

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Public and Indian Housing

### Choice Neighborhoods

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2020 Appropriation	175,000	163,744	-	338,744	150,000	123,686
2021 Appropriation	200,000	188,744	-	388,744	200,000	143,397
2022 President's Budget	250,000	189,000	-	439,000	250,000	184,625
Change from 2021	50,000	256	-	50,256	50,000	41,228

#### PROGRAM PURPOSE

Choice Neighborhoods is a place-based grant program which helps communities develop and implement locally-driven comprehensive neighborhood plans to transform underserved neighborhoods into thriving communities with greater economic opportunity for all residents, including racial equity for residents of color. The Choice Neighborhoods program focuses on three key elements: 1) Housing – redevelop severely distressed public housing and/or HUD-assisted housing projects; 2) Neighborhood – invest in and catalyze economic development-related improvements to revitalize the surrounding neighborhood; and 3) People – improve the lives of housing residents through education, employment and health care. The ultimate outcome of the program is to achieve social and racial equity, where a person’s neighborhood does not determine their socioeconomic outcomes and the neighborhood provides the living conditions, amenities, services and supports they need to thrive. In addition, through energy-efficient redevelopment of the physical infrastructure, the program advances climate resiliency.

#### BUDGET OVERVIEW

The 2022 President’s Budget requests \$250 million for the Choice Neighborhoods program, which is \$50 million more than the 2021 enacted level for Choice Neighborhood grants with the additional \$50 million to supplement grants that increase energy efficiency and address climate resilience. Choice Neighborhoods grants are competitively awarded each year. HUD will allocate up to \$5 million for Planning Grants to fund 10-12 new grants, which will allow those communities the funding necessary to develop meaningful neighborhood transformation plans, ready for implementation. The remaining funds enable HUD to award five to seven Implementation Grants, which will allow communities the funds necessary to implement their neighborhood transformation plans, including: redevelopment of the targeted severely distressed public or HUD-assisted housing; improving the lives of housing residents through the provision of intensive case management, service coordination and housing choice; completion of economic development projects in the surrounding neighborhood; and provision of climate resilient and energy efficient housing choices.

#### JUSTIFICATION

HUD provides two types of Federal grants: 1) Planning Grants, which support development of comprehensive neighborhood Transformation Plans to guide the revitalization of targeted underserved neighborhoods; and 2) Implementation Grants, which allow communities to implement their plans for neighborhood transformation. While HUD is a key partner in both grants, the

program stresses the creation of local, city-wide, State, and Federal partnerships and supports extensive outreach to and meaningful participation of neighborhood residents.

HUD has awarded 100 Planning Grants and 36 Implementation Grants since 2010. As of March 2021, 75 of the Planning Grants and 7 of the Implementation Grants have been completed.

The Choice Neighborhoods program targets disadvantaged neighborhoods with high concentrations of poverty (at least 20 percent of the population) and a high percentage of minority residents, which also include a distressed HUD-assisted housing project, either public housing or multifamily. Many of these neighborhoods were once thriving but fell behind over time, leaving them with concentrated poverty, lack of racial diversity, poor housing choices, and a lack of amenities (compared to other higher income communities). The remaining residents, many of which are families of color, thus have limited opportunities in their neighborhoods.

Over 86 percent of residents of the Choice Neighborhoods target housing are people of color. Concentration of poverty remains a serious challenge for low-income families with children in accessing opportunities and moving up the economic ladder. Where a family lives dramatically affects their life opportunities. For example, concentrated poverty often exacerbates the imbalance between housing and jobs, whereby residents of low-income neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation. Income also impacts the types of services or amenities found in a neighborhood, such as access to healthy foods or healthcare, and may also impact the quality of basic services such as education and transportation. The Choice Neighborhoods program helps address these issues by directly assisting residents and catalyzing neighborhood investment. In addition, public housing and multifamily projects are often severely distressed and present unsafe living environments for residents. While this housing is in need of major renovation or reconstruction, there is a significant backlog of public housing capital needs.

In line with the Administration's priority to provide affordable, climate resilient, and energy efficient housing choices, Choice Neighborhoods grants provide direct support for the redevelopment of distressed public or multifamily housing into modern mixed-income communities, where the program's one-for-one replacement requirement for demolished units assures that every former resident has the opportunity to live in a new or substantially renovated affordable home. Each new housing development must be healthy and free of toxins, sustainable, and energy efficient, including conforming to the standards of a nationally recognized Green rating program. This development also creates jobs, including new "green" jobs related to climate change efforts, which public housing residents may be eligible for in line with HUD's Section 3 requirements. Thus, Choice Neighborhoods grants contribute to key Administration objectives, since they often serve as an economic engine in the communities targeted by those grants, while at the same time significantly improving the environmental health and energy efficiency of the housing stock in the community.

The Choice Neighborhoods program addresses the issue of social and racial equity by directly funding and catalyzing investments in neighborhoods of poverty with high percentages of minority residents. In the targeted Choice Neighborhoods housing, 86 percent of the resident population is non-white. Economic development and critical neighborhood improvements help address indicators of distress, such as vacant land, poor schools, lack of transportation, high crime rates, lack of retail services, dilapidated structures, poor food choices, poor health care, lack of jobs, distressed

infrastructure, and low homeownership — all of which can limit the choices of residents and their ability to move forward in life.

In addition, the Choice Neighborhoods program directly assists residents of HUD-assisted housing by funding intensive case management and social service coordination to improve access to jobs, education, and health care for both adults and children.

### **Outcomes, performance indicators, and other evidence**

The Choice Neighborhoods program has a specifically designed data program called Inform, which is used to collect data on all Implementation Grants. Metrics cover key outcomes in housing production, resident self-sufficiency, and neighborhood development. Information is collected quarterly throughout the six-year life of a grant. The program has shown significant impacts:

People Impacts: Most grantees with available data have seen increases in resident employment, with over 80 percent showing some increase in the share of residents who are employed. Likewise, 90 percent of grantees have shown some level of increase in residents' average household income. Moreover, HUD's Office of Policy Development and Research estimates that for every \$100,000 of Choice Neighborhoods funds spent on development, 2 construction jobs are created. For a grant of \$30,000,000, over 200 jobs could be generated. The benefits have shown to extend beyond improved economic conditions for residents, as well. First, over 70 percent of grantees experience an increase in the percentage of children enrolled in early learning programs and the percentage of children engaged in youth development activities. Second, over 85 percent of grantees have seen an increase in the percentage of residents with a regular facility for treatment or medical care that is not an emergency room; and between 83 and 95 percent of residents in the first cohort of grantees have medical coverage. Third, more than 11,700 residents are now receiving personalized case management based on identified needs.

Housing and Neighborhood Impacts: Neighborhood and housing conditions are improving in Choice Neighborhoods. Many targeted Choice Neighborhoods are plagued with dilapidated housing, vacant or abandoned properties, lack of retail services, poor transportation, crime, poor food choices, and lack of jobs. Through Choice Neighborhoods, more than 11,300 distressed and obsolete HUD-assisted housing units are scheduled to be replaced, including public housing units that are being repositioned to the Section 8 platform via the Rental Assistance Demonstration (RAD) program, with more than 26,800 total housing units to be created by current grantees. Further, grantees have developed public safety strategies and for grantees that have two or more years of crime data, 85 percent of target neighborhoods have witnessed Part I Violent Crimes decrease at more substantial rates relative to the surrounding city, and 60 percent have witnessed violent crime decrease at twice the rate of the city. New retail development has been attracted, including grocery stores and food-related business incubators, which are supported by Choice Neighborhoods funding. Funds have also been used to demolish abandoned structures and repurpose vacant land. Placemaking activities have been funded to brand neighborhoods to attract private investment. Residential and commercial façade programs have been implemented by grantees with Choice Neighborhoods funding to assist homeowners and small businesses with maintenance of their homes and businesses. Loan pools have been established to assist small business growth. New parks and recreational facilities that promote healthy living have been built in many Choice Neighborhoods communities. All these initiatives help to address the issue of social and racial equity by improving disadvantaged neighborhoods and providing low-income residents with choices found in other more affluent communities across their cities. These initiatives are directly in line with the Administration's priority to advance housing equity as a means to improving housing choices and greater economic opportunity.

Choice Neighborhoods projects have attracted more than \$7 of non-Federal leverage for every \$1 of Choice Neighborhoods grant funds spent. To date, Implementation Grantees have completed

construction of 4,000 HUD replacement housing units, plus an additional 3,900 affordable and market rate units.

**Environmental Impacts:** As part of the Administration’s whole-of-government approach to the climate crisis, HUD’s Budget includes \$800 million to assist communities to reduce carbon pollution, increase resilience to the impact of climate change, and deliver environmental justice. The National Climate Assessment has shown that climate change disproportionately impacts low-income communities, the very communities served by HUD programs. HUD’s Budget addresses climate change on two fronts: both in lowering the carbon footprint of the 4.5 million units of public and assisted housing (mitigation), and at the same time helping the communities served by HUD programs to better withstand and increase their resilience to future disasters (climate adaptation). These investments are crucial to assist communities throughout the country to mitigate and prepare for the worst effects of climate change. Please see the “Climate Overview” justification for more details.

The Choice Neighborhoods program directly targets and has redeveloped thousands of dilapidated and unhealthy public housing units across the country, replacing them with new units that are energy efficient, environmentally friendly, sustainable, and healthy. To assist Choice Neighborhoods grantees to better address and incorporate green design and construction in their projects, an additional \$50 million has been included in the Choice Neighborhoods program budget. The additional funding will supplement grants to allow grantees to more comprehensively address green development; with the outcome being increased energy efficiency and environmentally sensitive design, thus supporting the Administration’s goal of addressing climate change.

Choice Neighborhoods housing must use Energy Star for New Homes design standards, as well as use Energy Star products. Housing construction must achieve certification by a recognized green rating program such as Enterprise Green Communities Initiative or Leadership in Energy and Environmental Design (LEED) for Homes. Redevelopment must incorporate sustainable demolition practices through “deconstruction” of public housing to allow for reuse of salvaged materials and recycling. The program promotes environmentally sensitive and resilient design, i.e., not developing in flood plains, designing to incorporate natural features like wetlands or mature trees, designing to mitigate environmental impacts such as using bioswales, limiting impervious surfaces, or building on-site tornado shelters.

#### SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 President's Budget
Choice Neighborhoods Grants	175,000	163,744	338,744	150,000	200,000	188,744	388,744	200,000
Choice Neighborhoods Climate Grants	-	-	-	-	-	-	-	50,000
Total	175,000	163,744	338,744	150,000	200,000	188,744	388,744	250,000

## LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

### General Provisions

The 2022 President’s Budget proposes the following general provision related to the Choice Neighborhoods Program.

**Provide One-Year Extension for previously appropriated Choice Neighborhood Funding.**

This provision would provide a one-year extension to expenditure deadline for previously appropriated Choice Neighborhoods funding. Grantees must currently expend all grant funding within 5 years after the period of availability for obligation by HUD ends. In light of on-going complications caused by the COVID-19 pandemic, this extension of grant periods would allow additional time to fully complete all phases of their housing redevelopment and fully expend their Choice Neighborhoods grant funds. HUD is requesting to extend the grant period for the 2013 and 2014 Choice Neighborhoods grants by one year to allow them to fully complete their housing plans. (2022 President's Budget, Sec. 228).

## APPROPRIATIONS LANGUAGE

The 2022 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized 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, [\$200,000,000]*\$250,000,000*, to remain available until September 30,*[2023]2024: 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 for 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 provide a match in State, local, other Federal or private funds: *Provided further*, That grantees may include local governments, Tribal entities, public housing agencies, and nonprofit organizations: *Provided further*, That for-profit developers may apply jointly with a public entity: *Provided further*, That for purposes of environmental review, a grantee shall be treated as a public housing agency under section 26 of the United States Housing Act of 1937 (42 U.S.C. 1437x), and grants made with amounts available under this heading shall be subject to the regulations issued by the Secretary to implement such section: *Provided further*, That of the amount provided under this heading, not less than \$100,000,000 shall be awarded to public housing agencies: *Provided further*, That such grantees shall create partnerships with other local organizations, including assisted housing owners, service agencies, and resident organizations: *Provided further*, That the Secretary shall consult with the Secretaries of Education, Labor, Transportation, Health and Human Services, Agriculture, and Commerce, the Attorney General, and the Administrator of the Environmental Protection Agency to coordinate and leverage other appropriate Federal resources: *Provided further*, That not more than \$5,000,000 of funds made available under this heading may be provided as grants to undertake comprehensive local planning with input from residents and the community: *Provided further*, That unobligated balances, including recaptures, remaining from funds appropriated under the heading "Revitalization of Severely Distressed Public Housing (HOPE VI)" in fiscal year 2011 and prior fiscal years may be used for purposes under this heading, notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That notwithstanding section 24(o) of the United States Housing Act of 1937 (42 U.S.C. 1437v(o)), the Secretary may, until September 30, 2024, obligate any available unobligated balances made available under this heading in this or any prior Act: *Provided further*, *That of the total amount made available under this heading, \$50,000,000 shall be available to increase awards to grantees for projects that further energy efficient housing construction or further climate resilience. (Department of Housing and Urban Development Appropriations Act, 2021.)*