

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 2008 Summary Statement and Initiatives
 (Dollars in Thousands)

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2006 Appropriation	\$100,000	\$143,543 ^a	-\$1,000	\$242,543	\$182,932	\$566,606
2007 Full-Year CR Estimate.....	182,932 ^b	59,611	...	242,543	59,268	560,000
2008 Request	<u>-99,000</u>	<u>183,275</u>	<u>...</u>	<u>84,275</u>	<u>...</u>	<u>535,000</u>
Program Improvements/Offsets	-281,932	+123,664	...	-158,268	-59,268	-25,000

a/ Includes \$342,543 in funds recovered during fiscal year 2006.

b/ The President's 2007 budget requested a rescission of \$99 million from funds appropriated in fiscal year 2006.

Summary Statement

No additional funds are requested for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2008. Furthermore, the Department proposes to rescind \$99 million--the expected 2007 appropriation. Though a full-year continuing resolution would provide \$183.3 million in fiscal year 2007, the Department anticipates a 2007 appropriation of approximately \$99 million.

The HOPE VI program was developed in 1992 as a demonstration program to provide grants to Public Housing Agencies (PHAs) which enabled them to demolish obsolete public housing units, revitalize project sites, and provide replacement housing for those families displaced by demolition so as to lessen the concentrations of very low-income families. As a result of this program and other initiatives, the Department has significantly exceeded its goal to demolish over 100,000 units of the nation's worst public housing. However, a multi-billion dollar pipeline of unspent funds remains and demands attention. The Department will maintain the requisite monitoring, oversight personnel, and contracts to execute this responsibility. Funding for contracts that support the quarterly reporting system, technical assistance, risk management, training, and other activities will be supported through the Department's Salaries and Expenses account and the Technical Assistance set-aside in the Capital Fund account.

In fiscal year 2003, the HOPE VI program was evaluated by OMB's Program Assessment Rating Tool and found to be ineffective. The assessment revealed that the program is slow at completing the job of redevelopment and is more costly than other alternatives. Furthermore, in a Government Accountability Office report (GAO-02-76), the housing-related costs of a HOPE VI unit were shown to be about 27 percent higher than a housing choice voucher unit. In response to these findings and the fact that the program has largely accomplished its primary goal of eliminating the worst public housing, the budget does not include additional funding for the continuation of this program. Prior activities associated with this program will be continued through other Departmental programs. For instance, the funding of tenant protection vouchers to assist households relocated in association with HOPE VI is now managed through the Tenant-Based Rental Assistance program.

Initiatives

Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department plans to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Grants to PHAs that are part of the Moving to Work demonstration and those in receivership will be exempt from these recaptures.

Revitalization of Severely Distressed Public Housing

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Budget Authority</u>	<u>2005 Carryover Into 2006</u>	<u>2006 Total Resources</u>	<u>2006 Obligations</u>	<u>2007 CR Estimate</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2008 Request</u>
Revitalization Grants ..	\$97,020	\$141,626	\$238,646	\$181,875	\$181,875	\$56,771	\$238,646	-\$97,020
Technical Assistance ..	<u>1,980</u>	<u>1,917</u>	<u>3,897</u>	<u>1,057</u>	<u>1,057</u>	<u>2,840</u>	<u>3,897</u>	<u>-1,980</u>
Total	99,000	143,543	242,543	182,932	182,932	59,611	242,543	-99,000

<u>FTE</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Estimate</u>
Headquarters	40	39	40
Field	<u>37</u>	<u>38</u>	<u>38</u>
Total	77	77	78

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**PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Program Offsets
(Dollars in Thousands)**

Revitalization Grants	<u>Amount</u>
2006 Appropriation	\$97,020
2007 Full-Year CR Estimate.....	181,875
2008 Request	<u>-97,020</u>
Program Improvements/Offsets	-278,895

NOTE: The President's 2007 budget proposed rescinding \$97.02 million.

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2008. In addition, the Department proposes to rescind \$97.02 million from funds that are expected to be appropriated in fiscal year 2007. The fiscal year 2008 goals for this program are to be accomplished with carryover funds and recoveries.

As a result of this program and other initiatives, the Department's goals for demolition of the worst public housing have been met. Furthermore, in fiscal year 2003, the HOPE VI program was evaluated by OMB's Program Assessment Rating Tool and found to be ineffective. The assessment revealed that the program is slow at completing the job of redevelopment and is more costly than other alternatives. In addition, Government Accountability Office report GAO-02-76 states the housing-related costs of a HOPE VI unit are about 27 percent higher than a Housing Choice Voucher unit. In response to these findings and the fact that the program has largely accomplished its primary goal of eliminating the worst public housing, the budget does not include additional funding for the continuation of this program. However, a pipeline of more than \$1.7 billion in unspent funds remains and demands attention. The Department will maintain the requisite monitoring, oversight personnel, and contracts to execute this responsibility. Funding for contracts that support the quarterly reporting system, technical assistance, risk management, training, and other activities will be supported through the Department's Salaries and Expenses account and the Technical Assistance set-aside in the Capital Fund account.

Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. As a means to encourage completion of delayed HOPE VI projects and to promote the efficient use of funds, the Department plans to recover unexpended HOPE VI obligations from nonperforming grantees whose funds were appropriated in fiscal years 2001 and prior. These recovered funds may then be reused for new HOPE VI grants and technical assistance. Grants to PHAs that are part of the Moving to Work demonstration and those in receivership will be exempt from these recaptures.

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 Program Offsets
 (Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2006 Appropriation	\$1,980
2007 Full-Year CR Estimate.....	1,057
2008 Request	<u>-1,980</u>
Program Improvements/Offsets	-3,037

NOTE: The President's 2007 budget proposed rescinding \$1.98 million.

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2008. In addition, the Department proposes to rescind \$1.98 million from funds that are expected to be appropriated in fiscal year 2007. The fiscal year 2008 goals for this program are to be accomplished with carryover funds and recoveries.

As a result of this program and other initiatives, the Department's goals for demolition of the worst public housing have been met. Furthermore, in fiscal year 2003 the HOPE VI program was evaluated by OMB's Program Assessment Rating Tool and found to be ineffective. The assessment revealed that the program is slow at completing the job of redevelopment and is more costly than other alternatives. In addition, Government Accountability Office report GAO-02-76 states the housing-related costs of a HOPE VI unit are about 27 percent higher than a Housing Choice Voucher unit. In response to these findings and the fact that the program has largely accomplished its primary goal of eliminating the worst public housing, the budget does not include additional funding for the continuation of this program. However, a pipeline of more than \$1.7 billion in unspent funds remains and demands attention. The Department will maintain the requisite monitoring, oversight personnel, and contracts to execute this responsibility. Funding for contracts that support the quarterly reporting system, technical assistance, risk management, training, and other activities will be supported through the Department's Salaries and Expenses account and the Technical Assistance set-aside in the Capital Fund account.

Revitalization of Severely Distressed Public Housing

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Revitalization of Severely Distressed Public Housing (HOPE VI)
Performance Measurement Table

Program Name: REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)					
Program Mission: Eliminate the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2006 Plan	2006 Actual	2007 Plan	2008 Plan
The HOPE VI Revitalization Development program for public housing relocates 300 families, demolishes 980 units, completes 4,979 new and rehabilitated units, occupies 4,562 units and completes 25 projects in fiscal year 2008.	HOPE VI Quarterly Progress Reporting System; fiscal year 2005 Performance & Accountability Report; fiscal year 2007 Annual Performance Plan	1,400 households relocated; 2,600 units demolished; 6,500 new & rehabilitated units; 6,300 units occupied; 15 projects completed.	2,962 households relocated; 2,305 units demolished; 7,085 new & rehabilitated units; 8,081 units occupied; 17 projects completed.	1,378 households relocated; 4,209 units demolished; 8,745 new & rehabilitated units; 8,293 units occupied; 18 projects completed.	300 households relocated; 980 units demolished; 4,979 new & rehabilitated units; 4,562 units occupied; 25 projects completed.
The average length of time for completion of all units in HOPE VI projects will be 7 years from the date of the Grant Agreement execution, and by fiscal year 2008, 110 HOPE VI grants from fiscal years 1993 through 2004 will have completed all unit production.	HOPE VI Reporting	NA	65 grants completed	85 grants completed	110 grants completed
The HOPE VI program will leverage \$800 million of other financing.	HOPE VI Reporting	NA	\$634 million	\$800 million	\$800 million
Through the HOPE VI Community and Supportive Services program 138 public housing families will become homeowners.	HOPE VI Reporting	NA	NA	156	138
The HOPE VI Program will create 1,500 new homeownership units.	HOPE VI Quarterly Progress Reporting System	NA	NA	1,500	1,500

NA = Not Applicable

Explanation of Indicators

The HOPE VI program is a highly complex and ambitious program. Much of the program's success originated from the use of a mixed finance approach to development. However, this approach can be a challenge for PHAs to coordinate. Because performance goals are determined 2 years in advance, the projections often do not reflect significant changes or set-backs experienced by a PHA in the intervening years—these include unanticipated delays in the extensive planning and partnering process, unforeseen environmental conditions, and lawsuits. Such influencing factors can contribute to a delay in the number of demolitions completed. Despite such

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influencing factors, the PHAs' and program office's ability to manage and monitor these projects has improved continuously over the life of the program.

The HOPE VI program continues to improve the timeliness and accountability in the implementation of HOPE VI grants. The primary tools for achieving these objectives include vigilant management and monitoring of grants by grant managers, holding PHAs accountable to following their program schedule, extensive use of the Quarterly Progress Reporting System in all aspects of the HOPE VI program, risk assessment of grantees, trainings and workshops for grantees, and a range of program and policy guidance. As of March 31, 2006, a cumulative total of 63,885 families had been relocated; 78,115 units had been demolished; 50,482 units (new and rehabilitated) had been completed; and 48,012 completed units had been occupied.

Indicator: The HOPE VI Revitalization Development program for public housing relocates 300 families; demolishes 980 units; completes 4,979 new and rehabilitated units; occupies 4,562 units; and completes 25 projects in fiscal year 2008.

The primary goal of the HOPE VI program was to eliminate the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles. This indicator tracks the implementation of HOPE VI redevelopment plans in terms of the following key outputs: households relocated to permit redevelopment, units demolished, new and rehabilitated units completed, units occupied, and projects completed. The goals reflect planned achievements based on HOPE VI plans submitted to HUD by PHAs. In fiscal year 2006, the HOPE VI program successfully accomplished four of five program output goals. However, with only three quarters of data (July 1, 2005 - March 31, 2006), the Department is unable to verify total success in accomplishing all five goals. Grantees relocated 2,962 households to permit redevelopment, approximately 112 percent above the goal of 1,400 relocations. Completions of new or rehabilitated units totaled 7,085, which is 9 percent more than the 6,500-unit goal. Families occupied 8,081 units, approximately 28 percent more than the goal of 6,300 occupied units. In addition, the Department completed 17 projects through the fourth quarter (June 30, 2006) - two more than the target. Despite the program's substantial success of completing these goals, the Department is unable to verify success at accomplishing the demolition goal of 2,600 units. After the first three quarters of data, the Department verifies that grantees have demolished 2,305 units - just short of the goal. Though the Department believes this goal was met in fiscal year 2006, the fourth quarter data are not available.

Indicator: The average length of time for completion of all units in HOPE VI projects will be 7 years from the date of the Grant Agreement execution and by fiscal year 2008, 110 HOPE VI grants awarded from 1993 through 2004 will have completed all unit production.

The Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. That is, the more quickly projects are completed, the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan. The target is to have 7 years from the execution of the Grant agreement as the average length of time for completion of all units in HOPE VI projects. To date, the program has completed 65 grants representing 29 percent of the 225 total grants awarded from 1993 to 2004. By the end of fiscal year 2008 the Department plans to complete 110 HOPE VI grants awarded from fiscal year 1993 through fiscal year 2004.

Indicator: The HOPE VI program will leverage \$800 million of other financing.

The mixed-financing approach to public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of new public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform isolated public housing communities into vibrant and sustainable mixed-income communities with a wide range of family incomes. As of March 31, 2006, the HOPE VI program had leveraged approximately \$634 million of other financing during fiscal year 2006. The Department plans to improve on this performance so that in fiscal years 2007 and 2008 the HOPE VI program will leverage \$800 million of other financing.

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Indicator: Through the HOPE VI Community and Supportive Services program 138 public housing families will become homeowners.

The Community and Supportive Services component of the HOPE VI program encompasses all activities that are designed to promote upward mobility, housing self-sufficiency, and improved quality of life for the residents of the public housing project involved. Many of these activities assist public housing residents in becoming homeowners, which is a key indicator of housing self-sufficiency. Cumulatively, as of March 31, 2006, 2,864 public housing residents had purchased homes in connection with a HOPE VI Revitalization plan. During fiscal year 2007, 156 public housing families will become homeowners through the HOPE VI Community and Supportive Services program. In fiscal year 2008, an additional 138 families will become homeowners.

Indicator: The HOPE VI program will create 1,500 new homeownership units.

Many families are prevented from purchasing a home due to some combination of low income, low savings, poor credit history, and lack of awareness of opportunities. The Department addresses these issues, in part, through its Strategic Plan outcome measure to create 10,000 new homeownership units through the HOPE VI program between fiscal years 2006 and 2011. Cumulatively, as of March 31, 2006, 6,164 homeownership units had been produced. During fiscal year 2007, the HOPE VI program, through the use of grant and leveraged funds, will create 1,500 new homeownership units. The program plans to continue these efforts in fiscal year 2008 by creating an addition 1,500 new homeownership units.

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REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Justification of Proposed Changes in Appropriations Language

The 2008 proposed President's budget:

Of the unobligated balances remaining from funds appropriated in fiscal year 2007 under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" for grants to public housing agencies for demolition site revitalization, replacement housing, and tenant-based assistance grants to projects as authorized by section 24 of the United States Housing Act of 1937 as amended, \$99,000,000 is cancelled: Provided, that any remaining unobligated amounts under this heading, including recoveries and carryover, may be used for grants, technical assistance and other eligible activities as provided under this heading, of which up to \$2,000,000 may be used for technical assistance and contract expertise, for grants, contracts, or cooperative agreements, including training and cost of necessary travel for participants and employees of the Department: Provided further, That the Department shall recover unexpended obligations from nonperforming grantees as determined by the Secretary from funds appropriated for fiscal year 2001 and prior years under this heading.

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PUBLIC AND INDIAN HOUSING
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 Crosswalk of 2006 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2006 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2006 Resources</u>
Revitalization Grants	\$98,000	-\$980	...	...	\$141,626 ^a	\$238,646
Technical Assistance	<u>2,000</u>	<u>-20</u>	<u>...</u>	<u>...</u>	<u>1,917</u>	<u>3,897</u>
Total	100,000	-1,000	143,543	242,543

a/ Includes \$342,543 recovered during fiscal year 2006.

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PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 Crosswalk of 2007 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2007 President's Budget Request	FY 2007 CR Estimate	2007 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2007 <u>Resources</u>
Revitalization Grants	-\$97,020	\$181,875	...	...	\$56,771	\$238,646
Technical Assistance	<u>-1,980</u>	<u>1,057</u>	<u>...</u>	<u>...</u>	<u>2,840</u>	<u>3,897</u>
Total	-99,000	182,932	...	...	59,611	242,543