

COMMUNITY PLANNING AND DEVELOPMENT  
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM  
 2006 Summary Statement and Initiatives  
 (Dollars in Thousands)

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2004 Appropriation .....	...	...	...	...	...	...
2005 Appropriation .....	...	...	...	...	...	...
2006 Request .....	<u>30,000</u> <sup>a</sup>	<u>...</u>	<u>...</u>	<u>30,000</u>	<u>30,000</u>	<u>600</u>
Program Improvements/Offsets .....	+30,000	...	...	+30,000	+30,000	+600

a/ SHOP funding prior to fiscal year 2006 is within the overall funding for the Community Development Block Grant program.

Summary Statement

The fiscal year 2006 Budget proposes \$30 million for Self-Help Homeownership Opportunity Program (SHOP), a key to accomplishing the President's priority to increase homeownership, especially the 10-year goal to have 5.5 million new minority homeowners. SHOP is requested in a separate account for fiscal year 2006, as prior to fiscal year 2006 the program was located within the Community Development Block Grants (CDBG) account. CDBG is proposed to be consolidated within a new program at the Department of Commerce in 2006. For budget information prior to 2006, please see the CDBG justification, however the performance information for the program is located in this justification. Eligible uses of funds are land acquisition, infrastructure improvements and administrative costs. The Budget request includes up to \$1 million in technical assistance to assist new participants in the program and existing participants in further increasing the results of this effective program.

Initiatives

The \$5.2 million increase in funding for this program from \$24.8 million in fiscal year 2005 supports with the President's priority to increase homeownership, especially for minorities.

Proposed Actions

The increase in SHOP funding from the 2004 and 2005 appropriation levels recognizes the importance and proven track record of this program. The increase also reflects the ability of the existing participants, including the largest, Habitat for Humanity International, to expand their staffing, outreach and production. The availability of only \$27 million in fiscal year 2004 generated \$57 million in funding requests. Finally, due to the increases in land acquisition costs across the country, the maximum average per-unit SHOP subsidy limit of \$10,000 was raised to \$15,000 in the fiscal year 2004 Notice of Funding Availability (NOFA). Consequently, it is projected that no less than \$30 million in funding will be needed just to maintain an annual 1,500-unit production under SHOP.

## **Self-Help Homeownership Opportunity Program**

### Program Design

The SHOP program has assisted homebuyers with an average income range between 50 to 65 percent of area median income, with some grantees assisting homebuyers at 30 percent of area median income. The SHOP program has assisted new homebuyers with incomes as low as \$15,000 per year. The homebuyer's sweat equity contribution reduces the cost of construction, and has resulted in purchase prices as low as \$31,000. The requested appropriation would assist approximately 2,000 low-income families to become new homeowners over time.

SHOP has been successful because it provides funding for the acquisition and preparation of land to assist the efforts of national and regional organization and consortia, which have already demonstrated a strong ability to obtain materials and mobilize volunteer labor to develop high quality affordable housing. Land costs and infrastructure expenses most often are responsible for driving the cost of homeownership beyond the reach of low-income families. SHOP funds serve as the "seed money" which provides momentum for greatly expanded levels of construction investment. While the matching of SHOP funds with other dollars is not required, SHOP grantees have submitted evidence as part of their annual application submissions that for every SHOP dollar, approximately \$3 dollars in resources from other sources is leveraged. This does not include the value of sweat-equity contributed by homebuyers.

The presence of Federal funds increases the ability of non-profit organizations to leverage funds from other sources, providing a substantial return on a Federal investment that had been an average of \$10,000 per unit, but has been adjusted to \$15,000 in fiscal year 2004. SHOP provides a tremendous boost to building efforts across the country. Grantees indicate that the use of SHOP funds cover about one-quarter of the cost of producing a unit. Thus, SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at improving housing opportunities for low-income and very low-income families across the country.

### Program Operations

The SHOP program embodies HUD's focus on nurturing partnerships with non-profit organizations by providing competitive grants to national and regional non-profit housing organizations and consortia that specialize in self-help homeownership. Funds have been appropriated for SHOP as a set-aside in the CDBG appropriation. Appropriations of \$20 million were made available in fiscal years 1999, 2000, and 2001. Appropriations of \$22 million, \$25 million, and \$26.8 million were made available in fiscal years 2002, 2003 and 2004, respectively, and \$24.8 million was appropriated in fiscal year 2005. The fiscal year 2004 NOFA has been issued with awards expected to be made in February of 2005. Current SHOP grantees are Habitat for Humanity International, Housing Assistance Council, Northwest Regional Facilitators, ACORN Housing Corporation, Wisconsin Association of Self-Help Executive Directors, Inc., and PPEP Microbusiness and Housing Development Corporation.

In 2001, 1,942 SHOP-assisted units were completed; 2,063 and 2,157 units were completed in 2002, 2003, respectively. During fiscal year 2004, 1,722 units were completed. The projection for completions are 1,500 in fiscal years 2005 and 2006. Currently, about 2,100 units are under development. Grantees have completed construction on 12,360 housing units from all funding years as of September 30, 2004.

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT  
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY 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>
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	\$30,000
Total Self-Help Homeownership Opportunity Program	...	...	...	...	...	...	...	30,000

<u>FTE</u>	<u>2004 Actual</u>	<u>2005 Estimate</u>	<u>2006 Estimate</u>
Headquarters .....	...	...	2
Field .....	...	...	...
Total .....	...	...	2

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT  
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY 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>
Self-Help Homeownership Opportunity Program .....	...	...	...	...	...	...
Total .....	...	...	...	...	...	...

NOTES

This program was funded within the Community Development Block Grants program through fiscal year 2005. Activity for 2004 is shown in that Justification.

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT  
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM  
 Crosswalk of 2005 Changes  
 (Dollars in Thousands)

<u>Budget Activity</u>	2005 President's Budget <u>Request</u>	Congressional Appropriations Action on 2005 <u>Request</u>	2005 Supplemental/ <u>Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2005 <u>Resources</u>
Self-Help Homeownership Opportunity Program .....	...	...	...	...	...	...
Total Changes .....	...	...	...	...	...	...

NOTES

For fiscal year 2005 activity, see the Community Development Block Grants Justification.

**Self-Help Homeownership Opportunity Program**

**COMMUNITY PLANNING AND DEVELOPMENT  
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM  
Program Offsets  
(Dollars in Thousands)**

<b>Self-Help Homeownership Opportunity Program</b>	<b><u>Amount</u></b>
2004 Appropriation .....	...
2005 Appropriation .....	...
2006 Request .....	<u>\$30,000</u>
Program Improvements/Offsets .....	+30,000

**Proposed Actions**

The fiscal year 2006 Budget proposes \$30 million for Self-Help Homeownership Opportunity Program (SHOP), a key to accomplishing the President's priority to increase homeownership, especially the 10-year goal to have 5.5 million new minority homeowners. SHOP is requested in a separate account for fiscal year 2006, as prior to fiscal year 2006 the program was located within the Community Development Block Grants (CDBG) account. CDBG is slated to be consolidated within programs at the Department of Commerce in 2006. However, this program is strictly housing related, so it is being retained at HUD instead of being moved to the Department of Commerce like the majority of Community Development Block Grants set-aside programs.

**Self-Help Homeownership Opportunity Program**

**COMMUNITY PLANNING AND DEVELOPMENT  
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM  
Performance Measurement Table**

Program Name: <b>SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM</b>					
Program Mission: SHOP provides homeownership opportunities to low-income homebuyers, who contribute sweat-equity toward the construction of their house.					
Performance Indicator	Data Sources	Performance Report		Performance Plan	
		2004 Plan	2004 Actual	2005 Plan	2006 Plan
The number of homeowners who have used sweat equity to earn assistance with SHOP funding reaches 1,500.	Quarterly progress reports	2,140	1,722	1,500	1,500

**Explanation of Indicators**

The current measures of SHOP program performance is a general output indicator.

The SHOP program provides funds for the acquisition and preparation of land to assist the efforts of national and regional consortia. SHOP funds assist low-income homebuyers willing to contribute "sweat-equity" toward the construction of their house.

Objective H.1: Expand National Homeownership Opportunities

Strategic Goal Indicator "The number of homeowners who have used sweat-equity to earn assistance with SHOP funding is maximized:"

The fiscal year 2006 request for Self-Help Homeownership Opportunity Program (SHOP) reflects the President's initiative to increase funding by approximately 21 percent from the fiscal year 2005 level for this well-recognized, successful program. The increased resources are justified based on the growing capacity of existing program participants as well as the expectation that the number of organizations participating in the program will expand. The SHOP awards funding on a competitive basis to national and regional non-profit housing organizations and consortia that specialize in self-help housing where the homebuyer contributes a significant amount of sweat-equity toward the construction or rehabilitation of the dwelling.

**Self-Help Homeownership Opportunity Program**

SHOP Performance Reporting and Program Evaluation

Information on SHOP performance is collected quarterly. The Office of Affordable Housing Programs (OAHP) requires grantees to report on the number of units completed and the number of units under construction, along with a narrative on other pertinent information on program progress or delays. OAHP has recently issued revised requirements to gather more uniform accomplishment data on lots acquired, infrastructure starts and completions, housing construction starts and completions, property conveyances, unit characteristics, racial and ethnic composition of homebuyers, and detailed financial information on administration, land acquisition, infrastructure costs, and leveraged funds. The fiscal years 2002, 2003, 2004, and 2005 funding awards will follow these new reporting requirements, and grantees will be encouraged to use this form for reporting on all prior SHOP-funded activities.

**Self-Help Homeownership Opportunity Program**

**COMMUNITY PLANNING AND DEVELOPMENT  
SELF-HELP HOMEOWNERSHIP OPPORTUNITY 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 underlined, and language proposed for deletion is bracketed.

*For the Self-Help Homeownership Opportunity Program, as authorized under Section 11 of the Housing Opportunity Program Extension Act of 1996, as amended, \$30,000,000, to remain available until September 30, 2008.*

**Explanation of Changes**

The language is being proposed in a new account, as the program will no longer be located within the Community Development Block Grants program, starting in fiscal year 2006.