

**HUD:**

# **Back In Business**

**Fiscal Year 2001**

**Budget Summary**

**"The rumors of my death have been greatly exaggerated."**

-Mark Twain

“...The many dedicated public servants that keep HUD working for the country truly deserve our thanks. I am pleased that our nation’s citizens are reaping the benefits of the hard work and dedication that HUD consistently demonstrates. ”

-Minority Leader Thomas A. Daschle,  
U.S. Senate

“...HUD is more ready than ever to lead American communities into the new millennium.”

-Minority Leader Richard A. Gephardt,  
U.S. House of Representatives

“There should be no doubt: HUD’s existence is no longer in jeopardy. The Federal role in bolstering housing and community development activities is critical for expanding civil society in America today.”

-Chairman James A. Leach, House Committee on  
Banking and Financial Services

“HUD is taking major steps toward securing cities’ future and economic health for generations to come.”

-Chairman James T. Walsh, House Appropriations  
Subcommittee on VA, HUD, and Independent  
Agencies



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## MESSAGE FROM THE SECRETARY

Three years ago, when I was appointed by President Clinton to serve as HUD Secretary, I laid out two goals for HUD: first, restore competence at HUD, and, second, close the opportunity gap for people and places left behind in this new economy. Our aim was clear: reform HUD so that we could address the needs of those still in the shadows of economic prosperity.

Since then, we have made extraordinary progress. Our management reforms have succeeded in transforming HUD into an agency that puts communities first. Fighting fraud, waste, and abuse, our Public Trust Officers are cracking down on those who misuse taxpayer dollars. Renewing our commitment to first-class customer service, our Community Builders are connecting people to the full range of HUD resources. As a result, HUD today is back in business—back in the housing business, in the economic development business, and in the community empowerment business.

It has taken hard work on the part of thousands of HUD employees, strong leadership from President Clinton and Vice President Al Gore, cooperation from Congress, and support from our business partners and customers to reach this point. The work has paid off: last year, the agency received the first “clean audit” in its history.

HUD’s FY2001 budget reflects this progress. Building on the solid foundation we have put in place over the past three years, the budget includes increases in every core program, for an overall total of \$32.1 billion—\$6 billion more than last year’s landmark budget. And it does more than add funds to programs: it’s a budget that contains innovative, smart, and creative proposals for addressing the new challenges of the 21st century.

The past year was a banner year for HUD. President Clinton kicked off his New Markets Initiative with historic visits to the Pine Ridge Indian Reservation, East St. Louis, Los Angeles, the Mississippi Delta, Central Appalachia, and other inner-city and rural communities. The message? These are the emerging markets of the new century. They are the places that will provide the consumer and labor markets needed to fuel economic growth in the future.

But we must work with these communities to help them take on these new challenges and fully realize their potential. A cornerstone of the New Markets Initiative is a new investment vehicle for business investment in underserved markets—the American Private Investment Companies (APIC). This venture builds on the success of our Empowerment Zones and Enterprise Communities initiative, chaired by Vice President Gore. Last year, Congress approved initial funding for APIC. This year we are requesting additional funds that will leverage another \$1.5 billion in investment capital from Wall Street for low- and moderate-income areas.

We have also broken the gridlock on affordable housing. After a four-year break, Congress approved new housing vouchers in each of the past 2 years. This year’s budget builds on this progress, with important advances for affordable and special needs housing, including 120,000 new Section 8 vouchers to help meet the “worst case” housing needs of struggling families. We are also seeking increased funding to continue the transformation of public housing. And increased funding for Fair Housing will help ensure that all Americans have access to decent and affordable housing.

The budget also proposes to expand the successful Continuum of Care program for homeless assistance and prevention—a winner this year of the prestigious Innovations in Government Award from Harvard University and the Ford Foundation. The recent census of homelessness in America showed that we are on the right track with the Continuum—but with 600,000 Americans still homeless each night, there is still much more to do.

In the past year we launched a major commitment to address one of the key challenges facing us in the new millennium—the graying of America. Our budget requests increased funding for HUD’s new Housing Security Plan for Older Americans—helping seniors stay in their own homes as long as possible, increasing funding for the successful Section 202 elderly housing, converting existing elderly housing to assisted living facilities, and more.

We have seen historic, across-the-board gains on the homeownership front—more American families own their homes today than at any time in our history. With higher loan limits and through internal reforms, a revitalized FHA is now on the leading edge of the homeownership boom, serving minorities, first-time home buyers, and cities in unprecedented numbers. This year’s budget request positions the FHA to do even more. And we are investing more than ever in our Native American programs to boost homeownership in Indian Country.

This year we are also proposing to tap the capacity—and the commitment to social justice—of the faith-based community. Through our Center for Nonprofit and Interfaith Partnerships, a new \$20-million initiative that will expand access of faith-based organizations to HUD programs and help build new public-private partnerships at the local level.

Finally, we are more committed than ever to building safe, secure communities. The dramatic reduction in violent crime has been one of the great success stories of this past decade. Our budget contains several initiatives to further reduce the scourge of gun and other types of violence, both in public housing and elsewhere. Without safety there can be no prosperity.

Overall, this new budget affirms our progress. These initiatives will allow America’s communities to make the most of this unique moment in our Nation’s history. Together, they will put this record prosperity to work for everyone, everywhere.

This budget gives those people and places left behind a unique opportunity to share in this Nation’s overall success. Not with bigger government, but with smarter government. Not just with additional resources, but by more effective use of the resources we have. Not by top-down mandates, but through menus of opportunity. And not by displacing private markets, but by clearing the way for them to invest.

HUD today is leaner, smarter, more effective than ever. The Nation is prospering economically and at peace in the world. Our cities and rural areas, once lagging behind, are doing better than they have in a decade. This budget says one thing: let’s build on this extraordinary success. Let’s not stop here. Let’s bring this prosperity to every corner of America. I look forward to working with Congress—just as we did last year—to make this vision a reality, not just for HUD, but for all Americans.

Andrew Cuomo

# **HUD: BACK IN BUSINESS**

## **Fiscal Year 2001 Budget Summary**

### **I. BACK IN BUSINESS: BUILDING ON HUD'S SUCCESS**

“To keep our historic economic expansion going, we need a 21st-Century revolution to open new markets, start new businesses, and hire new workers right here in America—in our inner cities, poor rural areas, and on Indian reservations.”

– President Clinton’s State of the Union Address, January 27, 2000

This year, the Administration has proposed the **strongest HUD budget in over 20 years**. It calls for increases in every program area. And this historic budget proposal signifies the confidence that HUD—through Management Reform—has earned in its ability to create and run programs that are fully responsive to the needs of our clients and reflect the standards of quality that the American public requires and deserves.

There was a time, not so long ago, when many were calling for the elimination of the Department of Housing and Urban Development—when investment in new housing ceased and HUD budgets showed decreases, not increases. The 2001 Budget reflects HUD’s successful implementation of several years of comprehensive reform efforts, which have restored the effectiveness and financial integrity of our programs. Recognizing the success of these reforms, Congress and the Administration began providing significant increases in key HUD programs over the past 2 years.

The President is proposing a total Budget of \$32.1 billion for HUD programs, which includes a \$6-billion increase over the levels enacted by Congress for FY2000, and which includes renewal of all expiring Section 8 rental assistance, **and increases in all core programs**. As the following list shows, we are continuing to invest increased resources in FY2001 in those programs:

- **120,000 New Incremental Housing Vouchers**, at a value of \$690 million, to address the continually growing need for affordable housing (see page 24);
- **The Public Housing Capital Fund**, at \$2.955 billion, to sustain existing housing resources (see page 26);
- **The Continuum of Care Homeless Assistance Grant program**, at \$1.2 billion, to fund community-designed solutions for helping our Nation's 600,000 homeless individuals (see page 35);
- **The Community Development Block Grant (CDBG)**, at \$4.9 billion, to help communities remain competitive and to create economic opportunity (page 9);
- **Elderly Housing Production**, at \$779 million, to create housing tailored to the unique needs of seniors (see page 38);
- **Promoting and Enforcing Fair Housing**, at \$50 million, to ensure that all Americans have an equal opportunity to live anywhere in our Nation they choose (page 43);
- **America's Private Investment Companies (APIC)**, at \$37 million, to stimulate \$1.5 billion in private debt and equity investment in low- and moderate-income areas (page 8); and
- **Economic Development Initiative (EDI) / Community Empowerment Fund (CEF)**, at \$100 million, to create jobs and promote economic development in distressed areas (see page 12).

Within our core programs, HUD is providing tools to accelerate solutions for specific problems communities face:

- **\$66-million Housing Production Plan**, including 10,000 new Housing Production Vouchers, which will stimulate new housing production for the low-income renters who need it most (please see page 20).
- **\$30-million Community Gun Safety and Violence Reduction Initiative**, which will help communities reduce violence and pave the way for economic development (please see page 48).
- **\$20-million Community and Interfaith Partnerships Initiative**, which will help community groups to supply affordable housing, create economic opportunity, promote the goal of fair housing, and increase the effectiveness of voucher programs (please see page 47).

**The 2001 Budget proposal is not only an indication that HUD has shown it deserves a second chance. HUD has shown that, when given increased resources, we will build on our strengths and our successes, carrying out our mission effectively and efficiently.** Thus, the 2001 budget builds on both management reform and programmatic success.

The core mission of the Department of Housing and Urban Development is to promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. The 2001 budget will provide HUD with the tools it needs to continue to fulfill these goals, by:

- *Building on Success in Economic Revitalization*: Promoting economic revitalization for communities and economic self-sufficiency for individuals.
- *Building on Success in Increasing Affordable Housing*: Increasing the quality, availability and affordability of housing.
- *Building on Success in Promoting and Enforcing Fair Housing*: Ensuring that no one in America is prevented, based on race or other illegal factors, from living wherever they choose.

- *Building on Success in Promoting Livable and Safe Communities:* Increasing the livability and quality of life in regions throughout the country, and increasing safety and security in our neighborhoods, thus paving the way for economic redevelopment.

**TABLE 1**  
**SUMMARY OF FY2001 BUDGET INCREASES**  
(Budget Authority in Millions)

	2000	2001	Increase
<b>Increases for FY2001:</b>			
Housing Certificate Fund	\$11,481	\$14,128	\$2,647
Contract Renewals (net)	[10,640]	[13,010]	[2,370]
Incremental Vouchers (120,000)-	[...]	[690]	[690]
Tenant Protection	[196]	[266]	[70]
Contract Administrators	[194]	[209]	[15]
Housing Production Program	...	[66]	[66]
Voucher Success Fund	...	[50]	[50]
Drug Elimination Grants	310	345	35
Community Gun Safety and Violence Reduction	...	[30]	[30]
HOPE VI Revitalization of Severely Distressed Public Housing	575	625	50
Indian Housing Block Grants	620	650	30
Indian Homeownerships Intermediary	...	[5]	[5]
Public Housing Capital Fund	2,869	2,955	86
Moving to Work Demonstration	[5]	[7]	[2]
Public Housing Operating Fund	3,138	3,192	54
Community Development Block Grant	4,781	4,900	119
Entitlement/Non-Entitlement Formula Funding	[4,236]	[4,486]	[250]
Indian Community Block Grant	[67]	[69]	[2]

**TABLE 1 (continued)**  
**SUMMARY OF FY2001 BUDGET INCREASES**  
 (Budget Authority in Millions)

	2000	2001	Increase
Tribal Colleges and Universities	[...]	[5]	[5]
Section 107 Grants/University Programs	[42]	[69]	[27]
Self-Help Homeownership/Habitat for Humanity	[24]	[25]	[1]
Youthbuild	[43]	[75]	[32]
Community Empowerment Fund (CEF/EDI)	[24]	[100]	[76]
Capacity Building	[20]	[24]	[4]
Faith-Based Initiative	...	[20]	[20]
Mississippi Delta	...	[22]	[22]
Brownfields	25	50	25
Regional Connections	...	25	25
Urban Empowerment Zones**	55	150	95
America's Private Investment Companies (APIC)	20	37	17
APIC Commitment Level	[541]	[1,000]	[459]
HOME Investment Partnership (Grants)	1,600	1,650	50
Housing Counseling	[15]	[24]	[9]
Housing Opportunities for Persons with AIDS	232	260	28
Homeless Assistance Grants (Continuum of Care)	1,020	1,200	180
Homeless 18k Vouchers	NA	NA	NA
Rural Housing and Economic Development	25	27	2
Research and Technology	45	62	17
Fair Housing	44	50	6
Lead Hazard Reduction Program	80	120	40
Mortgage Insurance Limitation	[140,000]	[160,000]	[20,000]
GI/SRI Credit Subsidy	...	[101]	[101]
Federal Housing Administration	802	947	145
Special Populations	911	989	78
Elderly	[710]	[779]	[69]
Disabled	[201]	[210]	[9]
Assisted Living Production	...	[50]	[50]
Salaries and Expenses	547	643	96

\* Includes 60,000 Incremental Vouchers, 32,000 Welfare to Work Vouchers and 10,000 Housing Production Program Vouchers under the Housing Certificate Fund. Also, 18,000 vouchers are funded under Homeless Assistance Grants in FY2001 and are renewed in the Housing Certificate Fund in the out years.

\*\* Funded as mandatory for FY2001.

## II. BUILDING ON SUCCESS IN ECONOMIC REVITALIZATION

The current economic expansion—the longest our Nation has ever known—has created a series of unprecedented economic milestones: the lowest peacetime unemployment and inflation rates in decades; the fastest and longest real wage growth in 20 years; and an **all-time high homeownership rate**, which reflects both economic strength and consumer confidence.

Yet, at the same time, statistics show that the members of our society with the lowest incomes have actually grown poorer over the same time period. Though most cities are doing well, one in six still has unacceptably high levels of unemployment; in “graying” suburbs, crime, poverty, and homelessness have become more prevalent; and in some parts of rural America, areas persist that are virtually untouched by the economic boom.

The FY2001 budget builds on HUD’s successful track record of promoting business investment and job creation in underserved communities. Over the past 7 years, HUD has retooled its job creation and business investment programs, creating hundreds of thousands of jobs in both urban and rural communities across the United States. HUD today manages the largest Federal economic development portfolio in underserved markets.

The role of Community Development Block Grants—always an important resource for communities to promote economic development—has been dramatically expanded. Beginning in 1994, HUD increased the use of the guaranteed loan portion of the CDBG program, committing some \$3.9 billion in loans and \$470 million in grants and creating an estimated 300,000 jobs.

Over the past 5 years, HUD has helped create Empowerment Zones and Enterprise Communities (EZ/ECs) in more than 75 urban communities. In almost all of these places, the EZ/ECs have achieved success in leveraging private dollars and expanding job creation. We estimate that more than 40,000 people have been placed in jobs as a result of EZ/EC programs, some \$10 billion

in public and private sector investments have been committed, and more than 30,000 businesses have received assistance.

And last year, Congress approved funding for the American Private Investment Companies (APIC) initiative—a key component of President Clinton’s New Markets Initiative—that will generate billions of dollars in venture capital in cities and rural communities. This year’s budget proposal builds on this success. In 2001, the Administration proposes to build on HUD’s expertise in revitalizing low-income communities and work to extend the national prosperity to people and places still left behind.

### ***A. Investing in New Markets***

There is enormous untapped economic potential in America’s low-income communities, both urban and rural. Alongside the underappreciated business advantages of these communities—such as significant spending power; an available and trainable labor pool; location advantages; and underutilized, developable land and buildings—there are barriers to business development. Among the most important are the “capital gap”—the lack of access to capital and technical expertise necessary to stimulate economic activity—and an “information gap” about these markets. Helping to close these gaps is the hallmark of HUD’s work to revitalize distressed areas, as part of President Clinton’s New Markets Initiative. Two exciting programs—America’s Private Investment Corporations (see page 8) and New Markets Universities (see page 16)—bring HUD’s unique strengths to bear in the work of revitalizing low-income communities. HUD programs address revitalization in three ways: through core economic development programs, which have a proven track record of success; by using financial tools and mechanisms to expand the private capital that leverages HUD’s investments; and by increasing the capacity of community-based organizations to play a stronger role in housing and community development.

**America’s Private Investment Companies (APIC).** The APIC program will

provide a powerful way for the Government to promote private equity capital investment in low- to moderate-income areas. These areas represent significant untapped market potential, but most businesses are hesitant to enter these markets, which are not yet participating fully in the economic prosperity being enjoyed by the rest of the country. Each “APIC”—America’s Private Investment Company—will be a HUD-licensed investment pool with a proven management team, credible investment strategy, and a plan to use business investment to create jobs in low- and moderate-income areas. HUD is proposing to offer \$37 million in credit subsidy in FY2001 to encourage private investment in these areas. The \$37 million would leverage \$1.5 billion in private debt and equity investment in underserved markets. This compares with \$20 million in credit subsidy (which could leverage \$800 million in private debt and equity investment) appropriated for FY2000. The program, which must be authorized by June 2000 to use the \$20-million subsidy, reflects legislation already submitted.

**Urban Empowerment Zones (EZs).** Empowerment Zones combine Federal tax incentives with direct funding for physical improvements and social services in highly distressed areas. The program requires unparalleled levels of private sector involvement and investment: it brings all stakeholders in a community—residents, nonprofits, businesses, and government—to the table to develop a locally fashioned and locally controlled comprehensive revitalization strategy.

Fifteen new EZs were selected in the program’s Round II in 1998. Full funding of the program would have required an appropriation of \$150 million per year for 10 years; however, Congress provided only \$45 million in FY1999 and \$55 million in FY2000, respectively—in effect, the equivalent of spreading 1 year’s funding over the first 2 years. This year, the Administration is again requesting that \$150 million be appropriated to fully fund each of the 15 EZs, that this be considered the *second* of 10 years of funding, and that the funds be appropriated on the mandatory side of the Budget under Title XX.

The Administration is also proposing a new Round III of Empowerment Zones, in which 10 new urban EZs would be designated and would remain in effect

through 2009. Included in the package, estimated at about \$4 billion over 10 years, are significant extensions of the tax credits granted to existing and future EZs. The President has proposed extending the wage tax credit to all Round II designees, which were not originally eligible for this very valuable credit, and extending its use for Round I designees to 2009; increasing the value of the small business expensing credit for all Round I and Round II designees; and extending both tax credits to the new Round III designees.

**Community Development Block Grants.** The mainstay of HUD's responsibility to help communities remain competitive and to create economic opportunity, especially jobs, is the Community Development Block Grant (CDBG) program. The CDBG program is HUD's most flexible tool for assisting cities, towns, and States in meeting local housing and community and economic development priorities and objectives. With its multi-faceted eligible uses, the block grant program is routinely used to rehabilitate housing, improve infrastructure, provide job training, finance revolving loan funds, and finance other community-determined projects.

This year, the Department is engaging in discussions with counties and States regarding changes and enhancements to the threshold for becoming an "entitlement community" (a community that is entitled, by its size, to a predictable share of CDBG funds) with the creation of "Optional Entitlement Cities and Communities." These are communities that are a little too small to be entitled to their own share of CDBG funding under the current rules and that must, instead, compete for part of the 30 percent of CDBG funds that go directly to States.

In FY2001, the Budget requests \$4.9 billion for the CDBG program, a \$119-million increase above the FY2000 enacted level and a \$195-million increase over the past 3 years. However, the real increase for this program is even larger than the totals imply. As Table 1 indicates, *the amount of funds that will be devoted to the formula distribution—those funds that go directly to communities, States, and urban counties for the uses they designate themselves—will actually increase by \$250 million over the amounts included in the FY2000 Budget.*

The increase will allow local entitlement communities to better meet existing demands, through both the continuation of existing projects and the initiation of new projects. These include support for public housing, neighborhood improvement strategies, welfare-to-work initiatives, Brownfields development, and job creation. The boost will help launch the CDBG program on its second 25 years in a way that will allow the program to match results with possibilities.

Formula funds increase for two reasons:

- All of the proposed increase over FY2000 enacted levels is designated for the formula allocation.
- The 2001 Budget proposes fewer “set-asides” of funds within the total amounts appropriated for specific programs. In particular, the Budget does not propose any earmarks, in contrast with the more than \$230 million in earmarked grants added within the Economic Development Initiatives (EDI) program in FY2000.

Some set-aside programs remain in the CDBG budget. These are all for programs that have strong programmatic bases, national benefits, and performance measures that will ensure that the goals are reached in the most cost-effective manner possible. Table 2 shows a summary of CDBG funds, including formula funding and set-asides. Please note that CDBG-funded programs are discussed throughout this book.

**TABLE 2  
COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG)**

	2000	2001	Change

<b>TOTAL APPROPRIATION</b>	<b>\$4,781</b>	<b>\$4,900</b>	<b>\$119</b>
<b>Net Formula Funding</b>	<b>4,236</b>	<b>4,486</b>	<b>250</b>
Set-Asides:			
Native American Tribes	67	69	2
Economic Development Initiative (EDI): Community Empowerment Fund (CEF)	24	100	76
Economic Development Initiative (EDI): Special Purpose Grants	232	0	(232)
National Community Development Initiative	20	24	4
Mississippi Delta	0	22	22
Youthbuild	43	75	32
Section 107 Grants (Incl. University Programs)	42	69	27
Habitat for Humanity/Self Help Homeownership	24	25	1
Community and Interfaith Partnerships Initiative	0	20	20
Neighborhood Initiatives Demonstration	30	0	(30)
Supportive Services Grants <u>a/</u>	55	0	(55)
Other small programs and one-time appropriations	9	10	1
<b>Total Set-Asides</b>	<b>546</b>	<b>414</b>	<b>(132)</b>

a/ This program is requested in FY2001 within the Public Housing Capital Fund.

**Section 108 Loan Guarantees.** The CDBG program will support an additional \$1.2 billion in new Section 108 Loan Guarantees, administered under the Community Development Act. Between 1994 and 1999, using CDBG funds and other resources as collateral, and leveraging Federal loan guarantees with other sources of funds, both private and public, this program will have created over 338,000 new jobs in distressed areas through loan guarantee commitments of over \$3 billion. The Section 108 Loan Guarantee program works in tandem with the Economic Development Initiative (page 12) and the Brownfields program (page 46) to significantly multiply the effect of these grants. In FY2001, HUD is requesting \$30 million in credit subsidy and administrative costs to implement these 100 percent guaranteed loans.

**Native American Community Block Grants.** The Native American CDBG program targets vital, flexible aid to Indian Country to generate commercial activity, housing, and job opportunities. We are requesting \$69 million in 2001, a \$2-million increase over enacted levels for 1999 and 2000. The additional \$2 million is to establish a new Native American Economic Development Access Center, to encourage and assist business development in Indian Country. The Center will provide, through a toll-free hot line, information and technical assistance concerning economic development assistance. The assistance will be provided through databases of Federal, State, and private programs available for economic development in Indian Country. It will also provide information on the inventory of credit enhancements available to the financial community for lending and investing in Indian Country and an inventory of private market incentives for companies doing business in Indian Country.

**Economic Development Initiative (EDI)/Community Empowerment Fund (CEF).** This year, HUD is requesting \$100 million in EDI/CEF grant funds, which will be used to create jobs and promote economic development in distressed areas. The EDI/CEF grant program, the effect of which is multiplied many times by funds from the Section 108 loan guarantee program (see page 11, above), provides significant capital for funding economic development projects. Vehicles include creating business loan funds, building inner-city shopping centers, preserving industrial facilities, expanding and modernizing businesses, and undertaking major job creation/welfare-to-work initiatives. The \$100 million in grant funds is expected to leverage \$500 million in Section 108 guaranteed loan funds.

The CEF Trust, which will become operational in early 2000, will encourage communities to use Section 108 loans by:

- Standardizing underwriting to make it easier for local governments and more predictable for business;

- Finding a simple and efficient way for local governments to meet credit reform guidelines;
- Enabling communities with limited resources and experience to pick sound investments;
- Reducing servicing and other loan management burdens; and, most importantly,
- Using pooling techniques to reduce the risk that communities might have to use future CDBG funds to cover losses from loan defaults.

The CEF Trust will also lay the foundation for a true secondary market in economic development loans.

**EDI/Special Purpose Grants.** Last year, the EDI program included \$232 million in one-time Congressional special purpose grants. HUD is not requesting that such grants be included in its FY2001 budget.

**National Community Development Initiative (NCDI).** HUD will participate in the fourth phase of the NCDI, to be funded at \$24 million. This highly successful public/private partnership, in which \$38 million of HUD funding since 1994 has been leveraged several times over by private funding, will help build the capacities of community-based development organizations (including Community Development Corporations, or CDCs), allowing them to act as engines of economic growth in low-income areas. An independent evaluation by the Urban Institute of the program's first three phases indicates that the NCDI has had a major impact on the structure and growth of CDCs in 23 of the Nation's poorest communities. The program has, in turn, led to the development of many thousands of new units of low-income housing. Although the CDCs have targeted resources to housing development in the past, this phase of the program will expand their efforts into investments in economic development and workforce development, child care, and community safety.

**Rural Housing and Economic Development.** Last July, the President visited the Pine Ridge Reservation, the poorest census tract in the Nation, to highlight the poverty present in too much of rural America. Rural towns and communities face significant social and economic challenges; poverty rates in non-metropolitan areas have remained constant, compared with the decreasing poverty rates in cities, and the more limited capacity of infrastructure has prevented the growth of industry and jobs in rural areas. And there is a great need for affordable housing.

HUD's response to this acute need has been built year by year. In 1998, a special set-aside in the CDBG program was established to fund innovative strategies for rural housing and economic growth. In 1999, a separate program was established for this purpose, and in 2000, the Department continued awarding grants to housing finance agencies, local rural nonprofit organizations, State Community Development organizations, Native American tribes, and Community Development Corporations in rural areas throughout the country.

The 2001 Budget requests \$27 million for this program, an increase of \$2 million over the 1999 and 2000 enacted levels of \$25 million. HUD will continue to work closely with other Federal Departments including Agriculture, Commerce, and the Appalachian Regional Commission, to design more effective responses to the housing and economic development needs of our Nation's rural communities.

**Mississippi Delta Initiative.** New authorizing legislation will be submitted in support of the President's Mississippi Delta Economic Development initiative, with proposed HUD funding at \$22 million. The Delta Initiative is a government-wide effort to jump start the economy of a significant region of the country that has been left behind by the economic boom of the past decade. HUD will work in partnership with other Federal agencies to capitalize on our special expertise in housing and economic development to help revitalize the region's economy.

## ***B. Enabling Self-Sufficiency***

Although most HUD programs address economic revitalization for communities on a larger level, some programs focus on individuals' need to become ready to participate in the economic mainstream. HUD's Continuum of Care program, for example, provides a comprehensive series of supports and housing to enable people who are homeless to move to self-sufficiency (please see page 35 for a full discussion of this program). Providing stable, affordable housing, a core HUD activity, is another "must" for enabling very-low-income families to become and remain self-sufficient (please see section III). What follow are several HUD initiatives, however, that are geared toward increasing individual self-sufficiency.

**Welfare-to-Work Vouchers.** Of the 120,000 incremental vouchers the President is proposing, \$183 million for 32,000 vouchers will be targeted to individuals who are moving from welfare to permanent employment. In today's economy, about two-thirds of new jobs are being created in the suburbs, while many low-income families live in urban areas. These new vouchers would help people transitioning from welfare to secure stable housing near job opportunities, a critical component of sustaining the ability to work.

**Youthbuild.** Youthbuild helps young people get training in the building trades, in addition to attaining general equivalency high school diplomas and receiving social services. This program serves the most difficult-to-serve populations: undereducated, adjudicated, and unemployed youth below the age of 25. Youthbuild addresses crime, poverty, drug addiction, alcoholism, and broken homes through a combination of classroom study and on-the-job training in construction-related fields in the participants' own communities. The 2001 Budget would increase the funding for this program from \$43 million in 2000 to \$75 million. Based on historical experience, the request of \$75 million for the Youthbuild program will mean that over 5,100 youths will receive training. The average wage earned by the trainees is \$7.50 an hour, and an impressive 84 percent of the graduates obtain full-time jobs or enter school full time.

**Communities In Schools.** The President is recommending that the Communities In Schools program be continued at the same \$5-million level enacted in 2000. Communities In Schools is an organization that provides comprehensive services to at-risk children and their families. The purpose of this program is to enter into public/private partnerships at the local level to prevent students from dropping out of school, while involving youth in local community building, job training, and neighborhood revitalization projects. Students involved in Communities In Schools programs, who had dropped out or were at risk of dropping out of school, now maintain a stay-in-school rate of 94 percent. HUD is working with Communities In Schools in underserved communities to create new stay-in-school programs, providing these services to 1 million children by 2001. Communities In Schools is also working in partnership with HUD to help bridge the digital divide in underserved communities, taking advantage of learning centers at public housing sites and Neighborhood Network sites.

**University Programs.** Through this collection of programs, funded under **Section 107** grants, HUD provides funding to colleges and universities to carry out community and economic development activity. The Section 107 budget is proposed at \$69 million in 2001, an increase of \$27 million over the 2000 enacted level. This program includes grant funds for the following existing programs: **Historically Black Colleges and Universities, Hispanic Serving Institutions, Alaskan and Hawaiian Serving Institutions, Community Development Work Study, and Community Outreach Partnerships (COPC).** There are also two new initiatives proposed:

- The first, **New Markets University Partnerships**, will provide \$5 million to business and law schools to assist with business development and expansion in lower-income areas, as part of the President's New Markets Initiative.
- The second, the **Tribal College and University Program**, also will be funded at \$5 million. It will help Tribal Colleges and Universities to work with their communities to promote neighborhood revitalization, housing

and commercial property rehabilitation, welfare-to-work initiatives, and economic development through small business incubators and job training programs.

**Family Self-Sufficiency Coordinators.** The Family Self-Sufficiency program was established in 1990; it provides service coordinators who work to connect adults receiving Section 8 rental assistance with education, job training, child care, counseling, transportation, job placement, and other services that enable them to get and keep jobs. This year, HUD is requesting \$45 million for this program.

**Resident Opportunity and Self-Sufficiency (ROSS).** The ROSS program provides residents of public housing with services that are necessary to improve their quality of life, including academic skills training, health care, micro-enterprise and small business development, and social services. The funding level is proposed at \$55 million in 2001. Funding for this program has been moved from its former source in the CDBG program to the Capital Fund. This will align the resources more appropriately with the purposes of the program.

**TABLE 3**  
**SUMMARY OF ECONOMIC REVITALIZATION PROGRAMS**

	2000	2001	Increase
America's Private Investment Companies (APIC)— Credit Subsidy	20	37	17
America's Private Investment Companies (APIC)—Loan Guarantee Limitation	{541}	{1000}	{459}
Urban Empowerment Zones	55	150	95
Community Development Block Grants (Total)	4,781	4,900	119
Native American Community Block Grants	67	69	2
Economic Development Initiative/Community Empowerment Fund*	24	100	76
National Community Development Initiative	20	24	4
Rural Housing and Economic Development	25	27	2
Mississippi Delta Initiative	0	22	22
Welfare-to-Work Vouchers (Incremental)	0	183	183
Youthbuild	43	75	32
Communities in Schools	5	5	0
Section 107 (Including University Programs)	42	69	27
Family Self-Sufficiency	25	45	20
Resident Opportunity and Self-Sufficiency	55	55	0

\* These figures do not include the \$232 million in special purpose grants included under EDI in FY2000.

### **III. BUILDING ON SUCCESS IN INCREASING AFFORDABLE HOUSING**

Even as our Nation enjoys unprecedented prosperity, it is actually becoming more and more difficult for low-income American families to afford a decent place to live. For decades national housing policy has shifted back and forth between production-oriented programs that focus on expanding the supply of affordable housing, and income-based initiatives that provide cash assistance that enables lower-income families to afford decent rental housing. As we enter the 21st Century, what is clear is that both approaches are needed if America is to realize the goal of decent housing for all.

The President is proposing a series of bold initiatives in FY2001 that will expand affordable housing opportunities to hundreds of thousands of families left behind in the new economy. These initiatives build on recent efforts to reform and restore public trust in the Nation's affordable housing programs. HUD's 2020 Management Reforms have cracked down on programmatic abuses, while at the same time demonstrating that the vast majority (more than two-thirds) of the Nation's assisted rental housing is in good or excellent condition. Three years ago, historic legislation created the Mark-to-Market program, which preserves project-based Section 8 housing (where rents are above market) while bringing costs in line with the private market. In 1998, Public Housing Reform secured a bright future for this vital component of the affordable housing inventory. Finally, legislation in 1999 has cut the loss of Section 8 housing by 75 percent by avoiding "opt-outs," which occur when long-term Section 8 contracts expire and private owners choose to leave the program.

As a result of these reforms, HUD is back in the housing business. President Clinton has requested substantial increases in the number of housing vouchers, and Congress has approved 110,000 new housing vouchers over the past 2 years, as well as significant increases in homeless assistance and innovative elderly housing initiatives.

We've also seen historic gains on the homeownership front, with more American families owning their homes today than at any time in our history. A revitalized

FHA is now on the leading edge of this homeownership boom, serving minorities, first-time home buyers, and cities in unprecedented numbers.

*This year's budget builds on these accomplishments with renewed efforts to expand the number of housing vouchers, increase families' ability to buy their own home, and produce new affordable rental housing. At the same time, we must remain mindful of special housing needs—for those low-income Americans who are homeless, gravely ill, elderly, or disabled.*

### **A. Producing New Housing**

For the first time since 1996, HUD will not limit the construction of new units to only the elderly or disabled, but will get back in the business of producing affordable housing to assist needy families in areas where rental units are in short supply.

**Housing Production Vouchers.** To spur the production of housing affordable to the lowest-income Americans in neighborhoods that will provide strong job opportunities and other benefits, HUD proposes a program that links 10,000 new housing vouchers (included in the 120,000 total new vouchers described on page 24) with the highly successful Low-Income Housing Tax Credit (LIHTC) program (see page 22) and FHA's multifamily insurance programs (see page 21). These vouchers will be allocated to States along with the LIHTC and will help secure the construction of new units for extremely-low-income renters. Because the vouchers will be limited to no more than 25 percent of the units in any new development, the program will encourage the construction of at least 40,000 units of mixed-income housing.

The Administration is requesting \$58 million for the 10,000 vouchers, plus \$8 million for one-time incentive payments to developers who build units targeted to underserved groups such as large families.

**Habitat for Humanity/SHOP.** The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to nonprofit housing organizations

that use significant amounts of “sweat equity” to produce affordable single-family homes for new homebuyers. SHOP funds are used for land acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings, each of which costs less than \$10,000 in Federal funds. Habitat for Humanity will receive support for its capacity building efforts, though which additional staff are trained and made available to local affiliates. This expands Habitat’s ability to help families reach their homeownership goals. Funding for the two programs is proposed at \$25 million for 2001, \$1 million more than last year.

**Housing for the Elderly and Disabled.** For many years, funds have been available to construct new housing units for both elderly and disabled Americans. Each of those programs is discussed in more detail elsewhere in this document: for Elderly Housing, please see page 39; for Disabled Housing, please see page 38.

**Federal Housing Administration / Multifamily Insurance.** Last year, HUD helped support the construction or renovation of over 75,000 units of multifamily housing through the Federal Housing Administration (FHA). FHA insures mortgages on this housing, which means that in the case of a borrower default, the Federal Government will restore a lender’s losses. This insurance in turn lowers interest rates on the mortgages and makes housing more affordable. While most of the insured mortgages are for traditional rental housing, FHA also insures a range of other important projects—assisted living facilities, nursing homes, and hospitals. During FY2001, FHA proposes to expand the use of its multifamily insurance programs in conjunction with new vouchers and other subsidies to create new housing affordable to the lowest-income Americans (please see page 20). Production of new housing will also expand as a major streamlining of the underwriting process for multifamily insurance takes hold. This streamlining, called Multifamily Accelerated Processing (MAP), will be implemented by the summer of this year. Finally, FHA will encourage the construction of new retail and other commercial space to complement new housing development through insurance for mixed-use developments.

All of FHA's multifamily insurance is part of the General Insurance and Special Risk Insurance (GI/SRI) Fund. Historically, the payouts to lending institutions for defaulted loans have been greater than the premiums received, and therefore this program costs the Government money. In recent years, however, HUD instituted a series of changes in the underwriting to ensure that, by the year 2002, the Fund's operations are cost-neutral. These changes are already resulting in better loan performance, which is reflected in lower needs for funding—called “credit subsidy”—for the GI/SRI Fund. In FY2001, HUD requests credit subsidy of \$101 million, a savings of \$52 million, or 35 percent, over the 2000 enacted level, despite significantly higher loan volume as a result of the new programs and streamlined underwriting discussed above.

**Low-Income Housing Tax Credit.** Though it is not a part of the HUD budget, the Low-Income Housing Tax Credit (LIHTC) has, since its creation in 1986, given States tax credits of \$1.25 per capita to allocate to developers of affordable housing. As the largest source of development capital, the LIHTC currently helps to fund 75,000 to 90,000 units per year. Even though building costs have increased 40 percent in the last decade, the amount of the tax credit has not been adjusted for inflation. Therefore, the Clinton Administration proposes to increase the cap on the LIHTC from \$1.25 to \$1.75 per capita at a cost of \$5 billion over the next 5 years. This will result in the production of an additional 150,000 to 180,000 affordable housing units for American families over the same period.

### ***B. Improving the Affordability and Quality of Rental Housing***

Between 1995 and 1997, rents increased faster than income for the 20 percent of American households with the lowest incomes, with the effect that hundreds of thousands of rental units became unaffordable to the lowest-income Americans. HUD has two main engines for making rental housing affordable:

- The Section 8 program, which subsidizes rents, enabling low-income families to rent privately owned housing; and

- Public Housing, units that are owned and operated by Public Housing Authorities.

As waiting lists for public housing get longer; as more hard-working families are spending more than half their gross income on rent; as households must wait *for a decade* for housing vouchers in some cities—it becomes even more crucial that the Administration’s request for funding increased affordable housing be met.

**Renewal of All Section 8/ Housing Certificate Fund.** One of the principal ways in which HUD provides affordable housing is by subsidizing housing costs for those least able to afford market rents. Vouchers (“tenant-based” assistance), which are assigned to individual families by more than 2,500 local Public Housing Authorities, are an integral part of the Administration’s efforts to reform welfare, reward work, support working families, and provide affordable housing for low-income families. HUD also contracts directly with private landlords (“project-based” assistance) so that they can make apartments available to low-income tenants at rates they can afford.

Approximately 3 million families are currently receiving rental assistance and depend on its annual renewal. The President has steadfastly maintained his policy that this assistance will be renewed each and every year. In 2001, HUD will need \$13 billion in new appropriations to renew its existing obligations.

Over the past 3 years, HUD has worked diligently—and successfully—to correct budget and accounting problems with the Section 8 program that were identified in 1997. Today, HUD has fixed the problems identified and has received clean audits from the Inspector General and the consulting/accounting firm, Arthur Andersen. But management improvements continue. In 1999, the Department began the first-ever annual assessment of the physical condition and financial integrity of every property receiving project-based assistance. HUD will also implement reforms to the tenant-based program in 2001. These include computer-matching of income reported by tenants with Social Security and

Internal Revenue Service data, to better ensure that tenants are paying the proper amount of rent.

**TABLE 4**  
**SUMMARY OF SECTION 8 PROGRAM FOR FY2001**  
(Budget Authority in Millions)

	2000		2001	
	Units	Budget Authority	Units	Budget Authority
Total New Incremental Vouchers	60,000	\$347	120,000	\$690
“Fair Share” Vouchers	[60,000]	[347]	[60,000]	[344]
Welfare to Work	...	...	[32,000]	[183]
Homeless Vouchers a/	...	...	[18,000]	[105]
Housing Production Program	...	...	[10,000]	[58]
Contract Administrators	...	194	NA	209
Housing Production Premium	...	...	...	8
Voucher Success Fund	...	...	...	50
Section 8 Contract Renewal	2,299,015	10,640	2,594,206	13,009
Tenant Protection Assistance	35,000	196	40,300	266
<b>Total, Housing Certificate Fund</b>	<b>2,394,015</b>	<b>\$11,377</b>	<b>2,736,506</b>	<b>\$14,128</b>

a/ Homeless Vouchers funded under the Homeless Assistance Grants.

**120,000 New Incremental Housing Vouchers.** Despite the booming economy, the need for affordable housing continues to grow as housing prices increase faster than wage rates for low-income Americans. In response to proposals by the Clinton Administration, Congress began approving funding for new vouchers in 1999, after a long hiatus (50,000 vouchers were appropriated in FY1999, and 60,000 in FY2000). For FY2001, the President is seeking a total of

\$690 million for 120,000 new housing vouchers. To ensure that they work in concert with other HUD initiatives to promote affordable housing, some of the vouchers are directed to particular programs; and they are discussed at various places throughout this document. A summary of the 120,000 new vouchers is as follows.

**TABLE 5  
SUMMARY OF NEW VOUCHERS PROPOSED**

Voucher Type	Number of New Vouchers	See Page...	Funding Source
"Fair Share"/Generic	60,000	25	Housing Certificate Fund
Welfare-to-Work	32,000	15	Housing Certificate Fund
Homeless	18,000	36	Homeless Grant
Housing Production	10,000	20	Housing Certificate Fund
<b>Total</b>	<b>120,000</b>		

**"Fair-Share" Vouchers.** A total of \$344 million is proposed for 60,000 new vouchers to help address America’s tremendous need for affordable rental housing. These vouchers will be “fair shared” to Public Housing Authorities (PHAs), based on size and need, to help the many families on the Section 8 waiting lists throughout the country.

**Voucher Success Fund.** There are concerns that, in some areas, some vouchers have not always been used—because residents may be unfamiliar with suburban neighborhoods, may be unable to come up with a security deposit, or may have difficulty finding landlords who are knowledgeable about the Section 8 program. This year, for the first time, \$50 million is being requested for a fund that will facilitate the use of vouchers in several ways. This highly flexible fund is intended to help PHAs help families surmount individual barriers to rental housing. For example, funds can be used to assist families with mobility

counseling, create revolving funds to assist with security deposits, and provide technical assistance and outreach to landlords.

**Public Housing Capital Fund.** The 2001 Budget requests \$2.955 billion to help PHAs modernize, rehabilitate, or build public housing units that are in need of significant repairs or replacement. This is an increase of \$86 million over the 2000 enacted level of \$2.869 billion. The Public Housing Capital Fund was authorized in 1998 by the Public Housing Reform Act, which consolidated several public housing capital programs, including public housing modernization, public housing development, and major reconstruction of obsolete public housing projects. The increase in the Capital Fund appropriations is necessary to achieve the President's goal of sustaining existing housing resources and bringing down the backlog of needs in a reasonable amount of time.

The \$2.955 billion total includes up to \$100 million for technical assistance, contract expertise, training, intervening with troubled Housing Authorities, physical inspections of PHA units, and management improvements. These "soft costs" (in contrast with capital improvement costs) are necessary for the continued implementation of the HUD 2020 Management Reforms, which work to ensure that every dollar appropriated to HUD is best spent for its intended purpose.

A number of changes in the program have occurred. The time-consuming process by which the 2,400 smallest Public Housing Authorities (PHAs) competed for funding has been replaced with a new formula distribution system, which provides these PHAs with increased flexibility in determining the best approaches to meet local low-income housing needs. Eligible uses now include development, financing and modernization of public housing projects, vacancy reduction, deferred maintenance, code compliance, management improvements, demolition, security, and homeownership. The new formula-distribution system is also expected to greatly accelerate the use of funds for modernization now that all PHAs have a more predictable stream of funds.

Another change is being proposed in the 2001 Budget, which includes the use of up to \$1 million for the design of a capital financing program to leverage additional funding through partial loan guarantees for public housing modernization and revitalization needs.

**Public Housing Operating Fund.** Public Housing Authorities collect rents from tenants, but this income is, naturally, insufficient to cover their operating expenses. The Administration has committed to meeting 100 percent of its responsibility for PHA operating support. Therefore, the 2001 Budget requests \$3.192 billion to subsidize the operation and maintenance of public housing projects. This represents an increase of \$54 million over the 2000 enacted level.

The Public Housing Reform Act of 1998 required the revision and introduction of a new formula for distributing operating subsidies. The Department has initiated a negotiated rulemaking process with a cross-section of the PHA community to revamp the old Performance Funding System (PFS), which had not been substantially changed since the 1970s.

In the meantime, the Department is moving forward in its efforts to complete the transformation of the public housing programs through HUD 2020 Management Reforms, by pursuing regulatory, management, and legislative changes that will:

- Remove and replace the worst public housing;
- Turn around troubled housing authorities;
- Promote greater income diversity in public housing communities and allow PHAs to implement rent policies that reward and encourage work, especially in conjunction with welfare-to-work programs;
- Require greater responsibility on the part of the tenant as a condition for assistance; and

- Implement key management reforms that will ensure excellence and acceptability on the part of PHAs.

**HOME Investment Partnerships Program (HOME).** HOME, HUD's successful housing rehabilitation and production program, is a key tool for increasing the availability of decent, safe, and affordable housing in both urban and rural America. It provides a flexible resource to States and localities to increase the supply of affordable housing, through construction and rehabilitation of multi-family rental properties; improving substandard housing; assisting new home buyers to acquire, construct, and rehabilitate their homes; and assisting tenants in paying their rent. The HOME program exceeds its own affordability targets, as well as targets for funding local nonprofit housing organizations and creating mixed-income housing opportunities.

The 2001 Budget for the HOME program is \$1.65 billion, as compared with the \$1.60 billion enacted in 2000. Additionally, HOME's grantees are particularly effective at attracting matching funds; in fact, each dollar spent through the HOME program has traditionally been matched by \$1.75 in other resources. Thus, the \$1.65 billion proposed for FY2001 will assist approximately 103,000 households, providing 45,000 rehabilitated units; 25,000 newly acquired units; 22,000 newly constructed units; and rental assistance to 11,000 households.

HUD's March 1999 "Waiting in Vain" report documents the worsening of affordable housing shortages throughout the country. Paradoxically, the booming economy has made hundreds of thousands of units *less* affordable to families that need them most. For example, between 1995 and 1997, there was a loss of 370,000 affordable rental units—a decrease of 5 percent of the housing stock affordable to people with extremely low incomes. Approximately 5.3 million American households pay more than 50 percent of their gross income on rent or live in substandard housing. This increasing need underscores the importance of funding the HOME program.

**HOPE VI: Revitalization of Distressed Public Housing.** HUD, through the HOPE VI program, is carrying out the most dramatic transformation of public housing since the public housing program began in 1937. HOPE VI was created in 1992 as a result of the findings of the National Commission on Severely Distressed Public Housing. The Commission identified nearly 100,000 units of “severely distressed” public housing that it deemed unlivable.

HOPE VI awards competitive grants to local housing authorities to address creatively the physical, social, and fiscal problems of poor-quality public housing developments. HOPE VI grantees and their local partners:

- Demolish severely distressed projects—including antiquated high-rises and barracks-style apartments—and replace them with mixed-income, mixed-financed, garden-style apartments or townhouses that become part of their surrounding communities.
- Reduce concentrations of poverty.
- Establish support services to help public housing residents get and keep livable-wage jobs.
- Enforce high standards of personal and community responsibility in new, family-friendly HOPE VI developments.
- Forge broad-based partnerships—including innovative agreements with the private and nonprofit sectors.

HOPE VI has fostered innovative and comprehensive community approaches to the problems of severely distressed developments and their residents, including leveraging of funds with other resources, like low-income tax credits and bond financing; encouraging agreements with trade unions so that residents receive job training in construction work and obtain union apprenticeships; establishing several state-of-the-art public schools to serve families who live in the local

HOPE VI communities; and creating new opportunities for public housing residents to move to homeownership. Some examples of HOPE VI transformations:

- *Centennial Place, Atlanta, Georgia.* Techwood, one of America's first public housing developments, has been replaced by Centennial Place, a true mixed-income community where public housing residents earning less than \$3,000 per year live next door to professionals earning more than \$125,000 per year. Centennial Place boasts a science and technology magnet school, operated under a partnership with the adjacent Georgia Tech campus, onsite. The Atlanta Housing Authority has also forged a unique partnership with three historically black colleges to provide residents with child development education, preventive health care education, technology-focused elementary education, and mentoring.
- *Pleasant View Gardens/The Terraces, Baltimore, Maryland.* Pleasant View Gardens replaced the high-rise public housing development of Lafayette Courts, which was beset by crime and decay, with brick row houses that blend with local architectural traditions. In 1997, Pleasant View Gardens was awarded an Honor Award for Urban Design by the American Institute of Architects. As part of the HOPE VI transformation, 89 residents were employed and several resident-owned businesses were created; units at nearby Lexington Terrace are wired for computers to promote computer literacy and create an "Electronic Village;" 230 residents graduated from the Step Up job training program, and 80 percent were placed in jobs with wages greater than \$8 per hour; and the Parren J. Mitchell Business Center and an 11,000-square-foot Rite-Aid, located adjacent to new developments, are the first HOPE VI physical economic/retail development in the country.

The President is requesting \$625 million in 2001 for the demolition and reconstruction of severely distressed public housing units. This is an increase of \$50 million over the 2000 enacted level for this popular and effective program to eliminate severely distressed units that are beyond repair, move public housing

residents to self-sufficiency, and create vital new mixed-income urban communities.

With the 2001 Budget levels, the program will approve 15,500 new units for replacement with either newly constructed units, vouchers, or rehabilitation of units. This year, the tenant-based assistance for HOPE VI is requested out of the Housing Certificate Fund. Through 2000, the program is expected to approve the replacement of 100,000 units. By 2003, the goal of the program is to approve 145,000 units for replacement with hard units or with vouchers.

**Tenant Protection Vouchers.** A total of \$266 million to support additional vouchers will be made available to tenants already on assistance, whenever the basis of their current assistance is changed—for example, as the result of a HOPE VI revitalization. These are not considered “incremental” vouchers because they are replacing an existing form of assistance with a voucher; thus, total assisted units do not increase. This replacement may occur, for example, when a project owner opts out of Section 8 (in which case an “enhanced voucher,” which allows for an additional rent subsidy that enables the tenant to stay in the unit, can be provided) or when a public housing complex is demolished.

Five thousand vouchers will be set aside for **non-elderly disabled** tenants living in public housing projects that convert to Elderly Only projects. The non-elderly disabled tenants are given vouchers so that they can find housing elsewhere.

### ***C. Expanding Homeownership Opportunities***

For most American families, buying a home is the largest, most important, most expensive, and most complicated financial transaction they will make. Owning one’s own home is a critical rung on the ladder to the American Dream, but a lack of information and the relatively limited availability of affordable housing options still prevent many families from purchasing their own home. Several HUD programs are devoted to enabling Americans to achieve the dream of homeownership.

**Federal Housing Administration / Single Family Insurance.** Despite historic prosperity and record levels of homeownership in our Nation—two-thirds of Americans now own their home—too often homeownership for some groups remains unattainable. The Federal Housing Administration (FHA) is our country's most important tool for helping first-time homebuyers, minorities, and central-city residents make the critical wealth-building step of buying a home—1.3 million American families financed homes with the help of FHA last year. FHA helps these groups and others by insuring mortgages, making it much easier for homeowners to borrow the funds they need to buy their homes: lending institutions are more willing to extend credit to individuals if they know that, in the case of a borrower default, the Federal Government will restore their losses.

Most FHA loans for homeownership are insured through the Mutual Mortgage Insurance (MMI) Fund, which is the principal insurer of single-family homes throughout America. Other loans for purchasing homes, such as manufactured housing and condominiums, are insured through the GI/SRI Fund (see page 21). Because the MMI fund receives more in income from premiums than it must spend each year reimbursing lending institutions for defaulted loans, the ability to insure more loans translates into a substantial monetary benefit to the Government. For the coming year, the Administration is requesting that FHA be allowed to insure individual loans up to \$252,700, the standard limit in the conventional market, and thus increase earnings by \$241 million in 2001.

In FY2001, FHA is also proposing to develop a new hybrid ARM (adjustable-rate mortgage) product to be added to the single-family mortgage products offered through the Mutual Mortgage Insurance (MMI) fund. In the conventional market, hybrid ARMs have proven very popular because they offer the security of a fixed-interest rate for between 3 and 10 years, while they are more affordable than 30-year fixed-rate mortgages because they carry lower interest rates. Adding this product to FHA's lineup should help 55,000 additional families become homeowners in FY2001, resulting in an additional \$114-million income for the Federal Government.

**Government National Mortgage Association (Ginnie Mae).** After FHA, the Veterans Administration, and USDA insure mortgages, Ginnie Mae pools these loans and sells them to the secondary market. This enables individual lending institutions to retain liquidity and continue to make loans. Ginnie Mae earns income every year, and in 2001 it is expected to earn over \$389 million selling federally insured loans.

The relationship between Ginnie Mae and FHA is one of the most important financial arrangements in America, and it has benefited millions of moderate-income and first-time home buyers. Ginnie Mae also has programs to target higher-risk loans in low-income or distressed neighborhoods, providing homeownership that would not otherwise occur. Over the next year, Ginnie Mae will continue to look for new products to offer the marketplace, to expand homeownership, and to earn additional income.

**Housing Counseling Assistance.** Despite record homeownership rates in recent years, for too many Americans the process of buying their own home remains mysterious. Yet homeownership is a critical step to economic well-being for most American families, whose most significant asset is their home. Included in the HOME program (please see page 28) this year is \$24 million for Housing Counseling Assistance, a requested \$9-million increase over the 2000 enacted level. This program provides a wide variety of counseling services to households interested in home purchase, providing much-needed information about mortgage applications, credit histories, and financing options. Over 250,000 clients are served with these funds each year, and the demand is growing rapidly. And nearly 50 percent of the clients served were members of minority groups, who are, so far, the least likely to own homes.

**Indian Housing Block Grants.** The Decennial Census figures for 1990 (the most recent figures available) showed 234,000 occupied housing units in Tribal Areas.

Of those units, 40 percent are overcrowded or have serious physical deficiencies.

The FY2001 Budget for the Indian Housing Block Grant (IHBG) program proposes \$650 million in new resources to help meet critical long-term housing needs in Indian Country. This level of funding, an increase of \$30 million over the 2000 enacted level, is expected to enable tribes to maintain their existing housing stock and to meet about 5 percent of their needs for new stock. HUD continues to be the primary source of funds for housing in Indian Country.

Two small set-asides are included in the total IHBG funding request. The **Title VI Indian Federal Guarantee** program, proposed at \$5 million in 2001, provides loan guarantees to IHBG recipients, Indian tribes, and tribally designated housing entities that need additional funds to engage in housing-related activities but cannot borrow from other private sources without a guarantee. Future block grants are used as collateral for these loans.

A second set-aside of \$5 million is proposed in the 2001 Budget for an **Indian Homeownership Intermediary** program, to create a national financial intermediary with special expertise in Indian Country. The intermediary would be responsible for helping tribal members negotiate the complex issues surrounding mortgage lending for homeownership on Indian lands. Existing national intermediaries have not devoted significant resources in Indian Country.

**Indian Housing Loan Guarantee Fund.** To help encourage mortgage lending in Indian Country, the 2001 Budget proposes \$6 million in credit subsidy for individual mortgages, which will support \$72 million in loans, or the equivalent of 719 home mortgages. This program is designed to provide loan guarantees to Indian families, Indian tribes, and tribally designated housing authorities to buy, build, or rehabilitate single-family homes on trust or restricted lands. It has served as a catalyst for private financing of home mortgages by banks that would not otherwise be willing to lend funds due to the unique status of Indian tribal lands.

### ***D. Meeting Special Needs***

**Continuum of Care: Homeless Assistance Grants.** Since 1994, HUD has funded local homelessness projects through its Continuum of Care, a framework that recognizes that each community's particular homeless assistance needs are different. The fundamental components in each community are outreach and assessment, emergency shelter, transitional housing, permanent housing, and permanent supportive housing.

An extremely successful and necessary program, the Continuum of Care was recently selected by Harvard University and the Ford Foundation as one of 10 winners (out of 1600 nominees) of the coveted Innovations in Government award. Through local homelessness programs funded by the Continuum of Care, approximately 400,000 people are no longer homeless.

Over the past 4 years, in recognition of the need and demand for services, and in recognition of the program's success in helping homeless persons and families move to permanent housing and jobs, the program has grown by approximately 45 percent—from \$823 million in 1998 to a proposed \$1.2 billion in 2001.

The most comprehensive survey of the homeless population ever undertaken, released by HUD last year, confirmed these results. The survey, conducted by the Census Bureau, showed that 76 percent of all homeless families end their homelessness and move on to a better living situation after receiving assistance—as do 60 percent of single adults. The survey also confirmed the need for HUD's comprehensive approach through the Continuum of Care, showing that many homeless individuals need help or treatment for substance abuse or alcohol abuse, mental illness, or other difficulties, in addition to affordable housing.

This year's budget request builds on this record of success. The need for Homeless Assistance remains acute. An estimated 600,000 individuals are

homeless on any given night in America, and families with children now make up about 37 percent of the homeless population.

**Homeless Vouchers.** Looking to the future, there is a feature of the Homeless Assistance program that will make more needed funds available to communities than the total requested level implies. The funding level includes 18,000 Homeless Vouchers, which will allow graduates of the Continuum of Care—who have a strong need for assistance in making the final transition to the mainstream—to find affordable, decent, and safe permanent housing. In 2001, these vouchers are paid for within the Homeless Assistance program. But every year thereafter, they will be renewed as part of the baseline Section 8 program, freeing up an additional \$105 million for needy individuals in each year after 2001. (Please see the general discussion of vouchers on page 24.)

**TABLE 6**  
**HOMELESS ASSISTANCE PROGRAM**  
(in Millions)

	2000	2001	Increase
<b>Total Appropriation</b>	\$1,020	\$1,200	\$180
Grants	[1,010]	[1,083]	[73]
Homeless Vouchers	[0]	[105]	[105]
Technical Assistance/Management Information Systems	[10]	[12]	[2]

**Shelter Plus Care Renewals.** Long-term contracts to renew vouchers under the Shelter Plus Care program will be paid for out of the Section 8 program in FY2001. These contracts are matched 50 percent with funds from sources other than HUD’s Homeless Grants. Providers include local governments and nonprofit homeless providers. In 2001, \$37 million is being requested to pay for the annual renewal of these contracts.

Since the inception of the Shelter Plus Care program, the Department has invested millions of dollars to create thousands of safe, decent, affordable

housing units for homeless persons living with AIDS, experiencing mental illness, or suffering from chemical dependency. These funds will ensure that in 2001, over 4,000 units of Shelter Plus Care housing will remain in service, protecting the Federal Government's investment, and providing critically needed housing and the supportive services necessary for the residents to maintain stable lives and move toward self-sufficiency.

In addition, the Shelter Plus Care renewals are currently for 5-year increments. Normally, the Homeless Grant program would obligate \$185 million from total grant levels appropriated for this purpose. In 2001, however, and every year thereafter, all renewals of Shelter Plus Care will be borne by the Section 8 program, freeing up these funds for other eligible homeless grant activities.

**Housing Opportunities for Persons With AIDS (HOPWA).** To prevent homelessness, HOPWA funds are used to assist low-income persons with AIDS and their families with short-term rental assistance, mortgage assistance, and utility payments. Funds can also be used for facility-based assistance, including acquisition, construction, rehabilitation, operating costs, and supportive services.

The significant funding increase proposed from FY2001—to \$260 million, from \$232 million in 2000—will aid in meeting the increasing caseload and, therefore, the increasing demand for affordable housing and services by individuals who have contracted the AIDS virus. Due in large part to recent medical advances, individuals with AIDS are living longer, which puts additional economic stress on families and supportive institutions. The additional funding in 2001 will provide for an additional 5,100 units, bringing the total to nearly 50,000 units nationally. The Centers for Disease Control estimates that between 650,000 and 900,000 Americans are living with the HIV infection.

**TABLE 7**  
**HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS**  
(Funding by Use 1999–2001)

	1999 Units	Persons Assisted a/	2000 Units	Persons Assisted a/	2001 Units	Persons Assisted a/
Rental Assistance (1–3 years)	8,000	10,000	8,200	10,250	9,200	11,500
Short-term rent, mortgage, and utility payments to prevent homelessness, and short-term facilities	27,000	33,375	28,000	35,000	31,300	39,125
Community residences, Single Room Occupancy dwellings, and other facilities with construction rehabilitation, acquisition, operating costs, and services	6,500	8,125	6,700	8,375	7,500	9,375
<b>Subtotals for housing assistance</b>	<b>41,500</b>	<b>51,500</b>	<b>42,900</b>	<b>53,625</b>	<b>48,000</b>	<b>60,000</b>
Other Services, including supportive services, housing information, and technical assistance to nonprofit organizations b/	NA	23,000	NA	23,700	NA	26,500
<b>Total Assistance</b>	<b>41,500</b>	<b>74,500</b>	<b>42,900</b>	<b>77,325</b>	<b>48,000</b>	<b>86,500</b>

NA = Not Applicable

a/ Includes family members residing with the person living with HIV/AIDS.

b/ Persons receiving only supportive services from HOPWA (housing needs met by other sources).

**Disabled Funding (Section 811).** The Section 811 program provides grants to construct facilities and supports project rental assistance tailored to disabled individuals. The Administration is proposing a funding increase from \$201 million in FY2000 to \$210 million in FY2001. Of the funds provided, up to \$105 million will be made available for vouchers or tenant-based assistance, to provide more housing choices and flexibility for disabled low-income individuals.

### ***E. Ensuring Lifelong Security: Elderly Housing Programs***

Recent decades have seen a monumental shift in America's population, with our elderly citizens leading longer, healthier, and more active lives—a shift that will

only accelerate in coming decades. The challenge now is to meet the housing needs of this rapidly expanding population of elders. Just as we work to save Social Security, we must also work to provide housing security for our seniors.

As part of last year’s budget, the Administration won a significant victory through the passage of major elements of the Housing Security Plan for Older Americans as part of HUD’s FY2000 budget. The Housing Security Plan offers a full range of options for the elderly—a Continuum of Care. By combining new and existing HUD programs and improving coordination with other Federal assistance, the plan will create a comprehensive and cost-effective senior housing system that preserves security and independence as a senior’s healthcare needs and financial resources change. In the FY2001 budget, HUD proposes to build on this year’s victory by reproposing elements of the Housing Security Plan that were not passed by Congress and adding a major new element to the Plan. Overall, funding for **elderly programs** will increase from \$710 million in 2000 to \$779 million in 2001.

**TABLE 8**  
**SUMMARY OF FY2001 ELDERLY HOUSING PROGRAMS**  
 (Budget Authority in Millions)

	<b>2000</b>	<b>2001</b>	<b>Increase</b>
Elderly Housing Production (Section 202)	\$610	\$629	19
Assisted Living Production	...	50	50
Conversion to Assisted Living/CAP Grant (Rehab)	50	50	0
Intergenerational Learning Centers	...	[4]	[4]
Service Coordinators	50	50	0
<b>Total, Elderly Programs</b>	<b>710</b>	<b>779</b>	<b>69</b>

**Elderly Housing Production (Section 202).** The bedrock of HUD’s elderly housing programs is the highly successful Section 202 Supportive Housing for the Elderly program. This program works with local nonprofits to create housing tailored to the unique needs of seniors, offering rental assistance to a particularly vulnerable group who cannot easily access tenant-based voucher programs

because of their special needs and limited mobility. The need for senior-tailored complexes is increasing at a tremendous pace as the number of elders and the “oldest old” rapidly increases. To meet this need, \$629 million will be provided for new construction of HUD elderly housing. The administration is also proposing statutory changes that would expand the impact of this new funding and the overall supply of affordable rental housing by permitting a wider range of private funds to leverage HUD financing, through such mechanisms as Low-Income Housing Tax Credits.

**Assisted Living Production.** Recent years have seen an explosion in a new form of housing for the elderly—assisted living—that offers an alternative to nursing homes and other institutional forms of care. Yet lower-income seniors have been left out of this market, with the result that these seniors are often forced to live in housing that does not meet their service needs or move to more expensive alternatives that can be subsidized through Medicaid and other programs. Elements of the Housing Security Plan that passed Congress last year began to change this by converting some HUD-subsidized elderly housing to assisted living (see below), and by making assisted living an eligible use for Section 8 vouchers.

Building on these important steps, the 2001 Budget will further expand access to assisted living for lower-income elderly persons by spurring the construction of new affordable assisted living facilities. With the \$50 million in five-year operating subsidies proposed for FY2001, over 1,500 low-income elderly households will get long-term access to affordable assisted living facilities. Because this funding will directly subsidize no more than 20 percent of the units in new mixed-income assisted living facilities, the program will create a total of 7,500 new assisted living units. As part of the program, HUD Section 232 mortgage insurance will encourage banks and developers who are currently only familiar with the higher-income assisted living market to enter the affordable market. And to ensure that States and localities will provide the needed service funding to complement HUD’s funding, the \$50 million in subsidies will go to States and localities that offer the most innovative proposals to combine their

service funds with HUD's funding and award them both to qualified local developers.

**Conversion to Assisted Living.** Continuing a new initiative from last year, the Administration proposes \$50 million in FY2001 to provide grant assistance to existing Section 202 properties for conversion of part or all of the facility to assisted living. Grant recipients would agree to a number of conditions including a tight cap on operating expenses, two meals per day, and a 24-hour staff. Medicaid or other sources would pay for personal care services for eligible residents. This program will allow long-term residents of elderly housing to stay in their homes after additional medical services are needed rather than be forced to give up their subsidy and their homes and move to assisted care facilities.

**Service Coordinators.** Last year HUD won a major expansion of the Service Coordinator program, a recognition that they play a crucial role in meeting the needs of elderly persons residing in HUD-assisted housing. Service Coordinators enable the elderly, especially the frail elderly or those with disabilities, to continue to live as independently as possible by identifying and helping them obtain needed services. Section 808 of the Cranston Gonzales Act authorizes the use of coordinators in existing projects for elderly or persons with disabilities. The FY2001 Budget contains \$50 million for Service Coordinators.

**Intergenerational Learning Centers.** These centers will be established to ensure that seniors remain connected to the mainstream of our communities—sharing their skills, their knowledge, and their energy, and helping to provide affordable child care to younger generations. To strengthen this bond, approximately \$4 million may be used for the establishment of these Centers, which will have two purposes: affordable senior services and affordable child care. And through HUD's existing Neighborhood Networks program, these Centers can also serve as a focal point for sharing Internet technology, allowing seniors and children to learn new skills together.

**Reverse Mortgages.** The first priority for housing our seniors is to help keep elderly Americans in their own homes. Many elderly people find themselves to be “house rich” but without enough cash. HUD will accelerate its reverse mortgage program and its Healthy Homes Initiative to provide seniors with information on how they can convert their equity into cash and use the funds to make physical improvements to their homes, which will enable them to stay in their homes rather than move out of their communities to supportive housing or assisted living facilities.

**TABLE 9**  
**SUMMARY OF AFFORDABLE HOUSING PROGRAMS**

	2000	2001	Increase
Housing Production Vouchers (Incremental)	0	66	66
Habitat for Humanity/Self-Help Housing	24	26	2
Section 8/Housing Certificate Fund Renewals	10,640	13,009	2,369
120,000 Incremental Vouchers	0	690	690
“Fair Share” Vouchers (Incremental)	[0]	[344]	[344]
Voucher Success Fund	0	50	50
Public Housing Capital Fund	2,869	2,955	86
Public Housing Operating Fund	3,138	3,192	54
HOME	1,600	1,650	50
HOPE VI	575	625	50
Tenant Protection Vouchers	196	266	70
Housing Counseling Assistance	[15]	[24]	[9]
Indian Housing Block Grants	620	650	30
Indian Housing Loan Guarantee Fund	6	6	0
Continuum of Care: Homeless Assistance Grants	1,020	1,200	180
Homeless Vouchers (Incremental)	0	[105]	[105]
Shelter Plus Care Renewals	[37]	[37]	[0]
Housing Opportunities for People with AIDS (HOPWA)	232	260	28
Disabled Funding (Section 811)	201	210	9
Elderly Housing Production (Section 202)	610	629	19
Assisted Living Production	0	50	50
Conversion to Assisted Living	50	50	0
Intergenerational Learning Centers	0	[4]	[4]
Service Coordinators	50	50	0

#### **IV. BUILDING ON SUCCESS IN PROMOTING AND ENFORCING FAIR HOUSING**

The Fair Housing Act prohibits discrimination in the sale, rental, and financing of dwellings, and discrimination in other housing-related transactions, based on race, color, religion, sex, national origin, disability, or family status. Yet, even at the dawn of the 21st century, housing discrimination, in both blatant and subtle forms, continues to plague our country. HUD's Office of Fair Housing and Equal Opportunity enforces the Fair Housing Act and other legislation that ensures equal access to housing, with the goal that all Americans have an equal opportunity to live anywhere in our Nation that they can afford.

There are two major HUD programs designed to attack housing discrimination. The **Fair Housing Assistance Program (FHAP)** provides Federal funds to support a network of State and local civil rights agencies that enforce laws that are equivalent to the Federal Fair Housing Act; these agencies process housing discrimination complaints based on race, color, religion, sex, national origin, disability, or family status. The **Fair Housing Initiatives Program (FHIP)** funds private, nonprofit fair housing groups that carry out enforcement (including private litigation), provide education and outreach activities, and monitor the activities of developers and real estate companies for compliance with the Fair Housing Act.

In 2001, HUD's fair housing programs are proposed at \$50 million, a \$6-million (or 12-percent) increase over the enacted 2000 level. An increase of \$5 million will be directed to FHIP, and the remaining \$1-million increase will go to FHAP.

In 2001, the focus of FHIP will be on requirements for accessibility for people with disabilities, with an emphasis on education and outreach programs to housing providers. In 2000, **Fair Housing Partnerships** were created to form a formal bond between private fair housing groups and State agencies. This partnership vehicle will be used in 2001 to provide training and technical assistance to builders, developers, architects, building code officials, and others on the accessibility requirements through a new nationwide **Project for Accessibility Training and Technical Assistance (PATTA)**. A key element of

this project will be \$1 million to establish a new Fair Housing Training Academy, which will establish standardized training for civil rights and housing industry professionals and will provide a national Center to address accessibility issues.

FHAP will increase by \$1 million, to \$21 million. Half of the increase will fund five additional State and local agencies. The remainder of the funds will support the activities of the 90 agencies currently participating in the program.

**TABLE 10**  
**SUMMARY OF FAIR HOUSING PROGRAMS**

	2000	2001	Increase
Fair Housing Assistance Program (FHAP)	20	21	1
Fair Housing Initiative Program (FHIP)	24	29	5
Fair Housing Training Academy	[0]	[1]	[1]

## V. BUILDING ON SUCCESS IN PROMOTING LIVABLE AND SAFE COMMUNITIES

### A. *Promoting Livable Communities*

Throughout the Nation, communities have begun to focus on issues that affect their residents' quality of life—issues of which Vice President Gore has helped the country become increasingly aware. Congestion, hours-long commutes, a decrease in the amount of open space, pollution, and other environmental issues all have a detrimental effect on the “livability” of American communities. This year, HUD convened a 2-day conference, called Bridging the Divide, to focus on how cities, suburbs, and the Federal Government can work together to achieve more livable, sustainable communities. More than 200 State and local government officials and civic, community, and business leaders from around the country participated. A key theme that emerged from the conference was the importance of revitalizing the “core,” or central city areas, in order to decrease the negative effects of suburban sprawl.

**Regional Connections/Smart Growth.** Increasingly, challenges and opportunities faced by communities transcend bounds of cities or counties—whether they are related to transportation, infrastructure development, matching jobs with workers, ecological issues, or other components of a community's quality of life. The new Regional Connections program will be a valuable tool that rural, urban, and suburban communities can use to work across political boundaries and jointly address their shared interest in sensible growth. It will provide competitive funding to partnerships of local governments and States, and it will emphasize compact development rules, incentives for growth in particular areas, and coordinated investment in areas that have infrastructure in place.

The 2001 Budget proposes to fund Regional Connections at \$25 million and reflects legislation already submitted to authorize the program.

**Brownfields.** Brownfields are former industrial or commercial sites that are now

vacant or underutilized and that contain low or moderate levels of contamination—but are significant enough to place them on EPA’s Superfund priority list. EPA estimates that there are over 450,000 such sites nationwide, most in urban areas. These sites pose a barrier to revitalization because they can not be rehabilitated without significant cleanup activity and pose a concomitant potential future liability for investors. Since 1997, the cleanup and reuse of these areas has been identified as the top priority for the Conference of Mayors and the National Governors’ Association.

HUD’s Brownfields program makes competitive economic development grants, in combination with Section 108 loan guarantees, to qualified projects (see page 11). Grants and loans are used to rehabilitate and redevelop sites, which creates permanent jobs and aids economic development needs in the surrounding areas.

The 2001 Budget proposes a major acceleration of the Brownfields program in order to complement the New Markets and Smart Growth strategies that are being implemented at HUD and government-wide. The budget proposes to double the program from the \$25 million enacted in 2000 to \$50 million in 2001, which would leverage \$200 million in Section 108 loans.

**Lead-Based Paint Hazard Reduction.** Pursuant to Executive Order 13045, a multi-agency task force (including HUD, the Centers for Disease Control, EPA, and the Department of Justice) has developed a plan to make homes lead-safe over the next 10 years. Because of the increased effort on the part of the Federal Government to address this serious hazard, the President is requesting a 50-percent increase in funding for HUD’s Lead-Based Paint Hazard Control grant program over the 2000 level, to \$120 million in FY2001.

Over the past decade, HUD has worked hard with local governments and agencies to build the capacity to run lead hazard control programs. As a result, the capacity of local agencies has improved dramatically. Good scientific data show that the abatement techniques are working well and have been successful in reducing lead levels in children.

HUD expects to have to control hazards in approximately 2.3 million (see chart, below) units of housing in the next 10 years. Efforts will concentrate on housing built before 1960, since studies show that up to 90 percent of residential lead paint is found in units of this age.

**TABLE 11**  
**NUMBER OF PRE-1960 UNITS AT RISK OF HAVING LEAD-BASED PAINT HAZARDS IN 2010**

(Given Current Rates of Demolition and Major Renovation and Compliance with the New HUD Regulation that Federally Associated Housing Carry Out Abatement)

Housing Stock	Number of Units (millions)
Total pre-1960 units in 1999	24.0
Reduction due to demolition	-1.8
Reduction due to substantial renovation	-3.8
<b>Net Pre-1960 Units</b>	<b>18.4</b>
Net units occupied by families below 1.3 times poverty level (20 percent)	3.7
Reduction due to HUD regulation of Federally Associated Housing, which requires that abatement be carried out	-1.4
Remaining low-income units with unaddressed lead hazard control needs	2.3

**Community and Interfaith Partnerships Initiative.** Because of the trust they build and the strong connections they forge, community and faith-based institutions can be uniquely placed to help bring about community change. HUD is proposing a new \$20-million initiative to help community and faith-based organizations in their efforts to supply affordable housing, create economic opportunity, promote the goal of fair housing, and increase the effectiveness of HUD programs like Section 8 vouchers. The new program would build on the

efforts of HUD's Center for Community and Interfaith Partnerships and would be funded, consistent with requirements related to the separation of church and state, through a CDBG set-aside, with a portion of the funds awarded competitively and a portion administered directly by HUD to conduct training and capacity-building activities.

**Partnership for Advancing Technology in Housing (PATH).** PATH is a public-private initiative that spurs changes in housing design construction techniques. In 2001, research under the PATH program will be expanded from \$10 to \$12 million to accelerate the development and dissemination of technologies that will result in housing that is substantially more affordable, durable, disaster-resistant, safe, and energy-resource-efficient.

### ***B. Promoting Safe Communities***

With more than 30,000 people killed and approximately 100,000 injured by guns each year in our Nation, gun-related violence poses a major threat to HUD's obligation to help ensure "a decent home and a suitable living environment for every American family." And safety clearly impacts economic development. When the specter of violence hangs too heavily over a neighborhood, the climate for investment is significantly less appealing. Funds from a variety of HUD programs—including the Community Development Block Grant—have long been available to help make the areas in and around communities HUD serves safer. This year, however, HUD plans a particular focus on improving the safety of America's neighborhoods.

**Community Gun Safety and Violence Reduction Initiative.** This \$30-million initiative, funded as part of the PHDEP program (see page 49), will help address the critical issue of gun violence in and around the communities HUD serves, and has three components:

- Public education and outreach programs, using a variety of media, that promote responsible gun ownership and address the hazards posed by firearms.
- Technical assistance and matching funds to PHDEP recipients to implement innovative, performance-driven gun violence reduction programs.
- Support for state-of-the-art computerized gun-violence tracking and mapping partnerships to provide critical information about instances of gun-related violence and to support communities and law enforcement agencies in their gun-violence reduction initiatives.

A related program, the **Gun Buy-Back and Violence Reduction Initiative**, does not require a separate request for funds, as it uses funds already appropriated. Under this initiative, HUD is authorizing Public Housing Authorities, working with local police departments, to use a portion of their Drug Elimination Grant (PHDEP: please see below) funding to reduce the number of guns in their communities by purchasing them from their owners.

**Drug Elimination Grants for Low-Income Housing (PHDEP).** The 2001 Budget proposes \$345 million in grant funds in support of efforts to reduce drug use and activity and other crime in and around public housing projects, to restore safety, and to build better communities. Of the total, HUD has requested \$30 million for the Community Gun Safety and Violence Reduction Initiative described above.

Beginning in 1999, the grant funds are distributed by a formula allocation, rather than competitively (except for the set-aside programs described below). This provides eligible Public Housing Authorities (PHAs) with a reliable stream of funds and the ability to engage in long-range planning. Funds are directed to those housing entities with the worst crime and which have demonstrated strategies for reducing violent crime. The housing entities spend their funds on crime prevention, law enforcement, security guards, treatment, tenant patrols, physical security improvements, and youth prevention programs.

The Budget proposes three set-asides within the PHDEP program. The first is the Community Gun Safety and Violence Reduction Initiative described above. The second, the **Operation Safe Home** program, which is administered by HUD's Inspector General, will continue at last year's level of \$20 million. These funds are used to combat violent crime in public housing complexes by bringing together a coalition of Federal and local crime-fighting forces to combat criminal and gang-related activity.

The third set-aside is the **New Approach Anti-Drug** program, requested at \$20 million, the same level as last year. This program is similar to PHDEP, but funds housing entities other than Public Housing Authorities. It supports augmented security presence, the investigation and/or prosecution of drug-related criminal activity, and security-related capital improvements.

**Officer Next Door.** To make central cities safer and to further the goal of community policing, HUD launched the Officer Next Door program in late 1997. This program provides incentives for police officers to live in the communities where they work by offering a 50-percent discount on the purchase of HUD-owned foreclosed properties in locally designated revitalization areas. To date, HUD has accepted 3,515 sales contracts and closed 3,225 sales under this initiative, far exceeding our original goal of 1,000 sales.

Existing HUD funds also help to support a variety of activities that prevent and reduce violence. Among others, these include:

- The **Public Housing Drug Elimination Technical Assistance Program**, which makes consultants available to housing authorities to develop and implement comprehensive crime reduction strategies.
- The **Peacemakers Corps**, a collaboration with the Simon Youth Foundation and Friends of the United Nations, a youth violence prevention and tolerance education initiative that encompasses housing, schools, and communities.

- The **Witness Relocation Program**, through which HUD provides rental vouchers to accommodate requests from law enforcement agencies for relocation assistance to families that have cooperated in efforts to combat crime.
- **Crime Prevention Through Environmental Design**, which will help public housing renovations incorporate design principles that promote safety by eliminating layouts that can attract offenders, provide cover for illegal activities, impede arrests, or make residents fearful.

**TABLE 12**  
**SUMMARY OF LIVABILITY AND SAFETY PROGRAMS**

	<b>2000</b>	<b>2001</b>	<b>Increase</b>
Regional Connections/Smart Growth	0	25	25
Brownfields	25	50	25
Lead-Based Paint Hazard Reduction	80	120	40
Community and Interfaith Partnerships Initiative	0	20	20
PATH	10	12	2
Drug Elimination Grants for Low-Income Housing (PHDEP)	310	345	35
Community Gun Safety and Violence Reduction Initiative	[0]	[30]	[30]
Operation Safe Home	[20]	[20]	[0]
New Approach Anti-Drug	[20]	[20]	[0]

**APPENDIX A**

**SUMMARY OF 2001 BUDGET INCREASES  
COMPARISON TO 2000 BUDGET  
(Budget Authority in Millions)**

<b>FY2000 Appropriation</b>		<b>\$26,221</b>
<b>Increases for FY2001:</b>	<b>Change</b>	
120,000 Incremental Vouchers	\$690	
Voucher Success Fund	50	
Housing Production Program	[58]	
Housing Production Program Premium	8	
Drug Elimination Grants	35	
Community Gun Safety and Violence Reduction	[30]	
Revitalization of Severely Distressed Public Housing	50	
Indian Housing Block Grants	30	
Public Housing Capital Fund	86	
GI/SRI Credit Subsidy	[101]	
Housing for Special Populations (Elderly Disabled)	78	
Contract Renewals (Section 8 and SPC)	2,370	
Tenant Protection	70	
Contract Administrators	15	
Empowerment Zones (EZs/ECs)	[95]	
Public Housing Operating Fund	54	
Community Development Block Grants	119	
Regional Connections	25	
Rural Housing and Economic Development	2	
America's Private Investment Companies	17	
Brownfields	25	
HOME Investment Partnership (Grants)	50	
Housing Opportunities for Persons with AIDS	28	
Homeless Assistance Grants and Demonstration	75	
Fair Housing	6	
Federal Housing Administration	145	
Lead Hazard Reduction	40	
Policy Development and Research	17	
Salaries and Expenses	96	4,181
<b>Other Changes</b>		
Offsetting Receipts and Other Adjustments		1,690
<b>TOTAL APPROPRIATION FOR FY2001</b>		<b>\$32,092</b>

**APPENDIX B**

**BUDGET AUTHORITY BY PROGRAM  
COMPARATIVE SUMMARY, FISCAL YEARS 1999–2001**

	1999	2000	2001
	ENACTED	ENACTED	REQUEST
<b>DISCRETIONARY PROGRAMS</b>			
<b>COMMUNITY PLANNING AND DEVELOPMENT</b>			
Community Development Block Grants Fund	\$ 4,743	\$ 4,781	\$ 4,900
Formula Grants	[4,218]	[4,236]	[4,486]
CDBG Set-Asides:			
Indian Community Block Grant	[67]	[67]	[69]
Capacity Building (NCDI)	[15]	[20]	[24]
Section 107 Grants	[50]	[42]	[69]
Alaskan Native and Hawaiian Native Institutions	...	[2]	[[2]]
Tribal Colleges and Universities	...	...	[5]
Housing Assistance Council	[3]	[3]	[3]
National American Indian Housing Council	[2]	[2]	[2]
Special Olympics	[3]	[4]	...
Neighborhood Initiative Demonstration	[25]	[30]	[0]
Resident Opportunity and Self-Sufficiency (ROSS)	[55]	[55]	...
Self-Help Homeownership	[20]	[20]	[18]
Habitat for Humanity	[8]	[4]	[8]
Youthbuild	[43]	[43]	[75]
Mississippi Delta	...	...	[22]
Faith-Based Program	...	...	[20]
Community Empowerment Fund/EDI	[225]	[256]	[100]
CDBG Disaster Assistance (Supplemental)	150	...	...
Community Development Loan Guarantees:			
Credit Subsidy and Administrative Costs	30	30	30
Loan Guarantee Limitation	[1,261]	[1,261]	[1,217]
Regional Connections/Smart Growth	...	...	25
National Cities in Schools	5	5	5
Brownfields Redevelopment Program	25	25	50
Urban Empowerment Zones (99-Add'l Prov-PL 105-277, 00-Mand)	45	55	[150]
Rural Empowerment Zones	...	[15]	...
HOME Investment Partnerships Program	1,600	1,600	1,650
Homeless Assistance Grants	975	1,020	1,200
Vouchers 18K	...	0	[105]
Total, Homeless	[975]	[1,020]	[1,200]

**BUDGET AUTHORITY BY PROGRAM**  
**COMPARATIVE SUMMARY, FISCAL YEARS 1999–2001**  
(continued)

America's Private Investment Companies:			
Loan Guarantee Limitation	...	[541]	[1,000]
Credit Subsidy and Administrative Costs	...	20	37
Housing Opportunities for Persons with AIDS (HOPWA)	215	232	260
Administrative Provision, Division A, PL 105-277	10	...	...
Rural Housing and Economic Development	25	25	27
Transfer from CDBG	7	...	...
State/Local Capacity Building(Clearinghouse)	[4]	[3]	...
Indian Tribes, SHFA, et. al	[21]	[22]	...
<b>Subtotal, Community Planning and Development</b>	<b>7,830</b>	<b>7,793</b>	<b>8,184</b>
<b>PUBLIC AND INDIAN HOUSING</b>			
Housing Certificate Funds:			
Contract Renewals	9,600	10,640	14,268
Shelter Plus Care Renewals	...	...	37
Savings from Income Verification	...	...	(80)
Savings from Retaining FMR Cap at 150 percent	...	...	(5)
OFFSET From Recaptures	...	...	(1,210)
Net Contract Renewals	9,600	10,640	13,010
Rescission of Recaptures	(916)	(2,246)	...
.38 percent Reduction	...	(72)	...
Transfer In from Other Accounts	...	104	...
Supplemental Rescission	...	(103)	...
Advanced Appropriation for FY2001	...	(4,200)	4,200
Advanced Appropriation for FY2002	...	...	(4,200)
Tenant Protection/Replacement Vouchers	434	196	266
Contract Administration	...	194	209
Incremental Vouchers—(60k in Title VI)	...	347	344
Homeless Vouchers	...	...	[105]
Housing Production Program	...	...	66
Voucher Success Fund	...	...	50
Welfare-to-Work incremental vouchers (32k)	283	...	183
Regional Opportunity Counseling	10	...	...
<b>Subtotal, Housing Certificate Fund</b>	<b>9,411</b>	<b>4,860</b>	<b>14,128</b>
Annual Contributions for Assisted Housing Rescission	(1,089)	(120)	...
Moving to Work Demonstration	[5]	5	[7]
Public Housing Capital Fund	3,000	2,869	2,955
Modernization TA	[100]	[75]	[100]
Capital Financing Demo	...	...	[1]
ROSS	...	...	[55]

**BUDGET AUTHORITY BY PROGRAM**  
**COMPARATIVE SUMMARY, FISCAL YEARS 1999–2001**

(continued)

Revitalization of Severely Distressed Public Housing Projects (HOPE VI)	625	575	625
Public Housing Operating Fund	2,818	3,138	3,192
Drug Elimination Grants for Low-Income Housing	310	310	345
Community Gun Safety and Violence Reductions	...	...	[30]
Operation Safe Home	[20]	[20]	[20]
New Approach Anti-Drug	[20]	[20]	[20]
Indian Housing Block Grants	620	620	650
Indian Homeownership Intermediary Initiative	...	...	[5]
Title VI Federal Guarantees for Tribal Housing Activities:			
Program Account	[6]	[6]	[5]
Loan Guarantee Limitation	[54]	[55]	[43]
Indian Housing Loan Guarantee Fund:			
Program Account	6	6	6
Reappropriation	4	...	...
Limitation Level	[69]	[72]	[72]
<b>Subtotal, Public and Indian Housing</b>	<b>15,705</b>	<b>12,263</b>	<b>21,901</b>
<b>HOUSING PROGRAMS</b>			
Housing Counseling Assistance	[18]	[15]	[24]
Housing for Special Populations:			
Elderly Housing Security Plan	660	710	779
Conversion to Assisted Living	...	[50]	[50]
Assisted Living Production	...	...	[50]
Service Coordinators	...	[50]	[50]
Disabled Housing (Section 811)	194	201	210
Subtotal, Housing For Spec. Populations	854	911	989
FHA Funds:			
Mutual Mort. Ins. And Coop. Mgt. Housing Ins. Funds:			
Program Account	329	331	331
Non-overhead expenses	...	160	160
Liquidating Account	...	...	(355)
Mortgage Insurance Limitation	[140,000]	[140,000]	[160,000]
Direct Loan Limitation	[100]	[100]	[250]
General Insurance and Special Risk Insurance Funds:			
Program Account:			
Administrative Expenses	211	118	211
Non-overhead Expenses	...	144	144
Credit Subsidy	81	49	101

**BUDGET AUTHORITY BY PROGRAM**  
**COMPARATIVE SUMMARY, FISCAL YEARS 1999–2001**  
(continued)

Reappropriation	16	...	...
Mortgage Insurance Limitation	[18,100]	[20,935]	[21,000]
Direct Loan Limitation	[50]	[50]	[50]
Subtotal, FHA Funds	637	802	592
Other Assisted Housing	...	(7)	...
HOPE	...	(11)	...
Nonprofit Sponsor Assistance	...	(6)	...
<b>Subtotal, Housing Programs</b>	<b>1,491</b>	<b>1,689</b>	<b>1,581</b>
<b>GOVERNMENT NATIONAL MORTGAGE ASSOCIATION</b>			
Guarantees of Mortgage-Backed Securities:			
Program Account	9	9	9
MBS Guarantee Limitation	[200,000]	[200,000]	[200,000]
Non-overhead Expenses	...	...	40
<b>Subtotal, GNMA</b>	<b>9</b>	<b>9</b>	<b>49</b>
<b>POLICY DEVELOPMENT AND RESEARCH</b>			
Research and Technology	38	35	50
Technology Advancement Partnership (PATH)	10	10	12
Transfer for International Activities from USAID	10	...	...
<b>Subtotal, PD&amp;R</b>	<b>58</b>	<b>45</b>	<b>62</b>
<b>FAIR HOUSING &amp; EQUAL OPPORTUNITY</b>			
Fair Housing Assistance Program	17	20	21
Fair Housing Initiatives Program	23	24	29
Fair Housing Training Academy	...	...	[1]
<b>Subtotal, Fair Housing Activities</b>	<b>40</b>	<b>44</b>	<b>50</b>
<b>OFFICE OF LEAD-BASED PAINT AND POISONING PREVENTION</b>			
Lead-Based Paint Hazard Reduction	80	80	120
Healthy Homes	[10]	[10]	[10]
<b>MANAGEMENT AND ADMINISTRATION</b>			
Salaries and Expenses, HUD	457	477	565
Transfers (FHA/GNMA/CPD)	[533]	[528]	[529]
Subtotal, Salaries and Expenses, HUD	[990]	[1,005]	[1,094]
Y2k Supplemental Funding	15	...	...

**BUDGET AUTHORITY BY PROGRAM**  
**COMPARATIVE SUMMARY, FISCAL YEARS 1999–2001**  
(continued)

Salaries and Expenses, OIG	50	45	58
Transfers (FHA/PIH)	[32]	[32]	[32]
Salaries and Expenses, OFHEO	16	19	26
<b>Subtotal, Management and Administration</b>	<b>538</b>	<b>541</b>	<b>649</b>
<b>Subtotal, HUD Discretionary Budget Authority (Gross)</b>	<b>25,751</b>	<b>22,464</b>	<b>32,596</b>
Deductions for Offsetting Receipts (Discretionary)	(530)	(443)	(504)
Add-Back to Remove Effect of Advanced Appropriations	...	4,200	...
<b>Total, HUD Discretionary Budget Authority (Net)</b>	<b>25,221</b>	<b>26,221</b>	<b>32,092</b>
<b>MANDATORY PROGRAMS</b>			
FHA GI/SRI Funds (Liquidating)	69	548	2,392
Manufactured Home Inspection and Monitoring	15	16	17
MMI Program Account	4,494	...	...
GI Program Account	233	...	...
Low-Rent Public Housing Loans	25	40	40
Urban Empowerment Zones	...	...	150
GNMA MBS Liquidating	...	...	(50)
<b>Subtotal, HUD Mandatory Budget Authority (Gross)</b>	<b>4,836</b>	<b>604</b>	<b>2,549</b>
Deductions for Offsetting Receipts (Mandatory)	(3,713)	(6,335)	(392)
<b>Total, HUD Mandatory Budget (Net)</b>	<b>1,123</b>	<b>(5,731)</b>	<b>2,157</b>
<b>Total, HUD Budget Authority</b>	<b>26,344</b>	<b>20,490</b>	<b>34,249</b>