

**U.S. Department of Housing and
Urban Development**

Strategic Plan

FY 2001–FY 2006

DRAFT

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NOTE TO THE READER: We invite your feedback.

***This document is posted on our Web site at www.hud.gov, and
you'll find a Strategic Plan link on the home page.
The electronic mailbox will deliver your thoughts to the Department
so we can use them to refine our plans.***

***The first section will give you an overview of what HUD does and why we do
it.***

***The rest of the document provides more detail about our plans
and the context in which we make them.***

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I. INTRODUCTION

The Department's mission is to "Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination." This section introduces you to what HUD does and outlines the goals to which we are committed through 2006. It offers highlights of the plan as a whole.

We are pleased to present the U.S. Department of Housing and Urban Development's (HUD) Strategic Plan for FY 2001–FY 2006. This plan describes HUD's strategic goals for the next 6 years and how we plan to achieve those goals. It outlines the trends and challenges affecting our programs, and describes the partnerships, policies, means, and strategies needed to ensure that HUD is a high-performing agency that fulfills its mission to promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.

This plan builds upon the successes and lessons learned during the past 3 years and assumes a continuation of modestly larger HUD budgets throughout the life of this document, as has been the trend in recent fiscal years. Based upon these assumptions, it is HUD's intention to focus on five distinct, but interrelated goals in which we continue to build upon the strengthened partnerships that HUD has established with State and local governments, public housing and redevelopment authorities, national for- and nonprofit intermediaries, local community-based nonprofit organizations and others throughout the Nation.

This introductory section presents an overview of the Strategic Plan. It describes HUD's impact on America's communities and the challenges we face in achieving our objectives. It explains how we developed this plan and provides a broad outline of HUD's Strategic Goal and Objectives.

The next section gives the broader context of our strategic plan including the trends that are affecting the Nation's housing and communities and recent legislation that impact HUD's work. It offers an overview of HUD's role, and our partnerships and consultations with States, local communities, and other stakeholders.

The third section reviews each of our five Strategic Goals. It provides substantial detail about our objectives and performance goals, summarizes relevant research, and explains how we will use our programs and partnerships to achieve each of our goals.

The fourth section provides background information on three key aspects of our implementation of this plan: how we allocate resources to meet each of our Strategic Goals, how we partner with other Federal agencies to achieve our objectives, and how we plan to improve our programs through research and evaluation. In section five, we conclude with a brief summary and include as an appendix a list of HUD's key legislative milestones.

HUD is committed to improving America's housing and communities. We look forward to strengthening our programs and partnerships to enable us to fulfill our mission and meet our Strategic Goals.

MISSION

As stated in the Department's Annual Performance Plans, HUD's mission is to *Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. In order to fulfill this mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.*

WHAT DOES HUD DO?

By working closely with our partners, HUD provides a coordinated and comprehensive response to America's housing and community development needs.

The key functions of the Department are to:

- Provide grants to communities to help meet locally defined needs for housing, economic development, and infrastructure.
- Enforce fair housing laws to ensure equal opportunity in homeownership and rental housing.
- Help families and individuals achieve self-sufficiency by providing housing assistance, job training, and other supportive services.
- Provide grants to community based organizations and local governments that support a full range of assistance to people who are homeless so they can move to permanent housing.
- Provide housing vouchers that give families access to safe and decent housing, including in communities with lower poverty rates and greater economic opportunity.
- Insure loans for first-time and low-income homebuyers to increase access to the benefits of homeownership.
- Insure loans for multifamily owners to increase the availability of affordable rental housing.
- Set and monitor affordable housing goals for Fannie Mae and Freddie Mac, to assure homeownership opportunities for lower-income families and for underserved neighborhoods.
- Provide housing-related assistance for people who are elderly or disabled and people with HIV/AIDS.

- Support the Nation's Public Housing Authorities so they can provide housing for poor and disadvantaged families.

WHOM DOES HUD SERVE?

HUD meets people where they live: in their homes and in their neighborhoods. Here are examples of the people and communities that benefit from HUD programs:

- More than 6.7 million families' home mortgages are insured with FHA mortgage insurance. FHA insurance helps families afford homeownership.
- More than 4.5 million low-income, elderly, and disabled households receive HUD rental assistance, which enables them to afford a decent place to live.
- \$163.5 billion was made available to homeowners for mortgages in 1999 through HUD's Government National Mortgage Association, which channeled funds from investors to securitize new mortgages for approximately 1.8 million housing units.
- Every State and about 1,000 cities receive a direct share of HUD's \$5 billion Community Development Block Grant program so that they can meet locally defined needs for housing, economic development, and dozens of basic services like street improvements, neighborhood parks, and water and sewer upgrades.
- HUD and HUD-approved Fair Housing agencies review or adjudicate thousands of housing discrimination complaints each year, taking vigorous legal action where appropriate. HUD has also established a myriad of voluntary agreements with lenders, real estate agents, and builders to ensure that fair housing laws are upheld.
- Thousands of other people benefit from such programs as home improvement loans, housing counseling, job creation and job training.

To fulfill our mission, HUD works to be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals. Our headquarters staff and 81 field offices work with cities, counties, states, lenders, community-based nonprofit organizations, the housing industry, individual Americans, neighborhood organizations, and others. We strive to help local communities and residents use our programs to meet their needs. We build partnerships with other Federal agencies to maximize the benefits of Federal programs. In Fiscal Year 2000, Congress approved a budget of over \$26 billion for HUD programs.

STREAMLINING THE AGENCY

Over the last several years, the Department has streamlined functions into specialized centers using state-of-the-art technology. These include the Real Estate Assessment Center, Enforcement Center, Troubled Agency Recovery Center, Homeownership Centers and the Section 8 Financial

Management Center. All accounting operations have been combined into one office in Fort Worth, Texas. Field offices now concentrate on forming partnerships to enhance program performance rather than on technical and repetitive functions.

HUD is becoming a leader in conducting business electronically. Examples include processing over one million FHA single-family mortgages online each year, automating data input from physical inspections of HUD housing, providing advanced geographic information to help communities and citizens understand local needs and plan development activities, and being one of the first agencies linked through a single local area network and intranet.

HUD has developed and implemented Business and Operating Plans (BOPs) for each field and headquarters office. The BOPs align operations with Annual Performance Plan goals, while permitting field offices to work with local partners on unique local problems.

OUR STRATEGIC GOALS AND PLANS

In 1997, we developed our first 6-year Strategic Plan for the fiscal years 1998-2003. This plan, combined with the HUD 2020 Management Reform Plan, helped make the Department more effective and efficient. Since 1999, the Department has produced Annual Performance Plans that focus on achieving outcomes, in accordance with the Government Performance and Results Act (GPRA). HUD continues to review and strengthen these plans by better identifying outcomes through outreach to constituents and by improving the scope and accuracy of the data we collect.

Building on this foundation we have established five strategic goals to direct our policies over the next 6 years:

- Increase the availability of decent, safe, and affordable housing in American communities.
- Ensure equal opportunity in all housing for all Americans.
- Promote self-sufficiency and asset development of families and individuals.
- Improve the quality of life and economic vitality in American communities.
- Ensure public trust in HUD.

We developed our strategic plan after a great deal of thought and consultation. Among other groups, we consulted with Congress, the Office of Management and Budget, HUD employees and many of our customers and stakeholders. We continue to seek and welcome feedback. It will take coordinated deliberation and action, at the grassroots level and at the national level, to achieve our strategic goals and provide decent housing and a suitable living environment for all Americans.

With this Strategic Plan, HUD is articulating a vision for the year 2006 that includes more safe and affordable housing, equal opportunity, greater self-sufficiency, and improved community quality of life. The chart on the following page describes the challenges that inform each of our strategic goals and results we seek to achieve in these areas over the next 6 years.

II. THE CONTEXT FOR OUR STRATEGIC PLAN

We have shaped our plan based on HUD's role and partnerships, research and trends, consultation with customers, HUD's legislation and programs, and our commitment to excellence and to results.

This is the second Strategic Plan that HUD has developed under the Government Performance and Results Act. In 1997, we developed our first 6-year Strategic Plan for fiscal years 1998-2003.

Since 1997, HUD has completed a fundamental overhaul of our operations. We have refocused on our mission, streamlined operations, and built real accountability into our programs and our internal management systems. Since 1999, we have used Annual Performance Plans to stay focused on the specific objectives and standards we seek to achieve.

This new Strategic Plan reflects what we have learned in this process. Among other changes, we have clarified the outcomes we seek to achieve, as well as the data we use to measure our progress.

In developing this Strategic Plan, we built on HUD's performance management cycle. We also examined:

- Trends that impact American housing and communities
- HUD's role and our programs as tools
- Recent housing and community development legislation
- HUD's span of influence and span of control
- Partnerships that help us achieve our goals
- Feedback from customers and stakeholders about our plans and ideas

This section discusses each of those topics, highlighting the complexities inherent in achieving our mission.

The broad context for our work on this plan is the direction that Congress has given through the years on HUD's purpose and programs. An appendix to this plan summarizes key legislation guiding HUD programs.

TRENDS THAT IMPACT AMERICAN HOUSING AND COMMUNITIES

To be effective in achieving our mission, HUD must use strategies that respond to an ever-changing social, political, and technological environment. This section highlights important societal trends in these areas and how they affect the achievement our Strategic Goals and Objectives. Our strategies for dealing with these trends and in some cases capitalizing on them are described in the “Means and Strategies” section of each Strategic Goal.

Economy. The Nation currently is experiencing the longest economic expansion in U.S. history.

- The prolonged economic boom has positively affected employment and consumer confidence. Combined with low interest rates, economic prosperity has led to increased homeownership rates. It also has led many homebuyers to seek larger single-family homes with more amenities. Increases in interest rates or an economic downturn, however, could slow or reverse increases in homeownership.
- Strong job growth has reduced unemployment and poverty in many distressed communities; cities are closing the poverty gap relative to suburbs. Nevertheless, these positive outcomes are vulnerable to macroeconomic shocks.
- Despite general economic growth, the share of income of the lowest fifth of families has decreased, making it more difficult for these families to compete for housing.
- In the New Economy, education in technology fields is even more crucial for obtaining high-wage jobs, and low-skilled jobs that pay a living wage are becoming more scarce. Technological advances are creating a “digital divide” between those that have access to the internet and computer technologies and those who do not. Without such access, persons with lower-incomes are becoming more disadvantaged in education and employment arenas.

Decrease in affordable housing units. The number of housing units affordable to people with extremely low incomes has declined even as the number of such households increases.

- The worst case housing needs population (households spending more than one-half of their income on rent) is increasing at twice the rate of population growth.
- Shortages of affordable housing in areas where employment is increasing constrain employment opportunities for extremely-low-income families.
- Higher rent burdens make it difficult to maintain self-sufficiency and accumulate assets.
- Increases in population and reductions in average household size combine to increase household formation and, along with income increases, are creating high demand for new housing units.

Changes in welfare laws. Since Congress passed welfare reform legislation in 1996, States have developed a variety of different programs aimed at encouraging self-sufficiency.

- More Federal and State resources are being shifted from cash welfare payments to employment and training programs that help people move from welfare to work, creating challenges to and opportunities for housing providers and others to promote self-sufficiency among assisted renters.
- The need for coordination of self-sufficiency efforts between housing assistance providers, welfare agencies and communities has increased.
- Welfare time limits and work requirements may decrease income and increase costs of housing subsidies for some subsets of the welfare population if economic conditions do not support entry-level workers.

Aging population. By 2030, the share of Americans who are elderly (65 years and older) is projected to increase from 13 percent to 20 percent of the population, with rapid growth beginning around 2010. The fastest growing segment of the elderly population is already those 85 and older. Elderly women outnumber elderly men and are most likely to live alone.

- Changes in the demographic composition of the population may require changes in the mix and design of housing.
- Demand for physically accessible housing and housing linked with supportive services is likely to increase.
- The number of people who are dependent upon public transportation will increase, raising land use planning issues.
- A disproportionate number of the elderly poor live in cities; therefore, burdens on cities will increase.

Sprawl and metropolitan decentralization. Many central cities are still decreasing in population while their surrounding suburbs expand.

- Middle-class flight increases fiscal stress in central cities. Inner suburbs are beginning to experience similar stress as their housing ages.
- The expansion of urbanized land has far outpaced population growth for the past three decades through sprawl development.
- Infrastructure spending patterns continue to drive residential and business development to the metropolitan fringe.

- Rapid changes in information technology are having positive and negative impacts on cities. Improved communication technologies reduce the need for physical centrality in the economy, encouraging further decentralization and the decline of cities. On the other hand, changes in information technology increase the salience of in-person information exchange in creating new products and services and make cities more profitable locations for newly-forming networks.
- There is an evolving consensus on the need for joint city-suburb Smart Growth strategies to address sprawl and the structural decline of cities and older suburbs.

Building technology. Housing materials and construction methods are being transformed by technology.

- New information technologies have the potential to be applied to the traditionally disaggregated and localized housing industry, providing opportunities for significant cost savings in materials, processing time and construction. Dissemination of new methodologies, as well as low research and development spending, remain issues in this fragmented industry.
- Because of changes in housing preferences, homes will continue to grow in size and in use of amenities, both of which can increase energy use. However, with research and dissemination of energy-efficient technologies, energy costs can also be reduced, reducing operating costs as well as environmental impacts such as air pollution, power brownouts and urban heat-island effects.
- Continued urbanization and coastal development will place more housing at risk of natural disasters. However, the application of new technologies can significantly reduce damage and make housing more disaster-resistant.

RECENT LEGISLATION AFFECTING HUD'S WORK

The trends discussed above are a key part of the context for HUD's activities and its Strategic Plan. Another critical part of this context is the housing and community development legislation passed by Congress and signed by the President. The following is a brief summary of recent legislation in these areas. Additional information on the legislative direction that guides HUD's programs is provided in the appendix.

- In 1997, Congress passed the Multifamily Assisted Housing Reform and Affordability Act of 1997. This legislation established the Office of Multifamily Housing Assistance Restructuring (OMHAR) to implement the Mark-to-Market Program (M2M). Under this program, which is authorized through September 30, 2001, HUD's multifamily portfolio of insured Section 8 housing projects will be restructured by resetting rents to market levels and reducing mortgage debt, if necessary, to permit a positive cash flow.
- In 1998, Congress passed the Quality Housing and Work Responsibility Act. This law substantially deregulates public housing authorities, institutes policies to decrease poverty concentrations in public

housing and to promote mixed-income communities, ensures that a threshold share of public housing units and housing vouchers remain available for extremely-low-income families with the greatest needs, and creates incentives for residents to become self-sufficient.

- In 1998, HUD announced 15 new Empowerment Zones. These areas will receive a combination of tax incentives and grants over 10 years to promote economic opportunity and sustainable community development. In 1998, Congress also increased FHA's loan limits, giving HUD the opportunity to provide more affordable mortgages to first-time, minority and central-city homebuyers.
- For FY 1999, Congress approved 50,000 new housing vouchers to help reduce the number of individuals and families with worst-case housing needs and help families move from welfare to work. This was the first significant appropriation of new housing vouchers in 4 years. For FY 2000, Congress approved 60,000 new vouchers, demonstrating renewed commitment to reduce the severe shortage of affordable housing.
- For FY 1999, Congress also enacted the Housing Security Plan for Older Americans, which will enable HUD to develop a broad range of housing options to meet the changing housing needs of senior citizens, and Mark-up-to-Market legislation, which protects low-income renters by preventing opt-outs by owners of their project-based housing assistance contracts.

HUD'S SPAN OF INFLUENCE AND SPAN OF CONTROL

Our Strategic Plan establishes ambitious goals to ensure that our programs effectively promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. Through HUD's programs and related activities, HUD influences the quality of life in the vast majority of American communities as well as the housing choices available to millions of American households. Because our programs provide great flexibility for individuals and communities to address their own needs, however, we have limited control of the outcomes of our programs. In sum, we have a broad span of influence, but a much narrower span of control.

HUD's broad span of influence is reflected in many aspects of our programs:

- All states and the vast majority of communities receive HUD funding for housing, economic development, job training, homeless assistance and infrastructure.
- HUD provides direct and indirect rental and homeowner assistance to millions of households, including almost a third of low-income renters and a substantial proportion of first-time homebuyers.
- The Department has an ambitious research agenda that seeks to better understand the nature and dynamics of housing markets, develop more efficient housing construction techniques, and evaluate the impact of housing and community development programs.

- HUD's activities and research inform and are currently serving as models for housing and community development programs internationally.

Other aspects of our programs illustrate HUD's narrower span of control in meeting our national goals:

- In FY 1999, FHA helped finance 1.2 million single family homes, but this was only about one-fifth of all home purchases.
- HUD distributes funding as flexible grants to States, cities and smaller communities. Because these grantees best understand their own needs, they are authorized to determine how to use Federal funding to support local housing and community development activities. This discretion brings communities together to plan their futures and ensures that the most important needs are met, but it makes strategic planning difficult because there are as many specific strategies as there are communities.
- HUD provides grants and funding to organizations such as Public Housing Agencies, community-based organizations, and other non-governmental entities to deliver housing and services to American citizens. We rely on these partners to carry out our programs. These groups often have considerable discretion in the use of funds.
- Economic conditions are a severe constraint on HUD's span of control with respect to housing affordability. Hot local housing markets, limited availability for development, and continued unemployment or poverty are major factors that limit HUD's ability to help more families find decent, safe and affordable housing.

HUD'S RELATIONSHIPS WITH ITS PARTNERS

The housing and community development needs of this country are complex and difficult to meet. We cannot accomplish our goals by working in isolation.

The governing legislation makes clear that Congress wants HUD to work in partnership with other entities at the Federal, State, and local levels in both the public and private sectors. HUD fully agrees with this philosophy. Our Strategic Plan includes partnership efforts with a wide variety of private and public entities, we encourage partnerships among the different entities that administer HUD programs.

The following are some of the ways in which we work with our partners to carry out our Strategic Goals:

Federal Agencies

- Our Strategic Plan includes relationships with other Federal agencies such areas as helping families move from welfare to work, combating homelessness, ensuring fair housing, and encouraging economic development. These efforts allow us to coordinate policy, funding, and regulation to

eliminate duplication and support more intricate and holistic responses to the concerns of America's communities. Our cross-cutting programs and interagency partnerships are detailed in Section IV.

State and Local Agencies

HUD's Strategic Plan relies on a range of public and private partners to provide public housing and assisted housing opportunities to low-income families. HUD intends to help housing providers improve operations and conditions and to ensure that they uphold the public trust.

- Communities that receive funds under the formula grant programs—Community Development Block Grants (CDBG), HOME Investment Partnerships, Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA)—do so by developing a local Consolidated Plan that identifies local needs and strategies, through a process that ensures participation by low- and moderate-income residents. HUD is taking steps to strengthen joint accountability with our partners for achieving the locally-determined goals identified in their plans. The integration of these community development and housing programs with other HUD housing and economic development programs is critical to the overall success of HUD's programs.
- HUD's award-winning "Continuum of Care" uses a similar approach to encourage local partnerships that integrate a full range of services to the homeless. A Continuum of Care is a coordinated network of public and private homeless providers serving a specific geographic area. Each Continuum submits a single application to compete for Homeless Assistance Grants.
- One of HUD's oldest partnerships is with local Public Housing Authorities (PHAs), which are established under State laws to develop, own and operate low-rent public housing using HUD subsidies. The partnership with PHAs has continued and evolved over the years as housing styles arose and were tested, and as changes occurred in urban conditions, statutory requirements, funding levels, private housing markets and in the populations served. The progress experienced recently—through HOPE VI redevelopment of distressed housing and neighborhoods, statutory and regulatory reforms, funding modifications and enhanced performance-based oversight—bodes well for a rejuvenated public housing program that ensures the public trust.
- In FY 1998, the Department identified 15 Round II Empowerment Zones. Through this program, HUD encourages residents, States and localities—as well as private companies and nonprofit organizations—to work together to address local needs for urban revitalization. These "EZs" are eligible for many benefits to support their strategic plan, including direct grants and tax incentives.
- HUD relies on State and local partners, both governmental and nonprofit, to help in the fight for fair housing, using the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). Under FHAP, agencies that enforce local laws "substantially equivalent" to provisions of the Fair Housing Act are treated as equal partners. Under FHIP, public and private organizations conduct education, outreach and enforcement activities to ensure compliance with fair housing laws.

The Private Sector

- Mortgage bankers are HUD's largest group of for-profit partners, as FHA mortgage insurance enables lenders to reduce interest rates, and as Ginnie Mae facilitates investment in mortgages by packaging them in pools for resale to private investors.
- The "One Million Homes" initiative represents a partnership among the National Association of Home Builders, the United States Conference of Mayors and HUD. The ambitious goal of this initiative is to promote the construction of an additional one million new single-family homes in urban areas across the Nation by 2010.
- HUD works with the business community to increase investment and economic activity in the most needed areas. HUD's 1999 report *New Markets: The Untapped Retail Buying Power in America's Inner Cities* describes the extensive potential for economic activity in both inner city and rural markets. Our continuing strategy will be to encourage and support private sector investment in these markets.

Nonprofit Community and Faith-Based Groups

- The nonprofit sector is a vital partner for HUD. Community-based and faith-based organizations understand local needs and are uniquely positioned to serve them. Many nonprofit organizations have direct roles, as grantees or sub-grantees, in the administration of HUD's programs and the delivery of HUD-funded services.
- Many institutions of higher education have become partners with HUD and with local government and nonprofit groups to revitalize neighborhoods. More than 100 universities, colleges, and community colleges receive HUD support, which they match with their own resources to provide technical assistance, training, and student community service to organizations in low- and moderate-income neighborhoods.

International Partnerships

- HUD has enhanced its partnerships with other nations to foster mutually beneficial exchanges of data and information. Those cooperative efforts strengthen the Department's ability to enhance U.S. housing and community development and help other countries achieve similar goals.

HUD is so convinced of the importance of partnerships that we have charged a specific set of employees, called Community Builders, to focus on partnerships and customer-service functions. Those functions used to be intermixed with other program responsibilities, and too often got less attention as a result. According to an independent audit, our new community builders are "providing increased responsiveness to community needs and requests...expanding outreach to new and in some cases previously under-served partners... [and] facilitating working partnerships furthering the Department's mission."

FEEDBACK FROM CUSTOMERS AND STAKEHOLDERS

In recognition of the importance of partnerships with national and local organizations and governments, HUD has undertaken an extensive consultation effort as part of the development of this Strategic Plan. We have and are continuing consultations with a variety of stakeholders to date, and plan to continue throughout the summer to include stakeholders from all sectors of HUD's operations.

In our initial consultations we have placed a special emphasis on our partners at the local level who administer HUD funds. Flexible formula block grant programs provide substantial resources to communities around the country, but they present significant difficulties for performance measurements. Both the Office of Management and Budget (OMB) and the National Academy of Public Administration (NAPA) have encouraged HUD to strive for "joint accountability" with these partners.

In October 1999, the Department met with Congressional staff. Through the meeting HUD sought input on the proposed consultation plan and the outline of the Strategic Plan; established and maintained an open line of communication throughout the consultation process; and to ensure that members of Congress were made aware of the consultations. This meeting helped inform the development of HUD's Strategic Plan. Congressional staff were kept informed of the subsequent consultations with other stakeholders and in some cases attended the consultations.

From December 1999 through July 2000, HUD held ten meetings with stakeholders, covering many sectors of HUD's business. These meetings helped to shape this plan. For example, these meetings led directly to the addition of our new Strategic Objective 3.3, which focuses on the elderly and persons with disabilities. To further refine our Strategic Goals and strategies, HUD is continuing to implement a three-part consultation process:

National Organizations. The Department held a series of stakeholder meetings with national organizations in Washington, DC. The discussions gave organizations and governmental entities with shared goals the opportunity to make suggestions about how to better integrate HUD's efforts with their work and how best to measure outcomes. Stakeholders also presented their ideas about which goals and performance indicators in recent Annual Performance Plans were valid, inappropriate, in need of improvement, or missing. Among the stakeholders consulted were many of our partners in States and local governments, nonprofit groups, and advocates and representatives from specific interest groups. The national organizations consulted included:

- U.S. Conference of Mayors, Community Development Committee,
- National Community Development Association,
- National Elderly Housing Coalition,
- Council of State Community Development Associations,
- National Low Income Housing Coalition, and

- Public Housing Agency Groups and Advocates

By the end of the summer of 2000, HUD plans to meet with outside organizations representing fair housing groups, the single family building and mortgage industry, homeless advocates and service deliverers, and the multifamily housing industry.

Regional Groups. Regional stakeholder meetings with housing and community development leaders around the country have been conducted with recipients and beneficiaries of the Department's formula block grants. These consultations focused on how best to measure the success of these difficult-to-measure programs. The meetings emphasized shared outcomes, joint accountability and data issues that are particularly key to Community Planning and Development programs and other flexible grant programs. Regional stakeholder consultations were conducted in:

- the Philadelphia Region (including communities in Delaware and New Jersey),
- the Chicago Region,
- the Atlanta Region, and
- the San Francisco Region.

Public Comment. We also want your comments. We will make available HUD's draft Strategic Plan through HUD's web site during the summer of 2000. Similar web access to HUD's previous draft Strategic Plan resulted in more than 3,000 comments submitted, including many from HUD employees. Results from these comments will be incorporated into the Department's final submission to Congress in September 2000.

HUD'S PERFORMANCE MANAGEMENT CYCLE

This Strategic Plan establishes a vision of what HUD seeks to achieve during the next 6 years. We express that vision in terms of long-term, measurable changes in American housing and urban conditions: our performance goals for 2006.

Each year, we develop an Annual Performance Plan (APP). We send our APP to Congress along with our budget proposal to tell Congress the results we intend to achieve with the funds that we have requested for the year.

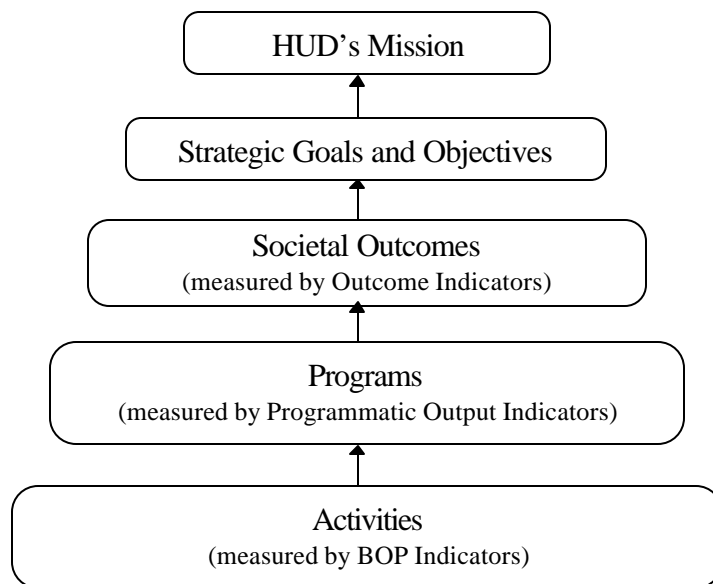
Going forward, each APP will specify what we will do in that year to move toward the vision for 2006 articulated in this Strategic Plan. Our APPs will specify detailed performance indicators that will help us gauge our progress in achieving both our strategic goals and objectives, and our 6-year performance goals. In general, readers should consult the APPs for more information on HUD's specific plans and objectives for meeting our Strategic Goals.

The performance goals in this Strategic Plan will help us to hone the focus of our current APP indicators. Our APP indicators assess both outcomes (changes in society that our customers and stakeholders can readily recognize) and outputs (products of our programs that contribute to the outcomes). HUD has developed performance measures that cover every major program and function of the department.

Once Congress acts on our budget proposal for a fiscal year, we establish internal annual plans to make sure we achieve our intended results. Our internal, office-by-office Business and Operating Plans measure the activities and products of each part of HUD. We allocate resources consistent with those plans. We evaluate performance in terms of how effectively organizations and individual managers contribute to those plans.

As we implement our Business and Operating Plans, we pay attention to what works and what does not work. That experience, in turns, feeds back into our Annual Performance Plan for the next year. So we have a complete cycle, from strategies to plans to budgets to operations to evaluation and ultimately back to a review of strategies. Every part of that cycle reinforces our focus on HUD's mission and the measurable progress we are making toward its achievement.

HOW IT ALL TIES TOGETHER



HUD's programs produce outputs that support societal outcomes as described in our Annual Performance Plans. These outcomes contribute to our Strategic Goals and Objectives, and ultimately to our mission as described in this Strategic Plan. Business and Operating Plans provide the foundation for performance

We enter the new millennium with a renewed commitment to leadership and service, and with confidence in our capacity to perform for the American people. To make sure we stay on track, we continually assess our progress and our problems so that we can learn from our experience. We intend to get better and better during the years in which we implement this plan.

III. HUD'S STRATEGIC GOALS

HUD's five Strategic Goals and Objectives are intended to encompass the broad scope of HUD's activities. The following five sections describe the means by which we intend to reach each goal, including program evaluations that have assisted the Department in policies related to HUD's programs that support each goal. Each section describes the Department's strategic objectives and specific performance goals we seek to achieve over the next 6 years. The table below summarizes HUD's Strategic Goals and Objectives.

HUD's Mission, Vision, Goals, and Objectives

HUD's Mission: Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.				
Vision: In order to fulfill its mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.				
Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5
Increase the availability of decent, safe, and affordable housing in American communities.	Ensure equal opportunity in housing for all Americans.	Promote self-sufficiency and asset development of families and individuals.	Improve community quality of life and economic vitality .	Ensure public trust in HUD.
Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives
1.1 Homeownership is increased.	2.1 Housing discrimination is reduced.	3.1 Homeless families and individuals become self-sufficient.	4.1 The number, quality, and accessibility of jobs increase in urban and rural communities.	5.1 HUD and HUD's partners effectively deliver results to customers.
1.2 Affordable rental housing is available for low-income households.	2.2 Minorities and low-income people are not isolated geographically in America.	3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.	4.2 Disparities in well-being among neighborhoods and within metropolitan areas are reduced.	5.2 HUD leads housing and urban research and policy development nationwide.
1.3 America's housing is safer, of higher quality, and disaster resistant.	2.3 Disparities in homeownership rates among racial and ethnic groups are reduced.	3.3 The elderly and persons with disabilities achieve maximum independence.	4.3 Communities become safer.	

Strategic Goal 1: Increase the Availability of Decent, Safe, and Affordable Housing in American Communities

Safe, decent, affordable housing for all Americans is a cornerstone of our Nation that many of us take for granted. But it remains out of reach of millions of people. This section describes HUD's strategy to increase homeownership, to expand affordable rental housing opportunities, and to improve housing quality and safety.

OVERVIEW

Increasing the availability of decent, safe, and affordable housing for all Americans is at the heart of HUD's mission. This overall goal has three main components: increasing homeownership rates; increasing the availability of affordable rental housing for low-income households; and ensuring that America's housing is safer, of higher quality and disaster resistant.

For many families, buying a home is the most important, most costly and most complicated financial transaction they will face—yet it is a central feature of the American Dream. The availability of safe, affordable, and accessible rental housing, especially for low- and moderate-income individuals and families, strengthens the ladder to homeownership and self-sufficiency for more Americans. Supporting new and rehabilitated housing in distressed communities is also an important aspect of community and economic development.

The general health of the economy is one of the primary factors affecting access to decent, safe and affordable housing in the United States. A combination of low interest rates, low unemployment, and rising incomes has helped boost homeownership for many. But the strong housing market has led to higher housing prices, with house prices rising at more than twice the rate of overall inflation and rents rising at more than one-and-a-half times the rate of inflation. Combined with slow income growth for low-income households, this has led to an increasing affordability gap. This phenomenon, documented in the 1999 HUD report *Rental Housing Assistance—The Worsening Crisis*, has resulted in a record 5.4 million households with “worst-case housing needs”¹.

Moreover, the changing needs of American households pose additional challenges. As the elderly population increases, there will be an increased demand for affordable housing that meets their special needs. Persons with disabilities also require specialized housing, making it essential to enforce

¹ Worst-case housing needs are defined as unassisted very low-income renters who pay more than half of their income for housing or live in severely substandard housing. Very low-income families are those whose income is less than 50 percent of median income.

accessibility laws and to ensure that assisted housing is available, including housing with supportive services.

Through many types of programs, including mortgage insurance, outreach and education, and direct subsidies to communities and individuals, HUD expands opportunities for those who wish to become homeowners. In recent years, FHA has been the driving force behind the increase in homeownership rates for first-time homebuyers and low-income and minority families. In addition, HUD increases the supply of affordable rental housing through grants and mortgage insurance, and improves rental housing affordability, availability and accessibility through the provision of housing vouchers. And while the quality of U.S. housing has steadily improved over the past five decades, it is vital to reduce remaining hazards and substandard conditions and to make housing more resistant to disasters. The Partnership for Advancing Technology in Housing (PATH) is a major interagency program led by HUD with the Department of Energy as co-head that was instituted in 1998 to address these problems.

MEANS AND STRATEGIES

The Department employs several types of programs to achieve this goal. First, there are a variety of loan and mortgage related programs that increase the availability of housing loans to individuals and to private and public organizations.

- In FY 1999, FHA's Mutual Mortgage Insurance and General/Special Risk Insurance provided over \$130 billion in loan guarantees for a range of needs, including first-time homebuyers, multifamily housing, assisted living and nursing home facilities, and hospitals.
- Ginnie Mae pools these FHA-insured loans for sale by lenders in the secondary market, reducing lenders' holding costs and enabling them to make new loans.

The Department also administers block grant programs that give communities discretion to use funds to meet locally defined needs. A significant share of these resources are used for housing development.

- The largest block grant program is the Community Development Block Grant program (CDBG). Allocated by formula to cities, urban counties and states, CDBG provides funding for a wide variety of locally determined needs.
- The HOME Investment Partnerships program supports housing construction, rehabilitation, and rental assistance.
- Native American Community Block Grants and Indian Housing Block Grants support housing needs in Native American communities.
- Housing Opportunities for Persons with AIDS (HOPWA) funds provide a range of housing assistance and related support for low-income persons living with HIV/AIDS and their families.

The largest single program the Department operates is the family of Section 8 programs grouped in our budget under the Housing Certificate Fund.

- The Housing Certificate Fund provides Section 8 vouchers² to approximately 1.4 million very-low-income households, adding more each year through the enactment of appropriations for incremental vouchers.
- The Housing Certificate Fund also renews funding for 1.3 million units of project-based Section 8 housing for which HUD contracts directly with housing providers. Through OMHAR and the Mark-to-Market Program, respectively, HUD is cutting the cost of rent subsidies and ensuring that the project-based Section 8 program continues to provide decent, safe and affordable housing for very-low-income families.
- When public housing units are demolished or when private owners choose to leave the project-based Section 8 program, HUD seeks to maintain the overall size of the public and assisted housing programs by adding to the number of vouchers serving the same locality.

HUD provides funds for 1.2 million units of public housing.

- The Public Housing Operating Fund subsidizes the operation and maintenance of public housing projects.
- The Public Housing Capital Fund supports modernization and rehabilitation of public housing, as well as development and management improvements.
- HOPE VI demolishes or revitalizes severely distressed public housing, taking substandard housing off the market and replacing it with vouchers and a smaller number of public housing units that are part of mixed-income developments.

Several programs help make America's housing safer and more disaster resistant.

- The Partnership for Advancing Technology in Housing (PATH) is a relatively new program with ambitious goals for promoting the use of new technology in housing production. In the coming years, this effort should result in more affordable, durable, disaster-resistant, safe and energy-efficient housing.
- The Office of Lead Hazard Control is beginning a 10-year program to eliminate lead as a hazard in housing. This effort relies on a significant commitment toward correcting lead paint hazards in

² Under the Section 8 voucher program, a household generally pays 30 percent of its income in rent, and the voucher pays the difference between the household contribution and the payment standard established by the local housing authority. The payment standard is based on the local fair market rent set by HUD.

housing, scientific research, outreach and education, technical assistance and enforcement of Federal lead safety laws.

- HUD's regulation of the manufactured housing industry is increasing the durability and disaster resistance of that housing stock.

The Department employs a variety of targeted programs to meet the specific housing needs of people with HIV/AIDS, the homeless, the elderly, and those who live in rural areas. HUD also has two sources for providing Section 8 tenant-based assistance to persons with disabilities.

New Initiatives

HUD has begun a variety of initiatives to meet the goal of increasing the availability of homeownership opportunities and safe and affordable rental housing.

- HUD is seeking to expand its housing voucher program with vouchers targeted on special needs as well as untargeted vouchers that housing agencies can use to meet locally defined needs. In FY 2001, HUD is seeking 120,000 new vouchers, of which half would be targeted on special needs. Targeted vouchers include homeless vouchers to help people find permanent housing; Welfare-to-Work vouchers, which make housing affordable and support the transition from welfare to work; and housing production vouchers that support the construction of new units for extremely-low-income renters.
- FHA is continuing to refine its automated mortgage scorecard to make FHA insurance more accessible and to reduce the time it takes to get an FHA loan.
- In conjunction with the Department of Treasury, HUD is seeking an increase for the Low-Income Housing Tax Credit which gives States tax credits to allocate to developers for producing affordable housing. While this credit is not part of HUD's budget, the Department coordinates its programs with the credit to provide additional leverage to produce and preserve affordable housing.
- HUD has proposed higher affordable housing goals for Fannie Mae and Freddie Mac, the two government-sponsored housing enterprises it regulates. These goals will ensure that more low-income and minority families and families in underserved areas gain access to home loans.
- As part of the Housing Security Plan for Older Americans, the Department intends to spur construction of affordable assisted living facilities by providing operating subsidies to these facilities and by funding the conversion of some elderly developments. This will create new housing with services that support elderly Americans.
- HUD will help expand homeownership opportunities for very-low-income families by facilitating and encouraging the use of Section 8 vouchers to assist those families in purchasing their own homes.

Program Evaluations

In developing and implementing this strategic goal, the Department utilizes the results of research studies on FHA programs, public housing, Section 8, Community Development Block Grants, HOME and Native American Housing programs. Examples include:

- In 1999 the final report of a study of insured multifamily housing was completed, “Status of HUD-Insured (or Held) Multifamily Rental Housing.” The study provides representative estimates of the extent of unfunded maintenance backlogs in private assisted housing and supported policy development for the Mark-to-Market legislation and implementation.
- As part of an ongoing long-term evaluation of the HOPE VI redevelopment program for distressed public housing, “An Historical and Baseline Assessment of HOPE VI” (1996) locations was completed in 1996. Updated results are expected in 2000.
- An evaluation beginning in FY 2000 will survey a representative sample of tenants of rental developments funded through the HOME Investment Partnerships Program (HOME) to assess income eligibility and rent appropriateness over time. A 1995 evaluation showed that HOME effectively delivers affordable housing opportunities to communities.
- In an ongoing study assessing the Moving To Opportunity for Fair Housing Demonstration (MTO), initial findings indicate that helping families move from highly concentrated areas of poverty with Section 8 vouchers leads to significantly improved outcomes, especially for the families with children, including substantially improved health statuses and reductions in children’s behavioral problems. (*Moving to Opportunity for Fair Housing Demonstration Program*, 1999)
- Current and completed research on the use of Section 8 vouchers, including a study of the success of giving tenants vouchers when project-based assistance is withheld for regulatory reasons or when an owner “opts out” upon completion of a project-based contract. (*Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance*, forthcoming). This study found that, in general, tenants have a high success rate in using replacement vouchers.
- The fifth interim report of the ongoing evaluation of the Lead-Based Paint Hazard Control Grant Program, completed in 1997, will be followed by another major report expected in 2001. The preliminary evidence indicates that 3 years after addressing household lead, dust lead levels were no longer a significant cause of elevated blood lead in children. However, clearance testing of treated units was found to remain necessary. The evaluation is on-going to measure the long-term effectiveness of the hazard control methods used.
- HUD has engaged the National Academy of Public Administration to assess the effectiveness of various methods of evaluating public housing agencies and other providers of public housing. An interim report is expected in November 2000.

- Among other in-house efforts, HUD is developing and is in the processing of implementing and automated underwriting system for FHA mortgage loans. (*Understanding Consumer and Mortgage Scoring*, 1999)
- HUD is analyzing the potential of using GSE housing goals to promote greater availability of affordable multifamily units. (*Segmentation of the Multifamily Mortgage Market*, 2000)
- An in-house study of homeownership increases among minority and low-income households and the impact of homeownership initiatives, particularly FHA initiatives, was completed in 2000. See U.S. Housing Market Conditions, February 2000.

STRATEGIC OBJECTIVES

Objective 1.1: Homeownership is increased.

Performance Measurement: The national homeownership rate will increase to 70 percent by the end of 2006.

Through homeownership, an individual or family makes an investment in the future. A home is an asset that can grow in value and provide capital for a family's future financial needs. Homeownership also stabilizes neighborhoods and strengthens communities. Over the last 6 years, significant progress has been made towards President Clinton's goal of reaching a homeownership rate of 67.5 percent by the end of the year 2000. The homeownership rate has increased from 64.2 percent at the end of 1994 to an all-time high of 67.1 percent in the first quarter of 2000. Much of this overall increase was due to increased homeownership rates among minorities and lower-income families. Since 1994, the minority homeownership rate has increased by nearly 10 percent and the homeownership rate of families with incomes below the median income has increased by 5.4 percent.

While a strong economy and low-interest rates help in boosting homeownership, government involvement is also critical. HUD plays a particularly important role in increasing homeownership for first-time, low-income, and minority homebuyers through FHA and GNMA, mission regulation of GSES, and other HUD programs, such as HOME and the newly offered homeownership vouchers.

While not every person wishes to buy a home, the Department has decided on a bold target of a 70 percent homeownership rate by 2006. This target is driven by the Department's commitment to reduce the substantial homeownership gaps between minorities and non-minorities and between lower-income and higher-income Americans. If the gap between minority and non-minority homeownership rates were reduced by 15 percent and the gap between the homeownership rates of higher-income and lower-income households were reduced by 25 percent, the homeownership rate would reach our target of 70 percent by 2006.

This goal will be measured through the Current Population Survey. For the first quarter of 2000, this survey showed a minority homeownership rate of 48 percent and a homeownership rate of 51.4 percent for families with incomes below the median income.

See Objective 2.3 for additional information on the Department's plans for reducing the disparities in homeownership rates among racial and ethnic minorities.

Means and Strategies

Increase the availability and affordability of home mortgages. Through FHA, Ginnie Mae, and by setting housing goals for Freddie Mac and Fannie Mae, the Department provides a broad range of mortgage products, and increases the liquidity of the mortgage credit market to increase the attainability of mortgage credit, especially for first-time, low-income, minority, and central-city homebuyers. The

Department also guides potential homeowners through the complex process of homebuying and more efficiently provides information and assistance to FHA's clients, lenders, and borrowers. Finally, we will continue to convene homeownership fairs and recruit businesses, local governments, and nonprofits into the effort to boost homeownership.

Promoting new technologies. The Partnership for Advancing Technology in Housing (PATH) reduces the cost of building and operating homes by helping to speed the adoption of new technologies.

Construction and rehabilitation. HUD provides support to local government efforts in single-family housing construction and rehabilitation, most importantly through a variety of programs including communities' use of HOME and CDBG.

Objective 1.2: Affordable rental housing is available for low-income households.

***Performance Measurement:** By 2005, the number of families with children and elderly households with worst case housing needs will decrease by 30 percent from the 1997 levels.*

In 1997, a record 5.4 million households experienced worst case housing needs,³ including 2 million families with children and 1.2 million elderly households. Housing costs exhaust the resources of these families, leaving them with inadequate income to meet other basic needs and accumulate assets. Through expanded funding for housing vouchers and other HUD programs, HUD's regulation of Government Sponsored Enterprises (GSEs), and through HUD's efforts to support and maintain the existing stock of affordable units in its public housing and Section 8 tenant-based and project-based inventories, HUD seeks to reduce by 30 percent the number of elderly households and families with children with worst-case needs. This would reduce worst case needs by 600,000 among families with children, and by 350,000 among elderly renters. By assisting these households to afford rental housing, HUD will help reduce the risk of eviction or homelessness and give them a greater opportunity to invest in themselves and their children. This goal will be measured through the biennial American Housing Survey conducted in 2005.

***Performance Measurement:** The number of units affordable to extremely-low-income households increases to 85 units for every 100 renters, and the number of units both affordable and available to very-low-income households increases to 75 units for every 100 renters.⁴*

One of the housing challenges facing very-low-income (VLI) and extremely-low-income (ELI) renters is the absolute shortage of affordable housing units affordable to them. This scarcity forces many families to pay an excessive share of their income for rent and limits their ability to locate near quality schools and employment opportunities. In 1997 there were 78 affordable units for every 100 ELI households and 69 affordable and available units for every 100 VLI households. These figures have steadily declined during the 1990s because of decreases in the number of affordable units and increases in the number of very- and extremely-low-income households and because many affordable units are occupied by higher income renters. Achieving these targets would reverse the decline and restore the indicators to their 1991 levels.

³ Worst-case housing needs are defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing.

⁴ Very-low-income is defined as less than 50 percent of the area median family income; extremely-low-income is less than 30 percent of the area median family income.

Means and Strategies

Tenant-based rental assistance. HUD provides rental assistance to low-income families to ensure that they can afford their housing costs. Because this assistance is flexible, families can use it to find housing in lower poverty communities closer to educational and economic opportunities. The income targeting goals included in the Quality Housing and Work Responsibility Act of 1998 ensure that the bulk of this assistance is provided to extremely low-income households. To meet this Objective, substantial additional funding for housing vouchers will be required.

Project-based assistance. HUD provides Section 8 assistance to owners of rental developments who have agreed to rent this housing to low-income households at 30 percent of their income.

Public housing. The Department supports the Nation's public housing by providing operating subsidies, capital funding, and technical assistance to public housing authorities. The Department also helps revitalize and replace distressed public housing units so they can become a source of decent, safe, and affordable rental housing. The HOPE VI program is maturing into a highly effective way of redeveloping the most distressed public housing developments into mixed-income neighborhoods of opportunity.

Construction and rehabilitation. Communities use funding from the HOME Investment Partnerships program and CDBG to construct and rehabilitate low-income housing based on locally determined needs. For additional leverage, the Department will coordinate these programs with the Low-Income Housing Tax Credit. HUD also is expanding efforts to ensure that newly constructed rental housing provides adequate housing opportunities for persons with disabilities.

HUD's regulation of the GSEs. Through income targeting standards that HUD sets for Fannie Mae and Freddie Mac, HUD increases the capital available for multifamily rental housing.

FHA Multifamily Insurance. HUD also expands the amount of private capital invested in multifamily rental housing through FHA Multifamily Insurance. In its FY 2001 Budget, HUD requested funds for a new production initiative that coordinates FHA insurance with low-income housing tax credits and housing vouchers to expand the supply of rental housing affordable to extremely low-income families.

Objective 1.3: America's housing is safer, of higher quality and disaster resistant.

HUD's objective to make America's housing safer, of higher quality and disaster resistant has two main components: efforts to improve the safety and quality of all housing throughout the country through the Partnership for Advancing Technology in Housing (PATH), an initiative led by HUD and initiatives to improve the safety and quality of HUD-assisted housing.

***Performance Measurement:** The share of American households experiencing moderate or severe physical problems in their housing drops to 5.5 percent by 2005. Among very-low-income owners, the share drops to 6 percent, and among very-low-income renters, the share drops to 11 percent.*

Improved construction methods and materials have helped make America's housing much safer over the last several decades, but much remains to be done. In 1997, 7 percent of all households, 7.5 percent of very-low-income owners, and 15 percent of very-low-income renters lived in housing with severe or moderate physical problems. Improving the physical condition of these units will make them safer, especially for children, and more disaster resistant. It will also improve the overall value of homes as an asset. This goal will be measured through the biennial American Housing Survey conducted in 2005.

***Performance Measurement:** The share of public and assisted housing units in developments that meet HUD-defined physical standards for units, buildings and properties will increase by 25 percentage points in public housing and by 15 percentage points in multifamily housing.*

HUD's Real Estate Assessment Center (REAC) has implemented physical inspections of every public and assisted housing property to ensure that they meet Departmental standards. In 1999, the first year of inspections, 62.5 percent of public housing units and 77.3 percent of assisted multifamily housing units were in developments that met these standards. This goal sets targets of 87.5 percent for public housing and 92.3 for assisted multifamily housing by 2006.

***Performance Measurement:** The number of children under the age of six who have lead poisoning will decline dramatically.*

Lead poisoning in young children can cause severe health problems including reduced intelligence, hearing loss, stunted growth, and behavior difficulties. In 1994, 890,000 children under the age of six had elevated blood lead levels. Many of these families have low incomes and are unable to afford correction of lead paint hazards. Over the next 10 years, the Department plans to evaluate and control lead hazards in 2.3 million housing units, virtually eliminating lead hazards in the Nation's housing.

Means and Strategies

Promoting new technologies. The Partnership for Advancing Technology in Housing (PATH) will develop and disseminate technologies that will improve durability, reduce energy and environmental

impact and be more disaster resistant—while at the same time reducing monthly housing costs. Specific performance objectives for the PATH program are detailed in HUD’s Annual Performance Plan.

Demolition and rehabilitation of substandard housing. In an effort that began in 1993, HUD will support the demolition of severely distressed public housing. By 2003, 100,000 of these units will be demolished and some replaced with mixed-income housing units and vouchers. In addition, CDBG and HOME funds will be used to rehabilitate units occupied by low-income owners and renters.

Inspection and enforcement. HUD will regularly inspect the physical quality of all public and assisted housing and enforce contracts that require housing to be kept in good condition. HUD will ensure that FHA homebuyers receive comprehensive information on property condition as part of the FHA appraisal. We also will enforce lead paint disclosure regulations to ensure that buyers and renters have the information necessary to protect their children. HUD will continue to regulate the manufactured housing industry to ensure production of safe and disaster resistant housing.

Education. Through the Healthy Homes Initiative, HUD will campaign for greater consumer awareness of household hazards that contribute to childhood illnesses. PATH will identify and disseminate affordable disaster-resistant technologies.

Lead hazard reduction. HUD will provide grants to remove lead-based paint hazards from older homes and apartments and then continue to evaluate these programs to identify those that are the most effective.

Strategic Goal 2: Ensure Equal Opportunity in Housing for All Americans

Over the past 30 years, America has made great strides in opening housing markets. But many doors still slam shut for people of color and others whose rights HUD is charged to protect. This section describes HUD's strategy to reduce housing discrimination, provide paths out of ghettos, and increase homeownership among racial and ethnic minorities.

OVERVIEW

Following the assassination of Dr. Martin Luther King, Jr., Congress passed the Fair Housing Act as Title VIII of the Civil Rights Act of 1968. The Fair Housing Act prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. From the beginning, HUD's Office of Fair Housing and Equal Opportunity (FHEO) has led the fight for fair housing by administering the Fair Housing Act. Studies of the incidence of housing discrimination conducted in 1978 and 1989 showed that alarming levels of illegal discrimination persist.

In 1988, Congress amended Title VIII to prohibit discrimination based on disability or familial status, to establish new administrative enforcement mechanisms, and to expand the Justice Department's jurisdiction to file discrimination suits in Federal district courts. The 1988 amendments expanded HUD's role to include mandatory enforcement as well as the investigation and conciliation responsibilities created by the Fair Housing Act. The newly protected classes have proven significant sources of new complaints. Other amendments have expanded protections for persons with disabilities by requiring that certain multifamily dwellings developed after 1991 must include features that ensure accessibility.

Title VI of the Civil Rights Act of 1964 also has particular relevance for HUD because it banned discrimination on the basis of race, color or national origin in federally assisted programs. Title VI covers all HUD programs except for mortgage insurance and loan guarantee programs. It provides for HUD's investigation and remediation of discrimination complaints.

HUD's strategic goal of ensuring equal opportunity in housing for all Americans has three components: reducing discrimination in the home purchase and rental markets, reducing the geographical isolation of minorities and low-income households and reducing disparities in homeownership rates among racial and ethnic groups. These are addressed as Objectives 2.1, 2.2 and 2.3, below.

MEANS AND STRATEGIES

There are four sets of means and strategies that HUD employs to achieve Strategic Goal Two: investigating and pursuing charges of discrimination; supporting the fair housing efforts of State and local partners; reducing concentrations of minorities and poor families in public and assisted housing; and working to expand the share of housing accessible to disabled households.

HUD's primary method of ensuring equal opportunity in housing is to investigate and file charges when families become victims of discrimination. Housing discrimination complaints filed with HUD are investigated by FHEO.

- FHEO first attempts to conciliate complaints, then determines whether reasonable cause exists to believe that a discriminatory housing practice has occurred.
- When FHEO finds there is "reasonable cause," to believe a violation has occurred, charges are filed and a hearing is scheduled before a HUD administrative law judge (ALJ).
- Either party, complainant or respondent, may terminate the HUD-scheduled administrative proceeding by electing to move the matter to Federal court. In such cases, the Department of Justice takes over HUD's role as counsel representing aggrieved persons, and the matter proceeds as a civil action. Either form of action—the ALJ proceeding or the civil action in Federal district court—is subject to review in the U.S. Court of Appeals.
- HUD has greatly increased referrals of criminal discrimination to the Department of Justice in recent years.
- HUD also is resolving more complaints with enforcement agreements rather than simple conciliations. Because enforcement agreements often include an admission of guilt, they have greater legal weight and more impact upon future actions of discriminating parties.

HUD relies upon State and local partners to a substantial extent to increase enforcement capacity and to fight for fair housing in other ways:

- HUD certifies fair housing agencies operated by State and local governments as partners in enforcing fair housing. To be certified, the agencies must have both the authority and the capacity to enforce a State or local law that is "substantially equivalent" to the Fair Housing Act.
- HUD encourages State and local governments to establish and empower substantially equivalent agencies and supports their operation by reimbursing their enforcement activities under the Fair Housing Assistance Program (FHAP).
- HUD also provides grants to support private fair housing groups under the Fair Housing Initiatives Program (FHIP). These organizations greatly support the cause of fair housing by educating the public, conducting tests for discriminatory behavior, and supporting victims of discrimination.

- HUD especially promotes the formation and funding of private fair housing enforcement organizations in underserved areas.

HUD is striving to reduce concentrations of minorities and poor families in public and assisted housing by enforcing Title VI requirements.

- HUD requires public housing authorities to affirmatively further fair housing to reduce racial and national origin concentrations in both the public housing and Section 8 voucher programs. HUD challenges housing authorities' civil rights certifications under Title VI if they fail to reduce segregation, and housing authorities that refuse to accept voluntary compliance agreements may face funding sanctions or, in extreme cases, management takeovers.
- HUD requires PHAs to implement admissions policies that mix incomes in public housing developments under a proposed rule issued under the authority of the Quality Housing and Work Responsibility Act of 1998.

HUD is charged with enforcing the requirements that public and private developers design, fund and construct accessibility-enhancing features in multifamily housing.

- In 2000, HUD completed a review that compared the accessibility standards of the model building codes with the design and construction requirements of the Fair Housing Act. This study was used to assist in the development of revised code language which would bring the International Building Code (IBC) requirements into compliance with the Fair Housing Act. Once these code revisions have been approved for formal incorporation into the IBC, multifamily builders who comply with the revised IBC provisions will meet the requirements of the Fair Housing Act and overall compliance with the Act will increase. (*Final Report of HUD Review of Model Building Codes, 2000*)
- HUD is greatly increasing education of local officials responsible for granting building permits and inspecting new construction. Most notably, the Department has proposed in its FY 2001 budget allocating \$2.5 million specifically for an Education and Outreach Initiative to fund training and technical assistance to builders, developers, architects, building code officials and others on the accessibility requirements of the FHAct through a new nationwide Project of Accessibility Training and Technical Assistance.

A low level of public knowledge about the requirements of the Fair Housing Act may often contribute to discriminatory actions. HUD is assessing the extent of literacy concerning fair housing to establish a foundation for initiatives to improve understanding of civil rights.

Program Evaluations

In continuing to develop and implement this strategic goal, the Department used research from a variety of studies on discrimination, housing segregation, property values, and best practices.

- During 2001, HUD will publish the results of the largest study of housing discrimination ever done. The study will use an audit methodology with paired testers—primarily black/white and Hispanic/non-Hispanic in the first phase—to test for differential treatment in the rental, sales and mortgage markets. The study will provide a nationally-representative estimate of discrimination in metropolitan areas, along with supplemental estimates that are representative of the 20 metropolitan areas. A similar 1991 study revealed that the incidence of discrimination against African Americans in the rental market was 53 percent. It was 46 percent for Hispanics. Discrimination was higher in the sales market, at 59 percent for African Americans and 56 percent for Hispanics. The “Housing Discrimination Study” (1991) study revealed no evidence that the incidence of unfavorable treatment had either declined or risen from HUD’s prior national audit, conducted in 1977.
- An evaluation of the FHIP Private Enforcement Initiative Testing Demonstration was completed in 1999. The study found that HUD’s partners view FHIP as a successful program, but also identified a need for greater communication, outreach, and collaboration among all parties involved.
- In an ongoing study assessing the Moving To Opportunity for Fair Housing Demonstration (MTO), initial findings indicate that helping families move from highly concentrated areas of poverty with Section 8 vouchers leads to wider opportunities, especially for the families with children. (*Moving to Opportunity for Fair Housing Demonstration Program*, 1999)
- A 1994 assessment of the location and racial composition of public housing showed that minority residents typically were segregated in predominantly-minority and high-poverty neighborhoods—leading HUD to step up Title VI enforcement and, in 2000, to publish a proposed rule for deconcentrating public housing buildings and developments. (*The Location and Racial Composition of Public Housing in the United States*, 1994)
- A 1998 report on successful mortgage lending strategies for underserved borrowers and neighborhoods indicates that there are many outreach and management activities lenders can employ to increase their business to the traditionally underserved, while maintaining profitability. (*Successful Mortgage Lending Strategies for the Underserved*, 1998)
- An assessment of the impact of dispersed housing subsidy programs on neighborhood property values shows negligible effects—except in very poor neighborhoods, where assisted housing actually improves property values. (*Assessing Property Value Impacts of Dispersed Housing Subsidy Programs*, 1999)
- HUD has performed an assessment and analysis of whether newly constructed multifamily rental properties are in compliance with the housing accessibility requirements of the Fair Housing Act and

is now developing a statistical analysis to assess geographic areas of non-compliance. (*Assessment of Multifamily Buildings' Conformity with Accessibility Provisions*, forthcoming)

STRATEGIC OBJECTIVES

Objective 2.1: Housing discrimination is reduced.

Performance Measurement: Disparate treatment of racial and ethnic minorities in the home purchase market and in the rental market will decrease substantially.

Excluding minorities from homeownership in general or from homeownership or rental in specific neighborhoods has far-reaching and hurtful impacts. There are many different types of discrimination that prevent minority families from living where they choose.

Discrimination by real estate agents occurs when they steer minorities to segregated neighborhoods or show prospective minority homebuyers or renters fewer available units than they present to non-minority families. Mortgage lending institutions may discriminate by requiring better credit records of minorities. Mortgage denials in the prime mortgage market force would-be minority homebuyers to the subprime market, where predatory lending practices are more common. Similar problems occur in the property insurance industry.

Discrimination in the rental market also is a major problem. The Housing Discrimination Studies showed that landlords frequently discriminate against minorities by denying that units are available, by charging higher rents or security deposits, or by unfairly imposing other requirements.

To determine whether housing discrimination has decreased by 2006, HUD will seek funding to replicate the 2001 Housing Discrimination Study.

Means and Strategies

Enforcement. HUD will toughen enforcement against discriminatory behavior by real estate agents, mortgage lenders and landlords. HUD will strive for more rapid responses to initial complaints of discrimination to increase the deterrent effect of fair housing enforcement and to encourage those who experience discrimination to file complaints. Increases in the number of cases referred to the Department of Justice for criminal prosecution will deter discrimination because of the more severe penalties that can result. The Department also will continue to fight discrimination on the basis of disability and family status, the groups protected by law in 1988.

Education. HUD will assess the extent of public understanding of Fair Housing law and will address the weak points. Expanding awareness of the law will build greater consciousness of both rights and responsibilities under the law and will increase compliance among citizens for whom discrimination currently exists as the vestige of obsolete habits.

Accessible rental housing. HUD will address the issue of accessible rental housing for persons with disabilities with renewed attention. A baseline study of accessibility compliance among the newly-constructed multifamily developments that are responsible under the law will establish the foundation for initiatives to improve compliance. At the same time, HUD is undertaking a major education campaign to

inform State and local officials about accessibility provisions of the amended Fair Housing Act. The Department also is assessing accessibility in the public and assisted multifamily housing stock as a component of REAC's physical inspections.

Objective 2.2: Minorities and Low-income people are not isolated geographically in America.

Performance Measurement: The geographic isolation of minorities and low-income households will decline.

The isolation of America's minorities and poor families in ghettos and distressed neighborhoods has increased in recent decades. Many neighborhoods long ago lost the amenities and conditions that support easy regeneration of mixed-income and integrated communities. Such neighborhoods cross a tipping point when middle-income and non-minority families leave to protect their own interests and businesses have difficulty becoming reestablished.

Neighborhoods with extreme poverty concentrations, defined as 40 percent or more of their population living with incomes below the poverty level, can have harmful influences on children who grow up there. This goal will be measured with data from the decennial Census and the new American Community Survey, which will provide cumulative samples for Census tracts through 2005.

Means and Strategies

Redevelopment. Public housing has been both a cause and a victim of concentrated poverty and concentrations of minorities in American cities. The high-rise public housing developments constructed in the 1960s—often situated in blighted neighborhoods by local political forces—were ill-suited for families with children. The result often was entire neighborhoods of severely disadvantaged families. HUD is reversing decades of ill-conceived policy and practice by redeveloping distressed public housing and neighborhoods into mixed-income communities through the HOPE VI program.

Public housing. HUD also has taken a great step forward toward ensuring that households with a diversity of incomes reside in every general-occupancy public housing development through a regulation published in FY 2000. Over time this rule will eliminate concentrations of the poorest families in particular housing developments.

Tenant-based rental assistance. One of HUD's best tools for dispersing concentrations of poverty and promoting integration is to encourage households assisted with the tenant-based Section 8 program, especially families with children, to use their vouchers to move to neighborhoods outside areas of concentrated poverty.

Revitalization. HUD also will help revitalize distressed neighborhoods to make them attractive to middle-income families again and to create employment opportunities for the unemployed. The Community Development Block Grant program and HOME Investment Partnerships are two of HUD's programs that allow communities to identify the needs of low-income citizens and use funds flexibly to meet those needs.

Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced.

Performance Measurement: The minority homeownership rate equals or exceeds 67.5 percent of the non-minority homeownership rate.

Homeownership in the United States has many corollary benefits in the form of asset accumulation, tax advantages, neighborhood stability and stronger school systems. Homeownership has even been linked to improved outcomes for children in terms of school achievement, dropout rates and other dimensions.

Although different demographic groups may have different preferences for homeownership compared with rental housing, closing the gap in homeownership rates among these groups in many ways demonstrates that America is providing equal opportunity. At the end of FY 1999, the homeownership rate of racial and ethnic minorities was 65.2 percent of the rate for non-Hispanic whites. HUD's goal—to increase the ratio to 67.5 percent by the end of 2006—is consistent with a significant reduction in the gap between minority and white homeownership rates for similarly situated households.

Means and Strategies

Fair lending. One of HUD's primary means for the increasing homeownership rates of minorities is to ensure equal access to mortgage lending. HUD enforces fair lending practices through FHEO efforts. HUD also regulates the government-sponsored enterprises, Fannie Mae and Freddie Mac; for example, HUD seeks to ensure that software for determining creditworthiness treats minorities fairly. This oversight ensures that mortgages offered to minorities are fairly priced on the secondary market.

Targeted efforts. HUD also aims to increase the share of FHA single-family mortgage endorsements that go to minority homebuyers. Along with comparable goals for first-time homebuyers and central-city homebuyers—both disproportionately minority groups—this initiative ensures that FHA mortgage insurance reduces borrowing costs for minority homebuyers as well as non-minorities. Two programs promote minority homeownership by explicitly serving minorities—Indian Housing Block Grants and the Section 184 Indian Home Loan program. A variety of other HUD programs that benefit urban or low- and moderate-income homeowners likewise contribute to increases in minority homeownership. These programs include HOME, CDBG, and Section 8 homeownership vouchers.

Education. HUD makes special efforts to provide reliable and uniformly available information about the requirements and the promise of homeownership. Homeownership fairs have proven a valuable tool to increase understanding of the homebuying process and to motivate saving for down-payments.

Strategic Goal 3: Promote Self-Sufficiency and Asset Development by Families and Individuals

There are many who have not found a foothold on the path to the American dream. HUD administers a menu of programs that can help people move from poverty to self-sufficiency. This section describes HUD's strategy to promote self-sufficiency, asset development, and independence for homeless families and individuals, poor and disadvantaged people, elderly people, and people with disabilities

OVERVIEW

HUD has a mission and history of helping residents of public and assisted housing attain self-sufficiency. HUD's efforts predate recent changes resulting from welfare reform and reach beyond the welfare population to assist the working poor. Our particular role in welfare reform stems from the significant overlap of families served by welfare and those served by our programs. In 1999, 31 percent of families with children in HUD's public and assisted housing programs also received Temporary Assistance for Needy Families (TANF).

Many welfare families face multiple obstacles to work, such as low skills, lack of child care or distance from and lack of reliable transportation to job sites. Although the number of families on the welfare rolls has declined sharply in the past few years, many former recipients continue to struggle to meet their families' basic needs. Long term self-sufficiency requires quality job opportunities combined with growth potential and the ability to accumulate assets. To assist with their transition to work, HUD provides education, job training, and other supportive services to families on welfare; HUD also provides opportunities for low-income families to develop assets.

HUD has a number of initiatives to provide services geared to the particular needs of different populations. For example, the "Continuum of Care" strategy serves individuals and families who are homeless by encouraging communities to coordinate their services and identify unmet needs. The Department is expanding the Continuum of Care strategy to support the needs of the Nation's aging population. In addition, through supportive housing and assisted living efforts, the Department supports the self-sufficiency of elderly and disabled individuals. Recognizing that self-sufficiency is a broad-based endeavor, we coordinate our efforts with Federal, State, and local providers.

MEANS AND STRATEGIES

Decent, affordable and stable housing is critical to the ability of families to become self-sufficient. HUD's public and assisted housing programs provide this housing assistance to more than four million of our nation's neediest households. In addition, HUD is coordinating the Section 8 voucher program with self-sufficiency efforts by providing special Welfare-to-Work vouchers targeted to individuals who are moving from welfare to permanent employment. The flexibility of housing vouchers allows recipients to

move closer to job opportunities, and the program provides critical supportive services. HUD also will continue to implement the Family Self-Sufficiency program, which provides case management, supportive services, and an opportunity for asset accumulation for thousands of voucher and public housing families.

In recent years there has been increasing recognition of the importance of asset building in order to help families move out of poverty and to overcome disparities in wealth between racial and ethnic groups. In addition to the Family Self-Sufficiency program, HUD has other programs which also help families build assets. CDBG and HOME funds are used by some community-based organizations to create Individual Development Account (IDA) programs that teach financial literacy as families build assets. IDAs are matched savings accounts which allow low-income families to accumulate assets for home ownership, a small business or education. Also, through the Section 8 Homeownership Voucher Program, participants can purchase homes and use their Section 8 vouchers for mortgage payments.

HUD invests in the human capital of public and assisted housing residents as well as residents of low-income neighborhoods through a wide range of programs:

- HUD's Neighborhood Networks initiative facilitates the development of computer and community service centers located in public and assisted housing developments. HUD subsidized housing thus provides portals for low-income persons to cross the digital divide.
- The Youthbuild program trains youth in construction trades and helps them obtain their GED.
- The Resident Opportunity and Self-Sufficiency program provides residents of public housing and Section 8 voucher holders with education, skills training, micro-enterprise and small business development support, and social services.
- Empowerment Zones and Enterprise Communities develop job training and placement programs, and coordinate them with their job creation efforts.

HUD establishes strategic partnerships to provide a variety of services to assist low-income persons, especially residents of public and assisted housing, to move closer to self-sufficiency.

- Through the HOPE VI private sector initiative, HUD connects national employers seeking workers with public housing agencies and their residents. Employers then provide training and jobs for PHA residents.
- Through the Welfare-to-Work voucher program and through a cooperative agreement with HHS, HUD has created and further strengthened partnerships between public housing agencies, TANF and Welfare-to-Work agencies.

- Through its partnership with the national nonprofit Communities in Schools, HUD seeks to prevent at-risk youth from dropping out of school, and to involve them in job training and community development activities.
- HUD's partnership with Goodwill Industries International provides state-of-the-art training which leads to career-ladder jobs for public housing and other community residents.
- HUD's participation in the design of the DOL Welfare-to-Work program has resulted in many housing authorities receiving competitive DOL grants individually or as part of local consortia.
- HUD is working with DOL and other Federal, State, and local organizations to integrate HUD's self-sufficiency programs with those of other agencies through local One Stop Employment Centers authorized in the Workforce Investment Act.

HUD also strives to support self-sufficiency and independent living among low-income families with special needs, including the elderly and those with disabilities.

- The Department's funding for assisted living facilities and service coordinators enhances independence among the elderly.
- The Housing Opportunities for Persons With AIDS (HOPWA) program provides housing and supportive services to low-income people living with HIV/AIDS and their families.
- The Section 811 housing program provides grants supporting people with disabilities.

The Continuum of Care planning process for HUD's homeless assistance grants encourages communities to develop coordinated networks of services for the homeless. The program requires significant leverage of HUD funding to ensure community support and to increase the total resources available for the homeless. Communities also are encouraged to use flexible block grant funding from the Community Development Block Grants and HOME programs to assist the homeless.

New Initiatives

- HUD is working to extend the continuum of care model to serve the elderly. This will ensure that communities provide a broad range of services that enhance the independence of seniors.
- The Department will establish Intergenerational Learning Centers to ensure that seniors remain connected to the mainstream of our communities. These centers will allow seniors to use their skills, knowledge and energy to provide affordable child care to younger generations.
- As part of its FY 2001 budget, HUD has requested funds for new housing vouchers targeted on homeless families and individuals who are ready to make the transition to permanent housing.

Program Evaluations

The Department's focus on self-sufficiency and asset development has increased, in part, because of lessons learned from welfare reform and program evaluations. In addition, the continuum of care approach to homelessness is a function of a broader understanding of how and why families and individuals become homeless. Substantial recent research supports this goal:

- The evaluation of the HOPE for Elderly Independence Demonstration (HOPE IV) was completed in 1999, showing that service coordination for frail elderly persons improves their satisfaction with life. (*Evaluation of the Hope for Elderly Independence Program*, 1999)
- A 1999 study of the long-term effects of housing assistance on self-sufficiency showed that after controlling for family characteristics—and contrary to popular perceptions—public and assisted housing had modest positive effects on the success of adults who had lived there as teens. (*The Long Term Effects of Housing Assistance on Self-Sufficiency*, 2000)
- In 1999, a broad study of homelessness, including programs and the people they serve, was completed. This Interagency Council on the Homeless study increased our understanding of homelessness in America in the late 1990s and confirmed that homelessness is associated with a broad range of problems. (*Homelessness: Programs and the People They Serve*, 1999)
- HUD has an ongoing study assessing the Moving To Opportunity (MTO) demonstration, which gives families vouchers and counseling to move from highly concentrated areas of poverty with Section 8 assistance. (*Moving to Opportunity for Fair Housing Demonstration Program*, 1999)
- In 1997, an independent longitudinal evaluation of the Gateway Transitional Families Program—which provided public housing residents with case management, froze rents, and gave access to self-sufficiency services and the opportunity to purchase a home—showed that although attrition was high, graduates moderately improved employment and earnings. (*From Dependency to Self-Sufficiency: An Appraisal of the Gateway Transitional Families Program*, 1999). The Gateway program and evaluation has implications for Family Self-Sufficiency and other self-sufficiency programs. (*Gateway Housing Program: Report to Congress*, 1997)
- A 1997 evaluation of HUD's Shelter Plus Care Program demonstrated the difficulties of moving homeless people from the street directly into permanent housing and informed the development of the Continuum of Care approach. (*National Evaluation of the Shelter Plus Care Program*, 1997)
- A 1998 study of the impacts of welfare reform on public housing demonstrated the broad range of fiscal impacts that PHAs and HUD could face as welfare time limits become effective in states and communities with varying welfare policies. (*Welfare Reform Impacts on the Public Housing Program: A Preliminary Forecast*, 1998)

- The 1994 evaluations of the Emergency Shelter Grants program and the Supplemental Assistance for Facilities to Assist the Homeless Program (SAFAH) provided the first insights into the potential benefits of a Continuum of Care approach. (*Evaluation of the Supplemental Assistance for Facilities to Assist the Homeless Program, 1994*)
- A study of welfare reform by the highly regarded Manpower Development Research Corporation (MDRC) suggests that housing subsidies can be helpful in advancing welfare reform objectives. Welfare reform was found to have a larger effect on employment and earnings among families receiving housing subsidies than among other families in the study. Housing is critical both as a stabilizing force and to reduce rent burdens for these families.
- Through two demonstration programs, Jobs Plus and the Neighborhood Jobs Initiative (NJI), MDRC is also exploring the feasibility of dramatically increasing employment rates in public housing developments or in a distressed inner-city community.
- PD&R has initiated a multi-site evaluation using a rigorous experimental design of the effects of Welfare to Work housing assistance on the earnings, employment, and welfare receipt of families who are receiving, recently received, or would be eligible to receive Temporary Assistance to Needy Families (TANF).

STRATEGIC OBJECTIVES

Objective 3.1: Homeless families and individuals become self-sufficient.

Performance Measurement:

The ultimate objective of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. Although the number of homeless persons is difficult to determine, the Urban Institute estimated that between 2.3 and 3.5 million persons experienced at least one episode of homelessness during 1996. The needs of the homeless vary; some need extensive and ongoing supportive services while others need only affordable housing with minimal services. Working together through the continuum of care program design, HUD and local homeless providers helped approximately 300,000 people make the transition to permanent housing between 1994 and 1999.

Note: HUD is developing a new homeless indicator.

Means and Strategies

Continuum of Care. Through the Continuum of Care process, local service providers in a community combine their efforts and submit a single consolidated application, explaining and ranking their needs. Local providers coordinate efforts to provide homeless individuals and families with a full range of services. This Continuum of Care model was recognized by the Ford Foundation and Harvard University through an “Innovations in Government” award.

Housing assistance. HUD works to prevent homelessness through a number of its housing assistance and housing development programs, which aid low-income families through rental subsidies. These programs include Public Housing, the Section 8 project-based and voucher programs, the HOME program, and linking new FHA developments with the Low-Income Housing Tax Credit. When families who are homeless are ready to move to permanent housing they may have difficulty finding available, affordable housing to meet their individual needs. HUD will target a portion of new Section 8 housing vouchers to those families and individuals who are ready to make the transition to permanent housing.

Technical assistance. HUD will assist communities in developing their Continuums of Care and in delivering other homeless assistance by providing technical assistance in areas such as supportive housing, job training and mental health services.

Emergency shelter. The Department will continue to provide grants to communities to develop and maintain their emergency shelter networks. Emergency shelters can be the entry point for individuals and families into the Continuum of Care system. Also, through the Emergency Shelter Grant Program, jurisdictions can provide up to 30 percent of their grant for homelessness prevention activities such as mortgage payments, security deposits on apartments, or short-term rental assistance due to a sudden loss of income.

Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.

***Performance Measurement:** The annual percentage growth in earnings of families in public and assisted housing increases.*

Self-sufficiency and asset accumulation increase the economic health of communities and provide ongoing opportunities for personal growth. Welfare reform has brought major changes and reduced caseloads for welfare agencies, but many families have not experienced increases in their overall income. Becoming self-sufficient requires stable housing, high quality job opportunities, and adequate training and supportive services. HUD has a variety of tools available to help families achieve financial independence—not just gaining income, but building assets as well. Accumulated assets provide a cushion in case of an unexpected emergency and allow families to make investments in themselves and their communities. This indicator will use household data from the Multifamily Tenant Characteristics System to track income changes of households who remain assisted over 12-month intervals, adjusting for inflation, and comparing the average change in the 2005-2006 period with a baseline reflecting the early years of welfare reform.

Means and Strategies

Incentives for earning income. HUD will help newly employed families save more of their earnings by disregarding some or all income for 18 months when setting public housing rents.

Mobility. One challenge to self-sufficiency is that jobs are located a long distance from the people that need them. HUD will continue to support flexibility in our housing programs so families can live closer to job opportunities. We also will partner with other entities, such as the Department of Transportation, to find innovative solutions to the geographic mismatch.

Supportive services. HUD will provide and encourage the use of supportive services to help individuals find quality jobs, especially residents of public and assisted housing. These services will include education, skills training, resident management activities, micro-enterprises, small business development, child care, transportation, and social support services. Community Builders will assist in this effort by facilitating partnerships between businesses, community organizations, universities and individuals.

Developing Assets. HUD will support asset development by low-income families by encouraging PHAs to expand self-sufficiency efforts such as the Family Self-Sufficiency program, which provides a major asset-building tool in the form of escrow accounts. HUD also will encourage the use of Individual Development Accounts for public and assisted housing residents. Through Section 8 homeownership vouchers, PHAs can support homeownership for low-income families.

Objective 3.3: Elderly families and individuals and persons with disabilities achieve maximum independence.

This new strategic objective reflects the Department's continued emphasis on the needs of the growing population of elderly Americans, as well as HUD's clear commitment to support the need of disabled families and individuals to live independently. For these two groups, the term "self sufficiency" reflects not just financial independence, but independent and assisted living. The key challenge of serving these constituencies is ensuring a full spectrum of housing and supportive services that meet their diverse needs. Currently, there are many gaps.

While most older Americans live in quality housing that is within their means and located in neighborhoods that they like, millions of elderly people live in housing that is in poor condition, costs too much, or fails to accommodate their physical disabilities. Some of them do not have access to the supportive services that can make the difference between continuing to live independently and being forced to live in institutional housing. The Department will work to help older people age in place—in familiar settings, close to the support of family and friends—and to support the development of elderly independent living facilities.

The housing situations of many persons with disabilities are likewise unacceptable. Based on estimates from the American Housing Survey, between 1.1 and 1.4 million households with a non-elderly disabled adult have worst case housing needs. Improving the affordability, accessibility and physical characteristics of this housing will increase self-sufficiency among disabled Americans.

Beginning with the FY 2002 Annual Performance Plan, we will have specific performance indicators for this objective.

Means and Strategies

Affordable housing. Through the Section 202 Supportive Housing for the Elderly program, and in conjunction with nonprofits, HUD provides grants for a variety of housing needs, including:

- Creating housing tailored to the unique needs of seniors,
- Providing rental assistance through project rental assistance contracts,
- Converting existing elderly housing into assisted living facilities.

Increasing affordable housing for people with disabilities dovetails with our fair housing efforts. By educating officials who issue building permits and inspecting properties, HUD promotes accessibility in the private housing market. To supplement this mechanism, the Department will provide Section 811 grants to construct facilities and to support rental assistance tailored to the needs of persons with disabilities.

In addition, HUD is proposing an expanded insurance program to encourage banks and developers, who currently are only familiar with the higher income assisted living market, to develop assisted living facilities affordable to lower-income elderly persons.

Helping seniors remain in their homes. Nearly one million elderly homeowners have serious home rehabilitation and modification needs. By expanding the reverse mortgage program and Healthy Homes Initiative, the Department will provide seniors with information on how they can convert their equity into cash and use the funds to make physical improvements to their homes.

Coordinated services. Because many seniors and persons with disabilities need a variety of supportive services, coordination is vital. HUD-funded service coordinators will help the elderly and persons with disabilities live more independently by identifying and helping obtain needed services. Furthermore, the Department will better integrate housing assistance with Medicaid funding, in part by allowing housing vouchers to pay for the rent in assisted living facilities.

Strategic Goal 4: Improve Community Quality of Life and Economic Vitality

Pockets of poverty continue to have devastating effects on the social and economic fabric of communities across the country. This section describes HUD's strategy to help struggling communities maintain viable job markets, reinvigorate distressed neighborhoods, and improve public safety.

OVERVIEW

In 2000, the unemployment rate is lower than it has been in 40 years. Employment rates have increased for both women and minorities. But concentrations of poverty and joblessness continue to have devastating effects on the social and economic fabric of communities across the country. A key to reviving these markets is expanding access to private equity investment in business and industries that serve these communities. The Nation's economic challenges are not confined to the cities and suburbs in metropolitan areas. Many rural communities are struggling as well, especially in Appalachia, the Mississippi Delta, Indian country, and the borderland colonias. Even in this era of unprecedented national prosperity, many of these areas have alarmingly high unemployment and poverty rates.

The goal of improving communities is core to HUD's mission, and the Department contributes to this goal in a variety of ways, including: creating and supporting economic opportunities, funding public infrastructure costs, promoting sensible growth planning, and providing safe and affordable housing.

Many of HUD's programs help create communities of opportunity. Grants administered by the Office of Community Planning and Development will continue to provide many of the tools and resources that localities need to improve quality of life and economic vitality in poorer neighborhoods. HUD's work on the Administration's New Markets Initiative will support the interagency effort to stimulate greater private sector participation in economically distressed areas⁵. Promoting economic competitiveness in the 21st century while making communities more livable is a cross-cutting challenge—the challenge not just of growing but of growing smarter. Smarter planning for growth will reduce disparities between cities and suburbs and will increase job growth and accessibility. HUD's housing programs also support this objective by increasing the quality of housing in distressed neighborhoods and by reducing concentrations of poverty.

⁵ The New Markets Initiative is a multi-agency effort, proposed by the President, that will bring investment to urban and rural areas that have not participated in the Nation's recent economic expansion. More information about these areas can be found in HUD's report: *Now is the Time: Places Left Behind in the New Economy*.

MEANS AND STRATEGIES

HUD focuses economic development grants and loan guarantees on distressed areas in order to stimulate much larger investments in job creation from the private, nonprofit, and public sectors.

- CDBG grants—HUD’s largest source of community and economic development funding—provide much-needed resources for poorer, slow-growing, distressed areas. Within these areas, low- and moderate-income residents are the primary beneficiaries of CDBG funds.
- The Department also supports economic development in low-income areas through:
 - the Section 108 loan guarantee program, which provides local governments with a source of financing for economic development, housing rehabilitation and other large scale physical development projects;
 - the Empowerment Zone/Enterprise Communities program, which supports self-sustaining long-term economic development in distressed communities in partnership with private, public, and nonprofit entities;
 - the Brownfields Economic Development Initiative, which supports redevelopment efforts on brownfield sites where either perceived or actual environmental conditions are known to exist.
- The Consolidated Plan process enables communities to identify the neediest areas and target Federal grants and local resources for priority needs.
- Through the Youthbuild program, the Department provides education, employment training and work opportunities to economically disadvantaged young adults.
- HUD’s Community Builders work with communities, nonprofits, and business to develop partnerships and increase local capacity to address community needs. In particular, they are working with grantees across the country to develop better approaches to job and workforce development.
- Partnerships between HUD and colleges and universities help them apply their human, intellectual, and institutional resources to the challenge of revitalizing distressed communities.

To ensure that more housing capital is available in certain communities, HUD establishes suitable underserved area goals for the GSEs it regulates—Fannie Mae and Freddie Mac—and actively encourages the use of FHA and Ginnie Mae resources in poorer neighborhoods.

To better serve rural communities, the Department has established the Rural Housing and Economic Development program to create jobs, spark economic development, and build and improve housing in rural communities. In addition, where HUD defines underserved areas for

the purposes of targeting single-family and multifamily housing resources, distressed rural areas are included in the definition.

HUD also has become more actively involved in building safer communities in recent years. Initiatives have included: the Public Housing Drug Elimination Grant program; efforts to demolish and/or modernize public housing; the Officer Next Door program; the Gun Buyback initiative; and enforcing the “one strike and you’re out” policy that supports screening applicants and evicting assisted housing residents who commit crimes or sell drugs.

New Initiatives

America’s Private Investment Companies. As part of the New Markets Initiative, HUD has designed APIC to increase private investment in high poverty areas. Working with the Treasury Department on tax incentives and with the Small Business Administration on small business financing, HUD will operate the APIC program. HUD brings its expertise in large-scale development—particularly development that links job creation with other important elements of community development.

New Enterprise Zones. Through designation of a third round of Empowerment Zones (EZs) and Enterprise Communities (ECs) and through support to current EZ/ECs, HUD will create jobs and business opportunities for residents of economically distressed parts of urban and rural America.

Community Empowerment Fund Pilot. The Department created this pilot as a financing vehicle to demonstrate how to increase the market for the Section 108 Loan Guarantee Program by streamlining the processing of loan requests, reducing the loan servicing burden, and using private sector underwriting and loan pricing.

Mississippi Delta Initiative. The Department will encourage and support community development and economic revitalization efforts in the Mississippi Delta Region as part of the President’s Mississippi Delta Initiative.

Center for Community and Interfaith Partnerships. HUD’s Center for Community and Interfaith Partnerships is designed to help faith-based housing and community development programs in impoverished communities succeed in creating more affordable housing, jobs and economic opportunity for Americans in need.

One Million Homes. The Department is participating in the “One Million Homes” initiative, a partnership with the National Association of Homebuilders and the U.S. Conference of Mayors. This collaboration, which is meant to support in-fill development and combat urban sprawl, will promote the construction of an additional one million housing units in urban areas across the Nation by 2010.

Program Evaluations

In 1997, the President directed HUD to report annually on the social and economic vitality of America’s cities. The Administration also launched its New Markets Initiative, which further challenged HUD to

assess places left behind in the new economy and opportunities for new economic markets in America. The Department has also studied the broader impact of HUD funds in America's communities:

- An evaluation of HUD's economic development programs is underway, with estimated completion in 2001.
- A long-term evaluation of the Empowerment Zone/Enterprise Community program is underway. The study is assessing EZ achievements and changes in economic activity using comparison sites, and includes case studies of 18 EC sites. A report is expected in 2000.
- An evaluation of the Community Development Block Grant (CDBG) program completed in 1995 concluded that CDBG has made an important contribution to city community development, including demonstrated successes in achieving local neighborhood stabilization and revitalization objectives. The promise shown by strategic local efforts concerning specific neighborhoods has led HUD to develop performance measures regarding Neighborhood Revitalization Strategy Areas. (*Federal Funds, Local Choices: An Evaluation of the Community Development block Grant Program*, 1995)
- As part of a long-term evaluation of the HOPE VI redevelopment program for distressed public housing, "An Historical and Baseline Assessment of HOPE VI" (1996) locations was completed in 1996. The report showed that baseline conditions in surrounding neighborhoods were almost as severe as those in the public housing developments. Interim case studies of completed HOPE VI sites will be available in 2000.
- A 1996 report concerning case studies of how local officials, police, and residents implemented the concept of "defensible space" to reduce crime in urban areas has informed HOPE VI redevelopment of distressed public housing neighborhoods. (*Creating Defensible Space*, 1996)
- A study of third-party lending activities under the CDBG, EDI and Section 108 programs is also being undertaken. This research will provide valuable information on the number of communities that engage in third-party lending and the types of economic development that results from such activities.
- The State of the Cities 2000 report identified four megaforges that are shaping the future of the Nation's cities and presented findings showing their impact. The first is the new high-tech, global economy which has been a driver of recent economic expansion in the United States. New technologies in information and telecommunications—coupled with greater productivity—have produced record economic gains along with new opportunities and risks for the Nation's cities and suburbs. A second is the new demography that is reshaping cities. Major demographic shifts are under way that will have significant economic, social, and political implications for both cities and suburbs. The Nation is rapidly becoming more ethnically diverse, and at the same time our elderly population is growing dramatically. A third is the new housing challenge that is presenting new threats to housing affordability. With the strong economy have come higher rents and housing prices, in some markets impacting all income groups in both cities and suburbs. Finally, the fourth is the

powerful major trend of continued decentralization—the continuing shift of jobs and people to the metropolitan edge—that is threatening the stability of existing communities and the development of new livable, sustainable communities.

- Related reports such as *Now is the Time: Places Left Behind in the New Economy* (1999), *Now is the Time: Places Left Behind in the New Economy Northeast Edition* (1999), and *Places Left Behind in Rural America* (forthcoming) document the needs of communities that have yet to participate in the economic expansion, while *New Markets: The Untapped Buying Power in America's Inner Cities* (1999) examines their potential for economic growth.

STRATEGIC OBJECTIVES

Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities.

Performance Measurement: Average private sector job growth in central cities is higher than average labor force growth in central cities.

Higher employment levels in higher wage jobs benefit the entire community. Every working adult is better able to provide for his or her family, gain self-esteem, offer a positive role model for the next generation, purchase and maintain a home, invest in the community, and support local merchants. Moreover, strong and diverse local economies are better able to handle the shocks and challenges of a changing global marketplace.

Throughout the 1980s, the average rate of private sector job growth in central cities just matched the rate of labor force growth in central cities, providing little relief for concentrated unemployment and poverty. During the Clinton-Gore economic expansion, private sector job growth in cities, spurred by CDBG- and Section 108-financed downtown redevelopment and the efforts of Empowerment Zones and Enterprise Communities, has been nearly twice the average rate of labor force growth.

HUD initiatives, together with those of DOL and HHS, are aimed at increasing the skills and job readiness of the unemployed and encourage the growth of employment opportunities, especially in cities, which as shown by the State of Cities 2000 still have substantially unemployment rates than suburbs. To ensure that cities remain job centers and continue to provide accessible jobs for low-income residents, HUD intends to maintain or increase the number of jobs accessible to city residents by keeping the 3-year average ratio of private sector job growth in central cities to labor force growth in central cities in excess of 100 percent.

Performance Measurement: The average ratio of central city to suburban poverty rates decreases.

Historically, low-income households have been concentrated in central cities. Median household incomes for central cities are thus substantially lower than suburban median household incomes. The Department's approach to improving the economic conditions of cities is two-pronged. First, community and economic development programs are designed to increase incomes of current central city residents. Second, economic development and revitalization strategies that make the central city a more desirable place to live are intended to attract middle-class families back to the city, thereby reducing disparities. In 1999, the central city poverty rate was more than twice as high as the suburban poverty rate. The average ratio was about 209 percent. The Department's goal is to reduce this number to less than 200 percent by 2006.

Means and Strategies

Community development programs. CDBG is the cornerstone of the Department's community development programs. Other HUD programs critical to this objective are the Section 108 economic development loan guarantee program, Empowerment Zones/ Enterprise Communities, the new Rural Housing and Economic Development program, the Community Empowerment Fund, and America's Private Investment Companies.

Education and outreach. Because so many of the funding decisions for HUD's community and economic development programs are made at the local level, a significant amount of HUD's influence at the local level comes through education, outreach and encouragement. Community Builders are at the forefront of this endeavor, both facilitating discussions between our partners and encouraging strategies that target certain geographic areas, create jobs and develop the workforce.

Planning tools. Through HUD's consolidated planning process, communities across the Nation are able to assess and address their housing and community development needs in a coordinated and efficient fashion. HUD will continue to support local planning strategies through its updated Community 2020 mapping software, as well as by making model growth planning statutes available through the Growing Smart legislative handbook.

Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced.

Performance Measurement: The share of all households located in neighborhoods with extreme poverty decreases.

Neighborhoods with extreme poverty are defined as having a poverty rate of more than 40 percent. HUD will affect the number of households living in these neighborhoods in two ways. The Department strives to disperse poverty concentrations by promoting housing choice for extremely-low-income families and by encouraging middle-income families to live in urban areas through such programs as the Brownfields Economic Development, New Markets and “One Million Homes” initiatives. Second, HUD helps family incomes grow beyond poverty levels through self-sufficiency and job development efforts and job creation. In 1990, about one in every 25 Americans lived in an extreme poverty neighborhood. The 2000 Census will demonstrate whether that number has improved during the 1990s. Beginning in 2008, HUD will have sufficient data at the census-tract level from the American Community Survey to track this number at more frequent intervals for 2005 and beyond.

Means and Strategies

Outreach and planning. Through the Consolidated Planning Process communities have opportunities to target funding to low-income neighborhoods and to support increased homeownership efforts. HUD encourages communities to use program incentives and comprehensive planning to implement geographically targeted strategies.

Homeownership efforts. To ensure that more capital for home mortgages is available in certain communities, HUD establishes underserved area goals for the Government Sponsored Entities (GSEs) it regulates—Fannie Mae and Freddie Mac. HUD also actively encourages the use of FHA and Ginnie Mae resources in poorer neighborhoods. A significant amount of HOME funds are also targeted for homeownership.

Targeted initiatives. Geographically targeted efforts to reduce disparities between neighborhoods include Enterprise Zone/Empowerment Community designations, HOPE VI public housing revitalization, the Brownfields Economic Development Initiative, and New Markets initiatives, including APIC and the Mississippi Delta Initiative. In addition, through the Moving to Opportunity program and other means, HUD helps low-income participants in the housing voucher program gain access to lower-poverty neighborhoods.

Objective 4.3: Communities become safer.

Performance Measurement: Violent crime rates decline.

Many factors that affect crime in neighborhoods are outside HUD's control. Therefore, this is a proposed interagency indicator with the Department of Justice. However, HUD has many policies and programs that directly affect crime levels in particular communities. HUD's particular responsibilities in making communities safe—a critical national objective—are to enforce safety standards and high standards of resident behavior in HUD-assisted housing, to demolish vacant HUD-assisted structures that cannot be salvaged as safe and livable dwellings, and to promote community-based crime prevention in partnership with local, State and Federal actors. The most direct impacts of HUD's crime-fighting efforts in the next 6 years will occur in and around public housing developments, particularly in those that receive Public Housing Drug Elimination Program (PHDEP) grants. The Department's many community and economic development programs also support crime reduction indirectly by creating communities where employment opportunities, quality retail establishments and good housing combine to create strong neighborhoods. This goal will be measured using the Part I Crime Index of the FBI's Uniform Crime Reports (UCR). Part I crimes include the violent crimes of homicide, rape, robbery, and aggravated assault, as well as property crimes such as burglary, larceny and auto theft.

Means and Strategies

Fighting drugs and crime. HUD directly supports this objective through the PHDEP program, the Officer Next Door Program, the Gun Buyback initiative, and by enforcing the "one strike—you're out" policy. PHDEP provides grants to housing authorities and resident management councils for initiatives to reduce crime and criminal drug use. Typical grants fund security personnel, physical investments promoting security, and drug treatment and other services at selected housing developments. HUD requires PHDEP grantees to establish goals and track performance, including resident satisfaction with neighborhood security.

Coordination with Department of Justice. HUD has several interagency agreements with the Department of Justice. Examples include an agreement with the National Institute of Justice to evaluate drug elimination strategies; an agreement with DARE (Drug Abuse Resistance Education) to provide training and technical assistance for teens in public housing developments; and an agreement that provides public housing agencies access to data from the National Crime Information Center.

Removing blight. Blighted and distressed neighborhoods create an environment that supports lawlessness. HUD addresses blighted conditions by funding demolition and revitalization of the worst public housing developments, by supporting the redevelopment of brownfields, and by encouraging the focused use of CDBG funds for physical upgrades of neighborhoods.

Strategic Goal 5: Ensure Public Trust in HUD

HUD's stewardship of billions of Federal dollars must continually earn the confidence of Congress and the public. HUD has just completed a fundamental overhaul to build performance, customer service, and accountability into every part of our operations. This section describes our plans to deliver results to customers, to lead the national discussion of urban and housing policy, and to prevent fraud, waste, and abuse in HUD program activities.

OVERVIEW

For the Department to achieve its mission, it must continually demonstrate the organizational competence and capacity to deliver effective and responsive programs and services to the public. HUD's stewardship of billions of taxpayers' dollars must be credible and earn the confidence of Congress and the public.

The HUD 2020 Management Reform Plan fundamentally overhauled HUD's programs and operations to make them more efficient and responsive. The implementation of 2020 reforms ensured that tax dollars are used properly and effectively, that programs accomplish what they promise, and that HUD will do more with less and do it better. The plan's reforms were designed to help communities thrive by making HUD's resources more easily accessible and by giving people the tools they need to succeed as individuals and communities.

HUD also is continuing to better focus its research efforts on timely and relevant policy issues and evaluation of HUD programs that supports performance measurement under GPRA.

MEANS AND STRATEGIES

HUD is proud of the progress made in the past 4 years towards becoming a high-performing agency. The Department has adopted a businesslike structure to better achieve our public purposes—to better support our partners and better serve our customers. The new structure has defined a clear mission divided into identifiable functions for each separate business line. It has centralized some operations to realize economies of scale, while decentralizing newly enhanced customer assistance functions to improve service delivery and innovation. It makes better use of technological advances to improve efficiency in both front-line service delivery and back-office processing centers, while simultaneously making information on HUD's programs and resources available to partners and the public through the Internet and other technology. In addition, we have ensured that field staff are involved in strategic planning and performance management, by establishing internal annual Business and Operating Plans—directly linked to the Annual Performance Plan—for each field and headquarters office.

In the context of this business structure, HUD will:

- Support accomplishment of HUD's APP by helping all HUD managers shape business and operating plans that achieve results for customers and local communities.
- Expand our customer service and empower our partners by building more storefront offices, installing electronic kiosks and sharing best practices for housing and community development across the country.
- Through provision of technical assistance HUD will work with partners to improve operations, ensure proper use of funds, and strengthen program performance reporting.
- Rate the quality of single-family housing appraisers and work to remove poorly performing appraisers from the FHA appraisal registry.
- Regularly inspect the physical quality of all public and assisted housing developments to ensure that they meet Departmental standards.
- Rate the performance of Independent Public Accountants that perform financial audits of PHAs and assisted multifamily properties, and debar accountants that perform poorly.
- Assess the financial condition of 3,200 PHAs and 20,500 multifamily developments.
- Conduct computerized matching for 2.35 million households to identify individuals with potential unreported income and excess rental assistance.
- Train employees and improve equipment and information systems for higher productivity.
- Conduct regular surveys of employees, partners, and customers and use results to target program enhancements.
- Increase the effectiveness of local Consolidated Plans in promoting high standards of performance by community partners.
- Increase citizen access to information on HUD programs and their local implementation, both through citizen participation in the Comprehensive Plan process and through electronic means, such as Community 2020 mapping software and HUD's award-winning World Wide Web home page.
- Execute a performance-based appraisal process for all managers and executives that links performance objectives and standards to strategic goals and objectives.

Program Evaluations

HUD was one of many Federal agencies and departments that were surveyed in the National Partnership for Reinventing Government Survey in 1998 and again in 1999.

HUD's overall results were very favorable, particularly in three areas:

- Employees have electronic access to information needed to do their work;
- Service goals aimed at meeting customer expectations are in place;
- Supervisors and team leaders understand and support the family and personal responsibilities of employees.

The NPR survey also identified some areas of concern, citing shortcomings with respect to whether:

- Corrective actions are taken when employees do not meet performance standards;
- Employees are clear about how "good performance" is defined in their organization;
- Travel regulations have been simplified;
- Reinvention has been made a priority by the organization.

In 1999, HUD arranged to have CDBG partners surveyed as part of the American Customer Satisfaction Index (ACSI), a national study of customer satisfaction with the quality of goods and services provided by both public and private sectors. For HUD's survey, senior officials, such as mayors, of communities receiving block grants were asked about four major factors that drive customer satisfaction: perceived quality, customer expectations, customer complaints, and grantee trust. Their responses showed an overall 69 percent satisfaction rate, which compares favorably with the national benchmark for both public and private sector organizations.

In 1994, the General Accounting Office reported HUD as a high risk agency because of serious management problems resulting from long-standing deficiencies in internal controls, information and financial management systems, organizational structure and staffing. In 1997, the 2020 Management Reform Plan was initiated to eliminate these deficiencies by fundamentally overhauling the culture and program operations of the Department. In subsequent reports GAO recognized the credible progress HUD made in addressing these deficiencies. During the past year, the key elements of the Management Reform Plan were fully implemented, establishing a solid foundation for transforming HUD into a high-performing agency. HUD's Annual Performance Plans and other documents explain corrective actions in detail.

In 1999, the National Academy of Public Administration (NAPA) released a report about HUD's implementation of the Government Performance and Results Act. NAPA recognized HUD's substantial progress and suggested several areas for improvement including improving data quality and greater emphasis on outcome measurement. Subsequent versions of the Annual Performance Plan show substantial improvement along the lines of the NAPA suggestions.

STRATEGIC OBJECTIVES

Objective 5.1: HUD and HUD's partners effectively deliver results to customers.

HUD is committed to quality management of its programs and has established this objective to ensure continuing focus on transforming HUD into a high-performing, results-oriented organization. In June 1997, HUD initiated the HUD 2020 Management Reform Plan to ensure HUD's effectiveness into the 21st Century and to address management and operational deficiencies. During the past 3 years, the Department has made considerable progress in addressing its management challenges by modernizing financial and data systems; creating an enforcement authority to restore public trust; refocusing and retraining HUD's workforce; establishing performance-based systems for programs, operations, and employees; and replacing the top-down bureaucracy with a new customer-friendly structure.

While the reforms outlined in HUD 2020 are substantially complete, the Department's commitment to improving its management is continuous. We have developed new strategies to empower our workforce, improve our data, and satisfy our customers.

Means and Strategies

Workforce empowerment and efficiency. The implementation of management reform has changed HUD's organization and culture, moving the focus from process to customer-driven results. The Business and Operating Plan (BOP) process has enhanced the ability of field staff to inform program policy development and to shape operations and goals to serve customers in local conditions. An empowered workforce is the most essential element for effective management and positive outcomes for customers.

Employee satisfaction reflects the quality of relationships between program offices and directly affects the quality of work and productivity. To support continued empowerment that serves customers, we will use periodic employee surveys to ensure that staff are satisfied, that they know who their customers are and what their mission and goals are, and that they have the authority, skills, tools and internal relationships to do their jobs with excellence.

Data quality. Over the years, HUD has developed a large number of data systems for a variety of business purposes, such as controlling financial resources, tracking administrative procedures and recording program impacts. The Office of the Chief Information Officer (OCIO) is developing a Data Quality Improvement Program (DQIP) that will provide standards for data quality in HUD information systems, including standards for data completeness, accuracy, timeliness, validation and integrity.

- By the end of FY 2000, the program offices will submit to the OCIO their data quality plans in accordance with the DQIP's guidelines.
- In FY 2001, OCIO will evaluate program office data quality plans to ensure that they support the standards, and program offices will begin to implement their plans.

- OCIO will then begin to certify the business application data to measure improvements in data quality.

Enterprise architecture for information systems. OCIO also is developing a comprehensive enterprise architecture (EA). An EA is a strategic information asset base that defines:

- HUD's business needs;
- the information necessary to support these business needs;
- the technologies necessary to conduct business activities;
- transitional processes for implementing new technologies in response to changing business needs.

The EA will be integrated with the Department's information technology (IT) capital planning and investment control process. This integration will ensure that IT projects are approved and managed based on HUD business requirements, and that they are in accordance with HUD's IT standards. An EA supports important benefits:

- Identifying, evaluating and reducing risk;
- Eliminating data systems that work in isolation and that do not align with business requirements and processes;
- Developing and maintaining information systems that can support business changes and adapt to growth.

The result of this effort is that in time all of HUD's data systems will meet specified standards and be more accurate and timely, allowing the Department and our partners to more carefully track and manage resources and program performance.

Strengthening partnerships. The introduction to this Strategic Plan explains the extensive and wide-ranging consultations that HUD has undertaken to enhance our performance partnerships with State and local governments and for-profit and nonprofit organizations. The long-term and complex nature of HUD's relationships with our partners necessitates extensive oversight to ensure high standards and quality service. As part of the 2020 Management Reform Plan, HUD established centers that are responsible for assessing HUD's properties and enforcing standards.

- The Real Estate Assessment Center (REAC) provides timely, accurate and objective assessments of physical condition, financial soundness, management capability, and resident satisfaction in HUD's real estate portfolio. It also facilitates verification of the income of public housing recipients to ensure that housing subsidies are properly paid, and assesses the quality of single family appraisals performed for new homebuyers.

- The Departmental Enforcement Center (EC) addresses serious non-compliance with statutory and regulatory requirements for multifamily housing. The center fights “bad landlords” by combining all non-civil rights compliance and enforcement actions into one organization.
- The Troubled Agency Recovery Centers (TARCs) are dedicated to assisting failing public housing agencies in correcting major physical, financial and management deficiencies.

HUD also has designated all employees with any monitoring or compliance functions Public Trust Officers, training them to conduct risk analyses, perform remote and on-site monitoring, validate data and conduct quality assurance reviews.

Now that these major reforms are operational, the Department expects to see better physical, financial and managerial conditions in the Nation’s public and assisted housing and better oversight of HUD’s housing and community development programs. Specifically, we expect results in the following key areas over the next 6 years:

- Improved PHAS and SEMAP scores;⁶
- Fewer units of housing being managed by troubled public housing authorities;
- More Consolidated Plans that include explicit and measurable outcomes.

⁶ The Public Housing Assessment System (PHAS) measures the physical condition, management operations, financial condition, and resident satisfaction of Public Housing. The Section Eight Management Assessment Program (SEMAP) rates housing authorities on several factors, including tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, and lease-up rates.

Objective 5.2: HUD leads housing and urban research and policy development nationwide.

Research and Policy Development

In addition to HUD's duty to manage programs responsibly, the Department pursues a broad-based research and policy development agenda. Research improves HUD's ability to monitor programs, provides guidance for improving program efficacy and helps the Department respond to evolving opportunities as American communities grow and change. Research, monitoring and evaluation also support many components of the Government Performance Results Act by enabling the Department to report its successes, identify areas of concern, and better target resources to the changing needs of America's communities.

As part of our research agenda, HUD will:

- Design, conduct, or oversee path-breaking research to expand the knowledge base and monitoring tools needed for improved policy and practice nationwide.
- Design GPRA measurements and establish and assess performance goals for all HUD programs, using information from program evaluations to demonstrate the linkage between programs and results.
- Work with HUD's partners and outside experts to identify research priorities and with interagency groups to achieve consensus on housing and urban issues.
- Monitor national and local housing, economic and demographic trends affecting housing and urban policies and programs.
- Provide annual estimates of critical program parameters such as fair market rents and median family incomes for all local areas in the U.S. and establish targeting criteria for households and geographic areas to direct program resources effectively. In addition to being used for HUD programs, these data are provided to other Federal agencies for use in their programs.
- Evaluate existing programs through both quick-turnaround studies and long-term systematic research to determine what works and what fails to work.
- Ensure that international experiences are considered when developing HUD policies and programs and that other countries have access to lessons learned by HUD.
- Improve dissemination of relevant research and data to all interested audiences.

IV. RESOURCES, INTERAGENCY PARTNERSHIPS AND PROGRAM EVALUATIONS

This section provides in-depth background information on three key aspects of our implementation of this plan: resources, interagency partnerships, and program evaluations.

RESOURCES

The Department's ability to achieve the targets set forth in this Strategic Plan depend on the level and allocation of budgetary and human resources. HUD strives to allocate resources efficiently by evaluating programs, consulting with stakeholders and measuring performance.

As part of HUD's Management 2020 Reform Plan, HUD has instituted a series of measures to increase accountability and performance. One such measure is the adoption of resource management methodology recommended by the National Academy of Public Administration (NAPA). This new resource estimation and allocation process (REAP) will enable the HUD to:

- Estimate resources for budget formulation, execution and analysis;
- Link resource to performance measures specified in the Annual Performance Plan under GPRA;
- Validate and monitor actual resource utilization.

Staff allocation. The Department estimates that we will need a relatively constant level of 9,300 staff over the next 3 years. The following resource allocation table shows the number of staff in each office's major program areas and the estimated allocation of these staff to our five strategic goals. Most HUD staff will contribute to several strategic goals—for instance, almost every HUD employee will contribute to Goal 5, "Ensure public trust in HUD." Consequently, the values in the table reflect the equivalent number of staff that will contribute to each goal. The Resource Estimation and Allocation Process described above will support more specific, accurate and strategic staff allocation.

Budget allocation. In FY 2000, Congress, the President, and the American people entrusted HUD with its largest budget in 10 years. For FY 2001, we have requested still additional resources to help meet the Nation's housing and community development needs. We will use these budgetary resources carefully to achieve our mission. The resource allocation table describes the relationship between the Department's budget and strategic goals. Because budget authority varies from year to year, the values in the table are estimates of the percentage of the total budget that support each goal. For reference, HUD's total discretionary budget authority in FY 2000 was \$26.2 billion.

Highlights

Based on our review of our current spending patterns and our projections of future needs, we estimate that:

- Almost 56 percent of HUD's budget will go to increasing the availability of decent, safe and affordable housing in American communities.
- Approximately 22 percent of HUD's funding will go to communities as block grants to help meet a variety of locally-determined needs.
- Over 40 percent of staff will be allocated to increasing the availability of decent, safe and affordable housing in American communities.
- Approximately 29 percent of staff resources will be allocated to ensuring public trust in HUD. This includes monitoring grantee performance and their use of funds, ensuring that grantees comply with regulations, and identifying and eliminating waste, fraud and abuse.

Allocation of Budget and Staff Resources by Strategic Goal

Program	# of Staff	% of Budget	Strategic Goals									
			Increase availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
<u>Public And Indian Housing</u>												
Housing Certificate Fund	333	31.7%	40	19.0%	10	6.3%	40	4.8%	40	1.6%	203	-
Public Housing Capital Fund	181	8.9	32	6.2	10	1.4	10	0.4	33	0.9	96	-
Public Housing Operating Fund	352	9.7	57	7.3	10	-	5	0.5	57	1.9	223	-
HOPE VI	176	1.9	41	1.0	9	0.4	41	0.1	41	0.4	44	-
Indian Housing Block Grants	184	2.0	75	1.5	10	-	10	-	6	0.5	83	-
Indian Home Loan Fund	6	<0.1	5	<0.1	-	-	-	-	-	<0.1	1	-
Drug Elimination Grants	163	1.0	9	-	10	-	-	-	143	1.0	1	-
Sub-Total	1,395	55.2	259	35.0	59	8.1	149	5.8	277	6.3	651	-
<u>Community Planning and Development</u>												
CDBG	324	14.8	34	4.4	11	1.5	23	3.0	46	5.9	210	-
HOME	98	5.0	27	4.0	3	0.5	-	-	4	0.5	64	-
Homeless Assistance Grants	118	3.6	10	0.8	-	-	31	2.8	-	-	77	-
HOPWA	21	0.8	3	0.4	-	-	4	0.4	-	-	14	-
Urban Empowerment Zones	15	0.5	-	-	-	-	3	0.2	3	0.3	9	-
Other CPD Programs	184	0.5	21	0.2	11	0.1	13	0.1	19	0.1	120	-
Sub-Total	760	25.2	95	9.8	25	2.1	74	6.5	72	6.8	494	-

			Strategic Goals									
Program	# of Staff	% of Budget	Increase availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
Housing												
FHA –MMI/CHI	1,203	1.5	963	1.5	60	-	-	-	120	-	60	-
FHA –GI/SRI	1,208	1.4	967	1.4	60	-	-	-	121	-	60	-
Housing Certificate Fund	434	11.0	347	11.0	22	-	-	-	43	-	22	-
Housing For Special Populations	350	3.0	279	2.7	-	-	18	0.3	35	-	18	-
Other Housing Programs	239	-	-	-	-	-	-	-	24	-	215	-
Sub-Total	3,434	16.9	2,556	16.6	142	-	18	0.3	343	-	375	-
Fair Housing and Equal Opportunity												
Fair Housing Assistance	30	0.1	-	-	10	0.1	10	-	10	-	-	-
Fair Housing Initiatives	25	0.1	-	-	8	0.1	9	-	8	-	-	-
Section 3 Program	25	-	-	-	-	-	-	-	25	-	-	-
Other FHEO Programs	570	-	-	-	470	-	20	-	10	-	70	-
Sub-Total	650	0.2	-	-	488	0.2	39	-	53	-	70	-
Ginnie Mae	72	<0.1	18	<0.1	18	-	-	-	18	-	18	-
Office of Lead Hazard Control	31	0.4	12	0.4	-	-	-	-	-	-	11	-
Policy Development & Research	163	0.2	82	0.1	2	<0.1	25	<0.1	25	<0.1	29	0.1
Supporting Organizations												
Enforcement Center	215	-	107	-	-	-	-	-	-	-	108	-
Real Estate Assessment Center	280	-	140	-	-	-	-	-	-	-	140	-
Office of Multifamily Housing Assistance Restructuring	101	-	50	-	-	-	-	-	-	-	51	-
Community Builders/Field Management	933	-	233	-	233	-	233	-	234	-	-	-
Chief Financial Officer	220	-	44	-	11	-	22	-	22	-	121	-
Chief Procurement Officer	148	-	-	-	-	-	-	-	-	-	148	-
Chief Information Officer	6	-	-	-	-	-	-	-	-	-	6	-
General Counsel	349	-	76	-	46	-	60	-	16	-	151	-
Departmental Management	113	-	23	-	23	-	23	-	23	-	21	-
Departmental Equal Employment Opportunity	19	-	-	-	-	-	-	-	-	-	19	-
Administration	431	1.9	70	-	30	-	30	-	30	-	271	1.9
Reserve	58	-	-	-	-	-	-	-	-	-	58	-

		Strategic Goals										
Program	# of Staff	% of Budget	Increase availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
Total	9,300	100.0	3,730	57.6	1,077	12.5	673	14.2	1,113	13.7	2,707	2.0

CROSS-CUTTING PROGRAMS AND INTERAGENCY PARTNERSHIPS

Partnerships with HUD's fellow Federal agencies represent one of the most strategic opportunities for promoting high performance by the Federal government. While HUD has always interacted with other agencies, under GPRA we have renewed our commitment to identify crucial issues and work strategically with other agencies to develop solutions based on teamwork—with each agency contributing specific strengths. The Department works actively on a variety of interagency task forces and working groups and also identifies targeted areas where coordination with other Federal Agencies on programs, data or research will enhance our effectiveness.

Through the **Partnership for Advancing Technology In Housing (PATH)**, HUD is responsible for coordinating Federal agency activity to make housing more affordable, safer and more energy-efficient. HUD is working closely with the Departments of **Energy** (as co-head), **Commerce**, and **Agriculture**, as well as with the **Department of Labor's Occupational Safety and Health Administration**, the **Environmental Protection Agency (EPA)**, the **National Science Foundation (NSF)**, and the **Federal Emergency Management Administration (FEMA)** on advanced housing research projects, cooperative research and development agreements with industry, and Federal conferences. PATH leads efforts to increase and integrate Federal agency housing research and demonstration programs by ensuring that agency roles are well defined, and that agency research programs are responsive to the mainstream housing industry without duplicating efforts the industry should undertake itself.

HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. HUD also confers regularly with the **Department of the Treasury** on issues related to the implementation of the Low-Income Housing Tax Credit.

HUD co-chairs, with the **Centers for Disease Control and Prevention**, the Interagency Task Force on Healthy Homes. Under the Healthy Homes initiative, HUD works closely with the **Centers for Disease Control and Prevention**, **EPA**, the **National Institute of Environmental Health Sciences**, the **National Institute for Occupational Safety and Health**, and the **National Institute of Standards and Technology** on ways to address multiple housing-related problems affecting the health of children.

To reduce lead-based paint hazards, HUD coordinates with the President's Task Force on Environmental Health and Safety Risks to Children, which includes the **Centers for Disease Control and Prevention, Health Care Financing Administration, Environmental Protection Agency, National Institute of Health, Department of Justice, Consumer Product Safety Commission, Treasury**, and many other agencies. Special cooperative activities involve the **Environmental Protection Agency** for implementation of the Residential Lead-Based Paint Hazard Reduction Act, the **Centers for Disease Control** for development of standards and reporting, and the **Department of Justice** for enforcement of lead-based paint rules.

HUD chairs the **President's Council on Fair Housing**, an interagency group committed to promoting equal opportunity in mortgage lending, as well as the **Interagency Task Force on Fair Lending**, which coordinates enforcement of fair lending laws across the Federal Government. Through the Task Force, HUD and the **Office of Federal Housing Enterprise Oversight** (an independent office within HUD) work with the Departments of **Justice** and **Treasury**, **Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of the Comptroller of the Currency** and **Office of Thrift Supervision** to reduce discrimination by lenders of all types. The Task Force provides guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations, addressing issues such as the impact of credit scoring on fair lending and the effect of automated underwriting on the availability of mortgage credit to minorities.

The Department works cooperatively with Federal agencies to ensure compliance with civil rights laws in their housing programs: with the **Department of Treasury** for the Low-Income Housing Tax Credit program, and with the **Department of Agriculture** for rural housing.

With the **Department of Treasury**, HUD convened a task force to focus on the growing problem of predatory mortgage lending. Predatory lending practices—including excessive fees and interest rates, prepayment penalties and unnecessary refinancing—have saddled lower-income, minority and elderly families with high debts that can cause these families to lose their homes. As part of the Task Force on Predatory Lending, HUD and Treasury conducted public hearings in five cities to gather information about abusive lending practices. This is the basis for regulatory and legislative recommendations to combat predatory lending issued in a newly released report titled *Curbing Predatory Home Mortgage Lending*.

HUD and the **Department of Justice** have strengthened an existing agreement to crack down on hate acts involving housing discrimination, to ensure prompt prosecution of housing-related hate violence or intimidation reported to the FBI and other Justice agencies, and to train HUD investigators to handle cases of housing-related violence and intimidation.

The Department chairs the Interagency Council on the Homeless, which includes the Departments of **HHS, Agriculture, Commerce, Education, Energy, Justice, Labor, Defense, Interior** and **Transportation**, as well as the **Veterans' Administration, the Social Security Administration, the Federal Emergency Management Agency, the Government Services Administration, and the Postmaster General**. The Council, a working group of the White House Domestic Policy Council, coordinates Federal programs supporting homeless families and individuals.

In 2000 and 2001, HUD is joining with the Departments of **Health and Human Services (HHS)**, **Labor (DOL)**, and **Agriculture** to demonstrate how mainstream social services can better be tapped to serve the homeless. For example, HUD and HHS's **Health Care Financing Administration (HCFA)** are working together to combine HUD housing resources with HCFA services, which will integrate homeless persons with severe mental disabilities or substance abuse problems into the community rather than place them in traditional group homes or other congregate living situations. These efforts may include using Section 8 vouchers to obtain a rental unit for a homeless person combined with home-based health care, mental health counseling and other services funded through HHS.

As part of the President's National Homeownership Strategy, HUD serves as the lead agency to coordinate the National Partners for Homeownership. This group comprises 66 national partners working to cut the costs of homeownership, to remove barriers, to open markets and to expand opportunities for homeownership nationwide. Federal agency partners include the Departments of **Agriculture, Energy and Treasury** and the **Veterans Administration**.

HUD has been an active member of the Interdepartmental Task Force on HIV/AIDS, and through an Interagency Agreement with the Executive Office of the President, supports the **White House Office of National AIDS Policy** in coordinating policy development and public outreach on HIV/AIDS policy.

HUD is working with the **Veterans Administration** to identify VA local agency contacts so that homeless providers can better coordinate HUD housing assistance with VA-provided services to homeless veterans. Additionally, HUD, VA and DOL cooperatively reported to Congress regarding the quality and extent of services provided to homeless veterans. HUD and HHS are jointly offering training on how to develop Safe Havens for mentally ill homeless persons.

The Department works closely with a number of Federal agencies including DOL and HHS to ensure the successful implementation of welfare reform. Examples of these partnerships include the following:

- HUD is a member of the **DOL Welfare-to-Work Policy Committee** that is designing revisions to the Welfare-to-Work Grants program, required by new legislation.
- HUD worked with **HHS** to develop guidance and a model cooperative agreement for public housing authorities and local welfare agencies, in order to help PHAs meet the requirements for such an agreement in the public housing reform legislation.
- HUD has an interagency agreement with **HHS** to study the impact of HUD housing assistance on families leaving welfare.
- HUD is a partner with the **Small Business Administration** on programs that support former welfare recipients and ensure that public housing authorities work closely with small business agencies to provide job opportunities for PHA residents.
- As part of the **Presidential Task Force on Employment of Adults with Disabilities**, HUD proposed and designed a national pilot project implemented in 1999 to learn how Federally-supported service programs might better lead to employing adults with disabilities—especially adults

who are members of racial, ethnic and language minority communities.

In a closely related issue, HUD participates on the interagency task force implementing the Workforce Investment Act with the Departments of **Labor, Education, HHS** and others. HUD's emphasis is to establish public housing authorities as One-Stop Employment Centers, taking advantage of their proximity to needy families as well as their physical space and other resources.

HUD is participating in significant interagency coordination occurring through the White House National Economic Council to develop programs for the **New Markets Initiative**. Each agency brings to the table its own expertise in job creation. **Treasury** provides expertise in the impacts and effectiveness of tax incentives. **SBA** brings its expertise in business financing and the start-up and expansion needs of small business. **EDA** provides grant money to localities, primarily for planning and public works construction associated with economic development. HUD brings its expertise in large-scale development—particularly development that links job creation with other important elements of community development. Proposals are developed so that they complement one another.

As part of the multi-agency **Community Empowerment Board** led by Vice President Gore, HUD has the lead on urban Empowerment Zones (EZs) and Enterprise Communities (ECs). In this role HUD designates EZ/ECs, promotes participation in EZ/ECs by other agencies, and seeks funding preferences and waivers for other agency programs in EZ/ECs.

HUD is part of the **National Brownfields Partnership**, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields. HUD provides technical assistance to the participating communities and encourages the use of HUD programs. HUD works closely with the **Environmental Protection Agency** on brownfield redevelopment to help communities take a site from remediation to re-use. The Department recently signed a memorandum of understanding with the **Army Corps of Engineers** to utilize their skills in cost-benefit analysis, site planning and construction to lower the cost of brownfields redevelopment.

HUD, with over 16 other Federal agencies, has signed the "**Mississippi Delta Regional Initiative Interagency Memorandum of Understanding**." This MOU creates a framework for cooperation among the agencies on economic revitalization initiatives in the Delta region.

HUD has a leading role in the **Interagency Task Force on the Economic Development of the Southwest Border**, which includes 15 other Federal agencies. The Task Force is evaluating the Border region's problems and developing a coordinated Federal response that promotes sustainable economic development.

HUD and the U.S. **Overseas Private Investment Corporation** are cooperating to develop and test models for financing housing abroad.

HUD participates in the interagency White House Task Force on Livable Communities, comprising Federal agencies that have missions and resources that affect the livability of American communities. The Task Force focuses on policies that promote sustainable growth, preserve open space, reduce congestion, improve schools, make neighborhoods safe and otherwise improve quality of life in distressed communities. HUD has helped create new legislative, administrative and budgetary proposals designed to help reduce disparities in quality of life among communities. HUD's participation has dramatically improved policy coordination with other agencies, such as the Department of Transportation and the Environmental Protection Agency, whose policies have a significant, direct impact on community development. HUD also has helped ensure that the unique needs of older, distressed communities are explicitly addressed in new livability policy proposals from the Administration.

PROGRAM EVALUATIONS

Evaluation Strategies

Program evaluations are retrospective studies of the implementation, operation, impacts and costs of public programs. Along with the earlier discussions of program evaluations under each Strategic Goal, this section describes HUD's approach to program evaluation and research to support strategic planning and performance measurement under the Government Performance and Results Act.

Enhance performance measurement through existing research projects. HUD will issue task orders under existing research contracts to obtain independent research supporting recommendations for additional or improved performance indicators. These indicators will include key intermediate outcomes that should be tracked or specific management issues that should be monitored to ensure program success. The Department also will seek opportunities to use program evaluations to validate existing performance indicators and to verify the accuracy of administrative data or other data used for performance measurement. In this way, evaluations will support our efforts to build data quality into our information systems and to assess and use data responsibly.

Demonstrate causal links. HUD is undertaking program evaluations intended to demonstrate the nature and extent of the contributions that HUD programs make toward the outcomes that are assumed to result from our programs. Good performance management requires an understanding of the "logic chain" that links program inputs—including budgetary and staff resources—with program outputs or intermediate results, and then with final outcomes experienced by customers. This research is best conducted through careful experiments and program evaluations that control for many external factors

that may cause spurious conclusions about program impact. Although HUD has one of the smallest evaluation budgets among Federal agencies, we seek to use all available research opportunities to identify these logical connections.

Illuminate innovations by partners. The implementation studies conducted during program evaluations shed light on the variety of program implementation strategies that local actors may use. The flexibility provided by HUD's block grant programs creates a natural laboratory that allows our partners to experiment independently and respond to local conditions. Implementation studies identify further research issues growing out of such decentralized innovation.

Develop data sources. Perform studies of policy issues with the purpose of establishing baselines and methodologies for ongoing performance measures. Important policy issues often develop into core issues for performance management. One example of such an issue is the question of how much the general public knows about fair housing law, and whether lack of knowledge is a major contributor to housing discrimination. HUD's early annual performance plans identified a performance indicator for this topic; a baseline measurement is now being developed using an independent survey.

DATA COORDINATION AND DISSEMINATION

HUD's Office of Policy Development and Research contracts with Aspen Systems to maintain a website that disseminates reports and data sets resulting from HUD research and that provides a centralized bibliography of independent research related to HUD programs and policy issues.⁷

PLANNED EVALUATIONS

The Department is undertaking and plans to pursue research on a variety of housing and community development issues.

- Although the American Housing Survey (AHS) is not, strictly speaking, an evaluation, it represents one of HUD's greatest research commitments to assess trends in housing and community development needs. The Bureau of Census conducts the AHS for HUD on a national basis biennially (in odd years), and conducts surveys for approximately 40 metropolitan areas at staggered 4-year intervals. HUD makes extensive use of the AHS for performance management purposes because it is an excellent source of data regarding the outcomes of HUD's programs. In 1997, the AHS survey methodology was improved by the application of computer-assisted telephone interviewing, and the timeliness and usefulness of the data should continue to improve.
- A 10-year evaluation of HOPE VI Investment Partnerships is ongoing, using surveys of development managers, residents and neighbors, along with windshield surveys and other mixed

⁷ <http://www.huduser.org>

methodology to determine program outcomes and contributing factors. Interim case studies of completed HOPE VI sites will be available in 2000.

- A companion study of HOPE VI is beginning in 2000. It tracks the long-term impacts of living in HOPE VI developments upon the self-sufficiency outcomes of the residents.
- The Empowerment Zone/Enterprise Community program is being studied on a 5-year interim basis. The study is assessing EZ achievements and changes in economic activity using comparison sites, and includes case studies of 18 EC sites. Because the EZ/EC impacts are anticipated to develop over extended periods, the current study is designed to support replication 10 years after the program began.
- The Jobs Plus Demonstration, which compares the employment of public housing residents who receive substantial job development assistance with those who do not, is expected to be completed by 2004.
- Continued assessment of FHA's single family mortgage programs includes studying neighborhood default determinants, evaluating loss mitigation efforts, and assessing underwriting of mortgage products such as the Home Equity Conversion Mortgage.
- The results of the Moving To Opportunity Demonstration are being evaluated over the long term through procurement of a 5-year follow-on evaluation.
- The Moving To Work Demonstration project will provide a long-term assessment of giving high-performing Public Housing Agencies substantial flexibility in administering their programs.
- In 2001, another major report on the ongoing evaluation of the Lead-Based Paint Hazard Control Grant program is expected to produce evidence of long-term effectiveness.
- As part of a Housing Discrimination Study, a series of fair housing audits (tests) is being conducted in each of a number of metropolitan areas. This study will provide national estimates of the level of discrimination against African Americans and Latinos, as well as metropolitan-level estimates; it will also provide an exploratory examination of discrimination against members of other ethnic and racial groups.
- NAPA has been engaged to provide an assessment of alternative methods of evaluating the performance of public housing agencies and other providers of federally assisted housing. A final report is expected shortly.
- A number of research projects have focused on the question of what happens to residents of federally-subsidized development that lose their Federal funding, either because of conditions of the development or because of owner decisions to opt-out or pre-pay their mortgages. HUD plans another evaluation to determine the effect of expanded protection for such residents on tenant outcomes and satisfaction.

- An evaluation of the Community Outreach Partnership Centers Program, through which HUD has funded more than 100 partnerships since 1994, is expected to be completed in December 2000. It will include a detailed review of program records, 25 preliminary site visits, and eight detailed case studies of campus-community partnerships.
- Another planned study will explore the connections between housing need, local housing market conditions, the evolution of housing plans, and actual housing practice in up to eight metropolitan areas. The study also will analyze the Qualified Allocation Plans of all 50 states to determine how they are allocating low-income housing tax credits.

Many current and ongoing evaluations have been designed to support valid estimates of changes over time. For example:

- The study of rent affordability and income eligibility of residents of HOME-assisted rental developments.
- The national survey of homeless assistance providers and clients, initially guided by the Interagency Council on the Homeless.
- The survey of HUD employees for assessing the effects of 2020 Management Reform.
- The Welfare-to-Work Voucher Demonstration could be expanded from the initial small sample of housing authorities to a nationally-representative sample.
- The current Housing Discrimination Study will provide a baseline against which progress in fighting discrimination could be measured. The expense of conducting a future study for that purpose, however, would be prohibitive without special funding.

HUD is using improvements in technology to collect detailed and timely program monitoring data; in some cases, these data will obviate the need for periodic evaluations. This is being implemented through improved management information systems.

- Information about physical and financial conditions in the subsidized multifamily housing stock was formerly collected by evaluations, but now is available annually through information systems managed by the Real Estate Assessment Center.
- Section 8 voucher lease-up rates have been evaluated three times, but HUD is studying the potential to replace such studies with annual program data, which would support performance measures.

APPENDIX—KEY LEGISLATION

The Department of Housing and Urban Development is the Executive Branch Agency, established by Congress, whose chief responsibility is the implementation and enforcement of Federal housing and community development statutes passed by Congress. Through the years, Congress has passed legislation that not only created the programs that HUD is responsible for administering, but also established HUD's overall goals and mission. While there have been a multitude of programs established by Congress over the years, the goals and mission of the Department have generally focused on the need for innovative and comprehensive solutions to housing and community development problems, an emphasis on HUD's service to disadvantaged individuals and distressed neighborhoods, and a reliance on partnerships as a means to achieve results.

The following is a list of key legislation that help to shape HUD's mission:

- 1934 **National Housing Act:** Created the Federal Housing Administration “to encourage improvements in housing standards and conditions (and) to provide a system of mutual mortgage insurance.”
- 1937 **United States Housing Act of 1937:** Created the public housing program.
- 1949 **Housing Act of 1949:** Established grant programs to assist State and local governments with community planning and urban renewal. It also established the national “...goal of a decent home and a suitable living environment for every American family.”
- 1959 **Housing Act of 1959:** Established the Section 202 Supportive Housing for the Elderly program and FHA Mortgage Insurance for Nursing Homes program.
- 1965 **Department of Housing and Urban Development Act:** Created the Department in order “...to achieve the best administration of the principal programs of the Federal Government which provide assistance for housing and for the development of the Nation's communities, to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development. . . and to provide for full and appropriate consideration, at the national level, of the needs and interests of the Nation's communities and of the people who live and work in them.”
- 1968 **Housing and Urban Development Act:** Established rental and homeownership programs for lower-income families and created, within HUD, the Government National Mortgage Association (Ginnie Mae).
- 1968 **Civil Rights Act:** Prohibited discrimination in housing and gave HUD responsibility for administering those provisions.
- 1974 **Housing and Community Development Act of 1974:** Created Community Development Block Grants for State and local governments “to promote the development of viable urban communities” and also established Section 8 rent subsidies for low-income families.
- 1983 **Housing and Urban-Rural Recovery Act:** Created the housing voucher program as an addition to Section 8 rent certificates and repealed authority to make new commitments under the Section 8 project-based program.

- 1987/88 **Stewart B. McKinney Homeless Assistance Act and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988:** Created new programs to assist the homeless.
- 1988 **Fair Housing Amendments Act:** Expanded the scope of fair housing provisions of the 1968 Civil Rights Act and gave HUD additional enforcement responsibilities.
- 1988 **Housing and Community Development Act of 1988:** Made housing vouchers a permanent program; allowed sale of public housing to resident management corporations, giving residents the ability to manage and buy their developments; and authorized enterprise zones.
- 1988 **Anti-Drug Abuse Act of 1988:** Established the Public Housing Drug Elimination Program.
- 1989 **Department of Housing and Urban Development Reform Act:** Established over 50 legislative reforms to help ensure ethical, financial, and management integrity.
- 1990 **National Affordable Housing Act of 1990 (aka Cranston-Gonzalez Act):** Created programs to empower and help the most needy through a variety of economic incentives, low-income homeownership opportunities and other housing and economic development programs. Created the HOME, Housing for Persons With AIDS (HOPWA) and Shelter Plus Care programs. Also established the Section 811 Supportive Housing for Persons With Disabilities program and the HOPE programs.
- 1992 **Housing and Community Development Act of 1992:** Established the Youthbuild and Low Income Housing Preservation and Homeownership programs. Also created a comprehensive lead paint hazards reduction program.
- 1992 **Federal Housing Enterprises Safety and Soundness Act:** Strengthened HUD's regulatory authority over Fannie Mae and Freddie Mac, the two housing government sponsored enterprises regulated by HUD to improve access to affordable housing to low-and moderate-income families. The Act established the framework by which HUD will set goals for these agencies, and expanded HUD's fair housing responsibilities over them. In addition, the Act established an independent office within HUD to examine the safety and soundness of Fannie Mae and Freddie Mac.
- 1994 **Multifamily Housing Property Disposition Reform Act of 1994:** Amended disposition requirements for Multifamily mortgages. Created the Economic Development Initiative program.
- 1996 **Native American Housing and Self-Determination Act:** Established a separate Indian housing and community development block grant.
- 1997 **Multifamily Assisted Housing Reform and Affordability Act of 1997:** Established the Mark-to-Market Program (M2M). Under this program, individual projects in HUD's multifamily portfolio of insured Section 8 housing projects will be restructured by resetting rents to market levels and reducing mortgage debt, if necessary, to permit a positive cash flow.
- 1998 **Quality Housing and Work Responsibility Act of 1998 (a.k.a. Public Housing Reform Act):** Made significant changes in the public housing and Section 8 tenant-based programs. Substantially deregulated high-performing public housing authorities, decreased poverty concentrations in public housing and promoted mixed-income communities, ensured that a threshold share of units and housing vouchers remain available for the truly needy, and created incentives for residents to become self-sufficient.

- 1998 **VA-HUD Appropriations Act for Fiscal Year 1999:** Increased FHA's single-family loan limits, giving HUD the opportunity to provide more affordable mortgages to first-time, minority and central-city homebuyers and substantially amended FHA Single Family Property Disposition requirements.
- 1999 **Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act:** Enables HUD to develop a broad range of housing options to meet the changing housing needs of senior citizens, and authorizes Mark-up-to-Market, which protects low-income renters by minimizing the number of owners that choose to "opt-out" of the project-based housing assistance program.
- 1999-2000 **VA-HUD Appropriations Acts.** For FY 1999 Congress approved 50,000 new housing vouchers to help individuals and families with worst-case housing needs and help families move from welfare to work. This was the first significant appropriation of new vouchers for the Department since FY 1994. For FY 2000, Congress approved 60,000 new vouchers, demonstrating renewed commitment to reduce the severe shortage of affordable housing.