Introducing Choice Neighborhoods

The Choice Neighborhoods Initiative (Choice) aims to redevelop distressed assisted housing projects and transform the neighborhoods surrounding them into mixed-income, high-opportunity communities. Choice, first funded in 2010, replaces and expands on HOPE VI, the US Department of Housing and Urban Development’s (HUD’s) long-running program to replace or rehabilitate distressed public housing. HOPE VI made three important contributions that inform the design of Choice.

1. HOPE VI resulted in the construction of hundreds of mixed-income housing projects that helped reduce extreme neighborhood poverty. It helped build new relationships among public housing authorities (PHA), city and county governments, and private-sector builders, property managers, and investors in diverse settings (e.g., Atlanta, Baltimore, Chicago, Denver, St. Louis, Seattle, and Tucson). The solutions had to account for differences in original project design, surrounding neighborhood conditions, and housing market strength.

2. HOPE VI reflected and reinforced the diversification of the nation’s portfolio of housing assistance. Public housing units were demolished and replaced with a mix of new public housing units, tenant-based assistance, low-income housing tax credit (LIHTC) units, unsubsidized units, and other federal, state, and local subsidy. This diversity of subsidy types also helps reinforce income mixing.

3. HOPE VI provided many important lessons and examples of how to involve and protect vulnerable tenants during and after the redevelopment process. Many of these households need not only affordable housing but also supportive services (Buron et al. 2002; Popkin, Levy, and Buron 2009). PHAs and service providers involved in HOPE VI developed deep case management and relocation expertise and built lasting partnerships to provide services.

Choice maintains HOPE VI’s emphasis on public-private partnerships and mixed-financing for replacing or rehabilitating assisted housing. Choice also extends eligibility beyond public housing to privately-owned, federally subsidized developments. It requires that grantees build at least one subsidized replacement housing unit for every unit demolished in the target development, except when objective measures indicate that the local housing market is too weak to warrant full replacement. It also continues HOPE VI’s emphasis on protecting tenants during the redevelopment process and heightens aspirations to give existing tenants the opportunity to live in the redeveloped project upon completion.

Unlike HOPE VI, Choice provides funding for neighborhood improvement projects. It also extends the goal of partnership by creating or strengthening partnerships among organizations, agencies, and institutions working throughout the neighborhood to build affordable housing, provide social services, care for and educate children and youth, ensure public safety, and revitalize the neighborhood’s commercial opportunities and infrastructure.
HUD selected the Urban Institute (UI) and MDRC to collect baseline data and conduct an implementation evaluation of the Choice implementation sites funded in fiscal year (FY) 2010 and 2011. Among many methods of data collection, the UI team will conduct a household survey of tenants in the target development and residents of the surrounding neighborhood, made possible with supplemental support from the Annie E. Casey Foundation. The evaluation will offer an early look at the first years of a new program, documenting progress, problem-solving, and building evidence about how innovations in Choice are creating new opportunities and challenges for HUD, the Choice grantees, and their communities.

This brief draws on the evaluation’s interim report submitted to HUD and focuses on providing background information about the first five implementation sites and their transformation plans (Pendall, et al. 2013). It highlights early observations about implementation progress and challenges that will be explored in depth in a baseline report, expected in 2014. Beyond this work, HUD hopes to fund additional data collection after the Choice implementation in the sites is complete and the neighborhood investments have taken root.

**The First Five Sites**

In August 2011, HUD committed a total of $122 million to the first five Choice implementation sites:

- **The Quincy Corridor, Boston** ($20.5 million): The City of Boston’s Department of Neighborhood Development (DND) is leading the redevelopment of the Woodledge/Morrant Bay Section 8 development, located in the center of the Quincy Corridor neighborhood in the Dorchester area.
- **Woodlawn, Chicago** ($30.5 million): Preservation of Affordable Housing, Inc. (POAH) is leading the redevelopment of the Grove Parc Plaza Section 8 development in the Woodlawn neighborhood.
- **Iberville/Tremé, New Orleans** ($30.5 million): Housing Authority of New Orleans (HANO) is leading redevelopment of the Iberville public housing development.
- **Eastern Bayview, San Francisco** ($30.5 million): McCormack Baron Salazar (MBS) is leading the redevelopment of the Alice Griffith public housing community located in the Eastern Bayview neighborhood.
- **Yesler, Seattle** ($10.3 million): The 2011 Choice grant will fund the beginning of the redevelopment of the Yesler Terrace public housing development led by the Seattle Housing Authority (SHA).

Local Choice transformation plans for these five locations vary. The cities and neighborhoods differ in their characteristics and institutional environments, and the target developments differ in their financing structure, site plans, and tenant demographics. Choice, therefore, does not serve as a clear treatment (in the experimental sense) for a single problem; instead, it is an approach that encourages local innovation and integration of housing redevelopment, tenant services, neighborhood-level planning, and community development.
Community Context

Material for this section draws on analysis of the first and second round of implementation applications, news reports from the communities, data from the US Census, and our site visits and interviews.

*Choice is an important addition to long-running efforts to improve these five distressed housing projects and their neighborhoods.*

The owners of all five assisted developments began work on the transformation of their developments before HUD announced Choice. Boston’s Dorchester Bay Economic Development Corporation (DBEDC) began working on a renovation plan for Woodledge/Morrant Bay several years ago. Tenants of Grove Parc selected POAH to redevelop their project after the development’s Federal Housing Administration-insured loan went into default under the previous owner. HANO, the San Francisco Housing Authority (SFHA), and the SHA had been working through their inventories of distressed projects until arriving at Iberville, Alice Griffith, and Yesler Terrace, respectively. HANO had already budgeted $65 million in capital funds for the redevelopment of Iberville. Alice Griffith is the second project in the ambitious HOPE SF program, which anticipated Choice by embracing one-for-one replacement and offering tenants the opportunity to return to the redeveloped housing. Yesler Terrace was far enough along to have generated evaluation and recommendations by the Urban Land Institute (Urban Land Institute Seattle 2010). Choice helps projects move more quickly toward redevelopment.

The sites differ, however, in their neighborhood planning contexts. Washington and California have standard state rules for planning and environmental review, and both Seattle and San Francisco have strong traditions of citizen engagement in redevelopment (DeLeon 1992; Henderson 2009; Martz 1995; Sirianni 2007). The grantee teams for Yesler and Alice Griffith benefitted from having this established context. The adopted plans, however, may constrain them and the active citizens may challenge Choice activities if they conflict with existing visions of neighborhood development. Long-term planning for neighborhoods is less prominent in the other three cities.

*Most of the target neighborhoods experienced significant investment between 2000 and 2010, momentum that has survived even the housing crash and Hurricane Katrina.*

Before Choice was even announced, San Francisco adopted a redevelopment strategy for Eastern Bayview and the Candlestick Point area that will lock in housing affordability, secure light industrial space, and improve infrastructure—especially transit—as a precondition to the substantial expected growth of market-rate housing. Seattle, the smallest of the five neighborhoods, has worked to improve the 12th Street commercial corridor for several years, and a streetcar line approved by city voters in 2008 is under construction. The site is also likely to see increased residential density as a result of the favorable location and the other investments. Tremé, nationally recognized as a center for arts and culture in one of the nation’s cultural capitals, overlaps parts of New Orleans where, since Katrina, the public and private sectors have
invested over $1 billion for infrastructure, housing, public buildings, and medical facilities. The location of vacant land primes the neighborhood for increased development over the next two decades.

Woodlawn and the Quincy Corridor show less momentum for growth. University of Chicago has made a $2 billion commitment to its South Campus expansion in Woodlawn. Chicago’s city and regional housing market, however, is currently less robust than those in the other four Choice cities and metropolitan areas. Parts of Woodlawn have also been hit hard by foreclosure and high levels of violent crime. The Quincy Corridor is changing gradually, and few neighborhood residents want a wholesale physical transformation. But many residents and community organizations want better access to opportunity for those who already live in the neighborhood.

**Grantee Teams and Their Planning for Choice**

This material is drawn from the analysis of the first and second round of implementation applications and our site visits and interviews.

*Local contexts and HOPE VI have led to a wide array of grantee-team structures.*

The grantee teams include a range of lead applicants and structures. The grantees had to specify the lead agency, and an entity to lead each part of the implementation work: people, housing, neighborhood, and education. Seattle’s structure, the least complicated of the five, allots most of the responsibility for the transformation plan to SHA, with Seattle University responsible for education. Like Seattle, New Orleans and San Francisco have teams that bear the imprint of previous HOPE VI developments. In both cases, MBS and Urban Strategies—private companies that have collaborated on many HOPE VI projects—play important development and case-management roles in partnership with public housing agencies and city departments. Public housing authorities play important roles in the Seattle, San Francisco, and New Orleans plans.

Boston and Chicago, the locations of the two HUD-assisted developments, both have complex team structures. On the Quincy Corridor team, DND serves as lead applicant and DBEDC as co-applicant. Three other community development corporations (CDCs), Boston Public Schools, and the city’s Office of Jobs and Community Services serve as either a principal team member or an implementation entity. In Chicago, POAH is the lead for housing, neighborhood-based organizations (including Network of Woodlawn and Woodlawn Children’s Promise Community), and the neighborhood and education implementation. Other key team members include Metropolitan Family Services (people lead) and the city of Chicago, a co-applicant that leads no implementation tasks.

*The grantee teams used the lengthy application period to solicit tenant input and to build new connections with residents and organizations in the neighborhood.*

All five grantees engaged with tenants in the target developments during the Choice application period. The New Orleans and San Francisco applicants cited Urban Strategies’ experience with previous HOPE VI redevelopments as evidence of their commitment to tenant involvement; they
also affirmed that their planning teams had engaged with tenants during the planning process. SHA, too, could cite involvement with Yesler tenants going back to 2006. Uniquely, POAH was selected by the tenants themselves, thus putting the agency in a different, and perhaps even stronger, position than the other grantees to work on behalf of tenants’ priorities.

The lead grantees’ direct involvement with neighborhood-wide planning either before or during the Choice application period varies among the five sites. The SHA’s Yesler development covers much of the small target neighborhood footprint; SHA has engaged actively in planning for the development and surrounding area. Instead of running their own neighborhood planning processes, POAH and MBS worked with partners that had recently conducted lengthy participatory neighborhood planning processes. Boston’s DND and DBEDC engaged two other CDCs as team members that had organized in the neighborhood. The Boston and Seattle grantees also involved large numbers of community organizations and stakeholder groups as part of the Choice application process. In the other three sites, the grantees knew about and could capitalize on widespread community involvement in neighborhood planning well before the start of Choice.

The Transformation Plans

HUD organized the goals for Choice Neighborhoods into three core areas: housing, people, and neighborhood. The implementation grantees were required to address each of these elements in their transformation plans.

Housing Element

The target developments and the housing plans range from small to large; thus, local impacts of Choice will likely also vary accordingly. All the plans, except Boston’s, will ultimately increase their neighborhoods’ housing and population densities.

The three largest investments—$30.5 million each in New Orleans, Chicago, and San Francisco—support the largest and most complex plans. All three sites anticipate substantial increases of density (Table 1). Most of the 74 buildings in the 821-unit Iberville public housing project will be demolished; the $590 million housing plan calls for even more units than the previous project contained on its original site and more than 1,500 elsewhere in the neighborhood. Grove Parc originally included 504 units, 378 of which remained at the time of the second round of applications. POAH’s redevelopment plan on a $225 million housing budget will result in almost twice as many units, but with fewer units on the original Grove Parc footprint. Operating under a $130 million housing budget, the Alice Griffith project will replace

1 The budgeted amounts listed include budgets for development beyond the unit counts listed. The unit counts often exclude some projects or phases not directly funded by Choice that are included in the sources and uses document. These differences complicate direct comparison among the sites and computation of leverage.

2 This budget includes all four phases of the Iberville redevelopment and the adjacent mixed-use development, but only the first three phases of Iberville include Choice funding.
256 units with 901 units on the development footprint and 225 units on adjacent sites. A large market-rate redevelopment plan for Candlestick Point may add another 7,850 units to the neighborhood in the coming two decades.

Table 1. Planned Choice Housing Development, as of June 2011*

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<td>Yesler b</td>
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* Numbers based on the second round of applications.

b. Only includes Phase 1.

Yesler Terrace, the second-largest development at 561 units, will eventually be entirely demolished, but Phase 1 of SHA’s transformation plan provides for demolition of only 40 units and construction of 158 units with a budget of $127 million.3 Another 80 market-rate units will also be built next door to the majority of the assisted units. Most of the 5,000 anticipated units in the Yesler neighborhood will be built in future phases. Boston’s plan, the most modest, anticipates only the redevelopment of 129 existing Section 8 units, at the cost of $53.1 million.4

Plans for income mixing also vary widely among the sites, from entirely very low income in Boston to a nearly even split between very low income, low income, and market rate in New Orleans. Mixed finance and demand for unsubsidized housing are the impetus for income mixing.

Because Choice requires one for one replacement of assisted housing units at equal affordability levels, all five of the developments will build at least as many units affordable to very low-income households as they demolish. In all cases, the project sponsors rely at least in part on equity investments from LIHTCs; nearly half of the 2,121 units proposed to receive actual Choice dollars in the five plans are also proposed for supplemental funding using tax credits. All of the units proposed for this supplemental funding are planned for very low-income households. Another 976 units subsidized with LIHTCs that do not use Choice funds are included in the plans for Woodlawn, Iberville/Tremé, and Yesler. These units are generally planned for low-income households at 60 percent of area median income.

Beyond their reliance on Choice and tax credits, the plans differ substantially, resulting in a wide variety of approaches to income mixing (figure 1). New Orleans plans 881 very low-income, 813

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3 Seattle was awarded a second Choice implementation grant of $19.73 million in December 2012. Implications of that award will be discussed in our baseline report.

4 This is the Quincy Heights component only. The Quincy Commons and Uphams West projects, both of which were funded and slated to begin construction in 2011. The total budget for these two projects is about $15.9 million.
low-income, and 752 market-rate units. San Francisco’s plan includes 500 very low-income units, 31 moderate-income units, 281 “workforce” units for moderate-income households, and 310 market-rate units. In Chicago, over 50 percent of the units planned are for very low-income households, and another 20 percent are for low-income households (including some for low-income owner occupants). The plan also includes some moderate-income and market-rate units. Seattle’s plan resembles New Orleans’s in its composition, with about 41 percent very low-income, 26 percent low-income, and 34 percent market-rate units. Seattle and San Francisco both also cite, but do not include in their plans, the expected construction of thousands of market-rate units elsewhere within the neighborhood boundaries. In both cases, Choice expects to preserve affordable housing and, with it, social diversity in neighborhoods where incomes, rents, and prices are expected to rise in the next two decades.

Figure 1. Affordability levels planned for housing included in transformation plans, as of June 2011

Boston’s housing plan stands apart from the other plans because it anticipates only very low-income units. Elsewhere in the city, a plan solely to preserve assisted housing might be regarded as a hedge against gentrification, but our fieldwork uncovered few concerns about rapid property-value increase in the Quincy Corridor.

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Income limits for the moderate-income units were not specified in San Francisco, but may exceed 120 percent of area median because of the city’s high housing costs.
People Element

*Plans for case management and supportive services for target development residents among the three grantees with housing authority partners—who have HOPE VI experience—have more depth and specificity than those advanced by the two teams without HOPE VI experience.*

All five Choice implementation sites have broad and ambitious goals for their service packages. Nearly all promise residents improvements in physical and mental health, self-sufficiency, and academic outcomes for youth. Working within the context of HOPE VI, the Seattle, San Francisco, and New Orleans PHAs already developed many of the relationships and institutions necessary to create a transformation plan that captured the strategies they had in place. In San Francisco and New Orleans, the people element of the transformation plan is led by Urban Strategies,6 which has worked with the two housing authorities as the lead service partner for HOPE SF and New Orleans HOPE VI initiatives and has established partnerships with many local service providers. The San Francisco plan capitalizes on the existing HOPE SF Service Provider Network, which was formed to provide an array of services to residents of the Eastern Bayview neighborhood. In both cities, Urban Strategies plans to provide services before relocation and outreach to residents who choose to move off site. The Seattle plan, where SHA is the lead, also proposes a rich service plan including case management and extensive partnerships, modeled on the housing authority’s experiences with its HOPE VI grants.

PHAs are not involved in the privately owned Choice projects in Boston and Chicago. The Boston development was not as far advanced in planning for redevelopment as the other projects. It may have been premature for this team to invest in relationship building and to design a very specific people strategy at the application stage, especially considering the strong community base of support and past experience of working together enjoyed by many of the grant partners. In Chicago, POAH’s application identified Hull House, a deeply experienced local case management and service provision agency, as the people implementation lead. Because Hull House went out of business within a few months of the award, the project lost momentum in the early period until an experienced people lead joined the grantee team.

*San Francisco and New Orleans have promising relocation plans.*

The two PHA sites whose plans include large amounts of demolition, San Francisco and New Orleans, also provide excellent models for relocation. Under San Francisco’s plan, the new development will be built in phases, starting with a currently vacant site; groups of residents will move directly into the new public housing units as they become available, enabling them to move only once during the process. In New Orleans, HANO relocated residents onsite who wished to remain in the Iberville by late 2012, and has future plans for relocation outside the Iberville footprint; Urban Strategies will provide services and support for those who opt to move

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6 Urban Strategies is a 30-year-old organization with extensive experience in providing case management and workforce services for HOPE VI and other mixed-income redevelopment initiatives.
off site with vouchers. None of the plans devote much attention, however, to those who choose not to return. The plans also do not provide details about how the grantees will avoid negative effects on vulnerable residents, especially children and seniors, during the relocation process.7

**Neighborhood Element**

*The vision for neighborhood redevelopment ranges from modest and gradual in Boston to complete transformation in New Orleans and Seattle.*

With widely varying processes for neighborhood redevelopment and different levels of recent and ongoing investment, Choice funding generally complements and fills gaps in other, generally larger investment streams. When Choice spending is added to neighborhood leverage in the second round of applications,8 the smallest total budget, for the Quincy Corridor, is $4.7 million, about one-tenth the size of the largest, Iberville/Tremé’s $44.9 million.9 The difference is mainly a function of leverage claimed, with only $1.3 million in neighborhood leverage for the Quincy Corridor compared with $43.4 million for Iberville/Tremé. New Orleans also documents, since 2005, more than $1 billion invested in and around Iberville/Tremé. The Eastern Bayview and Yesler plans (as submitted) identify $8.7 million and $13.4 million, respectively, for neighborhood spending, even though Eastern Bayview is larger than Yesler. The Woodlawn plan specifies $27.3 million in expenditures, $4.0 million of which is from Choice. Evaluating the impacts of these neighborhood plans will prove challenging, especially because Choice is such a small part of recent, committed, and expected investments by the public and private sector.

**Significant Choice investments will support mixed-use development in four sites.**

Choice allows grantees to spend up to 15 percent of their budgets on Critical Community Improvements (CCIs). CCIs must be improvements that are “needed to promote upward mobility, self-sufficiency, or improved quality of life for residents of the neighborhood or to promote economic development” (HUD 2011). Four of the five plans support mixed-use development with their CCIs: retail spaces and streetscapes in Chicago and Seattle; acquisition of a site in New Orleans for a planned mixed-use building with public housing, a grocery store and retail spaces; and economic development projects on vacant properties around the Quincy Corridor. The Iberville/Tremé plan also reserves $1.5 million for neighborhood projects to be awarded through community challenge grants. San Francisco departs from the practice in the

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7 Sensitive approaches are necessary for these households, even when they are relocated temporarily while construction proceeds (Popkin, Levy, and Buron 2009).
8 This spending excludes anticipatory neighborhood spending already completed or committed between 2006 and 2011.
9 Our interpretation of the Iberville/Tremé budget does not count the $7.5 million acquisition of the Winn-Dixie site as neighborhood spending, because the site would be used for both replacement housing and nonresidential uses. If enough of it were included to lift the neighborhood share of the Iberville/Tremé grant to 15 percent of its budget, then the total neighborhood budget would grow to $47.9 million.
other sites by using its CCIs to construct space in the redeveloped Alice Griffith project for youth and workforce programs.

**Next Steps: Ongoing Activities and Key Questions**

Our ongoing research activities, the results of which will be presented in the final baseline report, include the following:

- A household survey in 2013, which will supplement the information available from the grantees and HUD about target development residents and provide entirely new information about neighborhood residents. The survey will also provide data on the target development and the neighborhood based on residents’ perceptions and experiences.
- Further rounds of administrative and geographic data collection from local sources and from federal data releases will allow us to describe the trajectory of the Choice neighborhoods within a broader city and metropolitan area context.
- During subsequent site visits, focus groups with residents of the target development and those in the surrounding neighborhood will provide an opportunity for stakeholders to share information about the transformation. Additional interviews will explore continued progress and challenges in the five sites.
- Urban Institute employees in each city will also continue to gather data through attendance at community meetings and through interviews with key stakeholders.\(^{10}\)

The data from the ongoing research will be provided to HUD, thus enabling them to pursue continued research on Choice over the long term as the effects of the program unfold.

Based on early analyses, the final report will place special emphasis on the questions below.

**How will grantees coordinate internally within the teams and with external partners to carry out their plans?** After a year of implementation, some teams still needed to finalize plans for tenant relocation and supportive services, and all needed to flesh out their neighborhood revitalization agendas.

Housing efforts had greater degrees of baseline collaboration and coordination than the other areas of Choice work, thanks to the capacities of implementing parties and to the history of public-private partnerships for housing redevelopment. Integration of the people plan has progressed further in Seattle, San Francisco, and New Orleans, where grantee teams have experience working together under HOPE VI, than it has in the other two sites. Efforts to begin work on neighborhood revitalization activities and coordination were gaining momentum at all sites at the end of the first year.

In the remaining months of the evaluation, we will also extend our analysis to grantee coordination with other important partners for neighborhood revitalization. This includes both

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\(^{10}\) LFA Group, a subcontractor to the Urban Institute, fulfills this role in San Francisco.
the public sector (e.g., the K-12 education system, public safety, economic development, and transportation) and the private sector (local businesses and property owners).

**How does Choice lead to local policy change?** The coordination expected as part of Choice is meant to bring about broader policy changes to improve and hasten each city’s future neighborhood redevelopment work. It will be difficult, however, to pinpoint exactly how Choice helps bring about these changes.

We will explore whether and why additional policy change is necessary for coordinated neighborhood redevelopment and how Choice might help bring about that change. So far, the first five grantees operate within broader preexisting planning and redevelopment processes. Even if policies change after Choice is integrated, attributing the changes to Choice itself will be difficult. But integration of housing redevelopment into neighborhood revitalization alone may improve neighborhood development practice elsewhere in each city, even without policy change.

**How does Choice contribute to neighborhood change?** Substantial investments may be necessary to change neighborhood trajectories. To gauge whether the Choice strategy helps achieve these goals over time, we will watch the use of CCI funds, the extent to which leverage materializes, and whether disadvantaged households appear poised to remain in the neighborhood.

HUD selected Choice sites with anchor institutions and concurrent, co-located community improvement efforts, intending that Choice investments and coordination would hasten neighborhood improvement. CCIs are the most visible direct Choice investment in the neighborhood; we will document how grantees deploy these CCIs and assess potential impact of the intended improvements. We will also gauge whether expected neighborhood leverage materializes, documenting whether and how the grantee teams can claim at least some credit for other stakeholders’ important neighborhood transformation activities. Finally, we will monitor whether disadvantaged households appear to be able to stay in the improved area over time, as these residents are the most likely to be displaced.

**References**


