

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Choice Neighborhoods

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	200,000	188,744	-	388,744	164,998	72,378
2022 Annualized CR	200,000	223,746	-	423,746	200,000	143,397
2023 President's Budget	250,000	224,000	-	474,000	250,000	155,000
Change from 2022	50,000	254	-	50,254	50,000	11,603

PROGRAM PURPOSE

Choice Neighborhoods is a place-based grant program which helps communities develop and implement locally driven comprehensive neighborhood plans to transform underserved neighborhoods into thriving communities with greater economic opportunity for all residents. The Choice Neighborhoods program focuses on three key elements: 1) Housing – redevelop severely distressed public housing and/or HUD multifamily housing; 2) Neighborhood – invest in and catalyze economic development-related improvements meant to revitalize the surrounding neighborhood; and 3) People – improve the lives of housing residents through education, employment, and health care. The ultimate outcome of the program is to achieve social and racial equity, where a person's neighborhood does not determine their socioeconomic outcomes and the neighborhood provides the living conditions, amenities, services and supports they need to thrive. By redeveloping and modernizing distressed housing and neighborhood amenities, the program advances energy-efficiency, climate resilience, and environmental justice.

HUD provides two types of Choice Neighborhoods grants: 1) Planning Grants, which support development of comprehensive neighborhood transformation plans to guide revitalization of targeted underserved neighborhoods; and 2) Implementation Grants, which allow communities to implement their plans for neighborhood transformation. While HUD is a key partner in both grants, the program stresses the creation of local, city-wide, State, and Federal partnerships and supports extensive outreach to and meaningful participation of residents.

As of January 2022, there were 30 active Planning Grants and 31 active Implementation Grants.

BUDGET OVERVIEW

The 2023 President's Budget requests \$250 million for the Choice Neighborhoods program, which is \$50 million more than the 2022 annualized CR level. Choice Neighborhoods grants are competitively awarded each year. Of that amount, HUD will allocate up to \$5 million for Planning Grants to fund 10-12 new grants, which will allow those communities the funding necessary to develop meaningful neighborhood transformation plans ready for implementation. Approximately \$235 million will enable HUD to award 5 to 7 additional Implementation Grants, which will provide those communities the funds necessary to implement their neighborhood transformation plans, including: redeveloping the targeted severely distressed HUD public housing or HUD multifamily project; improving the lives of housing residents through the provision of intensive case management, service coordination, and housing choice; and completing critical economic development projects in the surrounding

neighborhood. Additionally, up to \$10 million will be used to fund planning and implementation grants specifically targeted to communities in proximity to Superfund sites through a pilot of the Revitalization and Empowerment of Communities near Contaminated Lands through Assistance, Investment, and Mitigation (RECLAIM) program.

JUSTIFICATION

The Choice Neighborhoods program targets disadvantaged neighborhoods where at least 20 percent of residents are estimated to live in poverty. In most targeted neighborhoods, over 90 percent of residents are people of color. These neighborhoods must include a distressed HUD-assisted housing project, either public housing or multifamily. Many of these neighborhoods were once thriving but over time fell behind, leaving them with poor housing choices and a lack of amenities (compared to other higher income communities), thus limiting opportunities for residents. In addition, many of these neighborhoods are located on or near areas of environmental contamination, impacting resident health and well-being.

Concentration of poverty remains a serious challenge for low-income families and children in accessing opportunities and moving up the economic ladder. Where a family lives dramatically affects their life opportunities. For example, concentrated poverty often exacerbates the imbalance between housing and jobs, whereby residents of low-income neighborhoods are isolated from opportunities for employment and advancement because of distance from the location of jobs and limited access to transportation. Income also impacts the types of services or amenities found in a neighborhood, such as access to healthy foods or health care, and may also impact the quality of basic services such as education and transportation. In addition, public housing and multifamily projects are often severely distressed and a blight on their neighborhoods, as well as an unsafe living environment for residents. While this housing is obviously in need of major renovation or reconstruction, there is a significant backlog of capital needs.

In line with the Administration's priority to provide affordable housing choices, Choice Neighborhoods grants provide direct support for the redevelopment of distressed public or multifamily housing projects into modern mixed-income communities. The program's 1:1 replacement requirement for demolished units assures that every former resident can live in a new or substantially renovated affordable home. Each new housing development must be healthy, free of toxins, sustainable, and energy efficient; this includes conforming to the standards of a nationally recognized Green rating program. In addition, housing construction generates jobs, which residents may be eligible for, in line with HUD's Section 3 requirements. Thus, Choice Neighborhoods grants also contribute to the Administration's goals on economic mobility, environmental justice, and climate resilience by serving as an economic engine in the communities awarded the grants and significantly improving the environmental health and energy efficiency of the housing stock in the communities.

The Choice Neighborhoods program addresses the issue of social and racial equity by directly funding and catalyzing investments in economic development and critical neighborhood improvements. The Program addresses indicators of distress, such as vacant land, poor schools, lack of transportation, high crime rate, lack of retail services, dilapidated structures, lack of healthy food options, poor health care, lack of jobs, distressed infrastructure, low homeownership, etc.—all of which can limit choices of residents and their ability to access economic opportunities. In addition, the Choice Neighborhoods program directly serves residents of HUD-assisted housing by funding intensive case management and social service coordination to improve access to jobs, education, and health care for both adults and children.

Climate

As part of the Administration's whole-of-government approach to the climate crisis, HUD's Budget requests \$1.065 billion to assist communities to reduce carbon pollution, increase resilience to the impact of climate change, and deliver environmental justice. The National Climate Assessment has shown that climate change disproportionately impacts low-income and disadvantaged communities, the very communities and households served by HUD programs. HUD's Budget addresses climate change on two fronts: both in tracking and lowering the carbon footprint and energy consumption of the 4.5 million units of public and assisted housing, and at the same time helping the communities served by HUD programs to better withstand and increase their resilience to future disasters. These investments are crucial to assist communities throughout the country to mitigate and prepare for the worst effects of climate change.

Please see the Climate Initiative Justification for more details.

Revitalization and Empowerment of Communities near Contaminated Lands through Assistance, Investment, and Mitigation (RECLAIM)

Many low-income, underserved communities are also disproportionately impacted by severe environmental contamination, given the historic siting of low-income housing near manufacturing sites, railroads, utilities, highways, mining, and other hazards. To further support the goal of the Choice Neighborhoods program to address issues of environmental justice, HUD will initiate a pilot program which focuses on distressed neighborhoods that contain public and/or HUD-assisted housing and are located in neighborhoods in proximity to hazardous waste sites designated by the Environmental Protection Agency as Superfund sites. The President's request includes up to \$10 million to fund this pilot program, called RECLAIM. The program leverages a coordinated interagency effort with EPA and the Department of Health and Human Services to identify, cleanup, and improve these sites by concentrating Federal resources. RECLAIM grants will allow designated communities that have been impacted through the years by the presence of major contamination to prepare comprehensive Transformation Plans and utilize funds for catalytic investments to attract private and other public investment into these long-neglected communities. Consistent with the larger Choice Neighborhoods program, RECLAIM focuses on housing, people, and neighborhoods, including developing and implementing strategic economic development initiatives in the community, creating affordable housing, and assessing the needs of and providing social services for housing residents.

Data

The Choice Neighborhoods program has a specifically designed data system called Inform, which is used to collect data on all Implementation Grants. Metrics cover key indicators in housing production; resident self-sufficiency; and neighborhood development. Information is collected quarterly throughout the 6-year grant period.

Program Improvements

Residents' options and outcomes are improving in Choice Neighborhoods through service coordination and case management, as more than 14,000 residents are now receiving personalized case management. Over 80 percent of grantees with available data have shown an increase in the percentage of residents who are employed. Likewise, 90 percent of grantees have shown an increase in residents' average household income. Four grantees saw average household income almost double, increasing by 75 percent or more. Moreover, HUD's Office of Policy Development and Research estimates that for every \$100,000 of Choice Neighborhoods funds spent on development, two

CHOICE NEIGHBORHOODS

construction jobs are created. The benefits have shown to extend beyond improved economic conditions for residents as well. First, over 90 percent of grantees have shown an increase in the percentage of children engaged in positive youth development activities. Second, over 85 percent of grantees have shown an increase in the percentage of residents with a medical home, or regular place for treatment or medical care that is not an emergency room; and between 83 and 95 percent of residents in the first cohort of grantees have medical coverage.

Neighborhood and housing conditions are improving in Choice Neighborhoods. Many Choice Neighborhoods are plagued with dilapidated housing, vacant or abandoned properties, lack of retail services, poor transportation, environmental and public safety concerns, poor food choices, and lack of jobs. Through Choice Neighborhoods, more than 12,000 distressed and obsolete HUD-assisted housing units are scheduled to be replaced, including public housing units that are being repositioned to the Section 8 platform, with more than 27,700 total housing units to be created by current grantees. To date, Implementation Grantees have completed construction of 4,500 HUD replacement housing units, plus an additional 4,600 affordable and market rate units.

Further, grantees have developed public safety strategies that are making a difference. For grantees that have two or more years of crime data, 85 percent of target neighborhoods have shown a decrease in violent crimes at higher rates relative to the surrounding city, and 60 percent have shown a decrease in violent crimes at twice the rate of the city. New retail development has been attracted, including grocery stores and food related business incubators, which are supported by Choice Neighborhoods funding. Funds have also been used to demolish abandoned structures and repurpose vacant land. Placemaking activities have been funded to “brand” neighborhoods to attract private investment. Residential and commercial façade programs have been implemented by grantees with Choice Neighborhoods funding to assist homeowners and small businesses with maintenance of their homes and businesses. Loan pools have been established to assist small business growth. New parks and recreational facilities that promote healthy living have been built in many Choice Neighborhoods communities. All these housing and neighborhood investments help to advance social and racial equity by improving disadvantaged neighborhoods and providing low-income residents with choices found in other more affluent communities across their cities.

Choice Neighborhoods projects have attracted nearly \$7 of leverage for every \$1 of Choice Neighborhoods grant funds spent. These investments support a wide variety of projects which bring much needed amenities, services, and jobs to underserved neighborhoods, such as City funds to build new infrastructure, parks and recreation, philanthropic funding for business incubators and day care, and private investment in retail and commercial development.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carry over Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carry over Into 2022	2022 Total Resources	2023 President's Budget
Choice Neighborhood Grants	200,000	188,744	388,744	164,998	200,000	223,746	423,746	240,000
RECLAIM Pilot	-	-	-	-	-	-	-	10,000
Total	200,000	188,744	388,744	164,998	200,000	223,746	423,746	250,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language

The 2023 President's Budget includes the following:

- Flexibility in Affordability Requirements for Homeownership Units Developed with Choice Neighborhoods Funding: HUD requests language to allow flexibility in applying homeownership affordability requirements – such as reducing the 20-year term of affordability and allowing for equity sharing models such as recapture authorities in the HOME Investment Partnerships Program – with the objective of making the development of homeownership units a more realistic option for grantees. This flexibility would not pertain to the affordability term for any rental housing units (replacement and other affordable) developed with grant funds.
- Extension of the Period of Availability (POA): HUD requests language to extend the POA to obligate funds by an additional year for Choice Neighborhoods appropriations in 2023 and subsequent years, from three years to four years. Thus, the POA for 2023 Choice Neighborhoods appropriations would extend through September 30, 2026. This will provide additional time for grantees to expend funds prior to the expenditure deadline.

General Provisions

The 2023 President's Budget re-proposes with edits the following general provision:

Provide One-Year Extension for previously appropriated Choice Neighborhoods funding: This provision would provide a one-year extension to expenditure deadline for previously appropriated Choice Neighborhoods funding. Grantees must currently expend all grant funding within 5 years after the period of availability for obligation by HUD ends. In light of ongoing complications caused by the COVID-19 pandemic, this extension of grant periods is needed to allow grantees additional time to fully complete all phases of their housing redevelopment and fully expend their Choice Neighborhoods grant funds. HUD is requesting to extend the grant period for the fiscal year 2015 through fiscal year 2021 Choice Neighborhoods grants by one year to allow them to fully complete their housing plans. (2023 President's Budget, Sec. 228).

APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriation language listed below.

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, \$250,000,000, to remain available until September 30, 2026: 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 the use of funds made available under this heading shall not be deemed to be for 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 of not fewer than 20 years: Provided further, That the Secretary may specify a period of affordability that is less than 20 years with respect

to homeownership units developed with grants from amounts made available under this heading: Provided further, 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 agencies, and nonprofit organizations: Provided further, That for-profit developers may apply jointly with a public entity: Provided further, That for purposes of environmental review, a grantee shall be treated as a public housing agency under section 26 of the United States Housing Act of 1937 (42 U.S.C. 1437x), and grants made with amounts available under this heading shall be subject to the regulations issued by the Secretary to implement such section: Provided further, That of the amount provided under this heading, not less than \$100,000,000 shall be awarded to public housing agencies: 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 not more than \$5,000,000 of funds made available under this heading may be provided as grants to undertake comprehensive local planning with input from residents and the community: Provided further, That not more than \$10,000,000 of the funds made available under this heading shall be available, in addition to amounts otherwise available for such purposes, for planning and implementation grants, notwithstanding section 203 of this title, to support the revitalization of communities with public or HUD-assisted housing in close proximity to Superfund sites, notwithstanding the limitation on planning under the previous proviso: Provided further, That communities selected under this program shall not be ineligible for participation in the Choice Neighborhoods Initiative due to their selection under this program: Provided further, That the Secretary shall define eligible activities for such grant assistance, which may include permitting grantees to provide assistance to businesses and nonprofit organizations to carry out economic development and job creation or job retention activities: Provided further, That the Secretary shall be authorized to waive, or specify alternative requirements for any provision of such section 24 that the Secretary administers in connection with the use of funds for this program (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such assistance: Provided further, That unobligated balances, including recaptures, remaining from funds appropriated under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" in fiscal year 2011 and prior fiscal years may be used for purposes under this heading, notwithstanding the purposes for which such amounts were appropriated: Provided further, That notwithstanding section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), the Secretary may, until September 30, 2023, obligate any available unobligated balances made available under this heading in this or any prior Act.

Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.