

## **What is “Choice Neighborhoods” and What Is Congress Proposing to Do With It?**

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In 2009, HUD proposed to replace the HOPE VI program (which provides federal funding that can be matched with other funding to demolish and rehabilitate public housing developments, usually with fewer units) with a new program called “Choice Neighborhoods”. HUD said it wanted to draw from the successes and failures of HOPE VI. \$85 million in funding was set aside for Choice Neighborhoods in the HUD Appropriations (spending) bill passed by Congress last year. HUD has issued a Notice of Funding Availability (NOFA) for the Choice Neighborhoods program for this year, 2010.<sup>1</sup> Congress is now considering “authorizing” legislation – legislation to approve this program outside of the spending bill— with some changes to the Choice Neighborhoods program. This summary discusses what’s in the proposed legislation.

Under a “mark-up” draft, HR 5814, Title I, Congress would provide \$575 million in funding for Choice Neighborhoods in fiscal year 2011, and authorize funding up through fiscal year 2015. No less than 2/3 of the funding shall be used for (or the units assisted would be) public housing.

### **Comparison to HOPE VI**

Q1: Is this program like HOPE VI?

A1: Yes and no. Like HOPE VI, the program allows for demolition and rehabilitation of federal public housing. However, while it is mostly targeted to public housing, up to 1/3 of the funds can be used for HUD multifamily and other affordable housing. The program also focuses on improving economic and educational opportunities. Unlike HOPE VI, it also would explicitly require “one-for-one replacement”, a “right to return”, and no “rescreening” (see discussion below). However, the replacement units may not be the same kind of affordable housing, but could be project-based or tenant-based Section 8, and up to 2/3 of such units can be placed in a different site/neighborhood. HUD also wants to track what happens to tenants who relocate (HOPE VI was criticized for not doing this). The one-for-one replacement can be waived in certain jurisdictions for up to 20% of the units if data demonstrates that there is an excess supply of affordable housing in low poverty areas.

### **Right to Return; Rescreening**

Q2: What is the “right to return”? What is meant by “no rescreening”?

A2: The “right to return” means that residents will have the right to return to the rehabilitated development if they wish and if they stay in “good standing”. (Good standing means staying in compliance with the lease: a tenant who is under eviction or owes rent may be in good standing as long as s/he honors a repayment or manager’s/court agreement.) No “rescreening” means that the housing authority or owner may not impose additional screening criteria before letting a tenant return (however, sex offender or illegal drug activity status can be checked). Under HOPE VI, a number of housing authorities had imposed more stringent screening criteria (such as credit history or employment) which barred some tenants from returning.

### **Fears About Gentrification, Affordability, Rent:**

Q3: I’ve heard there are fears about gentrification. What’s this? Also, what are the guarantees that the property will stay affordable? Will tenant rents stay the same?

A3: Some advocates fear that the improvements that come into an area will mean that rents and housing costs in the area will increase, and a community will no longer be affordable. There is a tension between improving the area for the benefit of residents and resident opportunity and causing displacement. Some have also feared that gentrification pressures will mean that after demolition, housing will not be rebuilt, and have proposed a “build first” approach before units are torn down. HUD has agreed that the “Transformation Plan” must include a description about how affordable housing will be maintained in the neighborhood over the next 50 years or longer, and this plan must be updated every 5 years.

The owner of the assisted property must agree to a period of affordability for the property which shall not be shorter than the period of affordability that already applies, or 20 years, whichever is longer. The legislation does not mandate permanent affordability or low-income use restrictions.

*Rents may be an issue. While certain public housing rights are carried over to the replacement units, Brooke Act rents are not. On the other hand, tenants occupying a replacement housing unit that is not public housing shall retain all of their existing rights—and this should mean the same rent protections that they previously had. However, newly admitted tenants would just follow the rent rules that otherwise apply to replacement units. Replacement units are “subject to requirements regarding eligibility for occupancy, tenant rent, and long-term affordability that are consistent with such requirements for public/assisted housing or State units”.*

#### **Are Certain Public Housing Rights Specifically Retained?**

Q4. Does the draft legislation require that certain public housing rights be kept?

A4: Yes—rules that make life-time registered sex offenders and certain drug offenders ineligible, rules on resident management and transfer of management on the request of tenants, public housing grievance rights, housing quality standards, and tenant participation rights (see 24 CFR Part 964).

#### **Will It Remain Public Housing?:**

Q5: Another fear is that units will not remain public, but will become privately owned, and the private owners will have a very different agenda from a housing authority regarding long-term affordability. What’s the story here?

A5: Housing authorities can apply with for-profits or non-profits as partners, and they might choose to do this to take advantage of Low-Income Housing Tax Credits (which can’t be used by housing authorities directly because they pay no taxes and therefore cannot use a tax credit). However, a for-profit could only co-apply with a housing authority if it owns a major housing development.

For additional information regarding Choice Neighborhoods

HUD Website: <http://www.hud.gov/offices/pih/programs/ph/cn/index.cfm>

NHLP Website: <http://nhlp.org/resourcecenter?tid=131>

NLIHC Website: <http://www.nlihc.org/template/results.cfm?start=1&sort=date%20desc,score%20desc>  
(Search the term CNI)

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<sup>i</sup> See <http://www.hud.gov/offices/pih/programs/ph/cn/> for a copy of the HUD Notice, Fed. Reg. 53,324-53,325 (Aug. 31, 2010).