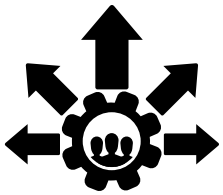
Public Housing: Choice Neighborhoods Initiative and HOPE VI



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Administering agency: HUD's Office of Public and Indian Housing

Year program started: Choice Neighborhoods Initiative, 2010 (HOPE VI program funded 1993-2011)

FY15 funding: Choice Neighborhoods Initiative $80 million

Also see: *Public Housing*

The Choice Neighborhoods Initiative (CNI) is HUD's successor to the HOPE VI program. Like HOPE VI, CNI focuses on severely distressed public housing properties. But CNI expands HOPE VI's reach to include HUD-assisted, private housing properties and entire neighborhoods. In FY15, Congress funded CNI at $80 million. Congress has not funded HOPE VI since FY11.

The HOPE VI public housing program provided funds to revitalize the nation's severely distressed public housing stock through: demolition, construction, rehabilitation, and other physical improvements; development of replacement housing; and, the provision of community and supportive services. HOPE VI has resulted in the demolition of more than 98,000 public housing units, but the rebuilding of only 48,348 public housing units.

HISTORY

HOPE VI program. In 1989, Congress established the National Commission on Severely Distressed Public Housing. The commission was charged with identifying severely distressed public housing and devising a plan to address the problem. In its 1992 report to Congress, the commission found that 6% of public housing units (86,000 units) were severely distressed and recommended that Congress create a revitalization plan.

As a result, Congress created the HOPE VI program through the 1993 appropriations act with the goal of revitalizing dilapidated public housing units. Eligible HOPE VI activities included demolishing public housing units, rehabilitating units, and relocating residents. The program was funded in annual appropriations bills through 1998. Then, in 1999, Congress passed authorizing legislation for HOPE VI within the Quality Housing and Work Responsibility Act of 1998 (QHWRA).

Under QHWRA, the purposes of the program were to improve the living environment of public housing residents, revitalize the sites on which severely distressed public housing units were located, decrease concentration of poverty, and build sustainable communities. HOPE VI was subsequently reauthorized in various pieces of legislation for one- to three-year periods through FY11.

In 2003, protections were added for tenants, such as requiring HUD to involve affected public housing residents throughout the planning process. In addition, during the grant selection process, a criterion was added to reward minimizing the permanent displacement of current residents of public housing and prioritizing the return of tenants of the existing developments to the revitalized development.

Advocates have long been troubled that, under HOPE VI, public housing agencies (PHAs) have demolished viable units, displaced families, and exercised overly rigid rescreening practices to effectively bar residents from returning to their revitalized communities.

CNI. Although HOPE VI focused on grants to revitalize severely distressed public housing, CNI focuses its resources on transforming entire neighborhoods. Legislation to authorize the CNI program was introduced in 2011 by Representative Maxine Waters (D-CA) and Senator Robert Menendez (D-NJ). Senator Menendez reintroduced his CNI authorization bill in 2013, but no authorizing action was taken in the 113th Congress on CNI. Although unauthorized, CNI has been funded through annual appropriations bills

and administered according to the details of HUD Notices of Fund Availability (NOFA). CNI was funded at $65 million in both FY10 and FY11, at $120 million in FY12, at $114 million in FY13, at $90 million in FY14, and at $80 million in FY15.

PROGRAM SUMMARY

HUD states that CNI has three goals:

1. **Housing**: Transform distressed public and HUD-assisted private housing into energy efficient, mixed-income housing that is physically and financially viable over the long term.
2. **People**: Support positive health, safety, employment, mobility, and education outcomes for residents in the target development(s) and the surrounding neighborhood.
3. **Neighborhood**: Transform neighborhoods of poverty into viable, mixed-income neighborhoods with access to well-functioning services, high quality public schools and education programs, public transportation, and improved access to jobs.

In addition to PHAs, grantees can include HUD-assisted private housing owners, local governments, nonprofits, and for-profit developers. The CNI program awards both large implementation grants and smaller planning grants. CNI planning grants are to assist communities in developing a neighborhood transformation plan and in building the support necessary for that plan to be implemented.

CNI implementation grants are intended primarily to help transform severely distressed public housing and HUD-assisted private housing developments through rehabilitation, demolition, and new construction. HUD also requires applicants to prepare a more comprehensive plan to address other aspects of neighborhood distress such as violent crime, failing schools, and capital disinvestment. Funds can also be used for supportive services and for improvements to the surrounding community, such as developing community facilities, and addressing vacant, blighted properties. HUD works closely with the Department of Education to align CNI's educational investments and outcomes with those of the Promise Neighborhoods program.

Key requirements of CNI implementation grants include:

- One-for-one replacement of all public and private HUD-assisted units. Replacement units may be developed on-site or in the target neighborhood. However, replacement units may also be developed as far away as 25 miles if units are in an area that:
  - Does not have a concentration of minority populations and does not have a poverty rate above 40%.
  - Has access to transportation, economic opportunities, and other amenities.
- Replacement units may be public housing units, Section 202 Elderly units, Section 811 units for people with disabilities, or project-based vouchers.
- Tenant-based, Housing Choice Vouchers may be used to replace up to 50% of the public housing units if:
  - The project is located in a county/parish with a rental vacancy rate (as measured in the American Communities Survey 2008 to 2012 that exceeds the HUD conventional range for a "balanced" rental market by a percentage point or more for different markets.
  - At least 50% of the vouchers currently in use are in neighborhoods with a poverty rate below 20%.
  - A minimum of 80% of the households issued vouchers successfully leased units within 120 days.
- Each resident who wishes to return to the improved development may do so.
- Residents who are relocated during redevelopment must be tracked until the transformed housing is fully occupied.
- Existing residents must have access to the benefits of the improved neighborhood.
- Resident involvement must be continuous, from the beginning of the planning process through implementation and management of the grant.

In 2013, CNI was added as a component, along with Department of Education Neighborhoods grants and Department of Justice Byrne Criminal Justice Innovation grants, to the administration's Promise Zone Initiative. The Promise Zone Initiative intends to create partnerships between the federal government, local communities, and businesses

to create jobs, increase economic activity, expand education opportunities, and reduce violence.

The HOPE VI program was intended to benefit the current residents of severely distressed public housing, revitalize public housing sites and improve the surrounding neighborhood, and avoid or decrease concentrations of very low income households. But HOPE VI has not been beneficial to everyone. For example, a 2010 report from the University of Illinois at Chicago shows that most former residents of Chicago's now-demolished public housing still live in segregated, low income neighborhoods despite using housing vouchers to subsidize their rents.

HOPE VI grants were awarded annually on a competitive basis, also using NOFAs. Generally, five or six housing agencies received grants each year. The number of grants awarded annually decreased in line with the decrease in HOPE VI funding. HOPE VI grants could be used for the capital costs of demolition, construction, rehabilitation and other physical improvements; development of replacement housing; and community and supportive services. PHAs administer the program and can use the grants in conjunction with modernization funds or other HUD funds, as well as municipal and state contributions, public and private loans, and Low Income Housing Tax Credit equity.

FUNDING

HOPE VI had been funded at $100 million a year for several years. Congress eliminated funding for HOPE VI for FY12. HUD first proposed CNI in its FY10 budget request to Congress, when it sought $250 million for CNI and no funding for HOPE VI. Congress did end up appropriating $65 million for CNI in FY10, carving that amount out of the $200 million HOPE VI appropriation (leaving $135 million for HOPE VI). In FY11, Congress kept CNI at $65 million, but reduced HOPE VI to $28 million. In FY12, Congress opted not to fund any HOPE VI grants, instead funding only CNI at $120 million. For FY13, Congress provided $114 million for CNI and nothing for HOPE VI. Only CNI was funded again in FY14, at $90 million, and in FY15, at $80 million. The administration's FY16 budget request to Congress seeks $250 million.

WHAT TO SAY TO LEGISLATORS

NLIHC supports full funding for the public housing operating and capital funds, and full funding for project-based Section 8 so that properties do not run into the kinds of disrepair that might make them eligible for a CNI-type program.

Advocates should urge Congress to formally authorize the CNI program that includes key elements: one-for-one replacement, right to return for residents, strong resident participation requirements throughout the entire CNI lifespan, and careful attention to avoid displacement. ■

FOR MORE INFORMATION

HUD Choice Neighborhoods Initiative webpage, http://1.usa.gov/WrTw8g

HUD HOPE VI webpage, http://1.usa.gov/VB5q5N

National Low Income Housing Coalition, 202-662-1530, www.nlihc.org

National Housing Law Project, 415-546-7000, www.nhlp.org

Center on Budget and Policy Priorities, 202-408-1080, www.cbpp.org