

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
2013 Summary Statement and Initiatives  
(Dollars in Thousands)**

CHOICE NEIGHBORHOODS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2011 Appropriation .....	... <sup>a/</sup>	...	...	...	...	...
2012 Appropriation/Request .....	\$120,000	...	...	\$120,000	\$5,000	...
2013 Request .....	<u>150,000</u>	<u>\$115,000</u>	<u>...</u>	<u>265,000<sup>b</sup></u>	<u>120,000</u>	<u>\$8,000</u>
Program Improvements/offsets .....	+30,000	+115,000	...	+145,000	+115,000	+8,000

- a/ Choice Neighborhoods was funded at \$65 million in the HOPE VI account in fiscal year 2011 with obligations, carryover, and outlays reflected in the HOPE VI account.
- b/ Includes an estimated Transformation Initiative (TI) transfer of \$750 thousand in fiscal year 2013; the TI transfer may be up to 0.5 percent of Budget Authority.

**1. What is this request?**

The Department requests \$150 million for the Choice Neighborhoods program. Of the \$150 million requested, the Department is proposing \$140 million for grants, including implementation and planning grants for fiscal year 2013. Choice Neighborhoods grants will primarily fund the transformation, rehabilitation and replacement of public and HUD-assisted housing. The \$30 million increase over the fiscal year 2012 appropriation of \$120 million allows the Department to award an additional implementation grant, resulting in more households served by transforming another distressed community. Moreover, by impacting more families, the additional funding allows HUD to realize its goals of supporting affordable housing and community development activities in the surrounding community and improving the lives of area residents by creating job opportunities, improving schools and providing work and rent incentives that promote family self-sufficiency. The proposed budget will fund 4-6 Implementation Grants for fiscal year 2013. The requested level is necessary to make a real nationwide 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 country.

The Budget request includes up to \$5 million for program evaluation and technical assistance. HUD will use this funding for data collection, baseline research and evaluation of the program, training, and necessary travel costs for officials and employees of the Department and of public housing agencies. To accomplish these efforts, each grantee will be required to budget a reasonable amount of funds as part of their program to ensure they can provide the appropriate data needed to inform this larger research effort. The rigorous national evaluation would include the impact on the original residents, the target neighborhoods, and the larger

## Choice Neighborhoods

communities within which they are located. In addition, the funds will be used for technical assistance to provide grantees with best practices and troubleshooting assistance.

With this funding, the Department will demonstrate that Choice Neighborhoods sites can accomplish the following outcomes:

- Transform distressed public and/or assisted-housing units into physically and financially viable housing for the long-term;
- Support positive health, safety, employment, mobility and education outcomes for residents in the target development(s) and the surrounding neighborhoods; and
- Create viable, mixed-income neighborhoods that have access to well-functioning services, high quality public schools and education programs, public assets, public transportation, and improved access to jobs.

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 is a unique program with a multi-faceted approach to addressing community needs. According to the 2005 - 2009 American Community Survey (ACS) data, 10.6 million 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. Moreover, the concentration of poverty has a consistent negative effect on the residents of the community. The Pew Charitable Trusts' Economic Mobility Project research shows that one of the most important factors in determining whether or not children will do better financially than their parents is not their family's economic status, but whether or not they grow up in a high-poverty neighborhood. Further, it is possible to predict health, economic, and educational outcomes of children not on their talents, abilities or how hard they work – but on where they live.

Choice Neighborhoods is designed to change these outcomes and allow residents of these communities to reengage in the economy. Choice Neighborhoods is the best example of how HUD is working to meet its own agency priority goal of "*utilizing housing as a platform for improving quality of life emphasizes the basis of stable housing as an ideal platform to deliver a wide variety of health and social services to improve the education, health, economic security, and safety of its residents.*"

The Choice Neighborhoods' approach links multiple HUD program efforts and multi-Departmental efforts that will provide a comprehensive framework, builds on existing successes, provides strong positive outcomes for families and communities, and reduces related program costs.

The Department announced fiscal year 2011 Choice Neighborhood implementation grants awardees on August 31, 2011, providing five awards totaling over \$122 million.

## Choice Neighborhoods

In fiscal year 2013, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; program demonstrations; technical assistance; capacity building and information technology. Department wide, no more than \$120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013, although transfers could potentially total up to \$214.8 million. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

### **2. What is this program?**

#### Implementation Grants

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. Choice Neighborhoods will demonstrate that concentrated and coordinated neighborhood investments from multiple funding sources can transform a distressed neighborhood into a neighborhood with the assets and opportunities necessary for children and families to prosper.

Grantees include local governments, assisted housing owners, community development corporations, non-profits and for-profit entities as well as Public Housing Agencies (PHAs). Through HOPE VI, we learned that focusing only on the distressed housing site (public or HUD-assisted) does not yield the desired transformative impact on residents and the surrounding neighborhood. Thus, Choice Neighborhoods allows applicants to address public and/or HUD-assisted housing sites while simultaneously requiring a more comprehensive plan that addresses other aspects of neighborhood distress, such as violent crime, failing schools, and capital disinvestment. Applicants will be required to identify local strengths and challenges, propose feasible solutions and establish strong collaborative partnerships to address affordable housing, employment, education, health, safety, transportation and other key areas. These applicants will work with stakeholders and partners, including developers and local agencies as well as non-profit and private enterprises administering grant components, services or other key programs, to develop and implement a transformation plan for the neighborhood.

Choice Neighborhoods grants primarily fund the transformation of severely distressed public and/or HUD-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. In the development of Choice Neighborhoods, HUD has focused on directing resources into three core goals:

## Choice Neighborhoods

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.

Choice Neighborhoods communities will feature a mixed-income approach, with public and/or HUD-assisted housing integrated with other affordable housing and market rate housing. In most circumstances the public and/or HUD-assisted housing will be replaced on a one-for-one basis.

Choice Neighborhoods ensures that children growing up in target neighborhoods will have access to high-quality educational opportunities, for early learning and school. Local communities will be required to include an education component to their transformation plan, such as early childhood education, school improvements and other education-related services. Links to local education efforts aimed at producing high-quality, full service community schools will leverage additional neighborhood investments and will be at the center of the development model. In addition, HUD has been working closely with the Department of Education to align Choice Neighborhoods' educational outcomes and funding investments with those of Education's Promise Neighborhoods Program, which implements innovative strategies to improve academic achievement and life outcomes in high-poverty areas.

Other eligible activities will include:

- Supportive services for residents, primarily focused on long-term 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) promoting health, safety and education;
- 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 the development or improvement of community facilities to promote upward mobility, self-sufficiency, or improved quality of life for neighborhood residents. This may include the construction or rehabilitation of parks and community gardens, environmental improvements or site remediation at affected sites, community

## Choice Neighborhoods

financial institutions, and other community resources, including retail and transit – investments that lay the groundwork for private capital to re-invest in the neighborhood;

- Endowments, reserves or revolving loan funds for on-going operating and capital needs and for resident services;
- Land assembly, land banking and other area improvement activities; and
- Rehabilitation, redevelopment or development of affordable housing, including foreclosed or vacant properties.

## Planning Grants

HUD will set aside up to 10 percent of appropriated funds for competitive Planning Grants. These grants will assist communities in developing a successful neighborhood transformation plan and building the support necessary for that plan to be successfully implemented. They are intended to assist communities in identifying community needs and properly planning for the provision of services and assets that would improve the condition of the neighborhood. These grants will also help increase the capacity of the grantee and bring a wide array of community stakeholders together for a comprehensive planning process in order to make successful implementation of the plan more likely.

## 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 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.

## Leveraging

Choice Neighborhoods grantees 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, New Markets Tax Credits, Promise Neighborhoods, 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 encourage grantees' utilization of 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.

Additionally, the Department will place a strong emphasis on funding coordination with other Federal agencies, notably the U.S. Departments of Education, Justice, Treasury, Labor, Transportation, and Health and Human Services (HHS), to leverage additional

## Choice Neighborhoods

resources. HUD and the Department of Education have already coordinated Notice of Funding Availability (NOFA) language to ensure that Choice Neighborhoods and Promise Neighborhoods contain mutual incentives for localities to focus on the entirety of interconnected needs in target communities, and ease the burden of gaining access to resources necessary to carry out comprehensive efforts. Similarly, HHS has made it easier for target Choice Neighborhoods communities to access Community Health Center funding. Additionally, the Department is working to institutionalize similar linkages with Justice's Byrne Criminal Justice Innovation Program.

### Partners and Stakeholders

Choice Neighborhoods is a central element of the Administration's inter-agency strategy to provide local communities with the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. This strategy requires HUD, Justice, Education, HHS, and other agencies to work together, co-investing, and pooling their expertise as part of a focused Neighborhood Revitalization Initiative where local actors can seamlessly integrate diverse federal funding streams to tackle complex problems. In particular, through partnerships with Education's Promise Neighborhoods initiative, Choice Neighborhoods will help ensure that the President's commitment to out-educating the rest of the world applies to every child in America, regardless of their neighborhood or the kind of housing they grow up in.

By expanding the pool of eligible grant applicants to include local governments, PHAs, assisted housing owners, designated Community Development Corporations (CDCs), and other for-profit and nonprofit entities and by linking other Federal, state, and local funds to Choice Neighborhoods grantees, the Department will increase the spectrum of stakeholders working to improve outcomes as part of Choice Neighborhoods.

### Staffing

<b>FTE</b>	<b>2011 Actual</b>	<b>2012 Estimate</b>	<b>2013 Estimate</b>
Headquarters .....	...	53	58
Field .....	...	20	22
Total .....	...	73	80

Four additional staff is requested in fiscal year 2013.

To ensure these outcomes are realized, additional staff are needed to support increased workload as grants are awarded and proceed with planning and implementation. Immediately, a Choice Neighborhoods Director is needed to be the public face of the initiative, facilitate dialogue among all stakeholders and to ensure successful outcomes for one of the Secretary's, and the Administration's key initiatives. Additional staff are needed as existing HOPE VI staff are still focused on managing grants and other

## Choice Neighborhoods

mixed-finance development projects. Further, increased workload will be driven by the review of more complex and involved Choice Neighborhoods grant proposals, as they will encourage greater use of partnerships more so than traditional HOPE VI grants.

Choice Neighborhoods grant managers work in teams to help grantees focus their efforts on achieving the three core goals of the program: Housing, People, and Neighborhoods; the teams review required documentation for grant submissions and provide valuable feedback to help communities make the best use of the Federal investment they have received. Supporting the Choice Neighborhoods program will entail the following: accurate and timely calculation of both planning and implementation grants, processing of grants for each PHA and other grantees from award to close-out, monitoring for statutory and regulatory compliance, and providing ongoing technical assistance, program policy and guidance. Field Office staff also serve an important role in compliance monitoring, providing expert technical assistance, and data collection from PHAs.

As Choice Neighborhoods grants come online, staff will have the additional workload of analyzing more robust grants; proposals that involve multiple partners and more complex financing arrangements that leverage the Federal resources, i.e. grants. Staff are needed with advanced financial skill sets to conduct the necessary analyses and review of incoming grant proposals. Also, as grants are awarded, data from multiple sources will have to be scrutinized by HUD staff to ensure the successful implementation and outcomes for Choice Neighborhoods grants.

Currently, existing staff are performing the functions of two programs – HOPE VI and the Choice Neighborhoods Demonstration. HOPE VI staff continue to monitor and ensure compliance of the grants. They are also performing workload associated with the initial setup of the Demonstration. Existing staff are responsible for the additional workload of developing the initial program structure and policy of the Choice Neighborhoods program. If funding resources are pared back, existing staff will continue to be strained by providing support to two programs. Adequate staffing levels are critical towards ensuring the successful implementation of the Choice Neighborhoods program. Staff is necessary to write NOFAs and coordinate all phases of competition, from beginning to end, including reviewing grant proposals for accuracy and verifying required documentation. Staff are also tasked with developing and implementing program guidance for grantees, in addition to providing technical assistance to grantees. Staff are responsible for monitoring grants during their life-cycle to ensure adherence to established guidelines, as well as the expeditious and judicious use of Federal funds. These activities involve considerable outreach efforts with grantees to ensure grant success.

### **3. Why is this program necessary and what will we get from the funds?**

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.

## Choice Neighborhoods

According to the 2005 - 2009 American Community Survey (ACS) data, 10.6 million 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. However, the concentration of poverty has a consistent negative effect on the residents of the community. The Pew Charitable Trusts' Economic Mobility Project research shows that one of the most important factors in determining whether or not children will do better financially than their parents is not their family's economic status, but whether or not they grow up in a high-poverty neighborhood. Further, it is possible to predict health, economic, and educational outcomes of children not on their talents, abilities or how hard they work – but on where they live. Choice Neighborhoods is designed to change these outcomes and allow residents of these communities to reengage in the economy. Choice Neighborhoods is the best example of how HUD is working to meet its own agency priority goal of *"utilizing housing as a platform for improving quality of life emphasizes the basis of stable housing as an ideal platform to deliver a wide variety of health and social services to improve the education, health, economic security, and safety of its residents."*

The Department estimates only one in four families eligible for assistance receive help from HUD rental assistance programs. The recent 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.

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. Additionally, Choice Neighborhoods will build on the successes of the HOPE VI, Homeownership Zone, and Empowerment Zone programs by preserving affordable housing and creating safe streets, high quality schools and other amenities typically associated with desirable neighborhoods.

Without Choice Neighborhoods, communities across the country will be substantially hindered in their ability to implement transformative changes. As seen in the HOPE VI program, this funding provides a starting point to bring in significant amounts of leveraged funds. Over the course of the HOPE VI program, HOPE VI provided \$6.1 billion in Federal funds to sites all over the country, which will ultimately leverage an additional \$12.9 billion dollars. These combined funding streams produced 66,761 affordable rental units, 7,811 market rate rental units, 4,079 market rate homeownership units, and 9,518 affordable homeownership units, while removing 96,613 of the most distressed housing units in the country. By eliminating or reducing this source of Federal funding, this system of public and private investment into the future of the nation's affordable housing stock will be in jeopardy.

Choice Neighborhoods is one of the only programs in the Federal Government that encourages local entities to coordinate their local planning efforts with the transformation of distressed housing and neighborhoods. As demonstrated through fiscal year 2010 Choice

## Choice Neighborhoods

Neighborhoods application process, where over 150 applications were submitted for \$65 million dollars of fiscal year 2010 funding, there is a great demand for this type of Federal assistance.

### **4. How do we know this program works?**

Choice Neighborhood's predecessor program, HOPE VI, is one of the most analyzed Federal housing programs, with studies examining issues ranging from development conditions, property values and neighborhood effects to resident outcomes in employment and health.

HUD's Office of Policy Development and Research created a 2003 report, "Interim Assessment of the HOPE VI Program Cross-Site Report," which found that after ten years, the first round of HOPE VI grants resulted in sites that had been redeveloped from 100 percent public housing to mixed-income neighborhoods. The program resulted overall in: a substantial improvement in housing quality; better site management (as evidenced by well-maintained common areas and substantially lower vacancy and turnover rates); a reduction in crime; and increased availability of supportive services and community facilities (including childcare, Boys and Girls Club programs, medical clinics, and office space for case managers and supportive services providers).

A study by the Urban Institute, "Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report (June 2007)," estimated that transforming a 700-unit project with new-mixed income housing (and using vouchers to help some residents relocate elsewhere) could save an estimated \$3.9 million a year in Federal housing subsidies while serving the same number of very low-income families. The same redeveloped project could also boost surrounding home values and generate local tax revenues of \$6.5 million over a 20-year period. These estimated savings could be generated because HOPE VI projects are less expensive to operate (through physical improvements, reductions in vandalism, and increases in occupancy rates). Additionally, HOPE VI redevelopment resulted in improved physical conditions (lower vacancy rates, reduced crime, and lower operating and capital costs); better quality of life for residents for both those relocated and those living in redeveloped properties (increased needed services, improved health, higher rates of employment and earnings); and surrounding neighborhood improvements (increased property values leading to increased local property tax revenue).

#### Plans to strengthen the base of evidence with evaluations/research

A multi-stage research evaluation project to assess Choice Neighborhoods is currently in procurement by HUD. The first stage of the evaluation (in the process of being contracted for) will be a process evaluation to document early program outcomes and gather "baseline" data for more in-depth evaluation.

Follow-on research projects that are under consideration include: case study analyses and a comprehensive outcome evaluation (once projects are completed and effects for projects, surrounding neighborhoods and residents can be assessed).

Choice Neighborhoods

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

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Choice Neighborhoods								
Grants .....	...	...	...	...	\$120,000	...	\$120,000	\$145,000
Technical Assistance ..	...	...	...	...	...	...	...	5,000
Total .....	...	...	...	...	120,000	...	120,000	150,000

## Choice Neighborhoods

### **PUBLIC AND INDIAN HOUSING CHOICE NEIGHBORHOODS Appropriations Language**

The fiscal 2013 President's Budget include proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

For competitive grants under the Choice Neighborhoods Initiative [(subject to section 24 of the United States Housing Act of 1937 (42 U.S.C. 1437v), unless otherwise specified under this heading),] 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, [\$120,000,000] *\$150,000,000*, to remain available until September 30, [2014] *2015, of which the Secretary of Housing and Urban Development may use up to \$5,000,000 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 and employees of the Department and of public housing agencies and to residents:* Provided, 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 or foreclosed properties to affordable housing: [Provided further, That use of funds made available under this heading shall not be deemed to be public housing notwithstanding section 3(b)(1) of such Act:] Provided further, That grantees shall commit to an additional period of affordability determined by the Secretary, but not fewer than 20 years: 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, tribal entities, public housing authorities, and nonprofits: Provided further, That for-profit developers may apply jointly with a public entity: [Provided further, That of the amount provided, not less than \$80,000,000 shall be awarded to public housing authorities:] Provided further, 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, and 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 \$5,000,000 of funds made available under this heading may be provided to assist communities in developing comprehensive strategies for implementing this program or implementing other revitalization efforts 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]. (Department of Housing and Urban Development Appropriations Act, 2012.)