

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
2017 Summary Statement and Initiatives  
(Dollars in Thousands)**

CHOICE NEIGHBORHOODS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2015 Appropriation .....	\$80,000	\$81,041	...	\$161,041	\$148,053	\$27,758
2016 Appropriation .....	125,000	13,477	...	138,477	138,477	25,000
2017 Request .....	<u>200,000<sup>a</sup></u>	<u>...</u>	<u>...</u>	<u>200,000</u>	<u>200,000</u>	<u>93,000</u>
Program Improvements/offsets .....	+75,000	-13,477	...	+61,523	+61,523	+68,000

*a/ This number includes an estimated Research and Technology (R&T) of \$1 million.*

**1. What is this request?**

The Department requests \$200 million for the Choice Neighborhoods program for fiscal year 2017, an increase of \$75 million from the fiscal year 2016 enacted level. Choice Neighborhoods grants primarily fund the transformation, rehabilitation and replacement of distressed public and/or HUD-assisted housing and support communities working to revitalize neighborhoods of concentrated poverty. Grants are targeted to assist neighborhoods where there are both concentrations of poverty or households with extremely low-incomes and severely distressed public and/or HUD-assisted housing.

This request will allow the Department to fund approximately 6 Implementation Grants and 5-10 Planning and Action Grants.

Key outcomes of Choice Neighborhoods include:

- Transform distressed public and/or assisted-housing units into physically and financially viable housing for the long-term;
- Support positive health, safety, employment, mobility and education outcomes for residents in the target development(s) and the surrounding neighborhoods;
- Create viable, mixed-income neighborhoods that have access to well-functioning services, high quality public schools and education programs, public assets, public transportation, and improved access to jobs; and
- Attract significant financial investments by the public and private sectors to high poverty neighborhoods.

## Choice Neighborhoods

### **2. What is this program?**

Choice Neighborhoods programs fund competitive grants to transform neighborhoods of concentrated poverty into sustainable, mixed income communities, with a focus on improved housing, successful residents, and vibrant neighborhoods. Choice Neighborhoods helps transform a distressed neighborhood into a neighborhood with the assets and opportunities necessary for children and families to prosper. Grantees include local governments, assisted housing owners, community development corporations, non-profits and for profit entities as well as public housing agencies (PHAs) and tribally designated housing entities (TDHEs). We learned that focusing only on the distressed housing site (public or HUD-assisted) does not yield the desired transformative impact on the surrounding neighborhood. Building on the success of the HOPE VI Program, Choice Neighborhoods leverages significant funds and fosters partnerships, and gives communities the ability to address persistent violent crime, create connections to job opportunities, and improve schools in order to actually change the trajectories of families living in those neighborhoods. Choice Neighborhoods provides two kinds of grants: 1) Implementation Grants, which allow communities to put their plans for neighborhood revitalization into effect; and 2) Planning and Action Grants that support the development of comprehensive transformation strategies along with critical community improvement projects.

For fiscal year 2017, the Department will structure the planning grants announcement to allow planning grantees the option of accomplishing additional tasks with a "Planning and Action" Grant. These would be larger grants (up to \$3 million) that would enable recipients to better bridge the transition from planning to implementation. The current Planning Grants are dedicated to planning activities and are not used for any services, programs, or physical improvements. Planning and Action Grants, however, would allow grantees to not only plan but to tackle some 'early start' projects in the neighborhood to establish momentum.

Choice Neighborhoods also supports the Administration's Promise Zones initiative, which is creating partnerships between the federal government, local communities and businesses to create jobs, increase economic activity, reduce violence and expand educational opportunities. The fiscal year 2017 Budget request includes companion investments in the Department of Education's Promise Neighborhoods program and the Department of Justice's Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment and economic growth in the Promise Zones.

### **3. Why is this program necessary and what will we get for the funds?**

The spatial concentration of poverty remains a serious challenge for poor families and children in accessing opportunities and moving 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.

## Choice Neighborhoods

The HOPE VI, Homeownership Zone, and Empowerment Zone programs revealed that coordinated area-wide employment of federal resources with local planning and decision-making can transform and improve entire neighborhoods and communities. Choice Neighborhoods builds on this knowledge and brings together resources in a way no other federal program does. Other programs do not provide sufficient funding to redevelop severely distressed public and HUD-assisted housing, while also directing attention to the people and broader neighborhood. The Choice Neighborhoods approach links multiple HUD program efforts and multi-Departmental efforts that will provide a comprehensive framework, build on existing successes, provide strong positive outcomes for families and communities, and reduce related program costs.

According to the 2010-2014 American Community Survey (ACS) data, 14.5 million people live in "extreme poverty" census tracts, where the poverty rate exceeded 40 percent (excluding Puerto Rico). 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. Moreover, the concentration of poverty has a consistent negative effect on the residents of the community. The Pew Charitable Trusts' Economic Mobility Project research shows that one of the most important factors in determining whether children will do better financially than their parents is not their family's economic status, but whether or not they grow up in a high-poverty neighborhood. Further, it is possible to predict health, economic, and educational outcomes of children, not on their talents, abilities or how hard they work, but on where they live. Choice Neighborhoods is designed to change these outcomes and allow residents of these communities to reengage in the economy.

The Department estimates that approximately 105,000 units (81,910 public housing and 22,275 HUD-assisted housing units) are severely distressed and located in distressed neighborhoods. This number considers the age, size and physical condition of the public and HUD-assisted housing projects and includes distressed units that are located in neighborhoods of concentrated poverty. In order to reach these units, the Choice Neighborhoods program spurs large-scale projects that leverage millions of dollars in additional private and public investment as part of comprehensive, locally determined neighborhood transformation plans, rebuilding not just the housing, but the neighborhoods that have suffered due to the deteriorated housing.

The Department commissioned a Capital Needs Assessment (CNA) study to update the data on the estimated needs of public housing units. The 2010 CNA study estimated the level of immediate needs and needs over a 20-year period accrued annually based upon assessment of a statistically valid sample of public housing developments. The study places the existing need, or backlog, at up to \$26 billion and annual accrual need at \$3.4 billion.

Choice Neighborhoods is one of the only programs in the federal government that provides funding for the transformation of distressed housing in high-poverty neighborhoods. As demonstrated through the fiscal year 2014 Choice Neighborhoods application process, where 84 applications were submitted for the \$154 million funding available, there is a great demand for this type of federal assistance. On average, each Choice Neighborhoods implementation grant of \$30 million will replace over 300 public and assisted

## Choice Neighborhoods

housing units and will build an additional 649 mixed-income units. In addition, each grant attracts \$200 million or more in leveraged funding, creates 630 jobs on average and catalyzes critical community improvements in the neighborhood.

### Promise Zones Initiative

For children, growing up in high-poverty neighborhoods is a stronger predictor of downward economic mobility than parental occupation, education, labor force participation, and other family characteristics combined. The research suggests that the negative consequences of growing up in a low-income family are compounded when growing up in a neighborhood of concentrated poverty. The Choice Neighborhoods program contributes to the President's Promise Zones initiative, which will help revitalize up to 20 of America's highest-poverty communities by creating jobs, attracting private investment, increasing economic activity, expanding educational opportunity, and reducing violent crime.

The Departments of HUD, Justice, Education, Treasury, Health and Human Services, and other federal agencies work together closely under the Ladders of Opportunity and Promise Zones initiatives, co-investing and pooling their expertise to support local communities in developing and obtaining the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. One immediate achievement has been to align federal resources to target neighborhoods where the funding can have the most impact. In conjunction with the Department of Justice, HUD provided the first class of Choice Neighborhoods Implementation Grantees with additional funding to focus on enhancing their public safety plan to reduce violent crime, illegal drugs and gang activity in the neighborhood. HUD and the Department of Education have coordinated Notice of Funding Availability (NOFA) language to ensure that Choice Neighborhoods and Promise Neighborhoods contain mutual incentives for localities to focus on the entirety of interconnected needs in target communities, and ease the burden of gaining access to resources necessary to carry out comprehensive efforts. The Department of Health and Human Services has also provided bonus points in some of its grant competitions to communities that have received a Choice Neighborhoods grant to further advance improvements to resident health. To date, eight Choice Neighborhoods are included in areas designated as a Promise Zone. Also, nine of the communities funded by a Choice Neighborhoods grant have received a Promise Neighborhoods grant from the Department of Education, and nine of the communities have also received a Byrne Criminal Justice Innovation grant from the Department of Justice.

### **4. How do we know this program works?**

HOPE VI, the predecessor program to Choice Neighborhoods, is the subject of studies examining issues ranging from development conditions, property values and neighborhood effects to resident outcomes in employment and health. HUD's Office of Policy Development and Research published findings in a 2003 report, "Interim Assessment of the HOPE VI Program Cross-Site Report," which included the finding that after 10 years, the first round of HOPE VI grants resulted in sites that had been redeveloped from 100 percent public housing to mixed-income neighborhoods. The program resulted overall in: a substantial improvement in housing quality; better site management (as evidenced by well-maintained common areas and substantially lower vacancy and turnover

## Choice Neighborhoods

rates); a reduction in crime; and increased availability of supportive services and community facilities (including childcare, Boys and Girls Club programs, medical clinics, and office space for case managers and supportive services providers).

A study by the Urban Institute, "Estimating the Public Costs and Benefits of HOPE VI Investments: Methodological Report (June 2007)," estimated that transforming a 700-unit project with new mixed-income housing (and using vouchers to help some residents relocate elsewhere) could save an estimated \$3.9 million a year in federal housing subsidies while serving the same number of very low-income families. The same redeveloped project could also boost surrounding home values and generate local tax revenues of \$6.5 million over a 20-year period. These estimated savings could be generated because HOPE VI projects are less expensive to operate (through physical improvements, reductions in vandalism, and increases in occupancy rates). Additionally, HOPE VI redevelopment resulted in improved physical conditions (lower vacancy rates, reduced crime, and lower operating and capital costs); better quality of life for residents for both those relocated and those living in redeveloped properties (increased needed services, improved health, higher rates of employment and earnings); and surrounding neighborhood improvements (increased property values leading to increased local property tax revenue).

### Catalytic Effects of Choice Neighborhoods Grants: One Grantee's Story

The Columbus Metropolitan Housing Authority (CMHA) first received a fiscal year 2011 Choice Neighborhoods Planning Grant for the Near East Side neighborhood of Columbus, Ohio. Along with the City of Columbus and The Ohio State University, CMHA formed a community partnership among Partners Achieving Community Transformation (PACT) and developed the "Blueprint for Community Investment" vision, which includes the redevelopment of the vacant Poindexter Village public housing site.

The Blueprint served as the basis for CMHA's successful application for a fiscal year 2013 Choice Neighborhoods Implementation Grant. It capitalizes on strong partnerships and strategies for education, workforce and economic development, quality housing, and health initiatives. In addition to the Choice Neighborhoods funds, these partners have leveraged over \$180 million in public and private funding to implement the plan. The Poindexter Village development will be replaced with 449 units of mixed-income housing with a combination of unit types that will meet the needs of returning Poindexter Village residents and market demand, preserve long-term affordability, and attract an economically diverse population. The first phase, a new 104-unit senior development, will be ready for occupancy soon.

The Blueprint also addresses the critical needs of healthcare, wellness, behavioral care, education, job training, employment, K-12 education, and kindergarten readiness. Partners will deliver a combination of intensive case management, effective services, and partnerships that will be targeted to Poindexter Village and neighborhood residents. Through collaboration among PACT, Ohio State, and Columbus City Schools, the curriculum of the East High School and its feeder schools in the Near East Side has been completely redesigned and launched as the Health Science Academies starting with the 2015-2016 school year. A tracking system has been developed to document supportive services targeted to Near East Side neighborhood residents. In addition, plans include the

## Choice Neighborhoods

development of new infill homeownership, increased food access and commercial retail development, adult education and entrepreneurship centers, and a new intergenerational center for seniors and young children. The Columbus Foundation and the Osteopathic Heritage Foundation has awarded the team a \$100,000 grant to cover capital costs for an Intergenerational Center. The award will be paired with funding from KaBoom!, Bob Evans Farms, Huntington Bank, CareSource, and the Ohio Capital Impact Corporation.

### Leveraging

The dollars, expertise, and other resources leveraged by Choice Neighborhoods demonstrate the transformative impact of the program. Grantees leverage funds from state, local and private sources as well as other HUD and federal programs, including the Low-Income Housing Tax Credit (LIHTC) program, New Markets Tax Credits, Promise Neighborhoods, HOME Investment Partnerships (HOME) program, and the Community Development Block Grant (CDBG) program. The fiscal years' 2010-2015 Choice Neighborhoods grants leveraged \$3.69 billion of investments in those neighborhoods. For every \$1 in Choice Neighborhoods Implementation funding, an additional \$7.38 is leveraged. As we have seen with our existing grantees, they continue to attract leverage even after the Choice Neighborhoods grant has been awarded.

### Partners and Stakeholders

In order to be successful, Choice Neighborhoods grantees must engage a wide variety of stakeholders and work together to improve outcomes in distressed neighborhoods. In engaging other federal partners and additional applicants, Choice Neighborhoods has tapped new constituencies needed to successfully execute comprehensive neighborhood transformation including non-profit and for profit housing developers, financing sources, foundations, human service and community development organizations across the country with proven capacity and the demonstrated ability to lead and support needed public-private partnerships. In addition, over 35 major public and assisted housing organizations joined together to form the Choice Neighborhoods Coalition in early 2011 to support authorizing legislation for the program. To date the Choice Neighborhoods program has been authorized through annual appropriations under the HOPE VI statute (section 24 of the U.S. Housing Act of 1937, as amended). As such, the Department continues to seek authorizing legislation to formally establish the program.

### Current Evaluations and Research

In partnership with the Urban Institute and MDRC, HUD has completed the first phase of a comprehensive evaluation of Choice Neighborhoods Implementation Grants. This first phase was focused on evaluating the implementation of the program in the first five sites, as well as establishing a baseline to support a more in-depth follow-up evaluation from 2017-2020. Two reports have been published, *Developing Choice Neighborhoods: An Early Look at Implementation in Five Sites (2013)*,<sup>1</sup> and *Choice*

---

<sup>1</sup> [http://www.huduser.gov/portal/publications/choice\\_neighborhoods\\_interim\\_rpt.pdf](http://www.huduser.gov/portal/publications/choice_neighborhoods_interim_rpt.pdf)

## Choice Neighborhoods

*Neighborhoods: Baseline Conditions and Early Progress (2015).*<sup>2</sup> These two reports provide an in-depth look at how grantees are implementing the Choice Neighborhoods program, and highlight early successes and challenges.

Overall, the reports find that these grantees are using Choice to build and reinforce partnerships across a range of key stakeholders; tailoring their transformation plans to their unique local context; and making progress with implementing their transformation plans. Grantees and HUD have also worked to adjust their strategies and program design to reflect new information and address challenges. Baseline data collected for these two reports – including a survey of approximately 2,600 residents – confirm the severe level of distress in these neighborhoods, and the significant challenges faced by the residents. Grantees are expected to complete their Choice Neighborhoods expenditures within the next two years, and HUD’s Office of Policy Development and Research is requesting \$2.4 million for the next phase of the evaluation, which will examine how the program has affected the housing, people, and neighborhoods in these five sites.

In addition, HUD awarded four small research grants for aspects of Choice Neighborhoods not fully addressed by the Urban Institute project. For example, these grants support case studies of Choice Neighborhoods Planning Grants and the development of sophisticated databases to demonstrate implementation grant outcomes. HUD, working with other agencies across the Federal government, is also exploring ways to strengthen data capacity and conduct rigorous evaluations to understand the impacts of Promise Zones and other important cross-sector initiatives designed to improve outcomes for high-poverty communities and individuals living in those communities. A key focus will be on utilizing reliable administrative data sources at the Federal, State, and local level for measuring common outcomes across multiple sites, an approach that can enhance the quality of the evaluations while minimizing their costs.

---

<sup>2</sup> <https://www.huduser.gov/portal/sites/default/files/pdf/Baseline-Conditions-Early-Progress.pdf>

## 5. Proposals in the Budget

- Continued use of prior year funds. The Budget proposes allowing prior year Choice and HOPE VI funds to continue to be available notwithstanding HOPE VI sunset date. (Sec. 237)
- Optional Main Street Housing Grants funding. This provision amends permanent law in Section 24(n) of the Housing Act of 1937 and Section 403 of the HOPE VI Program Reauthorization and Small Community Main Street Rejuvenation and Housing Act of 2003, and makes directing up to 5 percent of funding in this account to the Main Street Housing Grants program optional, not required. (account language)
- Re-propose removal of appropriations language related to abandoned Neighborhood Revitalization Initiative proposal. In fiscal year 2012, HUD sought to allocate up to \$5 million of the Choice Neighborhoods funding to be used along with \$5 million of Neighborhood Revitalization Initiative funds transferred to HUD from the Departments of Health and Human Services, Education, and Justice for a Neighborhood Revitalization Initiative grants. The grants would have allowed local governments or organizations partnering with local governments to fill key gaps that would otherwise hamper revitalization activities, to build organizational capacity for collaborative data utilization and evidence-based planning, and to undertake other neighborhood revitalization activities as determined by the Secretary. HUD was the only agency that received this authority and the proposal was withdrawn in subsequent fiscal years. HUD continues to request that this proviso be removed from the Choice Neighborhoods appropriations language. (account language)
- Allow Flexibility to reduce the term of the 20 year affordability requirement for non-replacement homeownership units. HUD will consider homeownership affordability requirements across other HUD programs in determining minimum affordability periods for Choice grantees. (account language)

Choice Neighborhoods

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

<u>Budget Activity</u>	<u>2015 Budget Authority</u>	<u>2014 Carryover Into 2015</u>	<u>2015 Total Resources</u>	<u>2015 Obligations</u>	<u>2016 Budget Authority</u>	<u>2015 Carryover Into 2016</u>	<u>2016 Total Resources</u>	<u>2017 Request</u>
Choice Neighborhoods								
Grants .....	\$80,000	\$81,041	\$161,041	\$148,053	\$125,000	\$13,477	\$138,477	\$200,000
Technical Assistance ..	...	...	...	...	...	...	...	...
Transformation Initiative 2016/ Research and Technology 2017 (transfer) .....	...	...	...	...	[1,900]	...	[1,900]	[1,000]
Total .....	80,000	81,041	161,041	148,053	125,000	13,477	138,477	200,000

**PUBLIC AND INDIAN HOUSING  
CHOICE NEIGHBORHOODS  
Appropriations Language**

The fiscal year 2017 Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and 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), 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, [~~\$125,000,000~~ *\$200,000,000*, to remain available until September 30, [2018] *2019*: *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 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, *except that a grantee may request a shorter affordability period for homeownership units that are constructed, rehabilitated, or acquired using grant funds, under such terms and conditions prescribed by the Secretary: Provided further, That the Secretary may approve such shorter affordability periods for Choice Neighborhoods Initiative grants funded with amounts made available in prior fiscal years.* *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, tribal entities, public housing authorities, and nonprofits: *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 under this heading shall be subject to the regulations issued by the Secretary to implement such section: [*Provided further*, That of the amount provided, not less than \$75,000,000 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 no more than \$5,000,000 of funds made available under this heading may be provided to assist communities in developing comprehensive strategies for implementing this program or implementing other revitalization efforts 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 unobligated balances, including recaptures, remaining from funds appropriated under the heading "Revitalization of

## Choice Neighborhoods

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 section 24(m)(3) of the United States Housing Act of 1937 (42 U.S.C. 1437v(m)(3)) is amended by striking "shall" and inserting "may". (Department of Housing and Urban Development Appropriations Act, 2016.)*