

113TH CONGRESS  
1ST SESSION

# S. 437

To authorize the Department of Housing and Urban Development to transform neighborhoods of extreme poverty into sustainable, mixed-income neighborhoods with access to economic opportunities, by revitalizing severely distressed housing, and investing and leveraging investments in well-functioning services, educational opportunities, public assets, public transportation, and improved access to jobs.

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## IN THE SENATE OF THE UNITED STATES

MARCH 4, 2013

Mr. MENENDEZ introduced the following bill; which was read twice and referred to the Committee on Health, Education, Labor, and Pensions

APRIL 22, 2013

Committee discharged; referred to the Committee on Banking, Housing, and Urban Affairs

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## A BILL

To authorize the Department of Housing and Urban Development to transform neighborhoods of extreme poverty into sustainable, mixed-income neighborhoods with access to economic opportunities, by revitalizing severely distressed housing, and investing and leveraging investments in well-functioning services, educational opportunities, public assets, public transportation, and improved access to jobs.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

2 (a) SHORT TITLE.—This Act may be cited as the  
3 “Choice Neighborhoods Initiative Act of 2013”.

4 (b) TABLE OF CONTENTS.—The table of contents for  
5 this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Findings and purposes.
- Sec. 3. Grant authority.
- Sec. 4. Eligible entities.
- Sec. 5. Eligible neighborhoods.
- Sec. 6. Authorized activities.
- Sec. 7. Interagency consultation and notification of available funding.
- Sec. 8. Transformation plan and selection.
- Sec. 9. Program requirements.
- Sec. 10. Definitions.
- Sec. 11. Demolition and disposition.
- Sec. 12. Administration by other entities.
- Sec. 13. Withdrawal of funding.
- Sec. 14. Annual report.
- Sec. 15. Program evaluation.
- Sec. 16. Funding.

6 **SEC. 2. FINDINGS AND PURPOSES.**

7 (a) FINDINGS.—Congress finds that—

8 (1) the geographic concentration of poverty re-  
9 mains a serious and often unrecognized challenge to  
10 the ability of poor families and children to access op-  
11 portunity and move up the economic ladder;

12 (2) the HOPE VI program, authorized by sec-  
13 tion 24 of the United States Housing Act of 1937  
14 (42 U.S.C. 1437v), presented a successful first step  
15 in transforming neighborhoods of extreme poverty  
16 with severely distressed housing into revitalized  
17 mixed-income neighborhoods;

1           (3) there remains a large amount of severely  
2 distressed public and privately owned assisted hous-  
3 ing concentrated in neighborhoods of extreme pov-  
4 erty; and

5           (4) a broader approach is needed, using con-  
6 centrated and coordinated neighborhood investment  
7 from multiple sources to transform neighborhoods of  
8 extreme poverty into communities that will improve  
9 the quality of life of current and future residents.

10 (b) PURPOSES.—The purposes of this Act are—

11           (1) to transform neighborhoods of extreme pov-  
12 erty into mixed-income neighborhoods of long-term  
13 viability, by revitalizing severely distressed housing,  
14 improving access to economic opportunities, and in-  
15 vesting and leveraging investments in well-func-  
16 tioning services, effective schools and education pro-  
17 grams, public assets, public transportation, and im-  
18 proved access to jobs;

19           (2) to grow communities and metropolitan  
20 areas by concentrating, leveraging, and coordinating  
21 Federal, State, local, and private funding for public  
22 transportation, education, housing, energy, health  
23 and mental health services, supportive services, pub-  
24 lic safety, and environmental programs and initia-  
25 tives;

1           (3) to support positive outcomes for all neigh-  
2           borhood residents, including improvements in edu-  
3           cational achievements, and economic self-sufficiency;  
4           and

5           (4) to ensure that current residents benefit  
6           from transformation by preserving affordable hous-  
7           ing in the neighborhood or providing residents with  
8           the choice to move to affordable housing in another  
9           neighborhood of opportunity.

10 **SEC. 3. GRANT AUTHORITY.**

11           The Secretary is authorized to make competitive  
12           grants to eligible entities that submit transformation plans  
13           that will further the purposes of this Act in eligible neigh-  
14           borhoods.

15 **SEC. 4. ELIGIBLE ENTITIES.**

16           Entities eligible to be grantees under this Act include  
17           local governments, public housing agencies, community de-  
18           velopment corporations (as defined in section 204(b)(11)  
19           of the Departments of Veterans Affairs and Housing and  
20           Urban Development, and Independent Agencies Appro-  
21           priations Act, 1997 (12 U.S.C. 1715z–11a(b)(11))), as-  
22           sisted housing owners, and other for-profit and nonprofit  
23           entities.

1 **SEC. 5. ELIGIBLE NEIGHBORHOODS.**

2 Eligible neighborhoods for grant funds under this Act  
3 include neighborhoods with—

4 (1) a concentration of extreme poverty;

5 (2) severely distressed housing; and

6 (3) a potential for long-term viability, once key  
7 problems are addressed, including neighborhoods  
8 with characteristics such as proximity to educational  
9 institutions, medical centers, central business dis-  
10 tricts, major employers, effective transportation al-  
11 ternatives (including public transit, walking, and bi-  
12 cycling) and being close to low-poverty neighbor-  
13 hoods.

14 **SEC. 6. AUTHORIZED ACTIVITIES.**

15 (a) IN GENERAL.—Activities authorized to be funded  
16 under this Act are those that will further the purposes  
17 of this Act, in accordance with a transformation plan ap-  
18 proved under section 8, to carry out transformational pro-  
19 grams and initiatives.

20 (b) REQUIRED ACTIVITIES.—The following author-  
21 ized activities shall be contained in the transformation  
22 plan to be submitted under section 8 and implemented by  
23 a grantee under an approved transformation plan:

24 (1) The transformation of housing through re-  
25 habilitation, preservation, or demolition, or any com-  
26 bination thereof, and replacement of severely dis-

1       tressed housing projects that incorporates energy ef-  
2       ficient design principles.

3           (2) Activities that promote the economic self-  
4       sufficiency of residents of the revitalized housing  
5       and of the surrounding neighborhood.

6           (3) Activities that preserve affordable housing  
7       in the neighborhood and other activities necessary to  
8       ensure that existing residents have access to the  
9       benefits of the neighborhood transformation.

10          (4) Activities that demonstrate that each tenant  
11       relocated from severely distressed housing who wish-  
12       es to return to the revitalized on-site housing in the  
13       neighborhood or to replacement housing outside of  
14       the neighborhood, can return, and shall be provided  
15       a preference in accordance with the program re-  
16       quirements in section 9(a).

17          (5) Activities that meet the program require-  
18       ments for replacement of housing units in section  
19       9(b).

20          (6) Activities that meet the fair housing pro-  
21       gram requirements in section 9(c) and the accessi-  
22       bility requirements in section 9(d).

23          (7) Appropriate service coordination, support  
24       services, mobility counseling, and housing search as-

1       sistance for residents displaced as a result of revital-  
2       ization of severely distressed projects.

3           (8) Involvement of residents of severely dis-  
4       tressed housing and of the neighborhood in planning  
5       and implementation of the transformation plan, in-  
6       cluding reasonable steps to help ensure meaningful  
7       participation for residents who, as a result of their  
8       national origin, are limited in their English pro-  
9       ficiency.

10          (9) Relocation assistance, including tenant-  
11       based rental assistance renewable under section 8 of  
12       the United States Housing Act of 1937 (42 U.S.C.  
13       1437f), and supportive services for families that are  
14       displaced, including mobility and relocation coun-  
15       seling over multiple years, reasonable moving costs,  
16       and security deposits.

17          (10) Tracking of tenants relocated during rede-  
18       velopment throughout the life of the grant or until  
19       full occupancy of replacement housing, whichever is  
20       longer.

21          (11) Links to local education efforts, as de-  
22       scribed in subsection (c)(4).

23       (c) ELIGIBLE ACTIVITIES.—In addition to the activi-  
24       ties required under subsection (b), activities eligible for  
25       funding under this Act include—

1           (1) construction, acquisition or rehabilitation of  
2 public, assisted, and privately owned housing that  
3 incorporates sustainable design principles, including  
4 energy efficiency;

5           (2) construction, acquisition, or rehabilitation of  
6 mixed-use developments that include public or as-  
7 sisted housing;

8           (3) the acquisition, demolition, or disposition of  
9 properties, including Federal Housing Administra-  
10 tion-foreclosed properties;

11           (4) partnering with local educators, and engag-  
12 ing in local community planning, to help increase ac-  
13 cess to place-based programs that combine a con-  
14 tinuum of effective community services, strong fam-  
15 ily support, and comprehensive education reform to  
16 improve the educational and life outcomes for resi-  
17 dent children and youth;

18           (5) providing support services for residents pri-  
19 marily focused on case management, service coordi-  
20 nation (including family self-sufficiency coordina-  
21 tors), workforce development, financial literacy and  
22 technical assistance to enable residents to access  
23 programs from other key agencies and local service  
24 providers, in order to help residents with stable  
25 housing, improve outcomes for children, enhance

1 adults' capacity for self-sufficiency and economic se-  
2 curity, and services for the elderly and persons with  
3 disabilities to maintain independence;

4 (6) rehabilitation, physical improvement and de-  
5 velopment of community facilities that are primarily  
6 intended to facilitate the delivery of economic, com-  
7 munity, and supportive services which have a signifi-  
8 cant benefit to residents of housing assisted by the  
9 grant and residents of off-site replacement housing;

10 (7) work incentives designed to help public and  
11 assisted housing residents access jobs and move to-  
12 ward self-sufficiency;

13 (8) partnerships involving the police, commu-  
14 nity organizations, and other entities to reduce crime  
15 and promote safety;

16 (9) partnering with employers and for-profit  
17 and nonprofit organizations to create jobs and job  
18 training opportunities, with a focus on job opportu-  
19 nities accessible by mass transit;

20 (10) activities that promote sustainable neigh-  
21 borhoods and incorporate principles of sustainable  
22 design and development;

23 (11) critical community improvements not oth-  
24 erwise covered by this Act; and

1           (12) loss reserves to protect residents of hous-  
 2           ing assisted by the grant and continue the project in  
 3           case of default, foreclosure, or any other adverse fi-  
 4           nancial event.

5           (d) ELIGIBLE METHODS OF SUPPORT.—Activities  
 6           carried out with amounts from a grant under this Act may  
 7           be carried out through—

8           (1) endowments, revolving loan funds, reserves  
 9           or other instruments that the Secretary approves for  
 10          tenant services and ongoing operating and capital  
 11          needs; and

12          (2) land assembly and land banking.

13          (e) FUNDING RESTRICTIONS.—

14          (1) RESTRICTION ON ACTIVITIES.—

15           (A) IN GENERAL.—No funds made avail-  
 16           able under this Act may be used for construc-  
 17           tion or rehabilitation of a K–12 school building  
 18           or a higher educational institution.

19           (B) NON-HOUSING ACTIVITIES AND SUP-  
 20           PORTIVE SERVICES.—For each grant under this  
 21           Act, the grantee shall comply with each of the  
 22           following requirements:

23           (i) Not more than 30 percent of the  
 24           amount of the grant may be used for eligi-

1                   ble activities under paragraphs (4) through  
2                   (12) of subsection (c).

3                   (ii) Not more than 5 percent of the  
4                   amount of the grant may be used for eligi-  
5                   ble activities under paragraphs (8) and (9)  
6                   of subsection (c).

7                   (2) WAIVER.—The Secretary may waive the  
8                   funding limits in this subsection in order to promote  
9                   the purposes of this Act.

10 **SEC. 7. INTERAGENCY CONSULTATION AND NOTIFICATION**  
11 **OF AVAILABLE FUNDING.**

12                   (a) ANNUAL CONSULTATION.—The Secretary shall  
13 consult with appropriate Federal agencies to identify addi-  
14 tional funding opportunities that may be available to eligi-  
15 ble neighborhoods and ensure that eligible entities are  
16 aware of such opportunities as follows:

17                   (1) The Secretary shall consult with the Sec-  
18 retary of Labor, the Secretary of Education, the  
19 Secretary of Transportation, the Secretary of Health  
20 and Human Services, the Administrator of the Envi-  
21 ronmental Protection Agency, and other agencies, as  
22 the President may prescribe.

23                   (2) The Secretary shall include in the notifica-  
24 tion of funding availability for Choice Neighborhoods  
25 information about other Federal funding opportuni-

1 ties that the Secretary deems related to the Choice  
2 Neighborhoods program.

3 (3) The Secretary shall consult with the Sec-  
4 retary of Labor, the Secretary of Education, the  
5 Secretary of Transportation, the Secretary of Health  
6 and Human Services, the Administrator of the Envi-  
7 ronmental Protection Agency, and other agencies, as  
8 the Secretary may prescribe, to identify barriers to  
9 and opportunities for greater coordination of Federal  
10 resources for meeting the purposes of this Act.

11 (b) REPORTS TO CONGRESS.—The Secretary shall—

12 (1) not later than 1 year after the date of en-  
13 actment of this Act, issue a report to the Committee  
14 on Banking, Housing, and Urban Affairs of the Sen-  
15 ate and the Committee on Financial Services of the  
16 House of Representatives identifying barriers and  
17 opportunities to the coordination of Federal funding  
18 to meet the purposes of this Act, including any regu-  
19 latory or statutory recommendations for addressing  
20 such barriers; and

21 (2) issue an annual report to be posted on the  
22 agency Web site that identifies Federal funding op-  
23 portunities for eligible neighborhoods and best prac-  
24 tices in coordinating Federal funding for purposes of  
25 this Act.

1 **SEC. 8. TRANSFORMATION PLAN AND SELECTION.**

2 (a) TRANSFORMATION PLAN.—An application for a  
3 grant under this Act shall be submitted in the form of  
4 a transformation plan that—

5 (1) demonstrates how the transformation plan  
6 will achieve the desired priority outcomes of trans-  
7 forming a distressed neighborhood of extreme pov-  
8 erty into a mixed-income neighborhood with high-  
9 quality, safe, affordable housing, economic opportu-  
10 nities, well-functioning services, public assets, access  
11 to jobs, public transportation, and effective edu-  
12 cation programs and public schools, including char-  
13 ter schools and other autonomous public schools;

14 (2) includes a long-term affordability plan that  
15 describes how the grantee will maintain affordable  
16 housing in the neighborhood over the succeeding 50  
17 years or longer, including affordability provisions re-  
18 lating to dwelling units provided using assistance  
19 under the grant under this Act, and an agreement  
20 by the applicant to update such plan every 5 years  
21 during such period;

22 (3) demonstrates how the required activities  
23 under section 6(b) will be carried out, with par-  
24 ticular focus on the housing transformation;

1           (4) describes the other eligible activities listed  
2           in section 6(c) that will occur in support of the  
3           housing transformation;

4           (5) defines desired outcomes of the strategy,  
5           identifies the population that will benefit, describes  
6           the challenges they face, and the evidence base that  
7           informs the proposed strategies that will result in  
8           the desired outcomes for the community and resi-  
9           dents; and

10          (6) includes such other information and shall be  
11          submitted at such time and in accordance with pro-  
12          cedures as the Secretary shall prescribe.

13          (b) SELECTION CRITERIA.—The Secretary shall es-  
14          tablish criteria for the award of grants under this Act,  
15          which shall include the extent to which the transformation  
16          plan—

17                (1) demonstrates the ability of the plan to fur-  
18                ther the purposes of this Act, as evidenced by,  
19                among other factors, a track record of effective part-  
20                nerships and community engagement;

21                (2) demonstrates inclusive local planning with  
22                input from local government, housing owners and  
23                providers, educators, residents, local community or-  
24                ganizations, public schools, early learning programs,  
25                health service organizations, and community stake-

1 holders in the development and implementation of a  
2 sustainable revitalization program;

3 (3) coordinates multiple funding resources, in-  
4 cluding public, private, and philanthropic funding,  
5 and emphasizes collaboration between the local gov-  
6 ernment, early learning programs, and public  
7 schools, or a public housing agency, or all three;

8 (4) submits current data showing that the  
9 neighborhood targeted for revitalization is in need of  
10 and can benefit from the authorized activities de-  
11 scribed in section 6 and proposed in the trans-  
12 formation plan;

13 (5) demonstrates that the neighborhood has, or  
14 will have, the potential for long-term viability;

15 (6) demonstrates the capability and record of  
16 the applicant and its partners for managing housing  
17 redevelopment or modernization projects and meet-  
18 ing performance benchmarks;

19 (7) demonstrates that sustainable building and  
20 energy efficient design principles are incorporated or  
21 will be incorporated in the activities;

22 (8) demonstrates that the neighborhood has, or  
23 will have within a reasonable time, public transpor-  
24 tation that provides effective access to economic op-  
25 portunities and commercial and public services;

1           (9) demonstrates that the residents of revital-  
2           ized housing developments have or will have access  
3           to high-quality educational opportunities, including  
4           early learning and effective K–12 public schools, in  
5           or outside of the neighborhood;

6           (10) demonstrates that the transformation plan  
7           includes the provision of appropriate supportive serv-  
8           ices and activities that promote economic self-suffi-  
9           ciency of residents, and a plan to sustain those serv-  
10          ices;

11          (11) demonstrates that the transformation plan  
12          provides support for residents displaced as a result  
13          of the revitalization of the project, including assist-  
14          ance in obtaining housing in areas with low con-  
15          centrations of poverty and minority populations;

16          (12) demonstrates that sufficient housing op-  
17          portunities are available in the neighborhood to be  
18          revitalized and in nonminority, low-poverty areas to  
19          accommodate displaced residents;

20          (13) has a well-documented assessment of the  
21          number of households with special needs for ongoing  
22          supportive services residing in the public or assisted  
23          properties that are the target of the grant and an  
24          effective plan to address those needs;

1           (14) demonstrates the ability to leverage funds  
2 from—

3           (A) other programs of the Department of  
4 Housing and Urban Development;

5           (B) other Federal, State, or local pro-  
6 grams; or

7           (C) the private sector, including donations  
8 of land or services;

9           (15) replaces the public and assisted housing  
10 units in accordance with section 9(2), if targeting a  
11 project that meets the definition of section 10(9)(B);

12           (16) demonstrates, if feasible, phased redevelop-  
13 ment that provides for demolition and construction  
14 of dwelling units in phases, to limit disruptions to  
15 residents;

16           (17) demonstrates how the applicant will use  
17 indicators of housing redevelopment, neighborhood  
18 quality, resident well-being, and other outcomes to  
19 measure success, manage program implementation,  
20 and engage stakeholders, consistent with require-  
21 ments established by the Secretary; and

22           (18) demonstrates compliance with any other  
23 factors and priorities, as the Secretary may pre-  
24 scribe through a notice of funding availability and  
25 that further the purposes of this Act.

1 **SEC. 9. PROGRAM REQUIREMENTS.**

2 The following requirements shall apply to any grant  
3 made under this Act:

4 (1) HOUSING CHOICE OPPORTUNITIES FOR RE-  
5 TURNING TENANTS.—An approved transformation  
6 plan under section 8 shall demonstrate that each  
7 former tenant who wishes to return to the on-site or  
8 off-site replacement housing may return if the ten-  
9 ant was lease-compliant at the time of departure  
10 from the housing subject to rehabilitation or demoli-  
11 tion, and would be eligible, as of the time of such  
12 return, for occupancy under the eligibility, screening,  
13 and occupancy standards, policies, or practices appli-  
14 cable to the housing from which the resident was  
15 displaced, as in effect at such time of displacement.  
16 A returning tenant shall be provided a preference for  
17 occupancy of on-site or off-site replacement units be-  
18 fore such units are made available to any other eligi-  
19 ble households, or the tenant may choose to retain  
20 tenant-based voucher assistance provided under sec-  
21 tion 8(o) of the United States Housing Act of 1937,  
22 for relocation from the properties revitalized under  
23 this Act.

24 (2) RELOCATION AND NOTICE.—All relocation  
25 activities resulting from, or that will result from,  
26 demolition, disposition, or both demolition and dis-

1 position, to be carried out under a transformation  
2 plan relating to a grant under this Act shall be sub-  
3 ject to the following requirements:

4 (A) THE UNIFORM RELOCATION ACT.—The  
5 Uniform Relocation and Real Property Acquisi-  
6 tion Policies Act of 1970 (42 U.S.C. 61) shall  
7 apply to all relocation activities pursuant to a  
8 transformation plan under this Act, except as  
9 otherwise provided in this Act.

10 (B) RELOCATION PLAN.—The applicant  
11 shall submit to the Secretary, before acquisition  
12 or demolition, a relocation plan providing for  
13 the relocation of residents occupying the public  
14 or assisted housing for which the demolition or  
15 disposition is proposed.

16 (3) NOTICE UPON APPROVAL OF APPLICA-  
17 TION.—Within a reasonable time after notice to the  
18 applicant of the approval of an application for a  
19 grant under this section, the applicant shall provide  
20 notice in writing, in plain and non-technical lan-  
21 guage, to the residents of the public and assisted  
22 housing subject to the approved transformation plan  
23 that—

24 (A) states that the application and trans-  
25 formation plan has been approved;

1 (B) describes the process involved to relo-  
2 cate the residents, including a statement that  
3 the residents may not be relocated until the  
4 conditions in this section have been met;

5 (C) provides information regarding reloca-  
6 tion options; and

7 (D) advises residents of the availability of  
8 relocation counseling.

9 (4) NOTICE BEFORE RELOCATION.—Except in  
10 the cases of a substantial and imminent threat to  
11 health or safety, not later than 90 days before the  
12 date on which residents will be relocated, the grantee  
13 shall provide notice in writing, in plain and nontech-  
14 nical language, to each family residing in a public or  
15 assisted housing project that is subject to an ap-  
16 proved transformation plan, and in accordance with  
17 such guidelines as the Secretary may issue governing  
18 such notification, of the demolition, their rights, and  
19 relocation options.

20 (5) ONE-FOR-ONE REPLACEMENT OF PUBLIC  
21 OR ASSISTED HOUSING UNITS.—Each trans-  
22 formation plan that provides for dwelling units to be  
23 demolished or disposed shall provide as follows:

24 (A) NUMBER OF UNITS.—For one hundred  
25 percent of all such dwelling units in existence,

1 as of the date of the application for the grant,  
2 that are to be demolished or disposed, the  
3 transformation plan shall provide for replace-  
4 ment of the dwelling unit.

5 (B) NUMBER OF BEDROOMS.—Replace-  
6 ment housing for demolished properties shall  
7 reflect the number of bedrooms that are needed  
8 to adequately serve returning tenants, house-  
9 holds currently on the waiting list and that are  
10 needed based on other market data, except that  
11 in instances where the tenants of the original  
12 properties need a different number of bedrooms  
13 than households on the waiting list, the plan  
14 may enable displaced tenants to exercise their  
15 opportunity under paragraph (1), using a ten-  
16 ant-based voucher in the original neighborhood  
17 or other neighborhood of the tenants' choice.

18 (C) LOCATION.—

19 (i) REPLACEMENT UNITS.—Replace-  
20 ment housing units shall be developed—

21 (I) in the neighborhood being re-  
22 vitalized; and

23 (II) within the metropolitan area,  
24 up to 25 miles from the original  
25 project site, as necessary to—

- 1 (aa) comply with fair hous-  
2 ing requirements;  
3 (bb) deconcentrate poverty;  
4 (cc) redevelop on site with  
5 appropriate densities; or  
6 (dd) meet other factors, as  
7 determined by the Secretary in  
8 order to further the purposes of  
9 this Act.

10 (ii) REPLACEMENT HOUSING OUTSIDE  
11 IMMEDIATE NEIGHBORHOOD.—Replace-  
12 ment housing outside the immediate neigh-  
13 borhood shall offer access to economic op-  
14 portunities and public transportation and  
15 shall be accessible to social, recreational,  
16 educational, commercial, health facilities  
17 and services, and other municipal services  
18 and facilities that are comparable, under  
19 such standards as the Secretary may pre-  
20 scribe.

21 (iii) OFF-SITE REPLACEMENT HOUS-  
22 ING.—Off-site replacement housing, out-  
23 side the immediate neighborhood, shall not  
24 be located in areas of minority concentra-  
25 tion, defined in relation to the metropolitan

1 area or rural county in which the Choice  
2 Neighborhoods project is located, or in  
3 areas of extreme poverty.

4 (D) TYPES OF UNITS.—Replacement hous-  
5 ing is public housing or other assisted housing  
6 units, as defined in section 10, excluding ten-  
7 ant-based vouchers, unless permitted in this  
8 section.

9 (E) USE OF PROJECT-BASED VOUCHERS  
10 FOR REPLACEMENT HOUSING.—The Secretary  
11 may require the use of project-based voucher  
12 assistance under section 8(o)(13) of the United  
13 States Housing Act of 1937 (42 U.S.C.  
14 1437f(o)(13)) to meet the replacement require-  
15 ment. Where project-based voucher units are  
16 developed as replacement housing, subpara-  
17 graph (D) of section 8(o)(13), relating to per-  
18 centage limitation and income-mixing require-  
19 ment for project-based voucher assistance, shall  
20 not apply. The Secretary may waive or modify  
21 other provisions of section 8(o)(13) to promote  
22 the purposes of this program.

23 (F) TENANT-BASED VOUCHERS AS RE-  
24 PLACEMENT HOUSING.—A grantee may replace  
25 up to 20 percent of the public housing or other

1 assisted housing dwelling units that are demol-  
2 ished or disposed of under the transformation  
3 plan with tenant-based vouchers in housing  
4 markets where there is an adequate supply of  
5 affordable rental housing in areas of low pov-  
6 erty. Such supply shall be demonstrated by data  
7 that shows within the housing market or area  
8 served by the Choice Neighborhoods project  
9 that—

10 (i) a minimum of 80 percent of vouch-  
11 ers issued over the preceding 24 months to  
12 comparable families were successfully  
13 leased within 120 days of issuance or, if a  
14 sufficient number of comparable families  
15 have not received vouchers, the Secretary  
16 shall design an alternative measure;

17 (ii) existing voucher holders are widely  
18 dispersed geographically, as determined by  
19 the Secretary, among the available private  
20 rental housing stock, including in areas of  
21 low poverty; and

22 (iii) the grantee provides a market  
23 analysis demonstrating that there is a rel-  
24 atively high vacancy rate, as determined by  
25 the Secretary, within the market area with

1           rent and utility costs not exceeding the ap-  
2           plicable payment standard under section  
3           8(o) of the United States Housing Act of  
4           1937 (42 U.S.C. 1437f(o)).

5           (6) FAIR HOUSING.—The demolition or dispo-  
6           sition, relocation, replacement, and re-occupancy of  
7           housing units under this Act shall be carried out in  
8           a manner that affirmatively furthers fair housing, as  
9           required by section 808 of the Civil Rights Act of  
10          1968 (42 U.S.C. 3608(e)). Grantees shall adopt af-  
11          firmative marketing procedures, and require affirma-  
12          tive marketing activities of project owners and man-  
13          agers which special outreach efforts shall be targeted  
14          to those who are least likely to apply for the hous-  
15          ing, to ensure that all persons, regardless of their  
16          race, color, national origin, religion, sex, disability or  
17          familial status are aware of the housing opportuni-  
18          ties in each project funded under this Act.

19          (7) ACCESSIBILITY REQUIREMENTS.—All new  
20          construction and substantial alterations of existing  
21          buildings receiving assistance under this Act shall  
22          comply with the requirements of the Rehabilitation  
23          Act of 1973, the Uniform Federal Accessibility  
24          Standards, the Fair Housing Act, and any other re-  
25          quirements, as determined by the Secretary.

1           (8) AFFORDABILITY REQUIREMENT.—The  
2 owner of a property assisted with funding under this  
3 Act shall agree to a period of affordability for the  
4 property which shall be not less than the period of  
5 affordability to which the property is already subject  
6 and remains subject, or 30 years, whichever is great-  
7 er.

8           (9) COST LIMITS.—Subject to the provisions of  
9 this Act, the Secretary shall establish cost limits on  
10 eligible activities under this Act sufficient to provide  
11 for effective transformation programs.

12           (10) ENVIRONMENTAL REVIEW.—For purposes  
13 of environmental review, assistance and projects  
14 under this Act shall be treated as assistance for spe-  
15 cial projects that are subject to section 305(c) of the  
16 Multifamily Housing Property Disposition Reform  
17 Act of 1994, and shall be subject to the regulations  
18 issued by the Secretary to implement such section.

19           (11) GRANTEE REPORTING.—The Secretary  
20 shall require grantees under this Act to report the  
21 sources and uses of all amounts expended and other  
22 information for transformation plans for the annual  
23 report of the Secretary to Congress or other pur-  
24 poses, as determined by the Secretary.

1 **SEC. 10. DEFINITIONS.**

2 For purposes of this Act, the following definitions  
3 shall apply:

4 (1) AFFORDABLE HOUSING.—The term “afford-  
5 able housing” includes—

6 (A) assisted housing, as defined by this  
7 Act; or

8 (B) private housing for which the Sec-  
9 retary requires the owner or purchaser of the  
10 project to maintain affordability for not fewer  
11 than 30 years, in accordance with use restric-  
12 tions promulgated in regulations by the Sec-  
13 retary, which restrictions shall be—

14 (i) contained in a legally enforceable  
15 document recorded in the appropriate  
16 records; and

17 (ii) consistent with the long-term via-  
18 bility of the project as rental or homeown-  
19 ership housing.

20 (2) ASSISTED HOUSING.—The term “assisted  
21 housing” means housing assisted under—

22 (A) section 8 or 9 of the United States  
23 Housing Act of 1937 (42 U.S.C. 1437f and 42  
24 U.S.C. 1437g); and

1 (B) section 221(d)(3) or section 236 (12  
2 U.S.C. 1715 and 12 U.S.C. 1715z-1) of the  
3 National Housing Act.

4 (3) CRITICAL COMMUNITY IMPROVEMENTS.—  
5 The term “critical community improvements”  
6 means—

7 (A) development or improvement of com-  
8 munity facilities to promote upward mobility,  
9 self-sufficiency, or improved quality of life for  
10 residents of the neighborhood, such as construc-  
11 tion or rehabilitation of parks and community  
12 gardens, environmental improvements or site  
13 remediation at affected sites; and

14 (B) activities to promote economic develop-  
15 ment, such as development or improvement of  
16 transit, retail, community financial institutions,  
17 public services, facilities, assets or other com-  
18 munity resources.

19 (4) EXTREME POVERTY.—The term “extreme  
20 poverty” neighborhoods means a neighborhood in  
21 which a high percentage of residents are estimated  
22 to be in poverty or have extremely low incomes,  
23 based on the most recent data collected by the Cen-  
24 sus Bureau and that is experiencing distress related  
25 to—

1 (A) per capita crime rates over 3 or more  
2 years that are significantly higher than the per  
3 capita crime rates of the city or county in which  
4 the neighborhood is located;

5 (B) high rates of vacant, abandoned, or  
6 substandard homes relative to the city or coun-  
7 ty as a whole;

8 (C) a low-performing public school;

9 (D) other such factor as determined by the  
10 Secretary that further the purposes of this Act;

11 or

12 (E) any combination of such factors.

13 (5) FAMILIES.—The term “families” has the  
14 meaning provided in section 3(B)(3) of the United  
15 States Housing Act of 1937 (42 U.S.C.  
16 1437a(B)(3)).

17 (6) LONG-TERM VIABILITY.—The term “long-  
18 term viability” refers to a neighborhood that is sus-  
19 tainable on an economic, educational, and environ-  
20 mental basis.

21 (7) PUBLIC HOUSING AGENCY.—The term  
22 “public housing agency” has the meaning provided  
23 in section 3(b)(6) of the United States Housing Act  
24 of 1937 (42 U.S.C. 1437a(b)(6)).

1           (8) SECRETARY.—The term “Secretary” means  
2 the Secretary of Housing and Urban Development.

3           (9) SEVERELY DISTRESSED HOUSING.—The  
4 term “severely distressed housing” means a public  
5 or assisted housing project (or building in a project)  
6 that—

7                   (A)(i) requires major redesign, reconstruc-  
8 tion, or redevelopment, or partial or total demo-  
9 lition, to correct serious deficiencies in the  
10 original design (including inappropriately high  
11 population density), deferred maintenance,  
12 physical deterioration or obsolescence of major  
13 systems, and other deficiencies in the physical  
14 plant of the project; and

15                   (ii) is a significant contributing factor to  
16 the physical decline of and disinvestment by  
17 public and private entities in the surrounding  
18 neighborhood; or

19                   (B) was a project described in subpara-  
20 graph (A) that has been legally vacated or de-  
21 molished, but for which the Secretary has not  
22 yet provided replacement housing assistance  
23 other than tenant-based assistance.

24           (10) SUPPORTIVE SERVICES.—The term “sup-  
25 portive services” includes all activities for public or

1       assisted housing tenants displaced from the projects  
2       being revitalized under this Act, that will promote  
3       upward mobility, self-sufficiency, or improved quality  
4       of life, including such activities as literacy training,  
5       remedial and continuing education, job training, fi-  
6       nancial literacy instruction, day care, youth services,  
7       aging-in-place, public transportation, physical and  
8       mental health services, economic development activi-  
9       ties, and other programs for which the community  
10      demonstrates need.

11 **SEC. 11. DEMOLITION AND DISPOSITION.**

12       The demolition or disposition of severely distressed  
13 public and assisted housing pursuant to a transformation  
14 plan is exempt from the provisions of section 18 of the  
15 United States Housing Act of 1937 (42 U.S.C. 1437p).

16 **SEC. 12. ADMINISTRATION BY OTHER ENTITIES.**

17       The Secretary may require a grantee under this Act  
18 to make arrangements satisfactory to the Secretary for  
19 use of an entity other than the original grantee to carry  
20 out activities assisted under the transformation plan, if  
21 the Secretary determines that such action will help to ef-  
22 fectuate the purposes of this Act.

23 **SEC. 13. WITHDRAWAL OF FUNDING.**

24       If a grantee under this Act does not proceed within  
25 a reasonable time frame in implementing its trans-

1 formation plan, or does not otherwise comply with the re-  
2 quirements of this Act or the grant agreement, as deter-  
3 mined by the Secretary, the Secretary is authorized to  
4 withdraw any grant amounts under this Act that have not  
5 been obligated by the grantee. The Secretary may redis-  
6 tribute any withdrawn amounts to one or more other eligi-  
7 ble entities capable of proceeding expeditiously in the same  
8 locality in carrying out the transformation plan of the  
9 original grantee, or as such plan may be modified and ap-  
10 proved by the Secretary, or, if that is not feasible, to one  
11 or more other applicants that has already received assist-  
12 ance under this Act.

13 **SEC. 14. ANNUAL REPORT.**

14 The Secretary shall submit to Congress an annual re-  
15 port setting forth—

16 (1) the number, type, and cost of affordable  
17 housing units revitalized pursuant to this Act;

18 (2) the amount and type of financial assistance  
19 provided under and in conjunction with this Act, in-  
20 cluding a specification of the amount and type of as-  
21 sistance provided for educational opportunities, serv-  
22 ices, public assets, public transportation, and access  
23 to jobs; and

24 (3) the impact of grants made under this Act  
25 on the original residents, the target neighborhoods,

1 and the larger communities within which they are lo-  
2 cated.

3 **SEC. 15. PROGRAM EVALUATION.**

4 The Secretary shall conduct, and shall submit a re-  
5 port to Congress on, an evaluation of the Choice Neighbor-  
6 hoods program, with respect to which—

7 (1) the Secretary shall—

8 (A) select an outside expert firm to con-  
9 duct the evaluation of the Choice Neighbor-  
10 hoods program; and

11 (B) consult with the Secretary of Labor,  
12 the Secretary of Education, the Secretary of  
13 Transportation, the Secretary of Health and  
14 Human Services, the Administrator of the En-  
15 vironmental Protection Agency, and other ap-  
16 propriate agencies on the evaluation of the pro-  
17 gram and selection of the evaluation firm;

18 (2) the Secretary shall submit to Congress a re-  
19 port of the results of the evaluation 5 years after the  
20 initial grant awards, and annually thereafter; and

21 (3) the factors to be considered within the eval-  
22 uation include measures of—

23 (A) resident engagement within and after  
24 the transformation process;

1 (B) neighborhood improvement, including  
2 changes in property values, demographic  
3 changes, access to transportation, and survey  
4 data on resident satisfaction;

5 (C) self-sufficiency, including changes in  
6 resident and neighborhood income, and changes  
7 in neighborhood and resident employment sta-  
8 tistics;

9 (D) educational improvement, including  
10 student performance data, student mobility and  
11 absenteeism, and parental involvement; and

12 (E) other indicators deemed appropriate by  
13 the Secretary.

14 **SEC. 16. FUNDING.**

15 There are authorized to be appropriated the fol-  
16 lowing:

17 (1) \$350,000,000 for fiscal year 2013, and such  
18 sums as may be necessary in each of fiscal years  
19 2014 through 2017, for grants under this Act. Of  
20 the funding authorized in any fiscal year, up to 10  
21 percent is authorized for planning grants. In award-  
22 ing planning grants, the Secretary may elect to base  
23 selection on a subset of the required provisions of  
24 this Act. In any fiscal year, up to 5 percent is au-  
25 thorized for technical assistance and program eval-

1 uation efforts related to grants awarded under this  
2 Act, or under predecessor programs.

3 (2) Such sums as may be necessary for each of  
4 fiscal years 2013 through 2017, for providing ten-  
5 ant-based assistance for relocation and for rental as-  
6 sistance under section 8 of the United States Hous-  
7 ing Act of 1937, for the purposes of complying with  
8 section 9(2) of this Act, but not to exceed the  
9 amount of assistance for the number of units demol-  
10 ished or disposed of under section 9(2).

11 (3) Not less than  $\frac{2}{3}$  of amounts made available  
12 in any fiscal year under this Act shall be used for,  
13 or  $\frac{2}{3}$  of the number of housing units assisted under  
14 this Act shall be, public housing units, subject to de  
15 minimis variations, as may result from the grantee  
16 selection process.

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