

# HUD Releases Further Details on Choice Neighborhoods Initiative\*

On May 28, 2010, the Department of Housing and Urban Development (HUD) released a Notice outlining the competition process for its Choice Neighborhoods Initiative (CNI).<sup>1</sup> The 2010 Consolidated Appropriations Act<sup>2</sup> authorized HUD to use \$65 million for a CNI demonstration. The CNI Notice of Funding Availability (NOFA), which has not yet been posted by HUD, will contain the grantee selection criteria and the requirements that will apply to grantees.

## Background

CNI focuses on the “spatial concentration of poverty.”<sup>3</sup> HUD views the HOPE VI program as a successful first step in transforming impoverished neighborhoods into revitalized, mixed-income neighborhoods. By building upon the HOPE VI experience, HUD believes that CNI will provide mixed-income neighborhoods with economic opportunities by revitalizing housing, leveraging investments, and offering education programs, public transportation and access to jobs. The three main goals of CNI are to transform distressed public and assisted housing into energy-efficient, mixed-income housing that is financially viable; support positive outcomes for families who live in the target development and the surrounding neighborhood; and transform impoverished neighborhoods into viable, mixed-income neighborhoods with access to services.<sup>4</sup>

These core goals are to be established in a neighborhood transformation plan that addresses the following key neighborhood assets:

- developmental assets that allow residents to attain skills needed to be successful in all aspects of daily life (e.g. educational institutions, early learning centers and health resources);
- commercial assets that are related to production, employment, transactions and sales (e.g., labor force and retail establishments);

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<sup>2</sup>H.R. 3288, § 2, div. A, tit. II, 3288-48 (Dec. 16, 2009), available at [http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111\\_cong\\_bills&docid=f:h3288enr.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bills&docid=f:h3288enr.txt.pdf).

<sup>3</sup>Pre-Notice, *supra* note 1, at 1.

<sup>4</sup>*Id.* at 1-2.

- recreational assets that create value in a neighborhood beyond work and education (e.g., parks, open space, arts organizations, restaurants, movie theaters and athletics);
- physical assets that are associated with the built environment and physical infrastructure (e.g., housing, commercial buildings and roads); and
- social/intangible assets that establish well-functioning social interactions (e.g., public safety and community engagement).<sup>5</sup>

CNI grants will primarily fund the improvement of public and HUD-assisted housing through preservation, rehabilitation, management improvements, demolition and new construction.<sup>6</sup> HUD has proposed to limit the funding that can be used to improve the surrounding community, public services, facilities, assets and supportive services.<sup>7</sup> Under HUD’s proposal, successful transformation plans would be required to leverage at least 5% matching funds from sources such as Community Development Block Grants (CDBG), Section 108 Loan Guarantee programs, and other federal, state, local and private programs. Transformation plans must also integrate CNI with various other federal place-based programs.<sup>8</sup>

## Eligible Applicants and Neighborhoods

### Applicants

Eligible applicants include “local governments, public housing authorities, non-profits, and for-profit developers who apply jointly with a public entity.”<sup>9</sup> The term “local governments” means “any city, county, town, township, parish, village, or other general purpose political subdivision of a State.”<sup>10</sup> This term also includes a state or a local public body or agency, community association, or other entity, which is approved by the Secretary of HUD for the purpose of providing public facilities or services to a new community.<sup>11</sup> The term “public housing authorities” means “[a]ny State, county, municipality, or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in

<sup>5</sup>*Id.* at 2. See also Choice Neighborhoods Initiative Draft Bill, § 6(b)(1)-(10), <http://www.nlihc.org/doc/HUD-choice-neighs-bill.pdf>.

<sup>6</sup>*Id.*

<sup>7</sup>*Id.* at 2, 4. The Notice caps funds for supportive services and non-housing revitalization activities at 15% of the grant amount for each. Choice Neighborhoods Initiative Draft Bill § 6(d)(1)(iii), at 7, <http://www.nlihc.org/doc/HUD-choice-neighs-bill.pdf>. The 2010 Consolidated Appropriations Act did not contain these limitations. See H.R. 3288, *supra* note 2.

<sup>8</sup>*Id.*

<sup>9</sup>Pre-Notice, *supra* note 1, at 2-3; see also H.R. 3288, *supra* note 2.

<sup>10</sup>Pre-Notice, *supra* note 1, at 2. This is the same definition of “unit of general local government” as provided in Section 102(a) of the Housing and Community Development Act of 1974. See 42 U.S.C. § 5302.

<sup>11</sup>Pre-Notice, *supra* note 1, at 2.

the development or operation of public housing.”<sup>12</sup> Eligible nonprofits must be § 501(c)<sup>13</sup> corporations and have housing development experience.<sup>14</sup> For-profit developer applicants must provide a memorandum of understanding between the developer and a public entity to demonstrate a joint-applicant partnership.<sup>15</sup>

### Neighborhoods

A qualifying neighborhood “is the geographic area within which the activities of the Transformation Plan focus.”<sup>16</sup> Neighborhoods are not limited to statistical boundaries or census tracts. Rather, the applicant will be responsible for identifying the target neighborhood boundaries that are “generally accepted as a neighborhood.”<sup>17</sup> Typically, neighborhood boundaries are delineated by major streets or physical topography. The neighborhood must be larger than the distressed or public or HUD-assisted housing in the area, and HUD reserves the right to request evidence to support an applicant’s neighborhood boundaries. Requested evidence could include planning, community development or zoning maps.

Determinations of neighborhood eligibility will be objective, uniform and transparent. To achieve this, HUD will determine funding eligibility by overlaying locally defined neighborhood boundaries with the smallest available statistical boundaries associated with the area to determine the area’s poverty rate, extremely low-income rate, vacancy rate and other measures of distress using a proportional allocation methodology.<sup>18</sup> Through the HUD website, potential applicants will be able to draw their neighborhood boundaries on a map for submission.

Eligible neighborhoods for a Fiscal Year 2010 CNI grant include neighborhoods with both:

1. At least 20% of the residents estimated to be in poverty or who are extremely low-income and are experiencing distress related to:
  - a. Violent crime (1.5 times the city or county average);
  - b. A high rate of vacant or substandard homes (1.5 times the city or county average); or

- c. A low-performing public school (where at least 20 children or 20% of the children from the target assisted housing attend any elementary school or secondary school that fails, for two consecutive years, to make “adequate yearly progress”);<sup>19</sup>
2. Severely distressed public and/or HUD-assisted housing. This includes housing that requires major reconstruction; is a significant contributing factor to the economic decline of the neighborhood; is occupied by very low-income families dependent on public assistance; has high rates of criminal activity, or is lacking sufficient transportation and services; and cannot be revitalized under other programs.<sup>20</sup>

HUD will calculate the poverty rate, extremely low-income rate, and residential vacancy rate for an applicant’s target area. The applicant will have to provide data on substandard housing (such as code enforcement actions), crime and schools for the neighborhoods and city or county as a whole.<sup>21</sup>

### Competition and Framework

CNI offers two types of funding: planning grants and implementation grants.<sup>22</sup> HUD intends to award approximately \$3 million for planning grants. These funds will enable communities to create a rigorous development plan which fosters the local commitments necessary to make transformation possible.<sup>23</sup> The remaining \$62 million will be awarded for implementation grants. These funds will support communities that have undertaken a comprehensive plan, and they will provide support for devising a transformation plan to redevelop the neighborhood.<sup>24</sup> The competition will be conducted in two rounds. Applicants may submit either a planning or an implementation grant request. In round I, planning grant recipients will be selected and 10 implementation grant finalists will be chosen. In round II, depending on the requested grant size, two or three finalists will be selected as implementation grant recipients.<sup>25</sup> Implementation grant applicants should be able to demonstrate strong community partnerships such as through a memorandum of understanding between the applicant and principal team members.<sup>26</sup>

<sup>12</sup>*Id.* at 3. This is the same definition as “public housing agency” as provided in Section 3(b)(6) of the United States Housing Act of 1937. See 42 U.S.C. § 1437a.

<sup>13</sup>26 U.S.C. § 501(c).

<sup>14</sup>Pre-Notice, *supra* note 1, at 3. The definition of “housing development experience” is unclear.

<sup>15</sup>*Id.* at 3.

<sup>16</sup>*Id.*

<sup>17</sup>*Id.*

<sup>18</sup>*Id.* For example, if a neighborhood is located partially within two 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. If 80% of the housing units in the locally defined neighborhood are in a tract with a poverty rate of 40% and 20% of the units are in a tract with a poverty rate of 10%, the neighborhood “poverty rate” would be: (80% x 40%) + (20% x 10%) = 34%.

<sup>19</sup>*Id.* at 4. This definition of low-performing public schools is the same as Title I schools in corrective action or restructuring in the state, as determined under Section 1116(b)(1)(A) of the Elementary and Secondary Education Act (ESEA), Pub. L. 89-10. “Adequate yearly progress” is defined by Section 1111(b)(2)(A)(i)-(iii) of ESEA, and is based on a state accountability system that creates academic standards and assessments, and includes sanctions and rewards to hold public elementary and secondary schools accountable for student achievement.

<sup>20</sup>*Id.* at 4. This is the same definition as provided by 42 U.S.C. § 1437v(j)(2)(A)(i)-(v).

<sup>21</sup>*Id.* at 4.

<sup>22</sup>*Id.* at 7.

<sup>23</sup>*Id.*

<sup>24</sup>*Id.*

<sup>25</sup>*Id.*

<sup>26</sup>*Id.* at 8.

## Moving Forward

HUD's Notice emphasizes the importance of cooperation through community partnerships. Not only does HUD highlight the importance of physical assets such as affordable housing and infrastructure, but also the need for individual success and commercial, recreational and social improvements. The ultimate goal is long-term economic viability through community collaboration. Successful applicants will be those that can demonstrate this sort of integration.

This demonstration provides a unique opportunity for housing advocates to engage in the transformation of neighborhoods. Although this demonstration contains some areas of concern,<sup>27</sup> it ultimately provides a chance to influence future neighborhood revitalization efforts. An entirely new funding stream is now available for organizations that traditionally apply for federal community development funds, such as CDBG, and such new funding could allow for large-scale revitalization efforts. Additionally, local nonprofits and community development corporations will have the opportunity to partner with for-profit and other entities to create substantial neighborhood improvements.

Housing advocates could reach out to nonprofits and housing authorities to improve target neighborhoods. Advocates can make a substantial impact by educating residents about the potential to transform their housing and their communities, assisting residents in partnering with applicant entities, representing and engaging tenants whose housing will be affected and potentially demolished by the transformation, and protecting tenants' rights throughout the process.

Although the future of CNI is unknown,<sup>28</sup> it is one of HUD's many recent attempts to create collaborative initiatives among government, nonprofit and for-profit stakeholders. It is through these initiatives that local housing advocates can support the engagement of low-income residents. ■

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<sup>27</sup>See NHP, *supra* note 1, at 2.

<sup>28</sup>The House of Representatives subcommittee on Transportation, Housing and Urban Development, and Related Agencies recently passed the Fiscal Year (FY) 2011 appropriations bill. This bill does not include funding for CNI. Rather, it funds HOPE VI at \$200 million, \$65 million more than in FY 2010. Transportation, Housing and Urban Development, and Related Agencies Appropriations Summary – FY 2011, [http://appropriations.house.gov/images/stories/pdf/tranurb/FY2011\\_THUD\\_SubC\\_Summary\\_Table.pdf](http://appropriations.house.gov/images/stories/pdf/tranurb/FY2011_THUD_SubC_Summary_Table.pdf).

## HUD Sustainable Communities Initiative Presents Advocacy Opportunities

As part of its “transformational initiatives,” the Department of Housing and Urban Development (HUD) has embarked on the Sustainable Communities program,<sup>1</sup> which offers assisted housing residents and their advocates a rare opportunity to be intimately involved in shaping the future, with the goal of building healthy, productive and diverse communities.

### The Mission

HUD's Office of Sustainable Housing and Communities is charged with creating strong, sustainable communities by connecting housing to jobs, fostering local innovation and helping to build a clean energy economy. The office plans to coordinate federal housing and transportation investments with local land-use decisions to reduce transportation costs for families, improve housing affordability, save energy, increase access to housing and increase access to employment opportunities. The objective is to stimulate more integrated and sophisticated regional planning and to foster zoning and land-use reforms.

### Getting to the Goal

To advance this objective, the office has crafted four main tasks. First, HUD, the Department of Transportation (DOT) and the Environmental Protection Agency (EPA) are offering Planning Grants. The purpose of these grants is to catalyze integrated metropolitan transportation, housing, land-use and energy planning, economic and workforce development, and infrastructure investment supported by the best available data and analytic tools. These grants are intended to assist jurisdictions in addressing the interdependent challenges of the following:

- economic competitiveness and revitalization;
- social equity, inclusion, and access to opportunity;
- energy use and climate change; and
- public health and environmental impact.

Second, HUD is funding Challenge Grants to help merge local and regional plans with transportation planning funded through DOT's National Infrastructure Investments Grants. HUD's Community Challenge grants

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<sup>1</sup>See HUD, Sustainable Housing and Communities, [http://portal.hud.gov/portal/page/portal/HUD/program\\_offices/sustainable\\_housing\\_communities](http://portal.hud.gov/portal/page/portal/HUD/program_offices/sustainable_housing_communities).