

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

PUBLIC AND INDIAN HOUSING

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
(Dollars in Thousands)				
<u>Program Level:</u>				
Budget Authority				
Appropriation .....	\$575,000	\$573,735	\$574,000	+\$265
Rescission .....	<u>-\$1,265</u>	<u>---</u>	<u>---</u>	<u>---</u>
Subtotal .....	\$573,735	\$573,735	\$574,000	+\$265
Carryover/Recaptures .....	<u>\$660,489 a/</u>	<u>\$580,969</u>	<u>---</u>	<u>-\$580,969</u>
Subtotal .....	\$1,234,224	\$1,154,704	\$574,000	-\$580,704
Obligations .....	\$653,255	\$1,154,704	\$574,000	-\$580,704
Budget Outlays .....	\$486,868	\$551,624	\$608,281	+\$56,657

a/ Includes \$316,425 in collections, and \$507,582 in recaptures.

SUMMARY OF BUDGET ESTIMATES

The Department is requesting an appropriation of \$574 million for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2003. Grant funding will be awarded competitively to Public Housing Authorities (PHAs) to address their severely distressed public housing developments. In addition, tenant-based assistance will be provided to families living in units that are scheduled to be demolished. Funds for renewal of these tenant-based units are requested under the Housing Certificate Fund. 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 2003, the Department plans to approve total demolitions of at least 13,000 obsolete units, of which 4,255 will be demolished under the HOPE VI program. The Department will also fund approximately 9,479 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, \$6.25 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.

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 Department's 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. This results in

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program enhancements and risk assessments, which are used to effectively target staff time, technical assistance, and training.

In addition, of the requested appropriation, \$5 million has been designated for the Neighborhood Networks Initiative and up to \$50 million has been designated for grants for capital costs at properties for which public housing subsidies are being converted to project-based voucher assistance. These grants are necessary to permit the financing of the remaining capital costs. Please see a description of this initiative in the Capital Fund budget justification.

### EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 request of \$574 million is approximately the same as the amount enacted for fiscal year 2002. Outlays are estimated to increase in fiscal year 2003, reflecting the increased spend-out of obligations as more pipeline projects are completed.

### PROGRAM DESCRIPTION AND ACTIVITY

Established in 1993 to address the 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 \$3.57 per dollar in 2003. 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 comprehensive strategy to implement local welfare reform objectives and programs. Approximately 9 percent of funds awarded to grantees, on average per year, are 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 to 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 the importance of 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, through the HOPE VI and Capital Fund programs, the Department has approved the demolition of approximately 135,000 obsolete and distressed units while actually demolishing 77,000 units. Of the total approved demolitions, the HOPE VI revitalization program is responsible for approximately 70,000 units. Of the actual demolitions, the HOPE VI revitalization program is responsible for 47,268 units. Approximately 13,000 units are estimated to be demolished in fiscal year 2002. 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. To date, the HOPE VI program has completed 14,554 new and rehabilitated units, and plans to add an additional 5,331 units in 2002.

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Although the Revitalization of Severely Distressed Public Housing (HOPE VI) program was expected to sunset at the end of fiscal year 2002, the Administration is requesting continued authorization for the program.

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

The HOPE VI program is essential to achieve HUD's Strategic Goal 3: Improve the quality of public housing, and provide more choices for its residents. The primary function of the HOPE VI program serves to address objective 3.3: Improve physical and related conditions in public and assisted housing. But the program funds more than improvements to the physical conditions of the public housing stock. The HOPE VI program also recognizes the importance of improving the non-housing conditions of public housing residents and so it devotes significant resources toward community service and self-sufficiency activities. By doing so, the program also addresses objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.

In fiscal year 2001, a total of \$491 million in HOPE VI revitalization grants were awarded through 16 grants to 15 cities. These awards are expected to support the demolition of 7,923 units of obsolete public housing (6,046 units were occupied, and approximately 1,877 units were vacant), the development of 5,371 replacement units, and the major rehabilitation of 24 obsolete public housing units. The \$491 million investment is expected to help generate a record \$1.76 billion in additional investment in housing and jobs programs at public housing developments, including \$1.6 billion in private funds, and over \$140 million in other government funds. This additional investment is projected to fund 6,894 units of affordable and market-rate housing to complement the HOPE VI replacement housing. The Department also awarded \$75 million to support 43 demolition-only grants in 24 cities, which are expected to remove approximately 10,293 severely distressed units. In addition to the grants awarded in 2001, the HOPE VI program also relocated 6,923 families, demolished 12,375 units, completed 4,044 new and rehabilitated units, and occupied 3,579 units.

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SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
<b>Strategic Goal 3: Improve the quality of public housing and provide more choices for its residents.</b>			
Discretionary BA (Dollars in Thousands)	\$573,735	\$573,735	\$574,000
FTE			
Headquarters	56	61	61
Field	103	115	115
Subtotal	159	176	176
<b>Strategic Objective 3.1: Help families in public and assisted housing make progress toward self-sufficiency and become homeowners.</b>			
Indicator: 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.	49%	50%	51%
<b>Strategic Objective 3.3: Improve physical and related conditions in public and assisted housing.</b>			
Indicator: The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points.	Public Housing: 88.2% Multifamily : 92.5%	Public Housing: 91.2% Multifamily : 95.5%	Public Housing: 92.7% Multifamily : 97%
Indicator: The HOPE VI Revitalization Development program for public housing relocates 3,160 families, demolishes 3,905 units, completes 6,821 new and rehabilitated units, and occupies 6,201 units.	In Order Listed: 6,923; 12,375; 4,044; 3,579	In Order Listed: 4,658; 12,207; 5,331; 4,569	In Order Listed: 3,160; 3,905; 6,821; 6201
Indicator: As part of the efforts to eliminate 100,000 units of the worst public housing, demolish 13,000 units during fiscal year 2003.	13,513	13,000	13,000
<b>FTE Total</b>	<b>159</b>	<b>176</b>	<b>176</b>