

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

COMMUNITY PLANNING AND DEVELOPMENT

HOME INVESTMENT PARTNERSHIPS PROGRAM

PROGRAM HIGHLIGHTS

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003	INCREASE + DECREASE - 2003 vs 2002
	(Dollars in Thousands)			
<u>Program Level: (Obligations)</u>				
HOME Program	\$1,705,862	\$1,846,040	\$2,084,100	+\$238,060
<u>Appropriations: (Enacted or Proposed)</u>				
HOME Program	\$1,800,000	\$1,846,040	\$2,084,100	+\$238,060
Rescission	<u>-\$3,960</u>	NA	NA	NA
Subtotal	\$1,796,040	\$1,846,040	\$2,084,100	+\$238,060
<u>Budget Outlays (Gross):</u>				
HOME Program	\$1,424,332	\$1,551,000	\$1,600,000	+\$49,000

NA = Not Applicable

SUMMARY OF BUDGET ESTIMATES

The fiscal year 2003 Budget proposes \$2.084 billion for the HOME Investment Partnerships Program, which will provide \$2.06 billion for HOME formula grants, consisting of \$1.1 billion for local Participating Jurisdictions (PJs) and \$746 million for States, and includes \$200 million for a "Down Payment Assistance for Home Buyers," which will assist low-income homebuyers. The \$200 million Down Payment Assistance for Home Buyers programs will be distributed by a separate formula, which considers a participating jurisdiction need for, and prior commitments to assistance to homebuyers.

The following table shows the distribution of the 2001, and 2002 appropriation, and the 2003 Budget request:

	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
	(Dollars in Thousands)		
<u>HOME:</u>			
Local	\$1,040,147	\$1,046,009	\$1,119,499
States	693,431	697,339	746,333
Down Payment Assistance Initiative	<u>...</u>	<u>50,000</u>	<u>200,000</u>
Subtotal Formula Grants	1,733,578	1,793,348	2,065,832
Insular Areas	3,592	3,692	4,168
Housing Counseling	19,956	20,000	[...]a/
Program Mgmt. & Analytical Support.	...	...	1,000
HOME/CHDO Technical Assistance.	21,952	12,000	12,000
Working Capital Fund Transfer .	<u>16,962</u>	<u>17,000</u>	<u>1,100</u>

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Total 1,796,040 1,846,040 2,084,100

a/ Funded under Housing.

HOME Investment Partnerships Program. The HOME program helps to expand the supply of standard, affordable housing for low- and very low-income families by providing grants to States, units of general local government and consortia of units of general local governments that are participating jurisdictions (PJs). PJs use their HOME grants to fund housing programs which meet local needs and priorities. PJs have a great deal of flexibility in designing their local HOME programs within the guidelines established by the HOME program statute and Final Rule. PJs may use HOME funds to help renters, new homebuyers or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including downpayment assistance), new construction or tenant-based rental assistance. HOME works well with other HUD programs such as Community Development Block Grant(CDBG), Empowerment Zones/Enterprise Communities(EZ/EC)and HOPE VI to complement comprehensive neighborhood revitalization and economic revitalization strategies.

Down Payment Assistance Initiative. This Budget proposes allocating \$200 million among PJs and states for low-income families in need of down payment assistance. Homeownership provides low-income families with an opportunity to build assets and share in the American dream. The Administration believes that providing such an opportunity to these households is an important national policy objective whose achievement will be maximized through the establishment of a set-aside within the HOME Program. Obtaining the resources to meet upfront downpayment and closing costs is the most significant obstacle to homeownership among lower income groups. The Downpayment Initiative would eliminate that obstacle for thousands of additional families each year. The funds will enable jurisdictions to increase homeownership rates, especially among minority groups, who generally have lower rates of homeownership compared to the national average, and stabilize neighborhoods. This initiative is subject to legislative enactment.

PJ and CHDO Technical Assistance. The HOME budget proposes \$12 million for technical assistance (TA) activities for States and local government participating jurisdictions (PJs) and non-profit Community Housing Development Organizations (CHDOs). Technical assistance projects provide the support and tools needed to strengthen local capacity, improve program compliance, expand participation by non-profit housing providers, ensure cost-effectiveness and design innovative approaches to affordable housing needs. TA funds provide both direct assistance to individual State and local PJs upon request, as well as national training courses ranging from HOME basics to advanced techniques. In addition, TA funds the production of a variety of written and web-based materials which provide guidance to HOME participants. To date, 19 model guidebooks have been produced including guides on comprehensive monitoring techniques, property and asset management, employer-assisted housing, and special needs housing. Future funds will address PJs' requests for additional on-site TA, training courses and written products. Six national training courses, eight new or updated publications and a core-curriculum for web-based training are being developed. Specific topics respond to areas of particular concern to the Department (such as lead-based paint remediation) and to State and local governments (such as building CHDO capacity).

Program Management and Analytical Support (PMAS). The HOME budget proposes \$1 million for PMAS which would provide program management and analytical support in identifying and analyzing local and national needs, program performance, as well as providing localities and other community members with the necessary guidance to plan and track performance.

These funds will specifically assist metropolitan cities, urban counties, consortia, and States in preparing information to be submitted to the Department's information systems; and will be used for the analysis and evaluation of that data in managing and operating their CPD programs. The funds will be used for operational support work including:

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- developing and maintaining a web site containing programmatic guidance and system information for grantees to ensure that grantees are meeting statutory and regulatory requirements of CPD programs;
- extracting information from the Integrated Disbursement and Information System (IDIS) and other sources and analyzing that information to measure and analyze costs; to assess program performance, services delivered, and beneficiaries; and to identify, delineate, describe and assess issues on community development programs and policies. CPD contractors will identify, collect, and analyze quantitative and qualitative information and prepare written assessments. The Department's data efforts will expand our performance monitoring and reporting capability for Government Performance Results Act purposes. HUD will improve the economic development potential of governmental units and increase the participation of the private sector in community and economic development assisted under Title I; and
- conducting system data purification campaigns necessary to advance data collection related to performance measurement.

Working Capital Fund Transfer. This budget proposes a transfer of \$1.1 million to the Working Capital Fund (WCF) to allow for systems development and enhancements for CPD programs.

EXPLANATION OF INCREASES AND DECREASES

The fiscal year 2003 Budget request of \$2.084 billion for HOME (including set-asides) is \$238 million above the fiscal year 2002 Budget enacted amount. Obligations are expected to increase by \$238 million from 2002, reflecting the assumption that all available funds in 2003 will be obligated in 2003, and that there will be no carryover of unobligated balances into fiscal year 2004. Outlays for 2003 are expected to increase by \$49 million as prior year obligations are spent out. The increase in budget authority is largely the fourfold increase to \$200 million for the Down Payment Assistance Initiative, which compares to \$50 million appropriated in fiscal year 2002. In addition, the non-Down Payment Assistance formula component increases by \$122 million or 7 percent.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. The HOME Investment Partnerships program is authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act (NAHA) (P.L. 101-625), as amended. A legislative proposal for the Downpayment Assistance Initiative will be forwarded to the Congress prior to the June 30, 2002 deadline.

2. Program Description.

HOME Investment Partnerships Program. The HOME program plays a key role in addressing the shortages of affordable rental housing and homeownership in America. States, urban counties, consortia of local governments, and cities use their annual HOME allocations to expand affordable rental housing opportunities by building, rehabilitating, and buying multifamily rental properties, and by providing tenant-based rental assistance. Participating Jurisdictions (PJs) use HOME funds to expand and improve homeownership among low-income households by rehabilitating owner-occupied housing, and providing assistance to new homebuyers. The HOME Program continually exceeds the low-income benefit requirements established by the HOME Statute, which mandates that all households assisted have incomes below 80 percent of area median and 90 percent of those assisted with rental housing have incomes below 60 percent of median (see Low-Income Benefit below).

The following aspects of the HOME program make it an effective and efficient provider of affordable rental and homeownership opportunities for the nation's low-income families:

- Production. Beginning with fiscal year 1992, the year the HOME program began through September 30, 2001, States and local governments have committed over \$9.8 billion in Federally allocated HOME funds (based on data from the Integrated Disbursement and Information System). Of this amount, \$3.8 billion has been disbursed for completed projects, with an additional \$4.7

billion disbursed for ongoing projects. These funds have leveraged over \$15 billion in other funds for a total of over \$18.8 billion in resources for completed projects. The number of households assisted is 687,160.

- An estimated 613,460 units have been newly constructed, rehabilitated, or acquired in standard condition and 73,700 families have received tenant-based rental assistance. Of the units to which funds have been committed, 398,245 units have been completed, of which 37 percent are homebuyers. Based on historical usage, it is projected that 36 percent of funds will be for new construction, 47 percent for rehabilitation, 14 percent for acquisition, and 3 percent for tenant-based rental assistance.
- Low-Income Benefit. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. HOME makes homeownership affordable to lower income households. Eighty-two percent of existing homeowners and 52 percent of new homebuyers receiving assistance have incomes below 60 percent of the median income. The majority of the new homebuyers are purchasing housing outside areas of poverty concentration. The average poverty rate of census tracts in which assisted homebuyers purchase new homes is less than 20 percent.
- In addition, the HOME statute requires that at least 90 percent of the households receiving HOME rental assistance have incomes that do not exceed 60 percent of the area median income. The HOME program consistently exceeds this income targeting requirement. Ninety-nine percent of households receiving tenant-based rental assistance and 96 percent of households occupying assisted rental units have incomes below 60 percent of the area median, for a combined 97 percent. Furthermore, 56 percent of assisted rental households are those likely to have the worst-case housing needs, with incomes below 30 percent of the area median income.
- Modest Cost Per Unit. The average HOME subsidy for a HOME assisted unit remains modest. In fiscal year 2001, the average unit subsidy was only \$15,539. The average unit subsidy drops further to below \$14,218 per unit when tenant-based rental assistance, which averages \$3,529 per family assisted, is included. HOME funds are effectively leveraged, with over \$3.92 contributed from other public and private funds for every \$1 of HOME funds.
- Flexible Program Design. HOME's flexible program design allows States and local PJs to be successful in meeting their needs in a manner most appropriate to local housing markets. There have been many creative uses of HOME funds, including addressing the needs of special needs populations with both tenant-based rental assistance and units linked to supportive services, new models of assistance to new homebuyers, and large and small rental projects, some newly constructed and some acquired and/or rehabilitated. The program also helps to meet the need for permanent housing for homeless persons and families.
- Non-profit Housing Development. The HOME statute requires that at least 15 percent of each PJ's annual allocation be reserved for housing which is developed, sponsored or owned by Community Housing Development Organizations (CHDOs). As of September 30, 2001, State and local government PJs had reserved almost \$2.6 billion or 18 percent for CHDO housing activities. Non-profit organizations, including those sponsored by faith-based organizations, also participate in the HOME program as subrecipients acting on-behalf of the PJ in accordance with written agreements.
- Capacity. State and local PJs, as well as their non-profit partners, have the capacity to use additional HOME funds. Since the program began in fiscal year 1992, the number of local PJs has increased from 387 to 602 in fiscal year 2002 (a 55 percent increase) due to the formation of new consortia and new metropolitan cities and urban counties. Thus, despite increases in HOME appropriations, the amount of funds going to individual local PJs has not had a proportionate increase, as more and more local jurisdictions have

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qualified for HOME allocations. As an example, in fiscal year 1992, with a national appropriation of \$1.5 billion, Miami, Florida's allocation was \$5,314,000, while in fiscal year 2002 they will receive \$5,409,000 although the national appropriation was nearly \$1.8 billion. In addition, when inflation is considered, the real dollar value has declined for most PJs. The amended lead hazard removal requirements will also raise the cost of producing a HOME assisted unit, further reducing the number of housing units which can be assisted by States and local participating jurisdictions.

a. Eligible Recipients. Eligible recipients of HOME funds include States, metropolitan cities (including the District of Columbia), urban counties, Puerto Rico and the Insular areas of the Virgin Islands, American Samoa, Guam and the Northern Marianas. Under certain circumstances, a consortium of geographically contiguous units of general local government may also be eligible for funding. In order to apply for HOME funds, State and local governments must develop a Consolidated Plan covering assisted housing and community development activities. The Plan must be approved by the Department before HOME funds can be received. Insular areas are not required to submit a Consolidated Plan to apply for HOME funding.

b. Formula Allocation. Annual HOME allocations to States and eligible local government PJs are determined by a formula which reflects the severity of local affordable housing needs. After certain amounts are identified for program set-asides and other purposes, 60 percent of the remaining funds are awarded to participating local governments and 40 percent are awarded to States. All States receive a minimum annual allocation of at least \$3,000,000. In addition, the greater of 0.2 percent of the total allocation or \$750,000 is available to Insular Areas. Through 1997, funds for the Native American HOME program were requested as a part of the appropriation. Beginning in 1998, this funding was included under the Native American Block Grant. For fiscal year 2003, funding for set-asides total \$18 million, or less than 1 percent of the appropriation (exclusive of Down Payment Assistance), leaving \$1.86 billion for allocation to States and participating local governments using the following six formula factors (factors are based on 1990 census data):

- vacancy-adjusted rental units where the head of household is at or below the poverty level;
- occupied rental units with at least one of four problems (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs);
- rental units built before 1950 occupied by poor families;
- a ratio of the jurisdiction's costs of producing housing divided by the national cost;
- the number of families at or below the poverty level; and
- the population of a jurisdiction multiplied by the net per capita income.

The formula ensures that PJs with the greatest housing needs receive the most funding.

c. Reallocation of Funds. The HOME statute provides that HOME funds will be available to PJs for affordable housing projects for 24 months. Thus, the Department must deobligate HOME funds that have been available to PJs, but that have not been committed to affordable housing at the end of the last day of the month of the 24-month period. The Department must also deobligate funds that are required to be reserved for Community Housing Development Organizations (CHDOs) (15 percent of a PJ's allocation) but that have not been reserved for CHDOs at the end of the last day of the month of the 24-month period. As of October 31, 2001, the Department has deobligated \$9.1 million in non-CHDO funds and \$4.4 million in CHDO funds. The deobligation process ensures that HOME funds are used in a timely manner. As of October 31, 2001, the Department has also made \$650,000 in grant reductions as a corrective action for incomplete or ineligible activities. Deobligated non-CHDO funds and grant reduction funds are available for formula reallocation to all PJs during the next formula allocation cycle. Deobligated CHDO funds are held for a future competitive allocation.

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d. Eligible Activities. HOME funds can be used for assistance to new homebuyers, acquisition, and rehabilitation of affordable rental and ownership housing, construction of housing and tenant-based rental assistance. By statute, funds may not be used to provide tenant-based rental assistance for certain special purposes of the existing Section 8 program, to provide non-Federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.

e. Matching Requirements. Effective with the 1993 appropriation, PJs must provide matching contributions of at least 25 percent of HOME funds spent for tenant-based rental assistance, rehabilitation, acquisition and new construction. The Housing and Community Development (HCD) Act of 1992, however, provides that the matching requirement shall be reduced by 50 percent for jurisdictions that are in fiscal distress and by 100 percent for jurisdictions that are in severe fiscal distress. The Secretary may also reduce the matching requirement for jurisdictions that are Presidentially declared disaster areas.

STATUS OF FUNDS

Balances Available

a. Unobligated Balances. The following table compares the program obligations with funds available by year:

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Unobligated balance, start of year	\$189,263	\$284,196	\$284,236
Appropriation.	1,796,040	1,846,040	2,084,100
.			
Transfers to other accounts. . . . .	...	...	...
.			
Recoveries from prior years.	8,932	...	...
.			
Cash Adjustment.	<u>-4,177</u>	...	...
.			
Total Available.	1,990,058	2,130,236	2,368,336
.			
Obligations.	<u>-1,705,862</u>	<u>-1,846,000</u>	<u>-2,084,100</u>
.			
Unobligated balance, end of year .	284,196	284,236	284,236

b. Obligated Balances. The status of obligated balances is as follows:

	ACTUAL <u>2001</u>	ESTIMATE <u>2002</u>	ESTIMATE <u>2003</u>
	(Dollars in Thousands)		
Obligated balance, start of year .	\$4,106,546	\$4,383,321	\$4,678,321
Obligations incurred, Grants .	1,705,862	1,846,000	2,084,100
.			
Transfers to other accounts.	_____	_____	_____
.			
Subtotal	5,812,408	6,229,321	6,762,421
.			
Outlays, HOME (Gross).	-1,424,332	-1,551,000	-1,600,000
.			
Adjustment in unexpired accounts .	<u>-4,755</u>	_____	_____

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Obligated balance, end of year 4,383,321 4,678,321 5,162,421

STRATEGIC GOALS AND OBJECTIVES: RESOURCES REQUESTED (\$ AND FTE) AND RESULTS

The HOME Program advances the Department's Strategic Goal #2, "Help families move from rental housing to homeownership." HOME is one of HUD's primary tools for accomplishing Objective 2.1 "Expand national homeownership opportunities," and Objective 2.3 "Increase the availability of affordable rental housing," by increasing the supply of affordable, standard rental housing; improving substandard housing for existing homeowners; and assisting new homebuyers through expended downpayment assistance acquisition, construction, and rehabilitation of housing; and by providing tenant-based rental assistance. HOME works in partnership with other HUD programs including FHA insurance, HOPE VI, Section 8 and CDBG to help local partners meet local needs. The following efforts also advance Strategic Objective 2.1:

- increasing the number of units produced with the assistance of HOME funds, including increasing the homeownership rates of minorities, as measured by the number of rental, new buyer, and existing homeowner units, and tenant-based rental assistance to which HOME funds are committed; and
- increasing the number of units produced with the assistance of HOME funds as measured by the number of rental, homebuyer, and existing homeowner units which are completed.

SELECTED PERFORMANCE MEASURES

NOTE: Targets are preliminary and may be revised with the submission of the full APP document.

STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
Strategic Goal 2: Help families move from rental housing to homeownership.			
Discretionary BA (Dollars in Thousands)	\$1,616,436	\$1,661,436	\$1,875,690
FTE			
Headquarters	30	31	31
Field	65	66	66
Subtotal	95	97	97
Strategic Objective 2.1: Expand national homeownership opportunities.			
Indicator: The number of homeowners who have been assisted with HOME is maximized.	42,256	49,420	47,886
The homeownership Downpayment Assistance Initiative will be fully implemented and assist 10,000 new homebuyers.	NA	Establish Baseline	10,000
Strategic Objective 2.3: Increase the availability of affordable rental housing.			
The number of households receiving housing assistance with CDBG, HOME, HOPWA, NHHBG and IHBG increases.	81,468	85,658	87,602
The number of HOME production units that	55,148	60,643	62,019

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STRATEGIC GOAL/OBJECTIVE	ACTUAL 2001	ENACTED 2002	ESTIMATE 2003
are completed within the fiscal year will be maximized.			
Strategic Goal 6: Embrace high standards of ethics, management and accountability.			
Discretionary BA (Dollars in Thousands)	\$179,604	\$184,604	\$208,410
FTE			
Headquarters	3	4	4
Field	7	7	7
Subtotal	10	11	11
Strategic Objective 6.2: Improve accountability, service delivery and customer service of HUD and our partners.			
Indicator: HUD will monitor 5 percent more Consolidated Plan grantees on site for compliance with their plans.	42% anticipated	35%	37%
Streamline Consolidated Plan	NA	NA	NA
FTE Total	105	108	108

NA = Not Applicable

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DISTRIBUTION OF FUNDS BY STATE

The following table shows HOME Investment Partnerships Program allocations, by State, for 2001, 2002 and 2003.

<u>STATE OR TERRITORY</u>	<u>ACTUAL</u> <u>2001</u>	<u>ACTUAL</u> <u>2002</u>	<u>ESTIMATE</u> <u>2003</u>
			(Dollars In Thousands)
Alabama	\$25,294	\$25,624	\$27,423
Alaska	4,069	4,070	\$4,356
Arizona	21,425	21,474	\$22,981
Arkansas	15,184	15,416	\$16,498
California	235,173	235,351	\$251,872
Colorado	19,682	19,779	\$21,167
Connecticut	19,571	19,835	\$21,227
Delaware	4,758	4,766	\$5,101
District of Columbia	7,654	7,775	\$8,321
Florida	72,642	72,965	\$78,087
Georgia	38,765	39,116	\$41,862
Hawaii	7,711	7,724	\$8,266
Idaho	5,695	5,776	\$6,181
Illinois	83,469	83,905	\$89,795
Indiana	30,837	31,126	\$33,311
Iowa	16,423	16,657	\$17,826
Kansas	13,734	13,884	\$14,859
Kentucky	25,770	26,140	\$27,975

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Louisiana	34,308	34,635	\$37,066
Maine	7,328	7,340	\$7,855
Maryland	25,344	25,492	\$27,281
Massachusetts	44,666	44,801	\$47,946
Michigan	66,219	66,729	\$71,413
Minnesota	22,743	22,972	\$24,585
Mississippi	18,200	18,466	\$19,762
Missouri	30,813	31,168	\$33,356
Montana	5,489	5,574	\$5,965
Nebraska	9,136	9,230	\$9,878
Nevada	9,031	9,025	\$9,659
New Hampshire	5,124	5,211	\$5,577
New Jersey	44,994	45,087	\$48,252
New Mexico	9,829	9,950	\$10,648
New York	190,395	190,697	\$204,083
North Carolina	35,310	35,507	\$37,999
North Dakota	3,995	4,062	\$4,347
Ohio	78,146	78,839	\$84,373
Oklahoma	19,690	19,903	\$21,300
Oregon	20,365	20,596	\$22,042
Pennsylvania	76,659	77,056	\$82,465
Rhode Island	7,971	8,057	\$8,623
South Carolina	18,497	18,684	\$19,996
South Dakota	4,276	4,346	\$4,651
Tennessee	29,723	30,066	\$32,177
Texas	112,149	112,561	\$120,462
Utah	8,846	8,917	\$9,543
Vermont	3,990	4,074	\$4,360
Virginia	31,408	31,566	\$33,782
Washington	31,314	31,351	\$33,552
West Virginia	13,050	13,212	\$14,139
Wisconsin	32,815	32,782	\$35,083
Wyoming	3,500	3,500	\$3,746
Puerto Rico	<u>30,398</u>	<u>30,609</u>	<u>\$32,758</u>
Subtotal Formula Grants	1,733,577	1,743,448	1,865,832
Other activities a/	<u>62,462</u>	<u>102,592</u>	<u>218,268</u>
TOTAL HOME	1,796,040	1,846,040	2,084,100

a/ Subtotal includes the \$50 million Downpayment Assistance Initiative in fiscal year 2002, and \$200 million in fiscal year 2003.