

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
2012 Summary Statement and Initiatives  
(Dollars in Thousands)**

<b>CHOICE NEIGHBORHOODS</b>	<b><u>Enacted/ Request</u></b>	<b><u>Carryover</u></b>	<b><u>Supplemental/ Rescission</u></b>	<b><u>Total Resources</u></b>	<b><u>Obligations</u></b>	<b><u>Outlays</u></b>
2010 Appropriation .....	...	...	...	...	...	...
2011 CR .....	...	...	...	...	...	...
2012 Request .....	<u>\$250,000<sup>a</sup></u>	...	...	<u>\$250,000</u>	<u>\$65,000</u>	<u>\$7,000</u>
Program Improvements/Offsets .....	+250,000	...	...	+250,000	+65,000	+7,000

a/ Choice Neighborhoods was funded at \$65 million in the HOPE VI account in fiscal year 2010. The Budget assumes the same funding level for Choice Neighborhoods in the HOPE VI account in fiscal year 2011.

**Summary Statement**

The Department requests \$250 million for the Choice Neighborhoods program, an increase of \$185 million above the \$65 million Choice Neighborhoods Initiative Demonstration within the 2010 HOPE VI appropriation. The \$250 million request is the same as the request in fiscal years 2010 and 2011 and \$50 million above the total 2010 appropriation for HOPE VI and Choice Neighborhoods. At \$35-\$45 million per Implementation Grant, the proposed funding level will serve 5-7 neighborhoods per year. The requested level is necessary to make a real impact in high-poverty areas and to provide the models and lessons learned to promote this type of effective policy and resource approach across the nation.

The Budget request includes up to \$10 million for program evaluation and technical assistance. HUD will use this funding for baseline research and evaluation of the program. HUD also seeks to allocate up to \$5 million in 2012 Choice Neighborhoods funding, along with \$5 million transferred to HUD from the Departments of Health and Human Services, Education, and Justice, for a Neighborhood Revitalization Grant initiative.

Building on the success of the HOPE VI program, Choice Neighborhoods funds competitive grants to transform neighborhoods of extreme poverty into sustainable mixed-income communities with a focus on improved housing, successful residents, and vibrant neighborhoods. Grantees include local governments, assisted housing owners, community development corporations, nonprofits and for-profit entities as well as public housing agencies (PHAs). Through HOPE VI, we learned that focusing only on the distressed public housing site does not yield the desired transformative impact on residents and the surrounding neighborhood. Also, other distressed HUD-assisted housing have the same negative effects on a neighborhood as distressed public housing. Thus, Choice Neighborhoods allows applicants to address HUD-assisted housing and requires a more comprehensive plan that encompasses other aspects of neighborhood distress, such as crime and poor performing schools.

Choice Neighborhoods grants primarily fund the transformation of severely distressed public and/or assisted housing developments through rehabilitation, demolition, and new construction. In the development of Choice Neighborhoods, HUD has focused on directing resources into three core goals:

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1. Housing: Transform distressed public and assisted housing into energy-efficient, mixed-income housing that is physically and financially viable over the long-term;
2. People: Support positive outcomes for families who live in the target development(s) and the surrounding neighborhood, particularly with regard to residents' health, safety, employment, mobility, and education; and
3. Neighborhood: Transform neighborhoods of poverty into viable, mixed-income neighborhoods with access to well-functioning services, high quality public schools and education programs, high quality early learning programs and services, public assets, public transportation, and improved access to jobs. At \$35-\$45 million per Implementation Grant, the proposed funding level will serve 5-7 neighborhoods per year.

### Background and Program Objectives

The goal of Choice Neighborhoods is to demonstrate that concentrated and coordinated neighborhood investments from multiple funding sources can transform a distressed neighborhood and improve residents' quality of life. The HOPE VI, Homeownership Zone, and Empowerment Zone programs reveal that coordinated area-wide employment of Federal resources with local planning and decision-making can transform and improve entire neighborhoods and communities. Choice Neighborhoods builds on the successes of these programs by preserving affordable housing and creating safe streets, high quality schools and other amenities typically associated with desirable neighborhoods.

The Department estimates only one in four families eligible for assistance receive help from HUD rental assistance programs. The recession and the increasing demand for rental housing generated by the foreclosure crisis have exacerbated the demand for rental assistance. Taken together these market forces underscore the importance of preserving critical public housing and other HUD-assisted units through Choice Neighborhoods and other HUD initiatives.

The 2000 census (the last accurate accounting for neighborhood-based poverty) showed that some 7.9 million poor people live in "extreme poverty" census tracts, where the poverty rate exceeded 40 percent. Neighborhoods of extreme poverty differ dramatically across multiple factors, including the economic health and vitality of the broader metropolitan economy; the proximity of the community to areas of employment (e.g., downtowns) or transportation infrastructure; and the scale and condition of subsidized housing.

The spatial concentration of poverty remains a serious and often unrecognized challenge to the ability of poor families and children to access opportunities and move up the economic ladder. Where a poor family lives dramatically affects their life opportunities. For example, concentrated poverty exacerbates the housing-jobs imbalance through which residents of poor neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation.

### Eligible Neighborhoods, Grantees, and Activities

Choice Neighborhoods will support a range of transformative interventions in neighborhoods of concentrated poverty. Grants will be targeted to assist neighborhoods with both concentrations of poverty or households with extremely low incomes and severely distressed public and/or HUD-assisted housing.

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Choice Neighborhoods communities will feature a mixed-income makeup. In addition to meeting the one-for-one replacement requirement for housing residents of the pre-redevelopment neighborhood, Choice Neighborhoods developments will generate affordable homeownership units. These units will be kept within an affordable price range for a period of at least 20 years. Other eligible activities within the initiative include the rehabilitation of foreclosed or vacant properties in the vicinity of the primary targeted development.

Eligible grant applicants will include local governments, PHAs, assisted housing owners, designated Community Development Corporations (CDCs), and other for profit and non-profit entities. These applicants will work with key participants, including developers and local agencies as well as non-profits administering grant components, services or other key programs. Applicants will be required to identify local strengths and challenges, propose feasible solutions and establish strong collaborative partnerships to address affordable housing, employment, education, safety, transportation and other key areas.

Grants will primarily fund the transformation of public and/or assisted housing developments through rehabilitation, demolition, and new construction. In addition to improvements to the public and assisted housing stock, these funds can be used (and with other program funding) for improvements to the surrounding community, including vacant, foreclosed or other blighted properties, public services, facilities and assets.

Education will be a key focus of the program. Local communities will be required to include an education component, such as early childhood education, health education, resources for parents, school improvements and other education-related services. Links to local education efforts aimed at producing good quality, full service community schools will provide a particularly significant opportunity to capitalize on additional neighborhood investments, and will be at the center of the development model. Where possible, the program will be coordinated with the Department of Education's Promise Neighborhoods proposal, a program that will implement innovative strategies to improve academic achievement and life outcomes in high-poverty areas.

Eligible activities will also include:

- Supportive services for residents, primarily focused on case management, service coordination and technical assistance to access programs from other key agencies and local service providers, with two goals in mind: 1) moving affected residents along the spectrum of self-sufficiency; and 2) creating a community with accessible supports for building more stable families;
- Relocation assistance costs, including mobility/relocation counseling over multiple years, reasonable moving costs, and security deposits. Previous efforts have shown that families relocating from high poverty neighborhoods need well-designed relocation plans with mobility counseling and relocation cost coverage to maximize their relocation opportunities;
- Critical community improvements including construction or rehabilitation of parks and community gardens, environmental improvements or site remediation at affected sites, community financial institutions, and other community resources, including retail and transit;
- Endowments, reserves or revolving loan funds for on-going operating and capital needs and for resident services; and
- Land assembly, land banking and other area improvement activities.

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### Leveraging and Coordination

The program will leverage funds from state, local and private sources as well as other HUD and Federal programs, including the Low-Income Housing Tax Credit (LIHTC) program, HOME Investment Partnerships (HOME) program, Community Development Block Grant (CDBG) program, and the Housing Trust Fund. Where appropriate, HUD will seek to streamline regulatory and statutory barriers to coordinating these programs. HUD may also access existing authority under project based programs (e.g. with existing authority to decouple Section 236 IRP payments for rehab grants) and public housing (e.g. the Capital Fund Finance, Operating Fund Finance, and Mixed-Financing Programs, Section 9(m) capital-only and operating-only grants, Section 30 mortgage authority, Section 8 project based vouchers) to leverage further housing improvement activities.

The Department will place a strong emphasis on coordination with other Federal agencies, notably the Departments of Education, Justice, Labor, Transportation, Health and Human Services and the Environmental Protection Agency, to leverage additional resources. Coordinating with other agencies enables Choice Neighborhoods to address not just housing, but transportation, education and other key areas when working to revitalize a neighborhood. Inter-agency coordination of various Federal programs may be aided by additional legislative authority to unify grants and streamline provision of housing and service dollars (e.g. to provide for a single agency to administer multiple grants from different programs).

### Planning Grants

HUD will set aside up to 10 percent of appropriated funds for competitive Planning Grants. In the early HOPE VI program, the planning grants helped some grantees develop projects that were later funded. These grants are particularly useful for providing an otherwise low-capacity jurisdiction with an opportunity to compete for an implementation grant in the future. Planning grants will require local agencies to involve local residents in the planning process.

### Neighborhood Revitalization Initiative

HUD is also an active participant in the Neighborhood Revitalization Initiative. This White House-led interagency initiative is developing and executing the Obama Administration's place-based strategy to support local communities in developing and obtaining the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. As part of that effort, HUD seeks to allocate up to \$5 million in 2012 Choice Neighborhoods funding, along with \$5 million transferred to HUD from the Departments of Health and Human Services, Education, and Justice, for a Neighborhood Revitalization Grant initiative. The grants will allow local governments or organizations partnering with local governments to fill key gaps that would otherwise hamper revitalization activities, to build organizational capacity for collaborative data utilization and evidence-based planning, and to undertake other neighborhood revitalization activities as determined by the Secretary.

### Administration and Evaluation

The Assistant Secretary for Public and Indian Housing will administer the Choice Neighborhoods program with a team drawn from other HUD offices including Housing, Community Planning and Development, Fair Housing and Equal Opportunity and Policy Development and Research. This cross-agency approach will help build a more unified approach to using housing as a vehicle for neighborhood revitalization and urban and metropolitan prosperity.

The Budget requests up to \$10 million for program evaluation and technical assistance. HUD will use this funding for baseline research and evaluation of the program. It is expected that these efforts will inform a broad range of housing programs, as well as other Federal interventions. Each grantee for the program will

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be required to budget a reasonable amount of funds as part of their program to ensure they will be able to provide the appropriate data needed to inform this larger research effort. The rigorous national evaluation would include impacts on the original residents, the target neighborhoods, and the larger communities within which they are located.

HUD will create and draw upon its own extensive database on public and assisted housing property distress (consisting of Real Estate Assessment Center (REAC) scores, Public and Indian Housing Information Center (PIC) building and voucher data, the Census and United States Postal Service (USPS) vacancy data) to inform its selection of both Planning and Implementation grantees. HUD expects this to be an on-going process, with targeted investments focused on areas poised for redevelopment that can draw upon existing partnerships and implement transformational efforts.

Local decision making will be a key program element. Any planning or decision-making involving public housing and/or assisted properties will involve the PHA or owners affected, the residents of the properties (and any representative resident organizations) and members of the community. Decisions about the future of such properties must go through the PHA Plan or a Multifamily Assisted Housing Reform and Affordability Act (MAHRA)-type plan.

Successful models will emphasize housing construction or rehabilitation efforts that make the best use of blighted or vacant properties; transportation systems that connect neighborhoods to human and commercial services as well as job opportunities; tax incentives that promote investment and protect long-term residents from property tax spikes; economic and human development; public safety; and incorporation of rent incentives into subsidized housing initiatives.

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**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Budget Authority</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2010 obligations</u>	<u>2011 CR</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2012 Request</u>
Choice Neighborhoods								
Grants .....	...	...	...	...	...	...	...	\$240,000
Technical Assistance ..	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>10,000</u>
Total .....	...	...	...	...	...	...	...	250,000
 <u>FTE</u>	 <u>2010 Actual</u>	 <u>2011 Estimate</u>	 <u>2012 Estimate</u>					
Headquarters .....	...	...	44					
Field .....	<u>...</u>	<u>...</u>	<u>22</u>					
Total .....	...	...	66					

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**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Program Offsets  
(Dollars in Thousands)**

<b>Choice Neighborhoods Grants</b>	<b><u>Amount</u></b>
2010 Appropriation .....	...
2011 CR .....	...
2012 Request .....	<u>\$240,000</u>
Program Improvements/Offsets .....	+240,000

**Proposed Actions**

The Department is proposing \$240 million for Choice Neighborhood Grants in fiscal year 2012. Choice Neighborhood Grants will primarily fund the transformation, rehabilitation and replacement of HUD public and assisted housing. The program will also support affordable housing and community development activities in surrounding communities and improve the lives of area residents by creating job opportunities, improving schools and providing work and rent incentives that promote family self-sufficiency.

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Program Offsets  
(Dollars in Thousands)**

<b>Technical Assistance</b>	<b><u>Amount</u></b>
2010 Appropriation .....	...
2011 CR .....	...
2012 Request .....	<u>\$10,000</u>
Program Improvements/Offsets .....	+10,000

**Proposed Actions**

The budgets requests up to \$10 million for program evaluation and technical assistance. HUD will use this funding for research and evaluation of the program. It is expected these efforts will inform a broad range of housing programs, as well as other Federal interventions. Each grantee for the program will be required to budget a reasonable amount of funds as part of their program to ensure they could provide the appropriate data needed to inform this larger research effort. The rigorous national evaluation would include impacts on the original residents, the target neighborhoods, and the larger communities within which they are located.

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**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Appropriation Language**

Below is the italicized appropriation language for Choice Neighborhoods.

*For competitive grants under the Choice Neighborhoods Initiative for transformation, rehabilitation and replacement housing needs of both public and HUD-assisted housing and to transform neighborhoods of poverty into functioning, sustainable mixed income neighborhoods with appropriate services, schools, public assets, transportation and access to jobs, \$250,000,000, to remain available until September 30, 2014: Provided, That not to exceed \$10,000,000 of funds made available under this heading may be used for technical assistance and contract expertise, including training and the cost of necessary travel for participants in such training, to be provided directly or indirectly through grants, contracts or cooperative agreements by or to officials of the Department and to public housing agencies and residents: Provided further, That grant funds may be used for resident and community services, community development and affordable housing needs in the community, and for conversion of vacant, foreclosed and other blighted properties in the neighborhood to affordable housing: Provided further, That grantees shall undertake comprehensive local planning with input from residents and the community, and that grantees shall provide a match in state, local, other Federal or private funds: Provided further, That grantees may include local governments, public housing authorities, non-profits and for-profit developers, and that such grantees shall create partnerships with other local organizations including assisted housing owners, service agencies and resident organizations: Provided further, That the Secretary shall consult with the Secretaries of Education, Labor, Transportation, Health and Human Services, Agriculture, Commerce, the Attorney General and the Administrator of the Environmental Protection Agency to coordinate and leverage other appropriate Federal resources: Provided further, That no more than ten percent of funds made available under this heading may be provided for planning grants to assist communities in developing comprehensive strategies for implementing this program in conjunction with community notice and input: Provided further, That the Secretary shall develop and publish guidelines for the use of such competitive funds, including but not limited to eligible activities, program requirements, and performance metrics: Provided further, That not to exceed \$5,000,000 of funds made available under this heading and any funds transferred to HUD from the Departments of Health and Human Services, Education, and Justice may be used for a Neighborhood Revitalization Grant (NRG) initiative: Provided further, That the NRG initiative shall provide competitive grants to local governments or organizations partnering with local governments to fill key gaps that would otherwise hamper revitalization activities, build organizational capacity for collaborative data utilization and evidence-based planning, and for other neighborhood revitalization activities as determined by the Secretary: Provided further, That all balances of amounts made available for the Choice Neighborhoods Initiative under the heading Revitalization of Severely Distressed Public Housing (HOPE VI) shall be transferred to this account.*

Changes From 2010 Appropriations

The language incorporates the Neighborhood Revitalization Grant Initiative.

Choice Neighborhoods

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Crosswalk of 2010 Availability  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2010 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Choice Neighborhoods Grants .....	...	...	...	...	...	...
Technical Assistance .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Crosswalk of 2011 Changes  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2011 President's Budget Request</u>	<u>2011 CR</u>	<u>2011 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2011 Resources</u>
Choice Neighborhoods Grants .....	\$250,000	...	...	...	...	...
Technical Assistance .....	...	...	...	...	...	...
Total .....	250,000	...	...	...	...	...