

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Public and Indian Housing

Choice Neighborhoods

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2023 Appropriation	350,000	390,558	-	740,558	479,626	128,767
2024 Annualized CR	350,000	261,000	-	611,000	350,000	182,380
2025 President's Budget	140,000	261,000	-	401,000	260,000	215,930
Change from 2024	(210,000)	-	-	(210,000)	(90,000)	33,550

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:

- Housing – redevelop severely distressed public housing and HUD-assisted multifamily housing projects;
- Neighborhood – invest in and catalyze economic development-related improvements meant to revitalize the surrounding neighborhood; and
- People – improve the lives of housing residents through education, employment, and health care.

HUD provides two types of Federal grants:

- Planning Grants, which support development of comprehensive neighborhood transformation plans that guide revitalization of targeted underserved neighborhoods; and
- Implementation Grants, which allow communities to implement their plans for neighborhood transformation.

While HUD is a key partner in both grant types, the program stresses the creation of local, city-wide, State, and Federal partnerships and supports extensive outreach to and meaningful participation from neighborhood residents.

As of the end of October 2023, of the 131 Planning Grants awarded, there were 52 still active; and of the 52 Implementation Grants awarded, 45 were still active. The 2025 President's Budget requests \$140 million, which is \$210 million less than the 2024 Annualized CR level.

BUDGET OVERVIEW

Choice Neighborhoods grants are competitively awarded each year. The 2025 President's Budget is \$140 million for the Choice Neighborhoods program. Of that amount, HUD may allocate up to \$10 million for Planning Grants to fund up to 20 new grants. These grants will provide communities with the necessary funding to develop meaningful neighborhood transformation plans and get them ready for implementation. The approximately \$130 million in remaining funds will enable HUD to

award 2 to 3 new Implementation Grants, which will provide the funds necessary for communities to implement their neighborhood transformation plans. These grants will assist with the redevelopment of the targeted severely distressed public housing or HUD-assisted multifamily project; improving the lives of housing residents through the provision of intensive case management, service coordination and housing choice; and completion of critical economic development projects in the surrounding neighborhood, which attract further public and private investment. In addition, this funding level will also allow HUD to award up to two Main Street grants which enable small communities to develop affordable housing and revitalize their downtowns.

JUSTIFICATION

The Choice Neighborhoods program targets disadvantaged neighborhoods with high concentrations of poverty, which also must include a distressed HUD-assisted housing project, either public housing or HUD multifamily housing.

Through Planning Grants, the Choice Neighborhoods program allows cities of all sizes, including smaller, less urban communities, to directly address issues related to disinvestment and poverty by providing funding needed to develop strategic plans for neighborhood transformation. This is particularly important to smaller cities which often do not have the capacity and/or resources to undertake comprehensive planning. Planning Grants also serve as the pipeline for Implementation Grants, which provide critical funding to implement these strategic neighborhood Transformation Plans. Many of these target neighborhoods were once thriving, but over time fell behind, leaving them with poor housing choices and a lack 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.

Equity

The concentration of poverty remains a serious challenge for low-income families and children, making it difficult to access opportunities and move up the economic ladder. Over 92 percent of residents of Choice Neighborhoods target housing are people of color. 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 or poor 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. Due to severe shortfalls, many public housing and HUD-assisted multifamily projects have become severely distressed turning into a blight on their neighborhoods and can be unsafe for residents to live in. While this housing is obviously in need of major renovation or reconstruction, there is a significant backlog of capital needs—in the public housing portfolio alone, HUD estimates that annual accrual needs are currently higher than \$4 billion and that the backlog of unmet capital needs has grown to nearly \$60 billion.

The Choice Neighborhoods program helps address these issues by working with communities to fund initiatives that help catalyze locally determined neighborhood investments, improve residents' choice of housing options, and reverse long-term patterns of racial inequity and disinvestment.

Choice Neighborhoods funds have 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 to assist homeowners and

small businesses with the maintenance of their homes and businesses. Loan pools have been established to assist small business growth and to attract new retail services, such as grocery stores, which provide needed services and create new jobs. New parks and recreational facilities that promote healthy living have been built in many Choice Neighborhoods communities. All these initiatives help to address the issue of social and racial equity by improving disadvantaged neighborhoods and providing low-income residents with amenities and opportunities found in other more affluent communities across their cities.

Key Assumptions

The 2025 President's Budget of \$140 million will support up to 20 Planning Grants and 2 to 3 Implementation Grants.

The need for affordable housing is dire, but development has been impacted by rising construction costs and rising interest rates. Similarly, the needs of low-income families have grown, which increases the demand for supportive services, and the needs of communities, long overlooked, are rising, as well. Choice Neighborhoods grantees are better able to overcome these challenges. The Choice Neighborhoods program provides needed funding to help bridge the financing gap for affordable housing development; fund critical supportive services for residents; and fund activities which catalyze neighborhood reinvestment. All families deserve safe and decent housing, as well as the opportunity to succeed. The Choice Neighborhoods program provides this opportunity to communities that have long been ignored. Given extensive marketing efforts, communities of all sizes, including smaller and less urbanized communities, can benefit from this program.

Performance Indicators and Other Evidence

The Choice Neighborhoods program has a specifically designed data program called Inform, which is used to collect data on all Implementation Grants. Metrics cover key outcomes in housing production, resident self-sufficiency, and neighborhood development. Information is collected quarterly throughout the six- to eight-year life of a grant and is used to monitor grantee performance and overall program trends. Positive results are being reported, as discussed below, and similar results would be expected from grants awarded in 2025.

The data shows that currently, more than 7,000 households are receiving personalized case management. The data also shows that most grantees have seen increases in resident employment, with over 80 percent showing an increase in the percentage of residents who are employed. For construction jobs, which are a common source of employment for residents, HUD's Office of Policy Development and Research estimates that for every \$100,000 of Choice Neighborhoods funds spent on development, two construction jobs are created. Similarly, 90 percent of grantees have shown an increase in average household income, and some grantees report that average household incomes have doubled.

The benefits of the Choice Neighborhoods program extend beyond improved economic conditions for residents and include childhood learning and health, as well. Over 70 percent of grantees report an increase in the percentage of children enrolled in early learning programs and the percentage of children engaged in positive youth development activities. Over 85 percent of grantees have seen an increase in the percentage of residents with a regular place for medical care that is not an emergency room, and the percentage of residents with medical coverage has risen as high as 95 percent. Additionally, with the demolition of distressed housing and the construction of new mixed-income units, housing conditions are improving substantially. Currently, nearly 14,000 new public housing or project-based Section 8 units are planned for development to replace (one-for-one) distressed and obsolete HUD-assisted housing units; over 6,200 units have already been constructed and 8,000 more are under development. Along with this "Replacement Housing," more than 18,700 units of

other affordable and unrestricted units are planned for development; over 6,900 units have already been constructed and 13,300 are under development. These additional units can accommodate families across all income levels. In total, more than 33,000 units of new housing are planned, with more to come from new grantees, including an estimated 5,200 new units from the 2022 Implementation Grants awarded in July 2023.

In addition, data shows that in targeted Choice Neighborhood communities, conditions are improving. In target neighborhoods, the program has helped create:

- new retail businesses, including grocery stores;
- developed business incubators, community kitchens, early childhood learning centers, and parks;
- provided small business loans;
- provided grants to improve the condition of existing housing;
- repurposed vacant properties; and
- implemented a myriad of placemaking activities.

Grantees have also developed public safety strategies. For grantees that have two or more years of crime data, 85 percent of target neighborhoods have witnessed a decrease in violent crime at more substantial rates relative to the surrounding city, and 60 percent have witnessed violent crime decrease at twice the rate of the city. This achievement is in line with the Administration's priorities for violent crime intervention in communities nationwide. Choice Neighborhoods grants help fund these critical neighborhood improvements both directly and by leveraging other private and public funds. Overall, more than \$6.8 billion has been invested in target neighborhoods, which equates to \$7.50 of private and other public funds leveraged from every \$1 of Choice Neighborhoods funding.

Stakeholders

The Choice Neighborhoods program engages a wide variety of stakeholders. Partnerships are central to every Choice Neighborhoods grant, and each grantee must engage with a wide selection of stakeholders during the neighborhood planning process, prior to being awarded a Choice Neighborhoods Implementation Grant and continuing throughout implementation.

The primary stakeholders are the residents who reside in the HUD-assisted housing and have the first right to return to the redeveloped replacement housing units. Public Housing Agencies (PHAs), HUD-assisted multifamily property owners and local governments are key partners who join forces to manage and implement grants. Local governments are particularly engaged in transforming the surrounding community, and PHAs use Choice Neighborhoods funds as means of redeveloping and repositioning public housing. Local institutions, philanthropic organizations, and non-profits are also key stakeholders, providing funding and services. Financial institutions, particularly State housing finance agencies, private lenders, and investors are critical stakeholders and provide key sources of financing for housing redevelopment.

Operational Improvements

Each year, the previous year's Notice of Funding Opportunity (NOFOs) are reviewed and re-evaluated to assure broad program eligibility and to ensure the NOFO is appropriate and understandable. This has included reducing the amount of information that must be submitted and streamlining rating factors, as well as adjusting threshold requirements. For example, the need for Planning Grant grantees to complete a Physical Needs Assessment was eliminated. Several non-remediable thresholds were changed to allow applicants to correct omissions that would otherwise have eliminated their application. The amount of each grant is also evaluated each year to ensure there are sufficient funds to undertake the required activities, particularly the need to replace all

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demolished housing, one-for-one. The review process has been compressed and all applicants not funded are offered an intensive debriefing to help them understand shortcomings, should they decide to reapply.

The Choice Neighborhoods office will continue to review programmatic and procedural requirements to ensure the program reaches a broad range of communities throughout the country. Specific efforts are underway to assure the program reaches small, less urban, communities, and targeted outreach to Tribal communities is also on-going.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carryover Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carryover Into 2024	2024 Total Resources	2025 President's Budget
Choice Neighborhoods Grants	350,000	390,558	740,558	479,626	350,000	261,000	611,000	140,000
Total	350,000	390,558	740,558	479,626	350,000	261,000	611,000	140,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2025 President’s Budget includes the appropriations language listed below.

- Delete mandatory supportive services cap increase: Deletion of proviso mandating increased cap on the use of competitive grants made under Choice Neighborhoods Initiative for necessary supportive services (no more than 20 percent, up from 15 percent).
- Flexibility for Affordability Period for Homeownership Units Developed with Choice Neighborhoods Funding: Under current law, all units constructed or rehabilitated using Choice Neighborhoods (CN) funds, including homeownership units, must have an affordability period of 20 years. This proposal would give HUD flexibility to require fewer than 20 years for homeownership units, which would bring CN closer to HOME rules, which have a maximum affordability period of 15 years for homeownership. The proposal would not allow HUD to waive the affordability period entirely, and the flexibility will not apply to rental units.

General Provisions

The 2025 President’s Budget re-proposes the following general provision:

Choice Neighborhoods Extension: This provision extends by one year the expenditure period for previously appropriated Choice Neighborhoods funds. (Sec. 225)

APPROPRIATIONS LANGUAGE

The 2025 President's Budget includes the appropriations 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) (the "Act") 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 \$140,000,000, to remain available until September 30, 2029: 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 amounts made available under this heading shall not be deemed to be for public housing, notwithstanding section 3(b)(1) of the 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 Act (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 amounts made available under this heading, not less than \$70,000,000 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 \$10,000,000 of the amounts 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 unobligated balances, including recaptures, remaining from amounts made available 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 Act (42 U.S.C. 1437v(o)), the Secretary may, until September 30, 2024, obligate any available unobligated balances made available under this heading in this or any prior Act.

Note.—A full-year 2024 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, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.