

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002	INCREASE + DECREASE - 2002 vs 2001
				(Dollars in Thousands)
<u>Program Level:</u>				
Appropriation	\$575,000	\$575,000	\$573,735	-\$1,265
Carryover/Recaptures	\$679,751	\$659,665	...	-\$659,665
Rescission	-\$1,265	...	+\$1,265
Subtotal	\$1,254,751	\$1,233,400	\$573,735	-\$659,665
Obligations	\$595,086	\$1,233,400	\$573,735	-\$659,665
Budget Outlays	\$379,337	\$460,203	\$552,243	+\$92,040

SUMMARY OF BUDGET ESTIMATE

The Department is requesting an appropriation of \$573.7 million for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2002. Grant funding will be awarded competitively to Public Housing Authorities (PHAs) to address their severely distressed public housing developments. The requested funding is expected to provide the requisite level of annual support for the Department to achieve the Administration's goal of revitalizing the nation's severely distressed public housing.

In fiscal year 2002, the Department plans to approve total demolitions of at least 13,000 obsolete units, of which 7,340 will be demolished under the HOPE VI program. The Department will also fund approximately 5,200 replacement units. To stimulate healthy and stable communities, and to reverse past patterns of isolation, and over-concentrations of very low-income families, replacement units will largely be incorporated in economically diverse neighborhoods.

Of the requested appropriation, \$5 million has been designated for technical assistance which will be provided directly or indirectly by grants, contracts, cooperative agreements or private oversight. The provision of such assistance, especially for the majority of HAs that are inexperienced with demolition, and the related redevelopment of new units, is critical to ensure that these activities are conducted in a timely manner in accordance with an established plan. Up to \$600 thousand of the technical assistance funding will be used for related travel. In addition, tenant-based assistance will be provided from this account, but will be renewed under the Housing Certificate Fund.

The complexities of the program, and its national scope, underscore the need for funding for data collection, and to provide on-site management expertise to monitor HA demolition and revitalization activities. The Office of Public Housing Investments (OPHI) has developed and implemented a project management/data collection and verification process, and an inspection process that together enables the office to monitor and assess progress against specific performance criteria, resulting in program enhancements and risk assessments which are used to target staff time, technical assistance and training effectively.

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EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2002 request of \$573.7 million is the same as the enacted fiscal year 2001 appropriation. Outlays are estimated to increase in fiscal year 2002 to \$552 million, an increase of \$173 million from fiscal year 2000, reflecting the increased spend-out of obligations as more pipeline projects are completed.

PROGRAM DESCRIPTION AND ACTIVITY

Created 8 years ago to address the dire problem of severely distressed public housing, the program was initially chartered as a revitalization program, that allowed the selective demolition of buildings too costly to modernize and that had high concentrations of poverty. The program has evolved dramatically over the years due to innovations by program grantees, to include fostering public/private partnerships, broadening community income ranges, improving the provision of services, etc. The amount of outside funds leveraged by HOPE VI funds have increased from an average of \$.31 per HOPE VI dollar in 1993 to an estimated \$3.25 per dollar in 2000. Due to the broader mix of income levels and the private investment made through leveraged transactions, public housing benefits from market incentives that promote good maintenance, better design, and more efficient management. These outcomes also promote incentives for resident responsibility and self-sufficiency, as well as the educational development of the younger population. For these reasons, HOPE VI has played an important role in the Department's efforts to revamp many public housing communities.

As a condition of participation, program applicants are required to develop a feasible, comprehensible, realistic strategy to implement local welfare reform objectives and programs. Approximately 12 percent of funds awarded to grantees, on average per year, were budgeted for community service and self-sufficiency activities. The provision of effective, focused self-sufficiency initiatives is a vital program element to enable public housing regain its role as a solid foundation for low-income families who are determined to improve their economic standing. Working closely with HOPE VI grantees, the Department underscores resident responsibility as well as community and supportive services in order to meet the social and economic needs of the residents and the surrounding communities.

To date, the Department has approved the demolition of approximately 113,000 obsolete and distressed units while actually demolishing 59,857 units by the end of fiscal year 2000. Of the total, the HOPE VI program has planned the demolition of 60,690 units, the Department has approved the demolition of 49,565 of those units, and the HOPE VI program has actually demolished 34,893 of those units and anticipates actual demolition of approximately 13,000 units in fiscal year 2001. Many families are being re-housed with Section 8 rental assistance, enabling them to choose their housing circumstances, but hard unit replacements are also necessary. Often, the inclusion of hard units in the redevelopment plan is vital to the cultivation of the requisite community support for the demolition of buildings which may still be occupied.

Currently, the Revitalization of Severely Distressed Public Housing (HOPE VI) program is expected to sunset at the end of fiscal year 2002.

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The HOPE VI program is essential to achieve HUD objective 1.2-making affordable rental housing available to low-income households; and objective 1.3-ensuring that America's housing is safe and disaster-resistant. In addition, funding for revitalization of severely distressed public housing assists in ensuring that low-income people are not isolated geographically, contributing to objective 2.2; and assists in ensuring that disadvantaged families and individuals become self-sufficient and develop assets, contributing to objective 3.2. HOPE VI funding also supports objective 4.2-reducing disparities in well-being among neighborhoods and within metropolitan areas.

In fiscal year 2000, a total of \$513 million in HOPE VI revitalization grants were awarded to 18 cities. These awards are expected to support the demolition of 8,139 units

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of obsolete public housing (5,778 units were occupied, and approximately 2,361 units were vacant), the development of 5,073 replacement units, and the major rehabilitation of 48 obsolete public housing units. The \$513 million investment is expected to help generate a record \$1.67 billion in additional investment in housing and jobs programs at public housing developments, including \$1.57 billion in private funds, and over \$101 million in other government funds. This additional investment is projected to fund 5,055 units of affordable and market-rate housing to complement the HOPE VI replacement housing. The Department also awarded \$50 million to support 26 demolition-only grants in 13 cities which are expected to remove approximately 8,098 severely distressed units.

SELECTED PERFORMANCE MEASURES

a/

	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
Strategic Goal 1: Increase the availability of decent, safe and affordable housing in American communities.			
Discretionary BA (Dollars in Thousands)	316,250	315,554	315,554
FTE	61	61	71
Strategic Objective 1.2: Affordable rental housing is available for low-income households.			
Outcome Indicator 1.2.1: The number of households with worst case housing needs decreases 3 percent between 2001 and 2003 among families with children, the elderly and persons with disabilities.	Not Available	1,739,000 ^a	Not Available
Output Indicator 1.2.b: The HOPE VI Revitalization Development program for public housing relocates 2,637 families, demolishes 7,340 units, completes 13,875 new and rehabilitated units, and occupies 12,523 units (also appears as 4.2.b.3).	(estimated) 8,088 12,063 3,946 3,946 ^b	2,300 4,100 12,000 11,000 ^c	2,637 7,340 13,875 12,523 ^d
Strategic Objective 1.3: America's housing is safer, of higher quality, and disaster resistant.			
Outcome Indicator 1.3.1: The share of very-low-income households living in units with moderate or severe physical problems decreases to 6.6 percent for owners and 12.3 percent for renters by 2003.	Not Available	7.8% for owners, 13.8% for renters ^e	Not Available
Output Indicator 1.3.b: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during FY 2002.	13,476	12,000	13,000
Strategic Goal 2: Ensure equal opportunity in housing for Americans.			
Discretionary BA (Dollars in Thousands)	115,000	114,747	114,747
FTE	10	10	8

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	ACTUAL 2000	ENACTED 2001	ESTIMATE 2002
Strategic Objective 2.2: Minorities and low-income people are not isolated geographically in America.			
Outcome Indicator 2.2.3: The share of covered public housing developments that have mixed incomes increases by 1 percentage point. ^f	Not Available	Baseline TBD	Baseline plus 1 percentage point
Strategic Goal 3: Promote housing stability, self-sufficiency and asset development of families and individuals.			
Discretionary BA (Dollars in Thousands)	28,750	28,687	28,687
FTE	46	46	41
Strategic Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.			
Outcome Indicator 3.2.3: Among non-elderly, non-disabled public housing households with dependents, the share that derive more than 50 percent of their income from work increases by 1 percentage point .	52.7%	53.7%	54.7%
Outcome Indicator 3.2.4: The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point.	29% (estimate)	30%	31%
Strategic Goal 4: Improve community quality of life and economic vitality.			
Discretionary BA (Dollars in Thousands)	115,000	114,747	114,747
FTE	48	48	45
Strategic Objective 4.2: Economic conditions in distressed communities improve.			
Outcome Indicator 4.2.7: Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.	Not Available	Baseline To Be Determined	To Be Determined

a/ The 2001 goal is based on a 3 percent reduction from the 1999 level of 1.79 million families with children and 1.03 elderly. The data source, the American Housing Survey, is only conducted every-other year. Hence the reason no data is available for 2000 or 2002.

b/ The numbers for 2000 are only estimates. The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.

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- c/ The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.
- d/ The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.
- e/ The data source, the American Housing Survey, is only conducted every-other year. Hence the reason no data is available for 2000 or 2002.
- f/ The indicator measures the share of covered public housing developments with mean incomes between 85 percent and 115 percent of the mean for all covered developments.
- g/ The numbers for 2000 are only estimates. The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.
- h/ The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.
- i/ The numbers reflect the following information in order: number of relocated families, number of demolished units, number of completed units, and the number of occupied units.