

Mr. Milan Ozdinec
Subcommittee on Oversight and Investigations
Committee on Financial Services
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Oral and written Testimony

Good morning, distinguished members of the House of Representatives and thank you for the opportunity to testify in front of you today. My name is Milan Ozdinec and I am a retired senior executive who spent over 33 years at HUD in several critical roles including overseeing the Housing Choice Voucher and Public Housing programs as well as the HOPE VI Program.

I am here to testify about good government and how HUD, through the HOPE VI program, transformed over 100k of the worst public housing in the nation into mixed thriving communities leveraging federal funds with over \$5B in private equity to develop mixed-communities that survive the test of time.

The HOPE VI Program was born out of the National Commission for Distressed Public Housing. With \$800 million appropriated in its first two years, HOPE VI would become the laboratory for turning some of the worst public housing in the portfolio into some of our best. It was a learned process from the first Grant Agreement with PHAs to closing for mixed finance transactions

The public housing program, including the existing capital fund program, are ill equipped to allow Public Housing Agencies (PHAs) to manage the existing inventory of units owned by them nationwide. The Brooke Amendment, setting tenant rents at no more than 30% of income with the Federal Government making up the difference, has not lived up to expectations mostly because the program has not ever been adequately funded by the Federal Government. In addition, proper asset management, which includes the ability to establish and fund reserves for operations and replacement, is not possible under existing HUD statute and regulations. As they say, the road to hell is paved with good intentions.

HUD has over 800k units of public housing remaining in its inventory with the worst having been demolished under HOPE VI and the best being converted to Section 8 under the Rental Assistance Demonstration and the Moving to Work initiative. These 800K+ units are now nearing the end of their useful life and becoming obsolete. As a matter of fact, my business partner David Vargas, who retired as Deputy Assistant Secretary of the Real Estate Assessment Center, did an analysis of the balance sheets of every PHA in the nation managing a Public Housing program and showed that most of the remaining HUD real estate is fully depreciated.

Addressing the needs of these 800K units of remaining public housing will be a challenge. One that will most likely require the leverage of public funds and the expansion of tax credits. Releasing HUD's Declaration of Trust and bringing in private equity, absent a large cash infusion by the Federal Government, is in my opinion the only way forward.

It is also important for the Subcommittee to know that much has been accomplished by the industry over the last 30 years. For example:

- Public Housing Conversion to GAAP
- The use of the Rental Housing Integrity Improvement Project (RHIIP) to combat fraud
- Receiverships and their history
- Development program
- Introduced Mixed Finance
- Introduced mixed income
- Introduced the use of tax credits
- More skin in the game from some equity investors
- Demolished and rebuilt the worst parts of the portfolio
- Real estate is converting public housing through RAD
- Effort will need to be focused on the recapitalization
- Learned how to rebuild communities from the ground up.

These can be the base upon which you can build and take action