

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
2011 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>
2009 Appropriation .....	...	...	...	...	...	...
2010 Appropriation/Request .....	...	...	...	...	...	...
2011 Request .....	<u>\$250,000</u> <sup>a</sup>	<u>[\$65,000]</u> <sup>b</sup>	...	<u>\$250,000</u>	<u>\$65,000</u>	<u>\$8,000</u>
Program Improvements/offsets .....	+250,000	+65,000	...	+250,000	+65,000	+8,000

a/ The fiscal year 2011 Appropriation request includes a \$2.5 million non-expenditure transfer to the Transformation Initiative. These amounts are excluded from carryover, obligations and outlays but reflected in the Transformation Initiative account.

b/ Carryover amount reflects transfer of remaining balances from the Choice Neighborhoods Initiative set-aside in the fiscal year 2010 Revitalization of Severely Distressed Public Housing (HOPE VI) Appropriation.

**Summary Statement**

The Department requests \$250 million for the Choice Neighborhoods program. The request is an increase of \$185 million over the overall fiscal year 2010 HOPE VI appropriation, which set aside \$65 million for a Choice Neighborhoods Initiative demonstration. This program will fund competitive grants to transform neighborhoods of extreme poverty into sustainable mixed-income neighborhoods with well-functioning services, schools, public assets, transportation and access to jobs. Choice Neighborhoods builds on the successes and lessons learned in the HOPE VI program. Grantees will include local governments, assisted housing owners, community development corporations, nonprofits and for-profit entities as well as public housing authorities (PHAs). Grants will primarily fund the transformation, rehabilitation and replacement of HUD public and assisted housing that cannot be funded through current annual formula or contract payments. 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.

HUD estimates there are approximately 242,000 public housing and 83,000 multifamily housing units in over 1,000 neighborhoods of high poverty that are potential candidates for Choice Neighborhoods. While not all of these neighborhoods will ultimately qualify for Choice Neighborhoods, a significant share will qualify. At \$35-45 million per grant, funding at \$250 million will reach 5-7 neighborhoods a year. Up to 10 percent of the appropriation will be used for Planning Grants, which will assist local partnerships to develop strong proposals for future fiscal year grant competitions.

The Department is working with all appropriate Committees, including the Appropriations Committees, the House Committee on Financial Services, the Senate Committee on Banking, Housing and Urban Affairs and their respective subcommittees to achieve enactment of this new program.

## Choice Neighborhoods

### Background and Program Objectives

The goal of the Choice Neighborhoods initiative is to demonstrate that concentrated and coordinated neighborhood investments from multiple funding sources can transform a distressed neighborhood and the quality of life of current and future residents. The HOPE VI, Homeownership Zone, and Empowerment Zone programs, along with the Harlem Children's Zone, tell us that coordinated areawide 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. It will preserve affordable housing and create safe streets, high quality schools and other amenities expected from neighborhoods of choice.

The spatial concentration of poverty remains a serious and often unrecognized challenge to the ability of poor families and children to access opportunity 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.

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.

### Eligible Neighborhoods, Grantees, and Activities

Choice Neighborhoods will support a range of transformative interventions in neighborhoods of concentrated poverty. It will be targeted to neighborhoods with: 1) concentrations of poverty; 2) severely distressed public and/or assisted housing; and 3) potential for long-term viability once key problems are addressed, including neighborhoods with characteristics such as proximity to educational institutions, medical centers, central business districts, major employers, effective transportation and adjacency to low poverty neighborhoods.

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

Grant funds will primarily fund the transformation of public and/or assisted housing developments through preservation, rehabilitation, and management improvements as well as demolition and new construction. In addition to improvements to the public and assisted rental stock, these funds can be used (and combined with other program funding) for improvements to the surrounding community, including the single family housing stock (with improved disposition of FHA-foreclosed properties), public services, facilities and assets.

Education in particular will be a key focus of the program, with local communities required to include an education component that could include the provision of 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 would provide a particularly significant opportunity to capitalize on additional neighborhood investments, and would 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.

## Choice Neighborhoods

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;
- Targeted use of rent incentives for public and assisted housing residents and other self-sufficiency and asset-building activities based on the experience of the successful Jobs Plus Demonstration;
- 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 costs 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;
- Land assembly, land banking and other area improvement activities;

### Leveraging and Coordination

The program will leverage funds from state, local or 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, Labor, Transportation, Health and Human Services and the Environmental Protection Agency, to leverage additional resources. 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, for instance 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 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 an opportunity to compete for an implementation grant. Planning grants will require local agencies to involve local residents in the planning process.

HUD would 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

## Choice Neighborhoods

data) to inform its selection of both planning and implementation grantees. HUD expects this to be an on-going process, with targeted investments in 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 along with job opportunities; tax incentives that promote investment and protect long-term residents from property tax spikes; economic and human development; public safety; and would incorporate rent incentives into subsidized housing initiatives.

### 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 would help build a more unified approach to using housing as a vehicle for neighborhood revitalization and urban and metropolitan prosperity. The Office of Public Housing Investments, which administers the HOPE VI program, has requested additional staffing to effectively implement the new program.

The proposed Choice Neighborhoods legislation authorizes up to 5 percent of annual appropriations for program evaluation and technical assistance. HUD will use this funding for baseline research and evaluation of the program. It is expected that this will inform a broad range of housing programs, as well as other Federal interventions. Each grantee for the program will also 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.

Choice Neighborhoods

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

<u>Budget Activity</u>	<u>2009 Budget Authority</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2009 Obligations</u>	<u>2010 Budget Authority/ Request</u>	<u>2009 Carryover Into 2010</u>	<u>2010 Total Resources</u>	<u>2011 Request</u>
Choice Neighborhoods								
Grants .....	...	...	...	...	...	...	...	\$247,500
Transformation								
Initiative .....	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>2,500</u>
Total .....	...	...	...	...	...	...	...	250,000
<b><u>FTE</u></b>	<b><u>2009 Actual</u></b>	<b><u>2010 Estimate</u></b>	<b><u>2011 Estimate</u></b>					
Headquarters .....	...	14	21					
Field .....	<u>...</u>	<u>8</u>	<u>7</u>					
Total .....	...	22	28					

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

<b>Choice Neighborhoods Grants</b>	<b><u>Amount</u></b>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request .....	<u>\$247,500</u>
Program Improvements/Offsets .....	+247,500

**Proposed Actions**

The Department is proposing \$247.5 million for Choice Neighborhood Grants in fiscal year 2011. Choice Neighborhood Grants will primarily fund the transformation, rehabilitation and replacement of HUD public and assisted housing that cannot be funded through current annual formula or contract payments. 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.

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

<b>Transformation Initiative</b>	<b><u>Amount</u></b>
2009 Appropriation .....	...
2010 Appropriation/Request .....	...
2011 Request .....	<u>\$2,500</u>
Program Improvements/Offsets .....	+2,500

**Proposed Actions**

The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the Choice Neighborhoods account may be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements.

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Justification of Proposed Appropriations Language**

**The fiscal year 2011 President's Budget included proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language for deletion is bracketed.**

*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 extreme 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 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 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, and Commerce 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 all balances of amounts made available for the Choice Neighborhood Initiative under the heading Revitalization of Severely Distressed Public Housing (HOPE VI) in the Department of Housing and Urban Development Appropriations Act, 2010 shall be transferred to and merged with amounts made available under this heading. (Department of Housing and Urban Development Appropriations Act 2010).*

Choice Neighborhoods

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Crosswalk of 2009 Availability  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2009 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Choice Neighborhoods Grants .....	...	...	...	...	...	...
Transformation Initiative .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...

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

<u>Budget Activity</u>	<u>2010 President's Budget Request</u>	<u>Congressional Appropriations Action on 2010 Request</u>	<u>2010 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2010 Resources</u>
Choice Neighborhoods Grants .....	\$250,000	...	...	...	...	...
Transformation Initiative .....	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total .....	250,000	...	...	...	...	...