive housing for homeless San Diegans.

   SDHC invested $15 million in MTW Federal funds to purchase the 120-unit Village North Senior Garden Apartments. Twenty percent of the units – 24 units – are set aside for homeless seniors.

5. **Dedicate SDHC-Owned Housing Units – 25 for Homeless San Diegans**.

   SDHC is one of the first public housing agencies in the nation to commit affordable rental housing that it owns for this purpose.

This is a rapid re-housing component of **HOUSING FIRST – SAN DIEGO.** In the first year, 6 families became financially self-reliant and are now able to pay full rent or have moved to another apartment. The program served 132 individuals, including 85 children and 12 Veterans in the first year.

SDHC's multimedia digital report about **HOUSING FIRST – SAN DIEGO** was published on November 21, 2014, and is posted on SDHC's website:

http://digital.turn-page.com/i/428981-sdhc-homelessness-action-plan

New initiatives for the second year of **HOUSING FIRST – SAN DIEGO** include:

1. The 1,000 Homeless Veterans Initiative – Provide housing opportunities for 1,000 homeless Veterans in the city of San Diego within one year
2. The Guardian Scholars Program at San Diego State University – Rental assistance for up to 100 students who have been homeless or at risk of homelessness
3. The Monarch School Project – Federal housing vouchers for 25 families with students impacted by homelessness

News releases about these new initiatives are available on SDHC's website:

- March 1, 2016: The 1,000 Homeless Veterans Initiative
  http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR.VeteransInitiative.Approved.pdf

- December 3, 2015: The Guardian Scholars Program and The Monarch School Project
  http://www.sdhc.org/uploadedFiles/Media_Center/News_Releases/NR.SDHC-SDSU%20HousingFirstSanDiego.12.3.15.pdf

CONCLUSION

Although programs may vary from one country to the other, the commonality of intent between the United States and the United Kingdom remains remarkably consistent. The housing policies of both countries continue to evolve, moving toward greater public-private partnerships and locally derived options and moving away from uniform, centrally planned, mandated programs.

In both countries, we collaborate and innovate to achieve the objective I stated at the beginning of my testimony today—an objective shared between the United States and the United Kingdom:

to empower individuals and families to realize their potential, while providing a safety net for those who are in need or who require assistance in a competitive world.

As approaches toward affordable housing evolve in the United States and the United Kingdom, I encourage all of us to be constantly open to identifying a continuously changing variety of solutions and to recognize the importance of both the government and the private sector to meeting the housing needs of our unique communities.