

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
2022 Appropriation	350,000	223,281	-	573,281	182,688	89,129
2023 Appropriation	350,000	390,558	-	740,558	250,000	148,000
2024 President's Budget	185,000	489,558	-	674,558	185,000	207,000
Change from 2023	(165,000)	99,000	-	(66,000)	(65,000)	59,000

PROGRAM PURPOSE

Choice Neighborhoods is a place-based grant program that helps communities develop and implement locally driven comprehensive neighborhood plans to transform underserved neighborhoods into thriving communities with greater economic opportunities for all residents. The Choice Neighborhoods program focuses on three key elements:

- Housing – redevelop severely distressed public housing and other HUD-assisted housing;
- 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 grants: Planning Grants, which support the development of comprehensive neighborhood transformation plans to guide the 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 February 2023, of the 117 Planning Grants awarded, 28 were still active, and of the 44 Implementation Grants awarded, 32 were still active. The Budget requests \$185 million in the 2024 Budget and anticipates that this will allow HUD to award three to four new Implementation Grants and 10 to 20 new Planning Grants.

BUDGET OVERVIEW

The 2024 President's Budget requests \$185 million for the Choice Neighborhoods program, which is \$165 million less than the 2023 enacted level. Choice Neighborhoods grants are competitively awarded each year. Of that amount, HUD will allocate up to \$10 million for Planning Grants to fund 10-20 new grants, which will allow those communities the funding necessary to develop meaningful neighborhood transformation plans, ready for implementation. Approximately \$170 million in remaining funds will enable HUD to award three to four new Implementation Grants, which will award communities the funds necessary to move forward with implementing their neighborhood transformation plans, including: the redevelopment of the targeted severely distressed HUD-supported public housing or other HUD-assisted projects; 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.

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-assisted housing. On average, 77 percent of the residents of the targeted HUD-assisted housing projects live in poverty and 95 percent are persons of color.

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 the funding needed to develop strategic plans for neighborhood transformation. This is particularly important to smaller cities that 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 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.

The 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 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. In addition, public housing and HUD-assisted housing projects are often severely distressed and an eyesore and 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 the public housing portfolio alone, the current need for unfunded capital investment is estimated to be at least \$50 billion, and likely very much higher.

Equity

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 HUD-assisted housing into modern mixed-income communities, where 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 and free of toxins, sustainable, and energy-efficient, including 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 will contribute to key Administration objectives since they serve as an economic engine in the communities targeted by those grants while improving the environmental health and energy efficiency of the housing stock in the community.

The Choice Neighborhoods program will address the issue of social and racial equity by directly funding and catalyzing investments in economic development and critical neighborhood improvements which address indicators of distress, such as vacant land, poor schools, lack of transportation, high crime rates, lack of retail services, dilapidated structures, poor 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 move forward in life. In addition, the Choice Neighborhoods program directly assists residents of HUD-assisted housing by funding intensive case

management and social service coordination, which collectively improve access to jobs, education, and health care for both adults and children.

Outcomes, 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 life of a grant. The program has shown significant impacts.

People Impacts: Of the 32 active Implementation grantees, 92 percent have shown some level of increase in the average household income of targeted housing residents. Four grantees saw average household incomes 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 construction jobs are created, which are made available to housing residents.

The benefits have been shown to extend beyond improved economic conditions for residents, as well. First, over 90 percent of grantees experienced an increase in the percentage of children engaged in "positive youth development activities." Second, over 90 percent of grantees have seen an increase in the percentage of residents with a medical home, or regular place for medical treatment or care that is not an emergency room; and between 85 and 100 percent of residents in the first cohort of grantees have medical coverage. Third, more than 17,200 households are now receiving personalized coaching and case management supportive services.

Housing and Neighborhood Impacts: Neighborhood and housing conditions are improving in Choice Neighborhoods. Many targeted Choice Neighborhoods are plagued with dilapidated housing, vacant or abandoned properties, lack of retail services, poor transportation, environmental and public safety concerns, poor food options, and lack of jobs. Through Choice Neighborhoods, more than 13,000 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 30,300 total housing units to be created by current grantees.

Further, grantees have developed public safety strategies and for grantees that have two or more years of crime data, 60 percent of target neighborhoods have witnessed larger Part I Violent Crimes decrease relative to the surrounding city.¹ 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 the 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 initiatives help to address the issue of 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 \$8 of leverage for every \$1 of Choice Neighborhoods grant funds spent. To date, Implementation Grantees have completed the

¹ Offense Definitions, Federal Bureau of Investigation (<https://ucr.fbi.gov/crime-in-the-u.s/2011/crime-in-the-u.s.-2011/offense-definitions>)

construction of 5,370 HUD replacement housing units, plus an additional 5,550 affordable and market-rate units.

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carry over Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry over Into 2023	2023 Total Resources	2024 President's Budget
Choice Neighborhoods Grants	350,000	223,281	573,281	182,688	350,000	390,558	740,558	185,000
Total	350,000	223,281	573,281	182,688	350,000	390,558	740,558	185,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

Appropriations Language Changes

The 2024 President's Budget includes the following:

- Flexibility for Affordability Period for Homeownership Units developed with Choice Neighborhoods Funding: The Budget 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. The flexibility would not pertain to the affordability term for any rental housing units (replacement and other affordable) developed with grant funds.
- Main Street Grants: The Budget eliminates the statutory requirement to offer Main Street Grants out of funds appropriated for the Choice Neighborhoods program. Given the low demand for Main Street Grants, such funding would be better applied under the Choice Neighborhoods competitions.

General Provisions

The 2024 President's Budget re-proposes the following general provision:

Extension of the Period of Availability (POA): This provision extends by one year the expenditure period for previously appropriated Choice Neighborhoods funds. (Section 226)

APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and the language proposed for deletion is bracketed.

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, [\$350,000,000]*\$185,000,000*, to remain available until September 30, [2027] *2028*: 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 not more than 20 percent of the amount of any grant made with amounts made available under this heading may be used for necessary supportive services notwithstanding subsection (d)(1)(L) of such section 24:]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 [such] *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 [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 amounts made available under this heading, not less than [\$175,000,000] *\$92,500,000* 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, notwithstanding section 24(m)(3) of the Act (42 U.S.C. 1437v(m)(3)), none of the funds made available under this heading may be obligated for main street housing grants*: 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 the Secretary shall make grant awards not later than 1 year after the date of enactment of this Act in such amounts that the Secretary determines:]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] *2024*, obligate any available unobligated balances made available under this heading in this or any prior Act. (*Department of Housing and Urban Development Appropriations Act, 2023.*)