

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
2015 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>
2013 Appropriation	\$120,000	\$119,500	-\$6,277	\$233,223	\$117,210	\$821
2014 Appropriation/Request	90,000	116,013	...	206,013	161,000	36,000
2015 Request	<u>120,000^a</u>	<u>45,013</u>	<u>...</u>	<u>165,013</u>	<u>164,000</u>	<u>63,000</u>
Program Improvements/Offsets	+30,000	-71,000	...	-41,000	+3,000	+27,000

a/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or \$15 million, whichever is less, of Budget Authority.

1. What is this request?

The Department requests \$120 million for the Choice Neighborhoods program for fiscal year 2015, which is an increase of \$30 million from the fiscal year 2014 enacted level. Choice Neighborhoods grants primarily fund the transformation, rehabilitation and replacement of distressed public and/or HUD-assisted housing and supports 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-income and severely distressed public and/or HUD-assisted housing. Additionally, Choice Neighborhoods builds on the successes of the HOPE VI program by preserving affordable housing and creating safe streets, high quality schools and other amenities typically associated with neighborhoods and communities of opportunity.

This request will allow the Department to fund:

- Approximately 10 Planning Grants totaling \$5 million; and
- 3 to 4 Implementation Grants of \$30 to \$40 million each.

As an investment that leverages significant funds, Choice Neighborhoods 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. The fiscal years 2010-2012 Choice Neighborhoods grants leveraged \$2 billion of investments in those neighborhoods, over 8 times the total HUD investment of \$250 million. The requested level will continue to help make a real nationwide impact in high-poverty areas and provide the models and lessons learned to promote this type of effective policy and resource approach across the country.

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Choice Neighborhoods also supports the Administration's Promise Zone (Zone) 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 President announced the first 5 Promise Zone communities in January 2014 and will designate up to an additional 15 Promise Zones in the year ahead. The Budget includes companion investments of \$100 million in the Department of Education's Promise Neighborhoods program and \$29.5 million in the Department of Justice's Byrne Criminal Justice Innovation Grants program, as well as tax incentives to promote investment and economic growth in the Zones.

Opportunity, Growth, and Security Initiative

The Budget also includes a separate, fully paid for \$56 billion Opportunity, Growth, and Security Initiative. The Opportunity, Growth, and Security Initiative, which will be split evenly between defense and non-defense funding, shows how additional discretionary investments in 2015 can spur economic progress, promote opportunity, and strengthen national security.

The Opportunity, Growth, and Security Initiative is fully paid for with a balanced package of spending cuts and tax loophole closers, showing that additional pro-growth investments are easily affordable without increasing the deficit if Congress will enact common-sense spending and tax reforms.

At HUD, the Opportunity, Growth, and Security Initiative would add an additional \$280 million to the Choice Neighborhoods program to support comprehensive neighborhood revitalization strategies in 7 to 10 additional high-poverty neighborhoods. Preference for this additional funding would be provided to the Administration's Promise Zones.

Effective administration of Choice Neighborhoods is dependent on the operating resources requested in the Salaries and Expenses Justification. For fiscal year 2015, \$10.3 million is requested to operate this program account, a decrease of \$0.1 million. The following is a breakout of Salaries and Expenses for Choice Neighborhoods:

- Personnel Services – \$10.0 million.
- Non-Personnel Services – \$0.3 million.
- FTE – 74

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; and
- 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.

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2. What is this program?

Implementation Grants

Building on the success of the HOPE VI program, Choice Neighborhoods funds competitive grants to transform neighborhoods of concentrated poverty into sustainable mixed-income communities, with a focus on improved housing, successful residents, and vibrant neighborhoods. It 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). Through HOPE VI, 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. Thus, Choice Neighborhoods supports grantees who are addressing distressed public and/or HUD-assisted housing sites while simultaneously requiring a more comprehensive plan that addresses other aspects of neighborhood distress, such as violent crime, failing schools, and capital disinvestment. Grantees are required to identify local strengths and challenges, propose feasible solutions and establish strong collaborative partnerships to address affordable housing, employment, education, health, safety, transportation, economic development and other key areas. These grantees must work with stakeholders and partners, including developers and local agencies, as well as non-profit and private enterprises administering grant components, services or other key programs, to develop and implement a transformation plan for the neighborhood. In addition to improvements to the public and assisted housing stock, these funds can be used (and with leveraged other funding) for improvements to the surrounding community, including economic development; remedies to vacant, foreclosed or other blighted properties; public services, facilities and assets.

Choice Neighborhoods communities feature a mixed-income approach, with public and/or HUD-assisted housing integrated with other affordable housing and market rate housing. In most circumstances, the public and/or HUD-assisted housing will be replaced on a one-for-one basis.

Choice Neighborhoods ensures that children growing up in poorer neighborhoods will have access to high-quality educational opportunities for early learning and schools. Local communities are required to include an education component in their transformation plan, such as early childhood education, school improvements and other education-related services. Links to local education efforts aimed at producing high-quality, full service community schools that leverage additional neighborhood investments and will be at the center of the development model. In addition, HUD has been working closely with the Department of Education to align Choice Neighborhoods' educational outcomes and funding investments with those of the Department of Education's Promise Neighborhoods program, which implements innovative strategies to improve academic achievement and life outcomes in high-poverty areas. Currently, Atlanta, Baltimore, Boston, Little Rock, Los Angeles, Meriden (CT), San Antonio, Tulsa, and Washington, DC have both a Choice Neighborhoods grant and a Promise Neighborhoods grant.

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Other eligible activities include:

- Providing supportive services for residents, primarily focused on case management and service coordination to access programs from other key agencies and local service providers, with two goals in mind: 1) moving affected residents along the spectrum of self-sufficiency; and 2) promoting health, safety and education;
- Relocation assistance costs, including mobility/relocation counseling over multiple years, vouchers, reasonable moving costs, and security deposits. Previous efforts have shown that families relocating from high poverty neighborhoods need well-designed relocation plans with mobility counseling and relocation cost coverage to maximize their relocation opportunities;
- Critical community improvements based on challenges identified during the planning process to enhance the neighborhood outcomes. Such projects include economic development activities (construction cost write-downs for commercial business such as a grocery store; loan and grant programs for existing commercial businesses; façade improvements; revolving loan funds for business attraction and retention), programs to improve housing in the surrounding neighborhood (loans or grants to existing homeowners for property repair), and open space and community parks (acquisition of underutilized land for new parks, community gardens or community facilities and expansion of existing facilities to better serve the community);
- Endowments, reserves or revolving loan funds for ongoing operating and capital needs and for resident services;
- Land assembly, land banking and other area improvement activities; and
- Rehabilitation, redevelopment or development of affordable housing, including foreclosed or vacant properties.

With fiscal years' 2010-2012 Choice Neighborhoods funding, the Department awarded 9 Implementation Grants in the amount of \$231 million. As grantees continue to implement their multi-year transformation plans, they have already established partnerships and secured other funding. Highlights include:

- To date, as part of the transformation in Chicago's Woodlawn neighborhood (fiscal year 2010/2011 grantee), Preservation of Affordable Housing (POAH) has completed about 359 mixed-income rental units and has an additional 95 in the pipeline which it expects to close over the next 2-10 months, for a total of 454 units either completed or in underwriting. Most recently, POAH has completed and fully leased its latest phase, The Grant at Woodlawn Park (formerly Woodlawn Center North). Next will be a 65-unit senior building, scheduled to close in March. POAH is also finalizing its lease with Metrosquash, Inc., which plans to construct a multi-use squash facility next to the senior building. Metrosquash, a local non-profit, serves schoolchildren from challenged Chicago neighborhoods a mix of athletics (squash), tutoring and mentoring to ensure their success through high school and into college. Metrosquash intends to break ground this spring and more than double its current enrollment of more than 80 children. The rehabilitation of the former Westwood Apartments, a 102-unit, seven-building Neighborhood Stabilization Program (NSP)-financed offsite development in the neighborhood, is also

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complete. One indication of success is that all 51 of the units available for households earning up to 120 percent AMI (per NSP requirements) have been leased.

- The City of Boston and Dorchester Bay Economic Development Corporation (DBEDC), co-grantees on a fiscal year 2010/2011 Implementation Grant, received approval to begin construction on its 129-unit, \$56+ million, Woodledge/Morrant Bay Section 8 Multifamily Replacement housing development project, renamed Quincy Heights. Project funding includes \$12,300,000 in Choice Neighborhoods grant funds, more than \$20 million in Low-Income Housing Tax Credit equity, a \$16,915,000 FHA-insured Massachusetts Housing Finance Agency Risk Share mortgage, a \$2.8 million HUD Flexible Subsidy Loan, and more than \$4 million in other private and public funds.

In addition, DBEDC teamed up with CropCircle Kitchen, Inc. (CCK) to redevelop the 2-acre former Pearl Meat Factory, located in the Dorchester neighborhood adjacent to the Quincy Heights replacement housing units. The vacant 36,000 SF building is being transformed into a multi-tenant food production facility as a means to promote small business development. The \$14 million redevelopment effort is supporting over 50 food production businesses and will create more than 150 new jobs within the first 3 years of operation. Project financing sources include a mix of public and private debt and equity, including \$500,000 in Choice Neighborhoods funds, \$3,200,000 in City of Boston section 108 program loan funds, \$3,761,000 in New Market Tax Credit equity financing from the Local Initiatives Support Corporation and PNC Bank; loans from Boston Community Capital, Coastal Enterprises, and the Dorchester Bay Neighborhood Loan Fund; and grants from the Office of Community Services, Mass Development Brownfields Fund, and the Environmental Protection Agency. Construction began in late summer 2013 and the first businesses are expected to be operating on site by spring 2014.

- The Eastside Neighborhood in San Antonio (fiscal year 2012 grantee) is the first neighborhood in the country to have been awarded all three cornerstone programs of the White House Neighborhood Revitalization Initiative. In 2012, the San Antonio Housing Authority (SAHA) was awarded a US Department of Housing and Urban Development (HUD) Choice Neighborhoods implementation grant for the redevelopment of Wheatley Courts, an obsolete and inefficient public housing site, as part of a broader transformation of the Eastside neighborhood. A year earlier, the United Way of San Antonio and Bexar County received a Promise Neighborhoods implementation grant from the US Department of Education that it is using to improve education outcomes for children in the Eastside community. With 2012 Byrne Criminal Justice Innovation funding from the US Department of Justice, SAHA will also implement crime prevention and safety-enhancing activities in partnership with the Eastside Promise Neighborhood. The City of San Antonio is taking an active role in assisting with these three complementary initiatives. The city is reprogramming CDBG funds to assist with neighborhood revitalization activities. The program integration and oversight is being managed by a stakeholder committee comprised of neighborhood and civic leaders, city officials and is chaired by the area council w
- oman. The neighborhood was also included in the recent Promise Zones designation.

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Planning Grants

HUD will set aside approximately \$5 million of requested funds for 10 Planning Grants, to be allocated via competition. These grants assist communities in identifying needs and then developing neighborhood transformation plans intended to meet those needs. Importantly, funds enable grantees to build the support structure necessary for implementation, in part by increasing grantee capacity to undertake a comprehensive planning process that incorporates a broad base of community stakeholders. From fiscal year 2010 through fiscal year 2013, the Department awarded 56 planning grants totaling \$16.9 million.

Often, the assessment that is central to the comprehensive community planning process leads directly to partnerships focused on particular community needs. Thus Planning Grants generate immediate action in addition to paving the way for the successful implementation of large-scale neighborhood transformation plans. Samples of such partnerships are described below:

- Since receiving a fiscal year 2011 Planning Grant, the Wilson Housing Authority in North Carolina has partnered with Communities in Schools of Wilson County, and received a donation from IBM of nine laptop computers, Reading Companion software and headsets valued at \$100,000. The Reading Companion program, which teaches children and adults to read, is primarily geared toward children in kindergarten to second grade but can also help older children, teens or adults who struggle with reading skills.
- The City of Rockford, IL, Rockford Public Schools and the Rockford Housing Authority (fiscal year 2011 grantee) have partnered with Etsy, Inc., a website where artisans sell handmade and vintage items, to co-create a Craft Entrepreneurship Curriculum, with Etsy's platform and marketplace as the learning lab. The aim of the project is to teach people that if they have a craft skill, entrepreneurship and economic opportunity are within reach. The Etsy pilot launched on June 21, 2013, at the Ellis Academy in the target neighborhood for the Planning Grant. The curriculum is taught by local Rockford teachers to a diverse range of students. The goal for this partnership is for Rockford to be a pioneer in figuring out how an "Etsy economy" can change the way a city thrives, how it can use the Etsy platform to enhance the skills and selling power of its citizens, and how this can encourage job creation. Ultimately, the curriculum will be brought into the high schools, where it will reach a greater number of students from low-income families.
- Fiscal year 2010 grantee Mount Vernon Manor Apartments, Inc., in Philadelphia, received a \$600,000 Byrne Criminal Justice Innovation grant from the Department of Justice in October 2012. The successful grant application arose from an expanded collaboration of organizations that have been working together during the Choice Neighborhoods Planning Grant and will assist the community in devising and implementing community-driven strategies to reduce crime in the neighborhood. This neighborhood was also designated as a Promise Zone to further support community activities.
- The Opa-Locka Community Development Corporation in Florida (fiscal year 2011 grantee) was awarded a Community Economic Development grant from the Department of Health and Human Services to develop and launch a 12,000 square

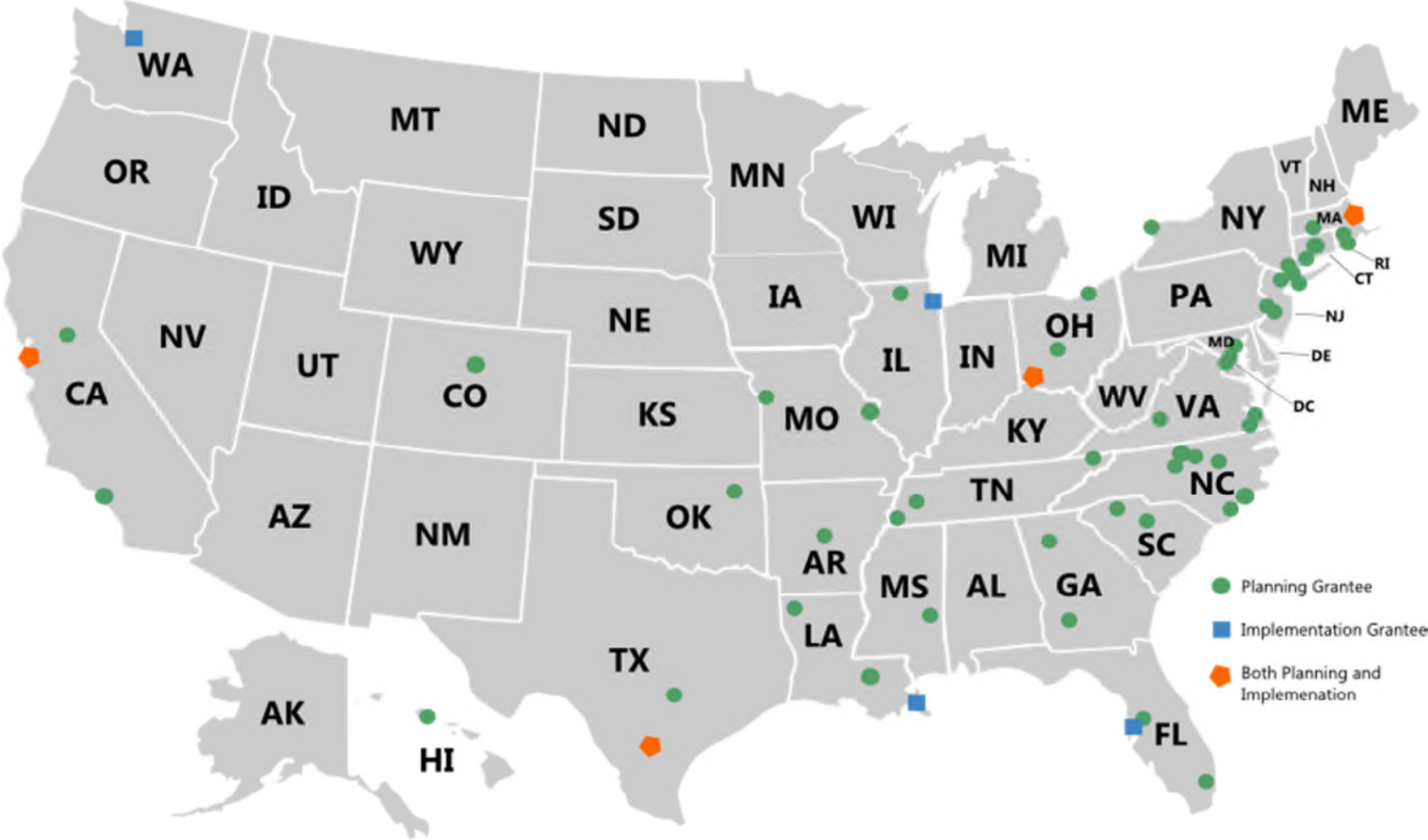
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foot shared-use commercial kitchen and business incubator for low-income residents of the Nile Gardens neighborhood, the City of Opa-Locka, and Miami-Dade County. The incubator will provide a platform for talented lower-income food entrepreneurs to grow sustainable businesses that can support them, their families, and their employees.

- In the Kenilworth-Parkside neighborhood of Washington, DC, the District of Columbia Housing Authority (fiscal year 2011 grantee) has partnered with Arcadia's Mobile Green Market, a 28-foot, farmers' market-on-wheels that brings crates full of local, sustainably produced food, to underserved communities that lack access to fresh, affordable food. The Mobile Market accepts Electronic Benefit Transfer (EBT) cards, vouchers from the Special Supplemental Nutrition Program for Women, Infants, and Children, and Senior Farmers' Market Nutrition vouchers. It also has a Bonus Bucks program for low-income families that actually doubles the value of their funds. If a family spends \$10 worth of EBT benefits with the Mobile Market, they get \$20 worth of fruits and vegetables. The Housing Authority and its partners provide transportation for residents to the Mobile Market, which serves the community one afternoon per week from the parking lot of a convenience store in the heart of the neighborhood.

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Below is a map of fiscal years 2010 - 2012 Implementation Grants and 2010 – 2013 Planning Grantees:



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

The spatial concentration of poverty remains a serious and often an incredible 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.

The HOPE VI, Homeownership Zone, and Empowerment Zone programs revealed that coordinated areawide 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. Existing 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 2006 - 2010 American Community Survey (ACS) data, 11.5 million people live in "extreme poverty" census tracts, where the poverty rate exceeded 40 percent. 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 estimates only one in four families eligible for assistance receive help from HUD rental assistance programs. The recent recession and the increasing demand for rental housing generated by the foreclosure crisis have exacerbated the demand for

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rental assistance. Taken together these market forces underscore the importance of preserving critical public housing and other HUD-assisted units through Choice Neighborhoods and other HUD initiatives.

Without Choice Neighborhoods, communities across the country will be substantially hindered in their ability to implement transformative changes. As seen in the HOPE VI program, this funding provides a starting point to bring in significant amounts of leveraged funds. Over the course of the HOPE VI program, HOPE VI provided \$6.1 billion in federal funds to sites all over the country, which will ultimately leverage an additional \$13.5 billion. As of December 31, 2013, with \$6.03 billion of HOPE VI funds and \$10.87 billion of leveraged funds, these combined funding streams have produced 80,933 affordable rental units, 8,422 market rate rental units, 4,476 market rate homeownership units, and 10,283 affordable homeownership units, while removing 98,592 of the most distressed housing units in the country. By eliminating or reducing this source of federal funding, this system of public and private investment into the future of the nation's affordable housing stock will be in jeopardy.

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 fiscal year 2013 Choice Neighborhoods application process, where 96 applications were submitted for the \$113.7 million of fiscal year 2013 funding available, there is a great demand for this type of federal assistance.

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 to 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 is providing 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 already coordinated Notice of Funding Availability (NOFA) language to ensure that Choice Neighborhoods and

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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 Departments hope to issue a joint NOFA using fiscal year 2015 funds. 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, three Choice Neighborhoods are included in areas designated as a Promise Zone and three more are in areas named as finalists. Also, nine of the communities funded by a Choice Neighborhoods grant have received a Promise Neighborhoods grant from the Department of Education, and eight of the communities have also received a Byrne Criminal Justice Innovation grant from the Department of Justice.

Communities compete to earn a Promise Zone designation by identifying a set of positive outcomes for their proposed zone and its residents, developing an evidence-based strategy and implementation plan, encouraging private investment and realigning Federal, State, local and Tribal resources to achieve those outcomes. The process ensures rural and Native American representation among the designated Promise Zones. Ultimately, applicants from Promise Zones will receive additional points for competitive Federal grants that will directly contribute to accomplishing the goals identified in the community's strategic plan, and they will be able to use Federal funds in a more coordinated and effective manner. The Budget includes tax incentives to stimulate economic activity and create jobs within Promise Zones.

4. How do we know this program works?

HOPE VI, the predecessor program to Choice Neighborhoods, is one of the most analyzed federal housing programs, with 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 created a 2003 report, "Interim Assessment of the HOPE VI Program Cross-Site Report," which found 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 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

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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).

Leveraging

The dollars, expertise, and other resources leveraged under 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. Where appropriate, HUD will seek to streamline regulatory and statutory barriers to encourage grantees' utilization of these programs. HUD may also access existing authority under project-based programs (e.g. with existing authority to decouple Section 236 IRP payments for rehab grants) and public housing (e.g. the Capital Fund Finance, Operating Fund Finance, and Mixed-Financing Programs, Section 9(m) capital-only and operating-only grants, Section 30 mortgage authority, and Section 8 project-based vouchers) to leverage further housing improvement activities.

The fiscal years' 2010-2012 Choice Neighborhoods grants leveraged \$2 billion of investments in those neighborhoods, over 8 times the total HUD investment of \$250 million. As we have seen with our existing grantees, they continue to attract leverage even after the Choice Neighborhoods grant has been awarded. For example:

- The Seattle Housing Authority, an Implementation Grant recipient, received funding from both the Gates Foundation and JP Morgan Chase to further enhance implementation of their plan. The grant from the Gates Foundation expands the partnership with Seattle University to improve education initiatives for the children that attend the nearby elementary school, which historically has been a low-performing school. The funding from JP Morgan Chase, combined with Choice grant funding and support from the City of Seattle, will build a much-needed "hill climb" to connect the public housing site with the Little Saigon business district located nearby, but down a steep hill.
- In New Orleans, HUD's initial investment of \$4,500,000 into the People Component of the Transformation Plan will support the provision of a comprehensive service strategy and will be further supported by an additional \$14 million in new and existing services to provide families with pathways to self-sufficiency and economic mobility for the long-term. The leveraged dollars represent an array of local partners that have committed to providing job training and placement opportunities, enrichment activities for children and youth, adult education, physical and mental health services, and other critical programs necessary for families to succeed. Key partners include: State Workforce Innovation, Department of Health and Human

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Services, Total Community Head Start, YMCA, Home Builders Institute, Good Work Network, Tulane Health Center, Arts Community, and many others. J.P. Morgan Chase Foundation has funded \$120,000 toward critical programs supporting children and youth and has served as an advisor on youth engagement and education strategies. The Annie E. Casey Foundation has committed \$225,000 toward funding capacity building for local service providers and serving as a key advisor on dual generation programming and early childhood education strategies.

- In Tulsa, OK, which was awarded a fiscal year 2010 Planning Grant, the Kaiser Foundation has been a committed partner from the beginning. In the application, the Kaiser Foundation committed \$250,000 to help fund consultants and the operating costs of the planning process. The Kaiser Foundation has committed to funding a scaled-down version of the Choice Neighborhoods Transformation Plan if Implementation funds are not awarded.

Partners and Stakeholders

By expanding the pool of eligible grant applicants to include local governments, PHAs, assisted housing owners, designated Community Development Corporations (CDCs), and other for-profit and nonprofit entities and by linking other federal, state, and local funds to Choice Neighborhoods grantees, the spectrum of stakeholders working to improve outcomes as part of Choice Neighborhoods has increased. In engaging other federal partners and additional applicants, Choice Neighborhoods has tapped new constituencies needed to successfully execute comprehensive neighborhood transformation. The 35-plus members of the Choice Neighborhoods Coalition include non-profit and for profit housing developers, financing sources, foundations, human service and community development coalitions across the country. Each coalition member has both proven capacity and the demonstrated ability to lead and support needed public-private partnerships.

To date the Choice Neighborhoods program has been authorized through annual appropriations under HOPE VI. As such, the Department continues to seek authorizing legislation to formally establish the program. 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.

Current Evaluations and Research

HUD is currently conducting an implementation evaluation for the first five Choice Neighborhoods Implementation Grantees through a contract with the Urban Institute. This project is also establishing baseline conditions in these five sites to support a more in-depth follow-up evaluation from 2017-2020. In addition, HUD has awarded four small research grants for work on 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 innovative databases to demonstrate implementation grant outcomes.

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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.

Plans to improve this program via IT investment

By fiscal year 2015, Choice Neighborhoods' IT needs will be met by the Next Generation Management System (NGMS). NGMS, an IT investment that will ensure decommissioning of multiple internal and external systems used by PIH programs and beyond, will be incorporating the HOPE VI and Choice Neighborhoods' existing reporting systems over the course of fiscal year 2014.

Under the current contract, HOPE VI and Choice Neighborhoods' data is housed within two different proprietary systems owned by the contractor. During fiscal year 2014, the last option year of the current contract, PIH will be migrating data collection for HOPE VI and Choice Neighborhoods into NGMS. This will include incorporating historical data from both programs into the NGMS Data Warehouse, developing business requirements for the HOPE VI and Choice Neighborhoods modules within NGMS, and finally developing and operationalizing those modules by the start of fiscal year 2015. Once fully operationalized, the HOPE VI and Choice Neighborhoods modules within NGMS will provide a user-friendly interface for grantee reporting, storage of all data inputs within the Data Warehouse, and the ability to produce both stock and ad hoc reports with whatever frequency required by the Department.

5. Legislative/Regulatory Proposals

Proposals included in the 2015 Request

- The Administration will continue to work with Congress to formally authorize the Choice Neighborhoods program.
- Environmental review: HUD's environmental regulation at 24 CFR part 50 implements the National Environmental Policy Act (NEPA) and other environmental review requirements. It applies to HUD programs where HUD must perform environmental reviews. HUD recipients must receive HUD environmental approval before acquiring, rehabilitating, converting, leasing, repairing or constructing property, or committing or expending HUD or local funds for these program activities. Statutorily, most HUD property development programs have been given the authority to have grant recipients or other responsible entities perform the environmental reviews in place of HUD. HUD regulations at 24 CFR part 58 implement these statutes and lists the programs for which responsible entities may perform environmental reviews. HOPE VI, the precursor program to Choice Neighborhoods, is listed at 24 CFR 58.1(b). However, the statutory language in the U.S. Housing Act that allows responsible entities to perform reviews under Part 58 only applies where a public housing agency (PHA) requests and

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receives funds. Under Choice Neighborhoods, recipients include entities that are not PHAs. For such recipients, Part 58 reviews are not authorized and HUD remains responsible for performing the environmental review under Part 50. In order to implement part 58 for Choice Neighborhoods projects of non-PHA recipients, a provision allowing part 58 to be used is proposed as part of the account's appropriations language.

- HOPE VI recaptures for Choice Neighborhoods purposes: The Department requests authority to re-purpose no-year HOPE VI funds that have been recaptured through the grant close out process to make Choice Neighborhoods awards since no new grants are being awarded under the HOPE VI program.

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

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 Obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Choice Neighborhoods								
Grants	\$113,723	\$119,500	\$233,223	\$117,210	\$90,000	\$116,013	\$206,013	\$120,000
Technical Assistance ..	...	...	...	...	...	...	...	...
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[600]
Total	113,723	119,500	233,223	117,210	90,000	116,013	206,013	120,000

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

The fiscal year 2015 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, ~~[\$90,000,000]~~\$120,000,000, to remain available until September 30, ~~[2016]~~2017: *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: *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 147x), 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 \$55,000,000 shall be awarded to public housing authorities]: *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 remaining from funds appropriated under this heading and the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" in fiscal year 2014 and prior fiscal years may be used for purposes under this heading notwithstanding the purposes for which such amounts were appropriated. (Department of Housing and Urban Development Appropriations Act, 2014.)*