

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
2006 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2004 Appropriation	\$2,017,500	\$371,534	-\$11,903	\$2,377,131	\$1,945,799	\$1,597,145
2005 Appropriation	1,915,000	447,079 ^a	-15,320	2,346,759	1,903,000	1,650,000
2006 Request	<u>1,941,000</u>	<u>443,759</u>	...	<u>2,384,759</u>	<u>1,944,000</u>	<u>1,700,000</u>
Program Improvements/Offsets	+26,000	-3,320	+15,320	+38,000	+41,000	+50,000

a/ Includes \$15,870,342 in recoveries, excluding \$123,409 of expired funds.

Summary Statement

The Department requests \$1.941 billion of fiscal year 2006 funding for the HOME Investment Partnerships Program, \$41.3 million more than the level enacted in fiscal year 2005. The Budget proposes \$39.7 million for Housing Counseling for fiscal year 2006 as a separate appropriations account. HOME funding is a key component of meeting the Department's strategic goal of increased homeownership opportunities, achieving the President's target of adding 5.5 million new minority homeowners over 10 years, and increasing affordable housing opportunities. An evaluation found that the program has a clear purpose, strong management, and can demonstrate results.

Initiatives

Full funding of \$200 million is proposed for the American Dream Downpayment Initiative in fiscal year 2006, a \$150 million increase from fiscal year 2005, reflecting the high priority of this Presidential Initiative.

Program Description and Activities

HOME funding will provide \$1.727 billion for HOME formula grants, consisting of \$1.036 billion for local Participating Jurisdictions (PJs) and \$691 million for States. In addition, \$200 million is included for the American Dream Downpayment Initiative for assistance to low-income homebuyers that will be distributed by a separate formula, as described in the program's authorizing legislation signed into law December 16, 2003. Also requested is \$10 million for technical assistance; \$3.5 million for insular areas; and \$1.0 million for the Working Capital Fund.

- **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 Jurisdiction's (PJs). PJs use their HOME grants to fund housing programs that 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 program regulations. 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. The low-income benefit requirements established

HOME Investment Partnerships Program

by the HOME statute mandate that all households assisted have incomes below 80 percent of area median and that 90 percent of those assisted with rental housing have incomes below 60 percent of median (see Low-Income Benefit below). The HOME program continually exceeds the low-income benefit requirements with 97.4 percent of those assisted with rental housing having incomes below the 60 percent of area median. HOME works well with other HUD programs to complement comprehensive neighborhood revitalization and economic revitalization strategies.

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 the end of the most recent fiscal year ending September 30, 2004, States and local governments have committed to projects more than \$14.3 billion in Federally allocated HOME funds (based on data from the Integrated Disbursement and Information System (IDIS)). Of this amount, almost \$8.5 billion has been disbursed for completed projects, with an additional \$3.75 billion disbursed for ongoing projects. The HOME funds disbursed on completed projects have leveraged almost \$27 billion in other Federal, State, local, and private funds for a total of more than \$35.5 billion in resources expended for completed projects.

HOME program funding has been committed to newly construct, rehabilitate, or acquire in standard condition an estimated 794,340 units. Of the units to which funds have been committed, 552,262 units have been completed, of which 37 percent are for homebuyers. Based on historical usage, it is projected that 36 percent of HOME funds will be for new construction, 47 percent for rehabilitation, 14 percent for acquisition, and 3 percent for tenant-based rental assistance going forward. An estimated 110,534 families have already received tenant-based rental assistance through the HOME program.

- Low-Income Benefit. HOME makes homeownership affordable to lower-income households. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. 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. A total of 99 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 2004, the average unit subsidy was only \$17,458. The average HOME per-family subsidy for tenant-based rental assistance was \$3,416. HOME funds are effectively leveraged, with more than \$3.14 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 successfully meet their needs in a manner most appropriate to local housing markets. There have been many creative uses of HOME funds, including addressing the 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 meet the need for permanent housing for homeless persons and families.

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- Non-profit Housing Development. The HOME statute requires at least 15 percent of each PJ's annual allocation be reserved for housing that is developed, sponsored, or owned by Community Housing Development Organizations (CHDOs). As of September 30, 2004, State and local government PJs had reserved over \$3.7 billion, or 20 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 630 in fiscal year 2004 (a 60 percent increase) due to the formation of new consortia and new metropolitan cities and urban counties, and the impact of new census data. 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 qualified for HOME allocations, with additional PJs expected to be created in fiscal year 2006 largely as a result of new consortia formation. 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 2004 Miami received \$5,131,000 although the national appropriation was approximately \$2 billion. In addition, when inflation is considered, the real dollar value of appropriated HOME funds has declined for all 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 PJs.
- 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 also may be eligible for funding. In order to apply for HOME funds, State and local governments must develop a Consolidated Plan (Con Plan) covering assisted housing and community development activities. The Con Plan must be approved by the Department before HOME funds can be received. Insular areas are not required to submit a Con Plan to apply for HOME funding.
- Evaluation. Three independent evaluations of the HOME Program have been conducted since 1995. Each found the HOME Program to be effective in achieving its intended results. In addition, the Millennial Housing Commission report, issued in May 2002, recommended a "substantial increase in funding" for the HOME Program in recognition of its effectiveness and accomplishments. In the December 2003 *Study of Homebuyer Activity Through the HOME Investment Partnerships Program*, one conclusion was that: "The findings of this report suggest HOME plays a critical role in local efforts to promote affordable homeownership. One of the hallmarks of the HOME Program is the flexibility that it offers participating jurisdictions to design homebuyer programs that are tailored to local needs and market conditions."

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Budget Authority</u>	<u>2003 Carryover Into 2004</u>	<u>2004 Total Resources</u>	<u>2004 Obligations</u>	<u>2005 Budget Authority</u>	<u>2004 Carryover Into 2005</u>	<u>2005 Total Resources</u>	<u>2006 Request</u>
Formula Grants	\$1,855,110	\$303,091	\$2,158,201	\$1,880,834	\$1,784,959	\$370,975	\$2,155,934	\$1,726,518
American Dream Downpayment Initiative	86,984	...	86,984	... ^a	49,600	...	49,600	200,000
Insular Areas	3,758	...	3,758	... ^a	3,617	...	3,617	3,482
HOME/CHDO Technical Assistance	17,894	22,813	40,707	22,056	17,856	31,410	49,266	10,000
Housing Counseling	39,764	42,717	82,481	38,459	41,664	44,144	85,808	... ^b
Program Management & Analytical Support ...	...	225	225	174	...	51	51	...
Working Capital Fund Transfer	2,087	2,188	4,275	4,276	1,984	...	1,984	1,000
Disaster Assistance ...	...	<u>500</u>	<u>500</u>	...	...	<u>499</u>	<u>499</u>	...
Total HOME Investment Partnerships Program	2,005,597	371,534	2,377,131	1,945,799	1,899,680	447,079	2,346,759	1,941,000

a/ Included in Formula Grants.

b/ Fiscal year 2006 funds for Housing Counseling are requested in a separate account.

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters	48	47	53
Field	<u>77</u>	<u>86</u>	<u>122</u>
Total	125	133	175

HOME Investment Partnerships Program

**COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2004 Appropriation	\$1,855,110
2005 Appropriation	1,784,959
2006 Request	<u>1,726,518</u>
Program Improvements/Offsets	-58,441

Proposed Actions

Formula Allocation. Annual HOME allocations to States and eligible local government PJs are determined by a formula that 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 (not included in the formula above). 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 2006, funding for set-asides total \$14.5 million (exclusive of The American Dream Down Payment Initiative), leaving \$1.726 billion for allocation to States and participating local governments using the following six formula factors (factors are based on 2000 census data):

- vacancy-adjusted rental units in which 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 households;
- 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. The following reflects projected production over time of HOME formula allocations from fiscal years 2002 through 2006:

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Production	87,035	104,103	95,084	95,361*	92,420*
Tenant-Based Assistance	10,350	12,719	12,015	12,050	11,339

* including 10,000 units through the American Dream Downpayment Initiative.

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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 by the end of the last day of the month of the 24-month period have not been committed to affordable housing. 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 by the end of the last day of the month of the 24-month period have not been reserved for CHDOs. As of September 30, 2004, the Department has deobligated \$11.7 million in non-CHDO funds and \$6.5 million in CHDO funds. The deobligation process ensures that HOME funds are used in a timely manner. As of September 30, 2004, the Department also has made \$4.9 million 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. The \$6.5 million in deobligated CHDO funds were awarded by competition in April 2004 to 13 participating jurisdictions to develop permanent rental housing for the chronically homeless, as required by National Affordable Housing Act provisions.

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.

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. HUD has determined that there are 273 PJs in "fiscal distress" and have had their matching requirements reduced. The Secretary may also reduce the matching requirement for jurisdictions that are declared disaster areas by the President.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Program Offsets
(Dollars in Thousands)

American Dream Downpayment Initiative	<u>Amount</u>
2004 Appropriation	\$86,984
2005 Appropriation	49,600
2006 Request	<u>200,000</u>
Program Improvements/Offsets	+150,400

Proposed Actions

American Dream Downpayment Initiative (ADDI). The Department 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. Providing this opportunity to these households is important to the national policy objective to increase homeownership, especially among minority groups, and to help stabilize neighborhoods. Obtaining the resources to meet upfront downpayment and closing costs is the most significant obstacle to homeownership among lower-income groups. The American Dream Downpayment Initiative would reduce that obstacle for thousands of additional families each year. ADDI funds have already assisted over 4,000 families.

The \$200 million proposed for the ADDI in fiscal year 2006 would eliminate that obstacle for 3,000 families in fiscal year 2006 and 40,000 families over time. The effort will specifically contribute to the Presidential/Secretarial goal of creating 5.5 million new minority homeowners over 10 years. In 2004, HUD awarded \$162 million in ADDI funds to over 400 state and local governments. The funds enable jurisdictions to increase homeownership rates, especially among minority groups, who generally have lower rates of homeownership compared to the national average, and to stabilize neighborhoods. Because more than 55 percent of all new homebuyers assisted with HOME funds are minorities, the requested funds under the Downpayment Initiative should create approximately 20,000 new minority homeowners over time.

HUD will provide ADDI funds to PJs in amounts determined by the statutory allocation formula. In accordance with the formula, HUD will provide ADDI funds to each State in an amount that is equal to the percentage of the national total of low-income households residing in rental housing in the State, as determined on the basis of the most recent available U.S. census data. HUD will further allocate to each local PJ located within a State an amount equal to the percentage of the Statewide total of low-income households residing in rental housing in such participating jurisdiction, as determined on the basis of the most recent available U.S. census data. These allocations will be made only if the local PJ: (1) has a total population of 150,000 individuals or more (as determined on the basis of the most recent available U.S. census data); or (2) would receive an allocation of \$50,000 or more. An allocation that would otherwise be made to a local PJ that does not meet either of these two requirements will revert back to the State in which the participating jurisdiction is located.

**COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Program Offsets
(Dollars in Thousands)**

HOME/CHDO Technical Assistance	<u>Amount</u>
2004 Appropriation	\$17,894
2005 Appropriation	17,856
2006 Request	<u>10,000</u>
Program Improvements/Offsets	-7,856

Proposed Actions

HOME and CHDO Technical Assistance. The HOME budget proposes \$10 million for Technical Assistance (TA) activities for States and local government PJs and non-profit Community Housing Development Organizations (CHDOs). Technical assistance projects provide the support and tools to strengthen local capacity of existing participating jurisdictions and those new to the program, improve program compliance, expand participation by non-profit housing providers, ensure cost-effectiveness and design innovative approaches to affordable housing needs. Technical assistance funds support assistance to individual State and local PJs upon request, as well as national training courses ranging from HOME basics to advanced financing techniques for rental developments. Since 1997, HUD has provided \$73 million and \$68 million for CHDO TA and PJ (HOME) TA, respectively. In addition, TA funds enable the production of a variety of written and web-based materials that provide guidance to HOME participants.

- Nineteen 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 new training courses have been developed to add to the existing curricula of housing and community development courses. These training courses are as follows: Advance HOME dealing with combining HOME with other sources of financing, monitoring, program management, performance and productivity, lead focused on implementation, and PJ interaction with nonprofits and CHDOs and how to develop effective, productive partnerships.
- Eight new or updated publications and a core-curriculum for web-based training have been produced recently or are currently under development. Specific training topics respond to areas of particular concern to the Department (e.g., lead-based paint remediation) and to State and local governments (e.g., building CHDO capacity).
- Work is underway or has been completed on six new model guides, including a rehab tune-up to help assess current program design, a mixed-income housing guide about ways to do both affordable and market-rate housing together, and a practical guide for using Integrated Disbursement and Information System (IDIS) in HOME.
- Additional Web-based training modules are being developed for posting with the existing ones on HOME's interactive "HOMEfront" training center. See <http://www.hud.gov/offices/cpd/affordablehousing/training/homefront/index.cfm>.
- HOME TA funds are used to assist grantees under the College of Experts. The College of Experts is a flexible tool that permits the Office of Community Planning and Development to provide expert direct technical assistance to address specific problems or challenges encountered by grantees. This wide variety of critical uses of TA supports the need for continued funding.

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HOME TA funds could be used to implement any revisions to the Consolidated Plan Improvement Initiative, as required by the President's Management Agenda. Communities use the Consolidated Plan to identify community and neighborhood development needs, the actions that will address those needs, and the measures to gauge their performance. In March 2002, HUD convened a meeting of State and local government grantees, interest groups and advocates to commence an effort to streamline the Consolidated Plan and make it more results oriented and useful to communities in assessing their own progress in addressing the problems of low-income areas. During fiscal year 2003, HUD conducted several pilots suggested by various working groups.

During fiscal years 2004 and 2005, the Consolidated Plan pilots will be completed and evaluated. During fiscal year 2006, HUD will be implementing the regulatory changes to the Consolidated Plan, tracking the use of the Consolidated Plan Management Process tool by grantees and assessing their satisfaction with the tool, developing a performance measurement framework for all grantees, and implementing the first phase of the modernization of the Integrated Disbursement and Information System and the Consolidated Plan.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
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Program Offsets
(Dollars in Thousands)

Working Capital Fund Transfer	<u>Amount</u>
2004 Appropriation	\$2,087
2005 Appropriation	1,984
2006 Request	<u>1,000</u>
Program Improvements/Offsets	-984

Proposed Actions

Working Capital Fund Transfer. This Budget proposes a transfer of \$1 million to the Working Capital Fund. This funding will allow for the maintenance and development of Community Planning and Development systems, including IDIS.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Program Offsets
(Dollars in Thousands)

Insular Areas	<u>Amount</u>
2004 Appropriation	\$3,758
2005 Appropriation	3,617
2006 Request	<u>3,482</u>
Program Improvements/Offsets	-135

Proposed Actions

See Formula Grants. The greater of 0.2 percent of the total allocation or \$750,000 is available to Insular Areas.

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Program Offsets
(Dollars in Thousands)

Housing Counseling	<u>Amount</u>
2004 Appropriation	\$39,764
2005 Appropriation	41,664
2006 Request	<u>...</u>
Program Improvements/Offsets	-41,664

Proposed Actions

Funding for fiscal year 2006 is requested in a separate account at \$39.7 million within the Office of Housing, reflecting the priority of this Presidential initiative in increasing both national homeownership and minority homeownership.

HOME Investment Partnerships Program



"FY 06 state by state
for HOME Justificatio

HOME Investment Partnerships Program

**COMMUNITY PLANNING AND DEVELOPMENT ACCOUNT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Performance Measurement Table**

Program Name: HOME INVESTMENT PARTNERSHIPS PROGRAM					
Program Mission: The HOME Investment Partnerships Program plays a key role in expanding homeownership in America.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
The American Dream Downpayment Initiative will assist 10,000 new homebuyers in fiscal year 2006 from current and previous appropriations, with full implementation resulting in the assistance of 40,000 new homebuyers over several years.	IDIS	1,000	2,263	10,000	10,000
The number of homeowners who have been assisted with HOME is maximized.	GMS/IDIS	N/A	30,780	36,806	36,001 a/
The number of households receiving housing assistance with HOME.	IDIS	N/A	38,871	32,391 b/	31,419 b/
The share of HOME-assisted rental units for which occupancy information is reported shall be maintained at a level of 90 percent.	IDIS	90 percent	91 percent	90 percent	90 percent
Streamline Consolidated Plan.	Consolidated Plan	Finalize decisions	Developed regulations	Revise regulations	Implement decisions
The net number of years of affordability remaining for all HOME-assisted units is maximized.	IDIS		778,649	775,000	780,000

a/ Numbers assisted in fiscal year 2006 represents production resulting from pre-fiscal year 2006 appropriations. Production from the fiscal year 2006 funding will occur in fiscal year 2007 and proceed in future years.

b/ Beginning in fiscal year 2005, goals will be in numbers of "completed" HOME units instead of "committed" units.

N/A = Not Applicable

Explanation of Indicators

The American Dream Downpayment Initiative will assist 10,000 new homebuyers in fiscal year 2006 from current and previous appropriations, with full implementation resulting in the assistance of 40,000 new homebuyers over several years.

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 by increased funding under the existing HOME Program. Obtaining the resources to meet upfront down payment and closing costs is the most significant obstacle to homeownership among lower-income groups. The American Dream Down Payment Initiative in fiscal year 2005 (and the use of prior ADDI allocations) will enable jurisdictions to increase homeownership rates, especially among minority groups, who generally have lower rates of homeownership compared to the national average, and to stabilize neighborhoods. This effort will contribute significantly to the Presidential/Secretarial goal of creating 5.5 million new minority homeowners over 10 years.

The number of homeowners who have been assisted with HOME is maximized.

The HOME Investment Partnerships Program provides communities with the flexibility necessary to meet their housing needs in a variety of ways, and has become an important part of the Department's efforts to increase the homeownership rate of minorities and persons with disabilities. Many Participating Jurisdictions (PJs) use HOME funds to help renters become homeowners. HOME funds may be used as direct assistance to the homebuyer for downpayment or closing costs, interest rate subsidies, or development subsidies, including the hard and soft costs associated with the acquisition, new construction, or rehabilitation of single-family, and 1-4 unit homes. PJs must provide matching contributions of at least 25 percent of HOME funds spent for tenant-based rental assistance, rehabilitation, acquisition and new construction. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. Eighty-two percent of existing homeowners and 52 percent of new homebuyers receiving assistance under HOME 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. The \$635.3 million in fiscal year 2006 HOME funds that are estimated to be expended on assisting homebuyers is based upon the historical commitment of HOME funds for this purpose--approximately 25 percent of all project commitments. A total of 26,001 new homeowners assisted with HOME funds and 10,000 assisted with American Dream Downpayment Initiative funds are projected for fiscal year 2006, including approximately 3,000 who will be assisted with 2006 funds.

The number of HOME rental production units that are completed and the number of households assisted with tenant-based rental assistance within the fiscal year will be maximized.

While HUD has a number of programs that can be used to provide affordable housing, the HOME Program is the major affordable housing production program. HOME Program funds can be used by State and local PJs to produce affordable rental units, assist homebuyers and existing homeowners, and provide tenant-based rental assistance (TBRA) for families with incomes well below the low-income threshold for assistance. For example, approximately 41 percent of rental units produced with HOME Program funds are occupied by families with incomes at or below 30 percent of the area median (extremely low-income). Together with HOME-funded TBRA, fully 52 percent of families assisted are of extremely low-income with worst-case housing needs. During fiscal year 2004, PJs completed 62,021 HOME-assisted production units using funds from fiscal year 2004 and prior years. Of this total, 23,392 units were rental housing, 28,517 units were homebuyer housing and 10,112 units were existing homeowner rehabilitation housing. An additional 15,479 families were assisted with TBRA. Projections for rental completions in fiscal years 2005 and 2006, excluding TBRA, are 21,998, and 21,338, respectively. The projections for TBRA in fiscal years 2005 and 2006 are 10,393 and 10,081, respectively. The total number of units completed since the beginning of the HOME Program stood at 552,262 through the end of fiscal year 2004. The average investment in HOME dollars to produce a unit of affordable housing as of September 30, 2004 was \$17,458 out of a total per-unit cost of \$72,275. This represents leveraging of HOME funds to other dollars of approximately 3.14:1.

The share of HOME-assisted rental units for which occupancy information is reported is maintained at 90 percent.

This indicator tracks the level of reporting by Participating Jurisdictions (PJs) of household occupancy data for HOME rental units into IDIS, the data collection system for HUD's block grant and formula grant programs that serve local jurisdictions—CDBG, HOME, ESG and HOPWA. Reporting rates for HOME are based on reporting of HOME rental household data at project completion for those households moving into completed HOME rental developments.

For fiscal year 2003, the share of HOME-assisted rental units for which occupancy information was reported was 90 percent, a two percentage point gain over fiscal year 2002, and building on a comparable improvement in the previous 2 years. In fiscal year 2000, HUD completed a major data cleanup effort of HOME data in the Integrated Disbursement Information System, resulting in the higher reporting percentage. The goal in fiscal years 2004 and 2005 goal is to maintain reporting at the 90 percent level.

An important tool in meeting this objective will be the performance "SNAPSHOTS" developed to track the achievements of individual participating jurisdictions. One of the factors in the SNAPSHOT is the percentage of completed HOME-assisted rental units for which occupancy data is reported. The visibility now given this requirement through the performance SNAPSHOT will strongly encourage greater compliance with this HOME program requirement at no cost to the Department.

Streamline Consolidated Plan.

The Consolidated Plan Improvement Initiative is required by the President's Management Agenda. Communities use the Consolidated Plan to identify community and neighborhood needs, actions that will address those needs, and measures necessary to gauge their performance. During fiscal year 2004, the Office of Management and Budget approved a rule for publication. This rule would amend the Consolidated Plan regulations to make clarifying and streamlining changes that are expected to make the Consolidated Plan a more effective management tool for tracking results, and thereby achieving the President's Management Agenda goal. During fiscal year 2005, HUD will develop a reformed, results-oriented planning and reporting process nationally. During fiscal year 2006, HUD will be implementing the regulatory changes to the Consolidated Plan, tracking the use of the Consolidated Plan Management Process tool by grantees and assessing their satisfaction with the tool, developing a performance measurement framework for all grantees, and implementing the first phase of the modernization of the Integrated Disbursement and Information System and the Consolidated Plan.

The number of years of affordability remaining for all HOME-assisted units is maximized.

This indicator tracks the number of years of affordability produced for low-income households residing in units developed through investment of HOME funds. Rental and homebuyer units produced with HOME funds must remain affordable, through rent and other restrictions, to low-income households for a minimum of 5 and for as much as 20 years--depending upon the amount of the HOME investment. The net number of years of affordability remaining at any point-in-time is calculated by multiplying the number of units assisted by the remaining number of years of affordability attached to those units. The greater the number of years a unit remains affordable, the greater the rent stability for low-income households and, as a consequence, the greater the likelihood that their disposable income for non-rent expenses will increase.

HOME Investment Partnerships Program

**COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Justification of Proposed Changes in Appropriations Language**

The 2006 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and language proposed for deletion is bracketed.

For the HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, [~~\$1,865,000,000~~] *\$1,741,000,000*, to remain available until September 30, [2007] *2008*: *Provided*, That of the total amount provided in this paragraph, [up to \$42,000,000 shall be available for housing counseling under section 106 of the Housing and Urban Development Act of 1968 and \$2,000,000] *\$1,000,000* shall be transferred to the Working Capital Fund.

In addition to amounts otherwise made available under this heading, [~~\$50,000,000~~] *\$200,000,000*, to remain available until September 30, [2007] *2008*, for assistance to homebuyers as authorized under title I of the American Dream Downpayment Act.

Explanation of Changes

Deletes language providing \$42,000,000 for housing counseling assistance, which has been established as a separate account.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
 HOME INVESTMENT PARTNERSHIPS PROGRAM
 Crosswalk of 2004 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2004 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2004 Resources</u>
Formula Grants	\$1,866,120	-\$11,010	...	...	\$303,091 ^a	\$2,158,201
American Dream Downpayment Initiative	87,500	-516	...	...	...	86,984
Insular Areas	3,780	-22	...	...	...	3,758
HOME/CHDO Technical Assistance	18,000	-106	...	...	22,813	40,707
Housing Counseling	40,000	-236	...	...	42,717	82,481
Program Management & Analytical Support .....	...	...	...	...	225	225
Working Capital Fund Transfer	2,100	-13	...	...	2,188	4,275
Disaster Assistance .....	...	...	...	...	500	500
Total	2,017,500	-11,903	...	...	371,534	2,377,131

a/ This carryover includes Formula Grants, American Dream Downpayment Initiative, Insular Areas funds.

Transfers

None.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Crosswalk of 2005 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2005 President's Budget Request</u>	<u>Congressional Appropriations Action on 2005 Request</u>	<u>2005 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2005 Resources</u>
Formula Grants	\$1,860,342	\$1,799,354	-\$14,395	...	\$370,975 ^a	\$2,155,934
American Dream Downpayment Initiative	200,000	50,000	-400	...	...	49,600
Insular Areas	3,764	3,646	-29	...	...	3,617
HOME/CHDO Technical Assistance	17,894	18,000	-144	...	31,410	49,266
Housing Counseling .....	...	42,000	-336	...	44,144	85,808
Program Management & Analytical Support .....	...	...	...	...	51	51
Working Capital Fund Transfer	2,088	2,000	-16	...	...	1,984
Disaster Assistance .....	...	...	...	...	499	499
Total Changes	2,084,088	1,915,000	-15,320	...	447,079	2,346,759

a/ Includes Formula Grants, American Dream Downpayment Initiative, and Insular Areas funds.

b/ Requested funds as a separate account.