

The Community Builders, Inc—Comments on the HUD-Proposed Choice Neighborhoods Initiatives (CNI) Draft Legislation

November 23, 2009

Allow CNIs to Advance Human Development in Underway Neighborhood Transformation Efforts.

HUD has a rare opportunity to leverage its considerable investment in transforming neighborhoods by advancing human development activities to the next level at scores of large-scale, mixed-income communities that are underway and/or already built-out under its HOPE 6 revitalization program and other public housing mixed-finance or assisted housing redevelopment efforts in economically integrated settings. In contrast to other anti-poverty activities that must contend with the high mobility of low-income households, these developments provide long-term family stability and mixed-income housing options that are crucial to achieving the educational, employment, self-sufficiency and community building objectives that CNIs seek. Most of these sites also have well-established collaborations with education, workforce and other human development partners that can be built upon.

Yet the draft legislation seems to preclude building upon this unique platform as CNI-required activities call for coupling human development activities with the rehabilitation, preservation and/or demolition and replacement of *currently* severely-distressed housing projects. HUD should consider also allowing communities that have begun or already physically transformed distressed assisted and public housing into successful mixed-income developments to intensify their human development initiatives and pursue additional community development goals that go beyond addressing currently distressed housing.

In doing so, vital physical and human development activities would still be combined and leverage one another, yet at an enhanced level. For example, communities might choose to advance educational outcomes by renovating under-utilized school buildings as an early childhood or youth development space; available land could be used for constructing additional needed housing; an outmoded gymnasium and playground could be turned into a modern arts and recreation center; or a community hospital could partner with the local Workforce Investment Board to retrofit unused retail space as a state-of-the-art health sector training facility.

By allowing communities to build on their transformational assets in this way, CNIs would leverage already-made HUD investments, further catalyze human and community development outcomes and help HUD more forcefully demonstrate the viability of placed-based anti-poverty strategies.

Encourage Mixed-Income Redevelopment Approaches. While school systems, surrounding communities and fiscal managers embrace economically-integrated communities, recent mobility

studies suggest that low-income families also prefer such environments, and are more likely to remain in a community if offered an affordable mixed-income housing opportunity. All of these considerations suggest the importance of CNIs expressly encouraging the redevelopment or continued development of selected neighborhoods as mixed-income communities. To this end, CNIs should consider:

- Where existing assisted and/or public housing will be demolished or disposed, prioritizing projects that accomplish 1-1 on- or off-site replacement of such units as mixed-income housing that complements surrounding densities and design elements.
- Allowing the porting of HUD assisted and public housing operating subsidies from existing properties to other existing or newly-constructed properties to help develop on- or off-site replacement housing in a complementary, mixed-income context.
- Applying a uniform set of admission and occupancy standards to all residents of renovated or replaced housing. Offer to residents currently living in properties that are being redeveloped under a CNI (“returning residents”) an admissions preference and exception(s) to admission standards as needed for renovated or replacement housing so long as they (1) remain lease-compliant during the redevelopment period and (2) commit to meet and maintain uniform admission and occupancy standards during their tenancy.

Establish Human Development as a Supported Priority. While both the CNI required and eligible activities give appropriate focus to human development activities, the actual award criteria seem more directed to planning, design, location, financing, management, market and fair housing considerations related to physical development. Moreover, while human development activities can be funded from CNI grant awards, they will be pitted against the very real need to apply awards to capital funding requirements in physical development activities.

To counter these effects, HUD should consider developing additional scoring criteria and/or preferences while augmenting CNI awards with additional HUD supports and other coordinated federal resources, potentially to include:

- Giving a scoring preference to CNIs with human development components that demonstrate the ability to build income and assets and advance educational outcomes of lowest-income residents as opposed to initiatives that merely provide a basket of supportive services.
- Offering development and/or property management fee-based incentives to sponsors as they achieve actual human development outcomes.
- Supporting resident income and asset-building by extending a Family & Supportive Services-like (FSS) income disregard and escrow program to all returning residents of assisted and public housing.
- Recognizing as an eligible per unit, “above-the-line” operating expense in ACC and Section 8 PBRA budgets a sufficient (\$1,000-\$2,000/unit/year) resident services expense in support of human development objectives.

- Convening and seeking commitments from other federal agencies to direct additional federal resources in support of CNIs and issue joint NOFAs to coordinate the delivery of inter-agency resources. Agencies and activities to potentially include:
 - **Health & Human Services:** enlisting the Secretary to dedicate a portion of the 9% discretionary authority she retains under the Community Services Block Grant (CSBG) in support of CNI employment, education, energy, health, substance abuse and other CSBG-eligible activities.
 - **Labor:** enlisting the Secretary to urge states and Workforce Investment Boards to direct Adult Employment and Training Program and Youth Activities Program for adult and youth employment activities in support of CNIs.
 - **Education:** enlisting the Secretary to coordinate new Promise Neighborhoods planning grants as with the award of CNIs; to direct the 1% set-aside for national initiatives under the 21st Century Learning Centers and to use his authority to establish Cooperative Demonstration Programs with other agencies and direct the Adult Education and Title 1-Early Childhood Grants in support of CNI activities.
 - **Energy:** continuing to work with the Secretary to dedicate Weatherization Assistance Program Funds in support of assisted multifamily developments with a preference for CNI projects.
 - **Management & Budget:** enlisting the Director to allocate a portion of the proposed 1% set-aside from each agency for inter-agency collaboration in the FY2011 budget in support of CNIs.

Make Sufficient-Sized CNI Grants. Given HUD’s estimate of the number of high-poverty environments with concentrations of distressed housing, the backlogged demand for additional HOPE 6 grants and the recommendation to support neighborhood transformation efforts in progress, the initial \$250 million appropriations request will be far short of meeting anticipated demand for CNI awards. Yet HUD should resist pressures to reduce grant size and spread them more broadly and/or look to local matches and leveraged contributions to augment smaller grants. The decades-long persistence of so many large-scale, high-poverty, distressed neighborhoods—and the many recent HOPE 6 redevelopment sites requiring additional capital to complete “future phases”—suggest the need for larger grants in the \$25 million to \$40 million range. Large-scale, distressed environments require large-scale solutions that lessen rather than increase the complexity of assembling needed funding.

Augment CNI Awards with Additional HUD Supports. Even with larger awards, the scale of both the physical and human development challenges to be surmounted in CNIs will require substantial, highly-coordinated additional resources. HUD has many additional resources, tools and budget authority under its control—and the ability to seek additional flexibility in authorizing legislation—that it could deploy in support of CNIs, potentially including:

- Offering expedited review, approval and 20-year extension (subject to annual appropriations) of Section 8 Project-Based Rental Assistance (PBRA) contracts as needed for redevelopment or replacement of assisted housing projects.
- Allocating incremental PBV/RA authority dedicated to community-based approaches providing supportive housing to the hard-to-house.
- Allowing the porting of Section 8 and ACC operating subsidies in support of project density and replacement housing objectives and completion timelines.
- Allowing the conversion of ACC operating subsidies to Section 8 PBRA to maximize debt and equity leverage in Public Housing Mixed Finance transactions.
- Allowing PH Capital and/or Replacement Factor Funds to be conveyed in Mixed-Finance transactions that convert ACC operating subsidies to Section 8 PBRA as above.
- Designing a method to encourage states to prioritize the award of new National Housing Trust Funds and any incremental PBV/RA associated with them.
- Urging states and entitlement jurisdictions to prioritize NSP, CDBG and HOME resources.
- Working with Treasury, urging tax credit allocating agencies to develop priorities and preferences for the award of Low Income Housing Tax Credits (LIHTC) and New Markets Tax Credits (NMTC) allocations.