



**U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
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M E M O R A N D U M

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SUBJ: Partnership with Mayor Morial on Housing Authority of New Orleans

As you know, we have been working closely with Mayor Marc Morial and the City of New Orleans to determine the best strategies for turning around the long-troubled Housing Authority of New Orleans (HANO). The Secretary and the mayor are now prepared to announce a "cooperative" management of the housing agency tomorrow, Thursday, February 8th, in New Orleans.

Background

HANO is one of the worst-managed housing authorities in the nation, recently scoring a 27 out of a possible 100 on HUD's management assessment scale. HANO has been a troubled housing agency since 1979, an indication that the problems at the housing authority are deeply rooted and require bold solutions rather than modest improvements. Beginning in October 1994, HUD made repeated attempts to turn around the agency. HUD sent "recovery" teams to New Orleans, designed work out plans, established memoranda of understanding (MOUs) with the City, and embarked on other strategies -- but to no avail. HANO is still plagued with an inability to move forward on major public housing redevelopments and to respond timely to needed repairs. HANO's vacancy rates are five times higher than those at good-performing PHAs, and housing conditions are so poor that 93 percent of inspected units do not meet national Housing Quality Standards.

Due to the evident lack of progress at HANO, HUD had no choice but to declare the City in breach of its contract with HUD to remedy these management deficiencies. Swift action was necessary to ensure that thousands of low-income families do not stay one day longer in uninhabitable conditions. Federal intervention was critical to broker local contests, to bring in adequate expertise and resources, and to facilitate action.

The Cooperative Endeavor Agreement

Just as every local problem requires tailored solutions, transforming the Housing Authority of New Orleans required a response unique from those we sought in Chicago, Detroit, and other cities. The Cooperative Endeavor Agreement to be signed by the Secretary

and the Mayor this week represents a new partnership model that involves the City, HUD, and, for the first time, the active participation of two local universities -- Tulane University and Xavier University.

Under the Agreement, HUD and the City will jointly manage the housing authority. The current Board of Commissioners will be dissolved, and HUD will assume its oversight responsibilities. At the same time, a Board of Advisors composed primarily of residents will be established and chaired by the Mayor. The Agreement will also create an Executive Monitor to facilitate and oversee the implementation of this partnership. Ronald Mason, Jr., Executive Vice President and General Counsel of Tulane University, will serve as the Executive Monitor for the Mayor.

Also under this Agreement, HUD and the City will agree to the following:

1. By March 1, 1996, HANO will finalize its plans for redeveloping the Desire public housing development and for creating the Desire Public Benefit Corporation to manage the Desire redevelopment.
2. By April 1, 1996, HANO will develop a comprehensive plan that accelerates stalled modernization projects.
3. By April 15, 1996, HANO, with technical assistance from HUD, will develop strategies for improving the overall living conditions of its ten most troubled public housing developments.
4. By April 30, 1996, HANO will identify sites for a project-based budgeting and project-based management-maintenance initiative. HANO will also draft a budget planning process for implementing a 24-month action plan for this effort, which is scheduled to begin on May 1, 1996.
5. By April 30, 1996, HANO will set performance measures and develop a plan to expedite the reduction of vacant public housing units in the city.
6. HUD and the City agree that, once substantial progress has been on the goals outlined in this Agreement, Florida and Desire public housing developments will become privately-owned and managed by the Public Benefit Corporation.
7. HUD and the City will collaborate with Tulane and Xavier Universities to:
(1) develop and implement a "Campus of Learners" initiative for residents of Desire and other developments; and (2) fund Project FULCRUM, a model for University-Community cooperation in seeking holistic solutions to urban problems.

The partnership will be effective until December 31, 1996, or until HANO achieves a public housing management score of 60 and is no longer deemed a "troubled" agency. The partners also have the option to extend the agreement for another year.

Senators John Breaux and Bennett Johnston and Congressman William Jefferson have all been briefed on these latest developments.