



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410

Choice Neighborhoods FY 2010 NOFA Pre-Notice

The Department of Housing and Urban Development Appropriations Act, 2010 (Public Law 111-117, enacted on December 16, 2009) permits the HUD Secretary to use up to \$65,000,000 of the HOPE VI appropriations for a Choice Neighborhoods Initiative demonstration. In preparation for the competitive process to award funding, HUD is posting on its website this notice to help potential applicants prepare for the application process. This notice sets forth the core goals of the initiative, identifies key program elements and activities, and outlines the framework of the competition HUD will use to award FY 2010 funding. The actual Notice of Funding Availability (NOFA) will contain the selection criteria for awarding Choice Neighborhoods grants and specific requirements that will apply to selected grantees. Potential applicants are advised to monitor HUD's website for posting of the NOFA.

Choice Neighborhoods Background and Purpose

The spatial concentration of poverty remains a serious and often unrecognized challenge to the ability of poor families and children to access opportunities and move up the economic ladder. Moreover, many neighborhoods of poverty contain a significant presence of distressed public and/or HUD-assisted housing in need of repair or replacement. The HOPE VI program has been a successful first step in transforming neighborhoods with distressed public housing units into revitalized mixed-income neighborhoods.

Building upon the successes achieved and the lessons learned from the HOPE VI program, Choice Neighborhoods will employ a comprehensive approach to community development centered on housing transformation. The program aims to transform neighborhoods of poverty into viable mixed-income neighborhoods with access to economic opportunities by revitalizing severely distressed public and assisted housing and investing and leveraging investments in well-functioning services, effective schools and education programs, public assets, public transportation, and improved access to jobs. Choice Neighborhoods ensures that current residents will be able to benefit from this transformation. This will be achieved by preserving affordable housing, or providing residents with the choice to move to affordable housing in another, existing neighborhood of opportunity. Choice Neighborhoods has three core goals:

- 1) Housing: Transform distressed public and assisted housing into energy efficient, mixed-income housing that is physically and financially viable over the long-term;
- 2) People: Support positive outcomes for families who live in the target development and the surrounding neighborhood, particularly outcomes related to residents health, safety, employment, and education; and

- 3) Neighborhood: Transform neighborhoods of poverty into viable, mixed-income neighborhoods with access to well-functioning services, effective schools and education programs, public assets, public transportation, and improved access to jobs.

To achieve these core goals, communities must develop a comprehensive neighborhood revitalization strategy, or Transformation Plan, that addresses the following key neighborhood assets:

- 1) Developmental assets that allow residents to attain the skills needed to be successful in all aspects of daily life (e.g. educational institutions, early learning centers and health resources);
- 2) Commercial assets that are associated with production, employment, transactions, and sales (e.g. labor force and retail establishments);
- 3) Recreational assets that create value in a neighborhood beyond work and education (e.g. parks, open space, arts organizations, restaurants, movie theatres, and athletics);
- 4) Physical assets that are associated with the built environment and physical infrastructure (e.g. housing, commercial buildings, and roads); and
- 5) Social/Intangible assets that establish well-functioning social interactions (e.g. public safety and community engagement).

Choice Neighborhoods grants will primarily fund the transformation of public and/or HUD-assisted housing developments through preservation, rehabilitation, and management improvements as well as demolition and new construction. In addition, these funds can be used on a limited basis (and combined with other funding) for improvements to the surrounding community, public services, facilities, assets and supportive services. Choice Neighborhoods grant funds are intended to catalyze other investments that will be directed toward necessary community improvements. The leveraging of other sources will be necessary to address other key neighborhood assets and achieve the program's core goals. This may include resources from other HUD programs, such as the Community Development Block Grant and Section 108 Loan Guarantee programs, as well as from other Federal, State, local and private programs or entities. HUD is working with other Federal agencies to integrate Choice Neighborhoods with other Federal place-based programs. For example, applicants that receive a Planning Grant through the Department of Education's Promise Neighborhoods program may receive a competitive preference in consideration of a Choice Neighborhoods Planning Grant.

Eligible Applicants

As stated in the FY 2010 HUD Appropriations law, "for the purposes of this demonstration, applicants may include local governments, public housing authorities, nonprofits, and for-profit developers that apply jointly with a public entity." The term "local governments" shall have the same meaning as "unit of general local government" in section 102(a)(1) of the Housing and Community Development Act of 1974 (42 U.S.C. 5302) and the term "public

housing authorities” shall have the same meaning as the term “public housing agency” provided in section 3(b)(6) of the U.S. Housing Act of 1937 (42 U.S.C. 1437a), respectively. Eligible nonprofits will be entities that are classified as such in accordance with section 501(c) of the Federal Tax Code and have housing development experience. To demonstrate the joint-applicant partnership between a for-profit developer and a public entity, the Round 1 NOFA will require, at a minimum, a Memorandum of Understanding (MOU) on the public entity’s official letterhead signed by the executive of the public entity and the president/CEO of the for-profit developer demonstrating a commitment to work collaboratively throughout the entirety of the grant.

Eligible Neighborhoods

The neighborhood is the geographic area within which the activities of the Transformation Plan shall focus. HUD understands that neighborhood boundaries are not fixed like municipal or county boundaries. The Department also recognizes that neighborhoods do not necessarily follow statistical boundaries, such as Census Tracts. For Choice Neighborhoods, HUD will rely on applicants to identify boundaries for the target neighborhood that are generally accepted as a neighborhood. In many communities, those typical neighborhood boundaries are delineated by major streets or physical topography. The neighborhood must be larger than just the footprint of the distressed public or HUD-assisted housing targeted in the application. If HUD believes the neighborhood is being defined simply to maximize scoring on the application, HUD reserves the right to ask grantees to provide evidence that the target neighborhood boundary is generally accepted. Such evidence might include planning, community development or zoning maps.

The criteria used to determine whether a neighborhood is eligible for Choice Neighborhoods funding should be as objective, uniform and transparent as possible. Thus, for the purposes of establishing eligibility, HUD will overlay the locally defined neighborhood boundaries with the smallest available statistical boundar(ies) associated with that area and estimate the target area’s poverty rate, extremely low-income rate, vacancy rate, and other measures of distress using a proportional allocation methodology. For example, if census tract is the smallest statistical boundary for the available data and the locally defined neighborhood is partially within two different census tracts, the poverty rate would be calculated based on the portion of the neighborhood housing units (at the block level) located in each tract. In this example, 80 percent of the housing units in the locally defined neighborhood are in a tract with a poverty rate of 40 percent and 20 percent of the units are in a tract with a poverty rate of 10 percent. The “neighborhood poverty rate” would be calculated as: $(80\% \times 40\%) + (20\% \times 10\%) = 34\%$. HUD will set up a website through which potential applicants will be able to draw their neighborhood on a map and submit it. HUD will then overlay the applicable and available data to determine if the neighborhood meets the eligibility criteria.

Eligible neighborhoods for a FY 2010 Choice Neighborhoods grant include neighborhoods with—

- 1) at least 20 percent of the residents estimated to be in poverty or have extremely low incomes based on the most recent data collected by the U.S. Census Bureau and that are experiencing distress related to one or more of the following:

- a. per capita Part I violent crime rates over the past three or more years are at least 1.5 times the per capita Part I violent crime rates of the city or county/parish in which the neighborhood is located over the same time frame;
 - b. the rate of vacant or substandard homes is at least 1.5 times higher than that of the city or county/parish as a whole; or
 - c. a low-performing public school or at least 20 children or 20 percent of the children from the target public and/or HUD-assisted housing attend a low-performing public school. The term low-performing school means, “Title I schools in corrective action or restructuring in the State, as determined under section 1116 of the Elementary and Secondary Education Act (ESEA), and the secondary schools (both middle and high schools) in the State that are equally as low-achieving as these Title I schools and are eligible for, but do not receive, Title I funds”; and
- 2) severely distressed public and/or HUD-assisted housing, that meets the definition provided in section 24(j)(2) of the U.S. Housing Act of 1937, as amended.

HUD will calculate the poverty rate, extremely low-income rate, and residential vacancy rate for the applicant’s target area. The applicant will be responsible for obtaining and providing data on substandard housing (such as code enforcement actions), crime, and schools for the neighborhood and the city or county as a whole.

Program Parameters

With FY 2010 funding, the Choice Neighborhoods Initiative is a demonstration program under section 24 of the U.S. Housing Act of 1937, as amended (42 U.S.C. 1437v). Thus, except as otherwise specified in the appropriations act, the HOPE VI program requirements and selection criteria will apply to Choice Neighborhoods grants for FY 2010. Of particular importance, Choice Neighborhoods applicants must demonstrate an irrevocably committed match of funds from other sources of at least five percent of the Choice Neighborhoods grant amount and grantees may not spend more than 15 percent of the grant amount for supportive services. The FY 2010 Appropriations Act also requires that grantees undertake comprehensive local planning with input from residents and the community. It also states that grantees shall create partnerships with other local organizations including assisted housing owners, service agencies and resident organizations. In addition to the statutory limitation on supportive services, the use of Choice Neighborhoods funds for non-housing capital purposes will be limited to 15 percent of the grant amount.

In addition, Transformation Plans will need to contain the following—

- 1) the transformation of housing through rehabilitation, preservation, and/or demolition and replacement of severely distressed housing projects that incorporates energy efficient design principles;
- 2) one-for-one replacement of all public and/or assisted dwelling units of the targeted neighborhood in existence, as of the date of the application for the grant, that are to be demolished or disposed, unless otherwise permitted (additional information below);
- 3) resident involvement in planning and implementation of the Transformation Plan;

- 4) activities ensuring the long-term viability of the neighborhood on an economic, educational, and environmental basis;
- 5) activities that promote economic self-sufficiency of residents of the revitalized housing and of the surrounding neighborhood;
- 6) partnering with local educators, and engaging in local community planning, to help increase access to programs that combine a continuum of effective community services, strong family supports, and comprehensive education reform to improve the educational and life outcomes for resident children and youth;
- 7) activities that preserve affordable housing in the neighborhood and other activities necessary to ensure that existing residents have access to the benefits of the neighborhood transformation;
- 8) appropriate service coordination, support services, mobility counseling and housing search assistance for residents displaced as a result of revitalization of severely distressed projects;
- 9) activities that demonstrate that each tenant who wishes to return to the on-site or off-site replacement housing may return if the tenant was lease-compliant at the time of departure from the housing subject to rehabilitation or demolition, and continued to remain lease-compliant during the relocation period, and shall be provided a preference;
- 10) tracking of tenants relocated during redevelopment throughout the life of the grant or until full occupancy of replacement housing, whichever is longer; and
- 11) activities that meet the applicable fair housing and accessibility requirements, including affirmative marketing, providing meaningful access to programs for persons with limited English proficiency, meeting applicable accessibility standards, and ensuring program activities comply with applicable civil rights requirements.

Grantees will be required, as further described in the NOFA, Grant Agreement, and other post-award documents, to provide data to measure program performance and support evaluation efforts by HUD or its contractors. In addition, HUD will work with grantees to establish targets across multiple indicators of program performance.

Eligible Activities

The FY 2010 Appropriations Act states that Choice Neighborhoods funds may be used for the 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, public assets, transportation and access to jobs, and schools, including public schools, community schools, and charter schools. It also allows funding to be used for the acquisition and conversion of vacant or foreclosed properties to affordable housing. All housing constructed or rehabilitated with Choice Neighborhoods funds will be subject to an affordability period of at least 20 years. Furthermore, in conjunction with the eligible activities identified in the HOPE VI statute, eligible activities in the Choice Neighborhoods demonstration include:

- 1) construction, acquisition or rehabilitation of public, assisted, and privately owned housing that incorporates sustainable design principles, including energy efficiency;
- 2) the acquisition, demolition or disposition of properties, such as Federal Housing Administration–Real Estate Owned properties or other foreclosed properties;

- 3) partnering with local educators, and engaging in local community planning, to help increase access to place-based programs that combine a continuum of effective community services, strong family supports, and comprehensive education reform to improve the educational and life outcomes for resident children and youth;
- 4) providing support services for residents, primarily focused on case management, service coordination (including Family Self-Sufficiency coordinators) and assistance to enable residents to access programs from other key agencies and local service providers in order to help residents be stably housed, improve outcomes for children, enhance adults' capacity for self-sufficiency and economic security, and services for elderly and persons with disabilities to maintain independence;
- 5) partnering with employers and for-profit and nonprofit organizations to create jobs and job training opportunities, with a focus on job opportunities accessible by mass transit;
- 6) relocation assistance under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended, including tenant-based rental assistance renewable under section 8 of the United States Housing Act of 1937, and supportive services for families that are displaced or temporarily relocated, including mobility and relocation counseling over multiple years, reasonable moving costs, and security deposits;
- 7) activities that promote sustainable neighborhoods and incorporate principles of sustainable design and development; and
- 8) critical community improvements.

One-for-One Replacement Requirement

Any public or HUD-assisted housing units that are demolished or disposed of must be replaced on a one-for-one basis unless they are located in communities with certain characteristics. Some communities may be eligible to receive an exception of the one-for-one requirement if HUD determines that the rental market has a long-history of being "soft" in such a way that provides access to quality affordable housing in neighborhoods of opportunity through use of a voucher for households similar to those served by the target public or assisted housing development. In advance of issuance of the Round 1 NOFA, HUD will provide a list of the communities it has identified where voucher holders are currently moderately- to well-dispersed in areas of low poverty and with consistently high rental vacancy rates. In advance of submitting the grant application, Choice Neighborhoods applicants working in one of the relatively few eligible communities may submit a request for an exception, subject to also providing voucher success rates of the proposed voucher administering agency in the target market area. To qualify for the exception, the data must show a success rate of at least 80 percent. HUD will review the request and respond in five working days. That response will be exception approval, exception disapproval, or request for more information. If more information is requested, HUD will respond in five working days upon receipt of the additional information. Applicants will be able to appeal HUD's determination.

In order to meet the one-for-one replacement requirement that will be included in the FY 2010 Choice Neighborhoods NOFA, grantees have the option of providing housing under various HUD programs. Replacement housing includes housing assisted under sections 8 or 9 of the United States Housing Act of 1937 (42 U.S.C. 1437f and 42 U.S.C 1437g) (excluding tenant-

based vouchers, except as described above), section 202 of Housing Act of 1959 (12 U.S.C. 1701q), and section 811 of the National Affordable Housing Act of 1990 (42 U.S.C 8013).

FY 2010 Competition Framework

For FY 2010, HUD will award two types of grants for the Choice Neighborhoods Initiative: Planning Grants and Implementation Grants. Planning Grants will enable those communities that are not yet able to fully undertake a successful neighborhood transformation to start down that path, with the Federal government supporting their endeavors and incentivizing local support. The Planning Grants will enable more communities to create a rigorously-developed plan and garner the local commitment that is necessary for neighborhood transformation to be successful. Implementation Grants will provide a significant amount of Federal support to those communities that have undergone a comprehensive local planning process to devise a "Transformation Plan" to redevelop the neighborhood. HUD plans to award approximately \$3 million in Planning Grants, with an individual grant maximum of \$250,000 each. Approximately \$62 million will be awarded through Implementation Grants, with an individual grant maximum up to \$31 million.

The FY 2010 competition will be conducted through two rounds. HUD intends to publish the first Notice of Funding Availability (NOFA) in the summer. In Round 1, applicants may submit either a Planning Grant or an Implementation Grant application. The application requirements will be different for each type of grant. Applicants will have approximately 60 days from the date the NOFA is published to submit the Round 1 application. HUD will announce Planning Grant awards upon conclusion of its review in Round 1. From the pool of Implementation Grant applicants in Round 1, HUD will select approximately 10 finalists. HUD will then publish a second NOFA, and in Round 2, these finalists will be given an opportunity to assemble a more detailed application. Depending on the grant size requested by applicants, it is envisioned that approximately two to three of these finalists will be awarded an Implementation Grant.

Implementation Grant applications in Round 1 will primarily demonstrate compliance with programmatic thresholds, capacity of the applicant and strength of partnerships. Rating factors will focus on the neighborhood's need for redevelopment, the applicant team's vision for establishing a viable community, and its capacity to carry out a redevelopment plan. In Round 1, applicants need not necessarily provide a completed Transformation Plan. At a minimum they must describe the overall vision and the process for completing the Transformation Plan in a timely fashion, provide evidence that funds in the amounts and types described will reasonably be available within the required timeframe and that land use approvals have either been secured or will be within the required timeframe. Round 2 applications will include more detailed evidence and demonstration of rating factors addressing all of the selection criteria, including site control for off-site development, status of land use approvals, detailed site plans and financial commitments. HUD's review in Round 2 will also include site visits. This dual-round process for Implementation Grants will minimize the number of applicants who make significant financial investments to develop a plan which relies on Federal funding they may not receive.

Demonstration of Strong Partnerships

The cornerstone of a successful neighborhood transformation initiative will be the strength of the community partnerships involved in implementing the vision. To that end, HUD intends to make Choice Neighborhoods grant awards to neighborhoods that have strong and effective partnerships. Implementation Grant applicants should be prepared to demonstrate this in the Round 1 application. Such demonstration could be through a Memorandum of Understanding (MOU) between the lead applicant and its principal team members that outlines the roles and responsibilities for achieving the three core goals – Housing, People, and Neighborhood – of Choice Neighborhoods, as identified above.

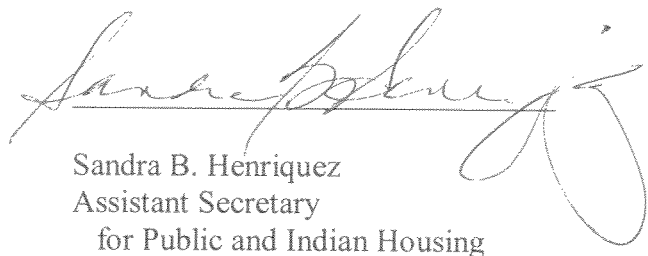
Relation to FY 2010 HOPE VI Revitalization Grants

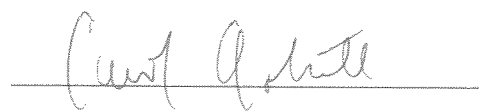
HUD will issue a separate NOFA for the FY 2010 HOPE VI Revitalization grants competition. Public housing project(s) included in a FY 2010 HOPE VI Revitalization application may not be the subject of a FY 2010 Choice Neighborhoods application. However, an applicant may apply for a Choice Neighborhoods Implementation Grant for a different housing project that is located in the same neighborhood as a public housing project for which a public housing authority is applying for a FY 2010 HOPE VI Revitalization Grant.

Registering for Grants.gov

HUD requires that applicants apply electronically via Grants.gov (www.grants.gov). To submit an application through the system, new users will be required to complete a five-step registration process, which can take two to four weeks to complete. It requires having a Dun and Bradstreet Universal Numbering System (DUNS) number, active registration in the Central Contract Registration (CCR), registration with Grants.gov, and the person submitting the application for the organization to be authorized to submit the application and so noted in the Grants.gov system.

Dated: 5/20/10


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