

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2005 Summary Statement and Initiatives
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2003 Appropriation	\$47,000	\$3,650 ^a	-\$306	\$50,344	\$42,867	\$53,628
2004 Appropriation/Request	47,000	7,475	-277	54,198	54,298	44,000
2005 Request	<u>46,700</u>	<u>...</u>	<u>...</u>	<u>46,700</u>	<u>46,800</u>	<u>42,000</u>
Program Improvements/Offsets	-300	-7,475	277	-7,498	-7,498	-2,000

a/ Includes \$20 thousand increase due to the transfer of incoming Federal funds from USAID.

Summary Statement

Policy Development and Research is requesting a total of \$46.7 million for the Research and Technology account. This 2005 request represents an overall decrease of \$23 thousand from the 2004 enacted level of \$47.0 million less the rescission of \$277 thousand or \$46.723 million. This level is for research, studies, technology and policy analysis, including \$7.5 million for program evaluations and \$2.0 million for work related to the removal of barriers to affordable housing. These research funds are administered by the Assistant Secretary for Policy Development and Research (PD&R) under the Research and Technology (R&T) account.

The Partnership for Advancing Technology in Housing (PATH) is not included in this account (R&T) in 2005. The PATH Program will be transferred to the Office of Community Planning and Development (CPD). An amount of \$2.0 million will be requested for this program in 2005 by the Office of CPD's HOME Program.

Initiatives

Following are the increases and offsets requested by Policy Development and Research.

The 2005 budget authority for the R&T account is \$23 thousand less than the 2004 budget authority. The 2005 budget includes \$1.5 million in additional funding for program evaluations and smaller increases for six other categories.

The Department will not be requesting any funds in 2005 for PATH from the Research and Technology account. Instead \$2 million will be requested for the PATH program out of the Office of CPD's HOME program, and \$10.2 million in obligated balances will be transferred to the HOME program.

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POLICY DEVELOPMENT AND RESEARCH
 RESEARCH AND TECHNOLOGY
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Budget Authority</u>	<u>2002 Carryover Into 2003</u>	<u>2003 Total Resources</u>	<u>2003 Obligations</u>	<u>2004 Budget Authority/ Request</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2005 Request</u>
R&T	\$46,694	\$3,650	\$50,344	\$42,867	\$46,723	\$7,475	\$54,198	\$46,700
FTE								
Headquarters			112				121	121
Field			<u>39</u>				<u>39</u>	<u>39</u>
Total			151				160	160

Research and Technology

The following section describes the key aspects of PD&R's research program for Fiscal Year 2005 that advance HUD's mission and strategic objectives. Following this section is a description of the main categories of PD&R's core research programs and analytical work (starting on page 9). Performance measurement is described on page 17.

KEY RESEARCH PLAN FOR FISCAL YEAR 2005:

Through its research and policy analysis, PD&R provides broad support for the full range of policy objectives of the Department. These policies serve as the cornerstones of PD&R's budget request. In Fiscal Year 2005, PD&R will conduct or initiate work that supports HUD's mission and strategic objectives. Specific areas of PD&R's research and the linkage to the mission and strategic objectives of the Department follow:

STRATEGIC OBJECTIVE: EMBRACE HIGH STANDARDS OF ETHICS, MANAGEMENT AND ACCOUNTABILITY

PD&R's commitment to program evaluations, performance management, GPRA and other efforts significantly support the Department's management and accountability programs. Recently PD&R has placed an emphasis on presentations to other HUD offices and to external parties as a means of disseminating the results of our research. PD&R staff continues to attend and participate in relevant conferences as well as prepare papers on policy related topics. Examples of PD&R's commitment in this area follow:

- **Program Evaluations.** PD&R has a broad support role in HUD, evaluating the Department's programs and informing policy decisions to make programs more effective. In an effort to strengthen the accountability of HUD programs for results and promote the integration of budget and performance information, PD&R plans to continue its commitment to program evaluations in fiscal year 2005. Based on input from the Secretary and program offices within HUD, PD&R will develop a plan for its program evaluation activity to ensure that it advances key policy objectives and leads to regular periodic evaluations of major HUD programs. The program evaluations underway and under consideration in fiscal years 2004 and 2005 are discussed on pages x of this justification.
- **Performance Management (GPRA).** PD&R provides analytical and staff support for the Department's performance management processes. PD&R takes the lead role in developing the Department's Strategic Plan, and works closely with the Chief Financial Officer and program offices to develop appropriate measures for the Department's Annual Performance Plans. PD&R will continue its research program to improve HUD's ability to measure the direct effects of HUD's programs. The American Housing Survey, program evaluations and special-purpose research efforts provide and validate performance data about program impacts. One such study about data from the Section 8 Management Assessment Program (SEMAP) data is nearing completion.
- **President's Management Agenda - Reducing assisted housing subsidy errors.** PD&R activities support the PMA initiative to reduce assisted housing subsidy errors. Reports on these errors are required in the Department's financial statements and are a priority for the Department. The goal in the PMA is to reduce errors by 50% by 2005. In support of this goal, PD&R manages what are now planned to be annual studies of the accuracy of local income and rent determinations used as the basis for subsidy billings. These studies provide information on the magnitude and source of errors, and are used as the basis for developing corrective actions and measuring their effectiveness. The two other subsidy payment error components studied are deliberate tenant income misreporting and program sponsor billing errors other than those caused by incorrect tenant subsidy determinations. The tenant subsidy error measurement study sample cases are used for income matching to measure intentionally unreported income, and to estimate the related subsidy cost. PD&R supplies the sample and does the analysis for the income matching effort. It also does the analysis associated with measurement of errors caused by subsidy billing discrepancies unrelated to tenant subsidy errors.

- **Targeting Benefits and Funds.** Because of its expertise in the fields of statistics and economics, PD&R performs a number of functions that help to support the administration of the Department's housing programs. These include calculating the key parameters used in ensuring the right benefits go to the right people, such as establishing HUD's income limits (which are also used by several other agencies), setting Section 8 Fair Market Rents, designating Difficult Development Areas and Qualified Census Tracts for the Low-Income Housing Tax Credit Program and calculating the formula funding allocations for the Section 8, Section 202, and Section 811 programs. It also manages the HUD field economist function, which is responsible for advising if there is a market for multifamily housing projects applying for FHA insurance. PD&R also administers fair market rent and customer surveys, although the funding for these program support functions has been provided through the Public Housing Capital Fund starting in fiscal year 2001 and continuing through fiscal year 2004.
- **President's Management Agenda--Expanded Electronic Government.** These resources support the government wide eGovernment initiative in the PMA. PD&R's work to enhance the availability and use of geospatial data makes local geographic information more readily available and more useful to state and local partner organizations. Geographic Information Systems provide better analysis tools for revealing program opportunities and results. PD&R's GIS experts provide assistance across HUD programs and coordinate geospatial data-sharing with other Federal agencies.

STRATEGIC OBJECTIVE: INCREASE HOMEOWNERSHIP OPPORTUNITIES

Almost half of PD&R's budget authority supports increasing homeownership. This is due to PD&R's substantial research program focused on boosting low-income and minority homeownership research funding that is utilized for the American Housing Survey as well as other housing surveys such as New Home Sales and Completions. Areas of research in support of increased homeownership follow:

- **Evaluations of HUD Homeownership Programs.** To better understand the impact of HUD homeownership programs and determine how they can advance national homeownership more effectively, PD&R will initiate or continue work on a number of program evaluations, including evaluations of Housing Choice Voucher homeownership, homeownership activity under HOME, FHA single family insurance and programs that concentrate homeownership investments in particular neighborhoods. Past PD&R activity in this area has led to significant improvements in HUD's homeownership programs. For example, PD&R's evaluation of the FHA assignment program led to termination of that program and institution of new FHA loss mitigation tools. PD&R analysis has also contributed to the development of mortgage scorecards for use in FHA's automated underwriting and to the restructuring of FHA mortgage insurance premiums.
- **Increasing Minority Homeownership.** In support of the President's ambitious goal to create 5.5 million more minority homeowners by 2010, PD&R is studying the reasons for the racial and income gaps in homeownership and the early homeownership experiences of low-income families. Other work includes such topics as the extent of any supply side constraints on lower-income homeownership opportunities and the effectiveness of policies and programs aimed specifically at boosting minority homeownership and helping low-income and minority families to remain homeowners. Several reports will be completed in fiscal 2004 with ongoing research in fiscal year 2005.
- **Providing essential data on homeownership and other housing issues.** A significant portion of PD&R's budget is dedicated to funding major ongoing housing market surveys that provide critical data on the state of the nation's housing stock and markets. These surveys include the American Housing Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption, and the Survey of New Manufactured Homes Placements.

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- **RESPA Analysis.** Since the passage of the Real Estate Settlements Procedures Act in 1974, PD&R has helped to shape its implementation and enforcement. PD&R economists worked to help the Department simplify and improve the mortgage origination process so that consumers can benefit from lower settlement service prices. PD&R staff helped the Department evaluate comments on the proposed RESPA rule, analyzed changes and worked with others in the Department to prepare a final rule. Once final, PD&R economists will work to assess the impact of the new RESPA regulations.
- **Reducing Closing Costs.** Closing costs contribute to the upfront cost of buying a home, but there is little empirical work in this area because of the lack of a useful database. PD&R is developing a database of FHA mortgages that can provide reliable information on closing costs for the nation as a whole, for each of the 50 states, and for certain cities and metropolitan areas. Analysis of this database will help to inform policymakers on strategies for reducing closing costs.
- **Predatory Lending.** PD&R will continue its analysis of the sub-prime lending market to help policymakers distinguish between legitimate sub-prime lending activity that helps to expand homeownership opportunities for low-income and minority families, and predatory lending that takes advantage of these families. PD&R will also examine the role of mainstream lenders in our inner cities.
- **The Affordable Housing Goals for GSEs.** PD&R research and analysis supports the review and establishment of new Affordable Housing Goals for the Government-Sponsored Enterprises, Fannie Mae and Freddie Mac, monitoring of performance under the goals, and research on the effectiveness of the goals. These performance goals play a significant role in ensuring that the GSEs do their part to expand homeownership opportunities for low-income and minority families. A review and revision process for the goals, reflecting recent market developments and 2000 Census data is underway in FY 2004. In FY 2005, PD&R will monitor and evaluate the effects of the new goals as they take effect. Prior PD&R analyses have provided the foundation for establishing the GSE housing goals to ensure they do their utmost to help make housing affordable.

STRATEGIC OBJECTIVE: PROMOTE DECENT AFFORDABLE HOUSING

- **Reducing Barriers to the Production of Multifamily and Single Family Housing.** State and local regulations operate as a significant barrier to the production of affordable housing. Various studies estimate that construction and development costs can be reduced as much as 35 percent through new regulatory tools and processes. In fiscal year 2005, PD&R plans to devote at least \$2 million to research, policy analysis, information dissemination and other activities directed at reducing regulatory and other barriers to affordable housing. Among other impacts, past PD&R work in this area has identified opportunities for streamlining rehabilitation codes to stimulate greater rehab activity to preserve existing housing and elimination of HUD building standards that are duplicative of more modern and widely adopted building codes. Elimination of these obsolete building standards will streamline the provision of HUD assisted housing in America's communities. In fiscal year 2005, PD&R will continue studies on the impact of specific regulatory and other barriers on the production of affordable housing, develop options for reducing these barriers, and work with a wide variety of stakeholders to ensure that information regarding regulatory barriers removal strategies is widely disseminated.
- **Monitor Low-Income Housing Tax Credit activity.** The Low-Income Housing Tax Credit (LIHTC, section 42 of the Internal Revenue Code) constitutes the largest federal subsidy for the construction and rehabilitation of affordable rental housing. Since it is not a HUD subsidy program and HUD has no administrative role, HUD has no internal source of data on activity in this important program. Therefore PD&R will continue to collect data on rental housing projects placed in service and financed with the LIHTC.

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- **Improving the quality and management accountability of public and assisted housing.** Improving the performance of housing intermediaries is an initiative of the President's Management Agenda, established with specific performance goals for housing quality and accountable management. PD&R is working on a number of program evaluations that will help to advance this objective, including evaluations of: the HOPE VI program, the SEMAP system for assessing PHA management of the housing choice voucher program, and the Mark-to-Market program. In fiscal years 2004 and 2005, PD&R will also conduct a crosscutting analysis of housing quality in HUD's various rental housing programs - public housing, Housing Choice Vouchers, and the project-based Section 8 program - utilizing a tenant survey that PD&R jointly developed with the Office of Public and Indian Housing.
- **Strengthening the Housing Choice Voucher Program.** PD&R is helping fulfill the President's Management Agenda initiative to improve the performance of housing intermediaries through a long-standing research program focused on evaluation and improvement of the voucher program--HUD's largest affordable rental housing program. Indeed, a PD&R demonstration in the 1990s led directly to the implementation of the "voucher" model for tenant-based Section 8, which has now replaced the earlier "certificate" model. Recent studies have focused on evaluating voucher success rates, analyzing the reasons for underutilization of vouchers, and helping PHAs respond effectively to local concerns about the voucher program. Among other work in this area in fiscal years 2004 and 2005 will be a comprehensive analysis of HUD's Fair Market Rent (FMR) policies in light of 2000 census data to determine if changes are needed to improve the usefulness of housing vouchers. A new, more cost effective method for testing the accuracy of local FMRs is also being tested.
- **Helping HUD-assisted renters make progress towards self-sufficiency.** PD&R is presently evaluating a number of initiatives designed to advance this objective, including: the Family Self-Sufficiency Program; the Welfare-to-Work Housing Voucher program; the Jobs Plus demonstration; and the Moving-to-Opportunity demonstration. PD&R is also closely analyzing HUD administrative data to establish a benchmark for assessing the efficacy of future efforts to increase the incomes of families in public and assisted housing. Work on these priorities will continue in future years.
- **Improving Delivery of Section 202 and 811 Housing.** PD&R is conducting a study of development costs in the Section 202 and 811 programs to determine if current development cost limits are adequate. There is concern that in some areas they are too low, requiring lengthy delays while grants from other sources are sought to make projects feasible.
- **Building Technology.** A major focus of the Housing Technology and Regulatory Studies research category in fiscal year 2005 will be outreach to encourage builders and communities to apply the results of research, technologies and building methods that can help make housing more affordable, durable, and energy efficient. Research will continue to identify and refine strategies for promoting energy conservation in public and assisted housing.
- **PD&R's Field Economists.** The economists serve as the Department's primary source of intelligence on local economic and housing conditions particularly in the multifamily assisted housing areas.

STRATEGIC OBJECTIVE: STRENGTHEN COMMUNITIES

- **Ending Chronic Homelessness.** PD&R is actively engaged in research designed to support the Presidential and Secretarial goal of ending chronic homelessness in 10 years, a key objective under this Strategic Goal. Research and reliable data are crucial to achieving this goal, and we continue to build on HUD- and externally-sponsored research to inform means and strategies. Among other projects, PD&R is researching effective strategies for meeting the needs of on-the-street homeless individuals and evaluating the effectiveness of HUD-funded permanent housing for homeless persons with disabilities.

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- **Preventing Homelessness.** To effectively address the challenge of homelessness, it is essential to focus on preventing families from becoming homeless in the first instance. To help develop more effective policies for preventing homelessness, PD&R is researching the causes of homelessness, with a focus on procedures for discharging individuals from various publicly funded institutions, including jails and mental health institutions.
- **President's Management Agenda - Improving the Usefulness of the Consolidated Plan.** PD&R is actively involved in the Presidential Management Agenda goal of streamlining the Consolidated Plan to reduce compliance burdens and make it more useful to communities. Among other activities in fiscal years 2004 and 2005, PD&R will help to assess the efficacy of pilot strategies to streamline the consolidated planning process and improve the usefulness of data that HUD provides communities for use in analyzing housing and community needs through the development of improved Geographic Information Systems (GIS) templates.
- **Evaluating the Formulas for Distributing HOME, CDBG and other Funds.** PD&R is analyzing the impact of new census data on formulas for distributing HUD funding, including HOME and CDBG funds, to determine whether changes to these formulas are necessary to ensure the effective targeting of HUD funds.
- **Evaluating Economic and Community Development.** During 2003 PD&R completed program evaluation research to assess the Department's Section 108 third party lending program in communities and to assess the impacts of the Department's Youthbuild program. In 2004 and 2005, PD&R will work with program offices to explore how its program of research can enhance the Department's community development programs.
- **Improving the lives of residents of the Colonias.** PD&R is engaged in an ongoing research effort to support the Secretary's goal of helping to improve the lives of residents of the poor areas along the U.S./Mexico border known as "Colonias." PD&R's research program is designed to better understand the nature of the problems faced by residents of the Colonias and analyze policy options for addressing these problems. PD&R is launching a "model colonias" project in one New Mexico community to create a replicable model for creating and implementing a master revitalization plan and to coordinate resources from a variety of Federal, State, local and private partners.
- **State of Cities Data Base.** PD&R maintains and updates the State of Cities Data System. The data system provides community and economic development practitioners with a centralized source of a variety of economic, demographic, and housing data. Practitioners and researchers use the data system to track local conditions in cities and suburbs across the nation.
- **Making housing safer and healthier.** PD&R research into housing technology helps improve the physical quality, durability and safety of housing. Current research includes a study focusing on how to construct housing that is resistant to floods, hurricanes and other natural disasters. PD&R also is collaborating with the Office of Healthy Homes and Lead Hazard Control to study techniques for remediating residential moisture problems that are linked to allergies and toxic mold.
- **Engaging universities in community revitalization.** PD&R administers the Community Outreach Partnership Centers grant program and other University Partnerships programs funded through CDBG. These programs help colleges and universities apply their human, intellectual, and institutional resources to the challenge of revitalizing distressed communities.

STRATEGIC OBJECTIVE: ENSURE EQUAL OPPORTUNITY IN HOUSING

- **Housing Discrimination and Housing Accessibility.** PD&R has an active research program designed to better understand the extent and nature of housing discrimination. Among other activities, PD&R recently completed national estimates of discrimination against African Americans, Hispanics and Asians and statewide estimates for Native Americans in three states. PD&R will soon complete exploratory studies related to discrimination against persons with disabilities. We expect that the disabilities studies will generate interest in further research for this population. Additionally, we expect to begin work to assess changes since recent studies were done, (a) estimating public awareness of fair housing laws, and (b) estimating the extent to which newly constructed rental housing meets the accessibility requirements of the Fair Housing Act. PD&R will continue to support the efforts of FHEO in this area in future years.

STRATEGIC OBJECTIVE: PROMOTE PARTICIPATION OF FAITH-BASED AND COMMUNITY ORGANIZATIONS.

- **Building the capacity of faith-based and grassroots non-profits.** Prior PD&R research has identified lack of capacity as a key obstacle to the funding (or expansion of funding) of many smaller nonprofit groups. Working closely with HUD's Center for Faith-Based and Community Initiatives in support of this President's Management Agenda item, PD&R will continue to support research, education and outreach on effective strategies for strengthening these groups' capacity. Current research includes evaluating methods to enhance the ability of these groups to set goals, to measure their own performance, to access a wider variety of funding sources. Through ongoing work with foundations, academics, and intermediaries, PD&R hopes to provide a fuller assessment of this growing sector to better inform practitioners, funders, and students of community development of the roles faith-based and community organizations can take in providing housing, economic development and other services.

POLICY DEVELOPMENT AND RESEARCH

RESEARCH AND TECHNOLOGY

**Program Offsets
(Dollars in Thousands)**

R&T	<u>Amount</u>
2003 Appropriation	\$46,694
2004 Appropriation/Request	46,723
2005 Request	<u>46,700</u>
Program Improvements/Offsets	-23

Proposed Actions

The Department proposes \$46.7 million for Research and Technology in 2005, nearly the same funding as compared to the 2004 budget authority.

Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and approved demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy changes. In order to ensure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to Departments and agencies of Federal, State and local governments, to Congress, to industry, and to the general public.

Policy Development and Research. The Assistant Secretary for PD&R is responsible for the development, planning, and execution of HUD research, evaluation and approved demonstration programs; for assisting in the formulation of Department policy; and for disseminating HUD research results. Access to PD&R's research is available through the website www.huduser.org. PD&R offers independent, objective review by highly qualified research professionals of programs and issues critically important to housing and community development. In addition, the PD&R organization has principal responsibility for providing economic and policy analysis and staff assistance to the Secretary in determining national housing and community development goals, program priorities, and objectives; for funding major ongoing housing market surveys; and for supporting the Secretary's role in overseeing the Government Sponsored Enterprises (GSEs) (Fannie Mae and Freddie Mac).

Given the expertise in the field of economics, PD&R performs a number of functions that help to support the administration of the Department's housing programs. These include calculating the key parameters used in housing programs such as income limits and Fair Market Rents and overseeing the field economists who review the market for multifamily housing projects applying for FHA insurance. While PD&R administers fair market rent and customer surveys, the funding for these programmatic functions has been provided through the Public Housing Capital Fund starting in fiscal year 2001 and continuing through fiscal year 2005.

In line with the Department's small business goals, PD&R now procures more of our research with small businesses. In fiscal year 2004 PD&R projects that 50 percent of our contracted research will be awarded to small businesses. PD&R conducted extensive outreach to the small business community and numerous awards have been made to small firms for a variety of our research efforts. It is anticipated that the small business procurements will be a catalyst for innovation and diversity of thought in our research products.

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Classification of Activities. PD&R activities under the basic research and technology account may be classified as either fixed or variable:

- Fixed Activities. PD&R expects to commit \$31.5 million for fixed activities in fiscal year 2005. The largest of these is the Congressionally mandated American Housing Survey, which provides policymakers and researchers with basic information on the U.S. housing market. Housing surveys are estimated at \$26.5 million in fiscal year 2005, an increase of \$1 million over the fiscal year 2004 survey costs. Other fixed expenses include the Survey of New Home Sales and Housing Completions, the Survey of New Manufactured Housing Placements, and the Survey of Market Absorption of New Multifamily Units, as well as research dissemination, support services, the regulatory barriers clearinghouse and the university/community partnerships clearinghouse.
- Variable Activities. The remaining \$15.3 million includes \$7.5 million for program evaluations and \$2 million for the removal of barriers to affordable housing. The balance of funds are committed for the analysis of urban problems, research on low-income and minority homeownership, studies supporting the Department's regulation of Fannie Mae and Freddie Mac, examining the impact of the Department's Real Estate Settlement Procedures Act (RESPA) reform initiatives and other research on housing, community and economic development issues.

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Below is a table showing obligations for fiscal years 2003, 2004 and 2005.

**POLICY DEVELOPMENT AND RESEARCH
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Summary of Obligations by Budget Category**

(Dollars in Thousands)

<u>Budget Activity</u>	<u>2003 Obligations A/</u>	<u>2004 Budget Estimate</u>	<u>2004 Current Estimate A/</u>	<u>2005 Estimate A/</u>	<u>2005 vs 2004</u>
					<u>Increase+</u> <u>Decrease-</u>
I. Housing Market Surveys	\$22,842	\$24,400	\$25,485	\$26,500	\$1,015
II. Other Fixed Activities	5,792	5,000	4,653	5,000	+347
Subtotal Fixed Activities	28,634	29,400	30,138	31,500	+1,362
III. Program Evaluations	2,655	7,500	6,000	7,500	+1,500
IV. Homeownership/Housing Finance Studies	1,010	3,200	1,300	1,700	+400
V. Housing Technology and Regulatory Studies	1,020	2,250	800	1,000	+200
VI. Urban Data Systems Research	794	1,300	900	1,000	+100
VII. University Research	795	1,100	1,100	1,100	0
VIII. Approved Demonstrations	997	1,700	0	0	0
IX. Removal of Regulatory Barriers to Affordable Housing	0	2,000	2,000	2,000	0
X. Other Housing and Urban Research	1,504	2,650	882	1,000	+118
Subtotal Variable Activities	8,775	21,700	12,982	15,300	+2,318
Total non-PATH R&T	37,408	51,100	43,120	46,800	+3,680
XI. PATH B/	<u>5,459</u>	<u>0</u>	<u>11,178</u>	<u>0</u>	<u>-11,178</u>
Grand Total R&T	42,867	51,100	54,298	46,800	-7,498

A/ FY 2003 Obligations include carryover and collections. FY 2004 estimates include carryover and recoveries. FY 2005 estimates include \$100 thousand in recoveries.

B/ PATH funds are requested in the amount of \$2 million in the CPD HOME Program in 2005.

The following is a description of PD&R activities under each of the categories listed above:

FIXED ACTIVITIES:

I. Housing Market Surveys

Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes and understand their import for financial risk, credit, affordability of rental and owner-occupied housing, residential construction and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders.

Almost half of the budget for research and technology is dedicated to funding major ongoing housing market surveys including the American Housing Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption, and the Survey of New Manufactured Homes Placements. These studies are described below:

- The American Housing Survey (AHS), a Congressionally mandated survey, is the Nation's primary source of information on the housing stock and housing conditions. Since 1973, the Census Bureau has surveyed a nationally representative sample of approximately 60,000 housing units in odd-number years to gather information on the condition of those units and the characteristics of their residents. In even-number years, smaller, longitudinal samples are surveyed to provide similar data for each of 47 large metropolitan areas at 4- or 6-year intervals. Although conducted by the Census Bureau, these surveys are sponsored, funded and directed by PD&R. HUD, other government agencies, private entities, and researchers use this information to assess the housing needs of the country, evaluate the performance of national housing policy, and study the dynamics of the housing market.
- The Survey of New Home Sales and Housing Completions provides annual data on sales, completions, and prices of new homes. Information on other characteristics of new homes is also collected. This survey provides the data for two leading national economic indicators.
- The Survey of Market Absorption of New Multifamily Units provides quarterly national data on how quickly new multifamily units are rented, by rent level and number of bedrooms. The survey also provides information on other characteristics of new multifamily housing units.
- The Survey of New Manufactured (Mobile) Housing Placements compiles data on the number of new manufactured housing units sold or leased and placed on site by manufactured housing dealers for residential use. Information on other characteristics of newly placed manufactured homes are collected through this survey.

II. Other Fixed Activities (including Research Dissemination, Support Services, Regulatory Barriers Clearinghouse, and University/Community Partnerships Clearinghouse)

To ensure optimal use of the research and analysis conducted by PD&R, it is essential that these materials be made available to researchers, policy analysts and policymakers. This funding category supports activities necessary for disseminating and supporting PD&R research. PD&R's research information clearinghouse, HUD USER, and PD&R's web site www.huduser.org will continue to serve an impressive number of researchers, including policy analysts at all levels of government, the private sector, nonprofit housing advocates, and educators. During the period January 2003-December 2003, over 3.2 million files were downloaded by these users and during the same period, the clearinghouse distributed over 138,000 copies of PD&R products.

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Through its support services contract, PD&R will continue to have access to technical reviewers for reports and papers, writers, editors, conference planners and graphic designers. Experts in these areas will assist PD&R staff in the development and marketing of written products; organizing and implementing conferences, workshops and meetings; designing and staffing a PD&R exhibit at national conferences; and providing dissemination and distribution support for PD&R publications.

This funding category also includes two clearinghouses required by legislation. First, the American Homeownership and Economic Opportunity Act of 2000 required PD&R to establish a Regulatory Barriers Clearinghouse to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing. Second, the legislation creating Community Outreach Partnership Centers directed HUD to establish a clearinghouse on university/community partnerships to document and disseminate information about such grant programs that PD&R administers. As the number of these grant programs has grown, so too has the role of the clearinghouse in promoting the creation of university/community partnerships.

VARIABLE ACTIVITIES:

III. Program Evaluations

In fiscal year 2005, PD&R plans to continue our strong expanded commitment to program evaluations. Based on input from the Secretary and program offices within HUD, PD&R develops a plan for its program evaluation activity to ensure that it advances key policy objectives as well as regular periodic evaluations of major HUD programs.

PD&R has a full research agenda in support of the President's goal to end chronic homelessness in 10 years including the following projects:

- a study of predictors of stability of housing for chronic homelessness and an evaluation of the interagency demonstration to assist the chronic homeless;
- an assessment of local efforts to assist the on-the-street homeless; and
- an assessment of homeless prevention strategies.

In addition, PD&R is completing or has completed:

- an evaluation of homeownership efforts in the HOME program;
- an assessment of promising practices in performance measurement in community development programs;
- an assessment of the Family Self-Sufficiency program;
- an assessment of the Elderly Assisted Living Conversion Program;
- an evaluation of the Youthbuild program;
- the study of the Community Planning and Development third party economic development loan portfolio that was recently completed and disseminated; and
- an evaluation of promising performance practices of CPD grantees,

Program evaluations under consideration for fiscal year 2004 and 2005 include:

- a comparison of housing quality across the different forms of housing assistance;
- a continuation of the evaluation of welfare-to-work vouchers;
- an evaluation of the Asset Control Area initiative;

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- an assessment of targeting in the CDBG program;
- a study of programs to promote aging in place;
- an assessment of the Section 202/811 properties as platforms for providing necessary social services;
- a study related to increasing landlord participation in the voucher program; and
- an assessment of the Native American Housing Assistance and Self-Determination Act (NAHASDA) program.

Other program evaluations will be conducted as necessary to address major policy issues, measure the performance of HUD programs, and ensure that major program activity areas benefit from data and insights provided by program evaluations.

IV. Homeownership/Housing Finance Studies

While PD&R has a broad research and evaluation agenda in the housing finance area, many PD&R studies focus on the role of FHA and the GSEs in expanding affordable lending and programs to increase homeownership opportunities for low-income and minority families.

PD&R's housing finance research will continue to furnish sound analysis and support to the Department on: (1) prime, sub-prime, and secondary mortgage market trends, (2) FHA programs and other affordable lending and homeownership programs, (3) financing risks in single family and multifamily mortgage lending, (4) mortgage default, loss, and risk-based pricing, and (5) credit scoring and FHA's mortgage scorecard technology for automated underwriting and risk rating FHA mortgages. Particular emphasis will be devoted to research and analysis in support of the Administration's new initiatives to increase first-time homeownership for minority and low-income households and to reform RESPA rules to simplify the process and cut the cost of getting a mortgage. Other work will focus on analyzing PD&R's database on mortgage closing costs, which is currently under development, to develop strategies for reducing closing costs. In addition, PD&R staff and contract resources will provide technical support in the joint HUD and USDA effort to develop a mortgage scoring and automated underwriting capacity for Rural Housing Service (RHS) guaranteed mortgage loans. Research intended to distinguish legitimate sub-prime lending practices from abusive, predatory practices will continue.

PD&R also provides research and policy analysis support to the Secretary in connection with his role in regulating the GSEs--Fannie Mae and Freddie Mac. In fiscal year 2005, PD&R's research program will emphasize monitoring and analyzing the effect of new goals based on 2000 census data. PD&R will research the implications of current market developments on the GSEs, the secondary mortgage market, and the availability of mortgage funds for lower-income borrowers. Continued attention will be given to the evolution of subprime mortgage lending and markets and the increased use of risk-based pricing throughout the mortgage market. Research and policy analysis also will support the Department's oversight of GSE fair lending requirements.

V. Housing Technology and Regulatory Studies

This research aims to improve the safety, soundness and energy efficiency of the Nation's housing stock, especially HUD-assisted and regulated housing, while maintaining affordability. A major focus of the Housing Technology and Regulatory Studies research category in fiscal year 2005 will be outreach to encourage builders and communities to apply the results of research, technologies and building methods that can help make housing more affordable, durable, and energy efficient. Research will continue to identify and refine strategies for promoting energy conservation in public and assisted housing. Through cooperative research with industry and other research vehicles, PD&R will focus on developing new, cost-effective ways to improve energy efficiency in existing housing; improving the disaster resistance of housing; durability of housing; technologies to expand affordability by lowering costs; techniques to integrate home systems efficiently; and improving understanding and acceptance of these innovations among the homebuilding industry and housing consumers. Other areas of work include research on building codes, HUD technical standards and support for consensus standards to assure safe, affordable housing; accessibility studies; environmental hazards; industrialized housing methods; and manufactured housing.

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In fiscal year 2005, research will continue to identify and recommend approaches to reducing barriers to infill housing and reuse of urban land; reduction of code barriers to rehabilitation and studies on land assemblage; understanding the structural requirements and engineering principles needed to assure the safety and disaster resistance of single family homes; providing industrialized housing methods for homebuilders, and assessing the conformance of multi-family housing to Fair Housing requirements. HUD will continue to identify strategies to streamline the construction permitting and code approval process that can be applied at a local level. Through focused research, communities can develop a greater understanding of the options and benefit from the work of others in employing strategies to accelerate the process. Ultimately, the nation's homeowners will benefit from this research, as builders will be able to provide quality housing with fewer delays.

VI. Urban Data Systems Research

PD&R will continue to collect and make available basic data on the economic and social condition of cities and to update the State of the Cities Database. Research for fiscal year 2005 will include incorporation into the database of additional standard and special tabulations from the 2000 census, and an examination of the spatial patterns of housing and economic development. Together these projects will provide insight into the causes and impacts of urban growth and decline and produce information relevant to regional cooperation among local governments. Further data collection and analysis projects include analyses of crime data, business establishment and jobs data, residential building permits, and current labor force statistics for metropolitan areas and central cities.

This category also includes research on the application of Geographic Information Systems (GIS) technology to the field of housing, community and economic development. Among other activities, PD&R will continue to fund research that will expand the use of GIS technology in analyzing housing, community and economic development issues. PD&R will improve the dissemination of the results of such research to the public through the use of web-based technologies. PD&R will also pursue the use of geographic data and tools to enhance collaboration among Federal agencies on common research interests.

VII. University Research

PD&R seeks to enhance HUD's overall capacity and knowledge base by encouraging more scholars to focus on research questions relevant to HUD goals. To help build broader attention to policy-relevant research on housing, urban development, and economic issues, PD&R offers incentives to promising researchers at a critical point in the preparation of faculty and researchers during the doctoral process and early faculty years. The Early Doctoral Student Research Grant and the Doctoral Dissertation Research Grant Program enable top doctoral students or recent degree holders to cultivate their research skills through the preparation of papers and dissertations, and the opportunity to present and publish their work. The Urban Scholars Fellowship is a postdoctoral award for 15 months of research support to faculty who are less than 5 years into their academic careers.

VIII. Approved Demonstrations

In fiscal year 2005, the Department will continue to track the families randomly assigned in the Moving to Opportunity (MTO) demonstration. This is a rigorous research project designed to measure the effects of moving from a high poverty to a low poverty neighborhood with the assistance of housing vouchers on the social and economic well-being of the families involved. This activity was funded in fiscal year 2003; no funding is required for the MTO demonstration in fiscal years 2004 or 2005. In fiscal year 2006, the Department will require funds for the final evaluation of the MTO demonstration. This evaluation will enable us to assess outcomes approximately 10 years after random assignment.

IX. Removal of Barriers to Affordable Housing

State and local regulations operate as a significant barrier to the production of affordable housing. Various studies estimate that construction and development costs can be reduced as much as 35 percent through new regulatory tools and processes. In fiscal year 2005, PD&R plans to devote at least \$2 million to research, policy analysis, information

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dissemination and other activities directed at reducing regulatory and other barriers to affordable housing. PD&R works in coordination with the newly established Office of Regulatory Barriers to develop and conduct a research agenda. Among other impacts, past PD&R work in this area has identified opportunities for streamlining rehabilitation codes to stimulate greater rehab activity to preserve existing housing and elimination of HUD building standards that are duplicative of more modern and widely adopted building codes. Elimination of these obsolete building standards will streamline the provision of HUD assisted housing in America's communities. In fiscal year 2005, PD&R will continue studies on the impact of specific regulatory and other barriers on the production of affordable housing, develop options for reducing these barriers, and work with a wide variety of stakeholders to ensure that information of regulatory barriers removal strategies is widely disseminated.

X. Other Housing, Community Development and Urban Research

This category covers a range of research on different housing, community and economic development issues. Among other topics, PD&R will examine strategies for improving the lives of families and communities in the Colonias, ways to enhance the capacity of faith-based and community organizations to perform housing and community development, and the nature and severity of housing problems among different populations and in different geographic areas. PD&R will explore joint research activities with other Federal Agencies such as the Department of Agriculture on rural housing and development issues and the Department of Transportation on transit-oriented development.

In fiscal year 2005, PD&R's Office of International Affairs will continue a small program of research studies to support the international exchange of data and information on housing and urban development topics.

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Performance Measurement Table**

One facet of PD&R's work involves providing quality research products to outside researchers and policymakers which is captured by objective EM.3 Improve accountability, service delivery and customer service of HUD and our partners, with the research-related performance indicator "At least 80 percent of key users (including researchers, State and local governments and private industry) rate PD&R work as valuable." PD&R conducted a survey and evaluation in 2001 to determine whether customers found PD&R research products relevant, useful and well prepared. HUD research was found to be rated highly and cited frequently in academic literature. PD&R attained the performance goal in 2001 and we will reassess our research products in a similar survey in fiscal year 2004. The magnitude of PD&R's influence is reflected by another performance goal, that the number of files downloaded from the HUD USER website will reach 3.2 million in fiscal year 2005.

Finally, PD&R's work under this goal support several aspects of the President's Management Agenda including expanding e:government, streamlining the consolidated plan, reducing overpaid rent subsidies and improving FHA Risk Management.

Program Name: RESEARCH AND TECHNOLOGY					
Program Mission: The mission of the Office of PD&R is to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, and State and local governments. Research and Technology (R&T) funds enable PD&R to fulfill this mission by maintaining and expanding information on housing needs and market conditions, evaluating current HUD programs and proposed policy changes, and conducting research on a wide range of housing and community and economic development issues, including advances in housing technology.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2003 Plan	2003 Actual	2004 Enacted	2005 Plan
At least 80 percent of key users (including researchers, State and local governments, and private industry) rate PD&R's work products as valuable.	Key User Surveys	NA	NA	80 %	80 %
More than 3 million files will be downloaded and accessed from PD&R's website.	Files Downloaded	2.5 million files	3.2 million files	2.5 million files	3.2 million files

Explanation of Indicators

PERFORMANCE OUTLOOK

Funds are included to support the American Housing Survey and related housing surveys, which are the largest activity in PD&R's budget and are key to assessing critical outcomes in the Nation's housing markets. A set-aside of \$7.5 million for program evaluations represents a commitment to use scientific methods to assess and improve program performance and establishes a strong linkage between program resources, program results and Departmental goals. In fiscal year 2005, PD&R will conduct or initiate work that supports HUD's six strategic goals:

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- Strategic Goal H: Increase Homeownership Opportunities,
- Strategic Goal A: Promote Decent Affordable Housing,
- Strategic Goal C: Strengthen Communities,
- Strategic Goal FH: Ensure Equal Opportunity in Housing,
- Strategic Goal EM: Embrace High Standards of Ethics, Management and Accountability,
- Strategic Goal FC: Promote Participation of Faith-Based and Community Organizations.

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Justification of Proposed Changes in Appropriations Language**

The 2005 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed. For contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970, as amended (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968 [\$47,000,000] \$46,700,000, to remain available until September 30, [2005: Provided, That of the total amount provided under this heading, \$7,500,000 shall be for the Partnership for Advancing Technology in Housing (PATH) Initiative.]2006.

Explanation of Changes

(1) Deletes language providing funding for PATH. Instead, the PATH program is moved to the HOME account of Community Planning and Development. An appropriation of \$2 million is requested within the HOME program.

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 RESEARCH AND TECHNOLOGY
 Crosswalk of 2003 Availability
 (Dollars in Thousands)

<u>Budget Authority</u>	<u>2003 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2003 Resources</u>
R&T	\$47,000	-\$306	\$3,650	\$50,344

NOTES

Transfers from other Accounts

Carryover funds in the amount of \$20 thousand were transferred to this account from US AID.

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POLICY DEVELOPMENT AND RESEARCH
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 Crosswalk of 2004 Changes
 (Dollars in Thousands)

<u>Budget Authority</u>	2004 President's Budget Request	Congressional Appropriations Action on 2004 Request	2004 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2004 <u>Resources</u>
R&T	\$51,000	\$47,000	-\$277	...	\$7,475	\$54,198

NOTES