

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
2009 Summary Statement and Initiatives
(Dollars in Thousands)

COMMUNITY DEVELOPMENT BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$3,771,900	\$6,234,942 ^a	-\$116	\$10,006,726 ^c	\$9,240,708	\$10,867,136
2008 Appropriation/Request	3,865,800	762,338	3,000,000	7,628,138	7,358,000	11,458,000
2009 Request	<u>3,000,000</u>	<u>270,138^b</u>	<u>-205,800</u>	<u>3,064,338</u>	<u>2,996,000</u>	<u>8,123,000</u>
Program Improvements/Offsets	-865,800	-492,200	-3,205,800	-4,563,800	-4,362,000	-3,335,000

- a/ Includes recaptures of \$738 thousand and excludes transfers of \$1.584 thousand.
b/ Does not include \$3.8 million expired carryover.
c/ Includes Working Capital Fund transfers.

Section 108 Loan Guarantees

Commitment levels

2007 Enacted loan level.....	\$136,866	\$67,202	...	\$204,068	\$200,837	NA
2008 Request.....	205,000	3,109 ^a	...	208,109	200,000	NA
2009 Request.....	...	<u>8,109</u>	...	...	...	NA
Program Improvements/Offsets.....	-205,000	5,000	...	-208,109	-200,000	NA

- a/ This is based on a revised credit subsidy rate of 2.25 percent.
NA = Not Applicable.

Credit Subsidy and Administrative Expenses

2007 Appropriation/Request	\$10,769 ^b	\$1,458	...	\$12,227 ^a	\$12,155	\$9,409
2008 Request.....	8,565 ^c	69 ^a	...	8,634	8,634	9,000
2009 Request.....	...	...	...	...	...	<u>6,062</u>
Program Improvements/Offsets.....	-8,565	-69	...	-8,634	-8,634	-2,938

- a/ This is based on a revised credit subsidy rate of 2.25 percent.
b/ The appropriation includes \$3 million in discretionary appropriations and \$7.8 million in a mandatory appropriation for an upward re-estimate of credit subsidy.
c/ The appropriation includes \$4.5 million in discretionary appropriations and \$4.065 million in a mandatory appropriation for an upward re-estimate of credit subsidy.

Community Development Block Grants

Summary Statement

The Community Development Block Grant (CDBG) program serves low- and moderate-income families in cities, urban counties, and States as well as in Insular Areas, through a variety of housing, community development and economic development activities. The fiscal year 2009 budget proposes \$3.0 billion for the Community Development Fund, which is approximately \$866 million below the fiscal year 2008 appropriation. The fiscal year 2009 request includes \$2.94 billion for the CDBG program (including \$5 million for Technical Assistance), \$57.4 million for the Indian Community Development Block Grant (ICDBG) program, and a \$3.175 million transfer to the Working Capital Fund. Many programs that had previously been appropriated within the Community Development Fund are included in other accounts, as in fiscal years 2007 and 2008.

Title I of the Housing and Community Development (HCD) Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's primary objective is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low- and moderate-income. Activities are limited to those that carry out one of the following broad national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums and blight; or (3) meet other particularly urgent community development needs. At least 70 percent of all CDBG funds expended by a grantee have to be used for activities that benefit persons of low- and moderate-income over a period of up to 3 years. Historically, communities have used more than 90 percent of their CDBG funds for such activities. The underlying principle of the CDBG program is that recipients have the knowledge and responsibility for selecting eligible activities most appropriate to their local circumstances.

In May 2006 and again in June 2007, the Secretary submitted to Congress the CDBG Reform Act which proposed extensive revisions to the CDBG funding distribution formula in order to better target funds to community development needs and to create a minimum grant threshold. HUD intends to again support this legislative proposal in fiscal year 2008. The Reform Act, if enacted, would alter the existing funding formula and trigger a redistribution of CDBG funds among grantees. Changes in the CDBG formula are needed to ensure that available resources are properly targeted to the most economically distressed communities. In February 2005, HUD released a study entitled "CDBG Formula Targeting to Community Development Need." This report, prepared by HUD's Office of Policy Development and Research, provides an assessment of how well the variables used in the CDBG formula continue to target funds toward community development need. The research revealed that targeting to communities that have the greatest needs has declined substantially since the late 1970's. Two specific findings were: that many communities with lesser need for CDBG funds received more per capita than many communities with much greater need; and that many communities with very similar needs received very different per capita amounts.

In addition, the CDBG Reform Act proposes establishment of a CDBG Challenge Grant program to be funded at a level of \$200 million to be available to those grantees that demonstrate success in targeting CDBG funds to highly distressed neighborhoods. The Reform Act includes provisions that would better enable HUD to hold grantees accountable for achieving their own performance goals within the national objectives of CDBG. Programs including Rural Housing and Economic Development, Brownfields Economic Development Initiative, and Section 108 Loan Guarantees, that support local development are proposed to be terminated because they are in part duplicative with CDBG. These program activities will operate with CDBG within a new broader framework of clear goals, cross-cutting community progress indicators, and common standards for the award of bonus and competitive funding.

The Program Assessment Rating Tool (PART) evaluation conducted by HUD and OMB, in conjunction with the fiscal year 2005 budget, found that the CDBG program was not sufficiently targeted to low- and moderate-income communities and did not have sufficient output and outcome data to effectively demonstrate results and rated the program ineffective. HUD has taken several steps to respond to the PART criticisms--the first is the proposed CDBG Reform, and the second is the extensive performance measurement effort described below.

Community Development Block Grants

Performance Measurement

The CDBG program has a multi-faceted approach to demonstrating program results for the 1,142 entitlement communities, the 50 States, Puerto Rico, insular areas and the District of Columbia. CDBG remains the largest and most flexible community development assistance program, and the value of this flexible program is also demonstrated by the Congressional appropriation of \$19.7 billion in supplemental disaster assistance to aid the Gulf Coast States of Alabama, Florida, Louisiana, Mississippi and Texas in their efforts to recover from the devastating effects of Hurricanes Katrina, Rita and Wilma in 2005.

HUD's Office of Community Planning and Development has developed a performance measurement system to be used by CPD formula grantees to determine the effectiveness of their programs. This framework was developed in conjunction with grantee members of community development public interest groups over the past few years as well as input from OMB. A final Notice implementing the framework was published in the Federal Register on March 7, 2006. This performance measurement system is not intended to replace existing local performance measurement systems, but complements such systems while permitting standardized reporting of data that can be aggregated.

The outcome performance measurement system has three overarching objectives: Creating Suitable Living Environments, Providing Decent Affordable Housing, and Creating Economic Opportunities; and three possible outcomes for each objective: Availability/Accessibility, Affordability, and Sustainability. Additionally, there are specific indicators for the various types of activities funded by the formula grants. These data elements were incorporated into HUD's Integrated Disbursement and Information System (IDIS) in May 2006 to allow for simplified data collection. A grantee selects a performance objective and outcome in IDIS for each activity, and also reports on various indicators depending on the type of activity assisted. The combination of these three items will enable IDIS to aggregate data so that results can be demonstrated at the national level. Grantees started reporting on the new data in IDIS on October 1, 2006 and a full year of improved data became available at the end of fiscal year 2007.

HUD has begun analyzing performance measurement data reported by grantees throughout fiscal year 2007. Over 91 percent of all CDBG grantees have entered at least some performance measurement indicator data for open activities. Grantees have entered objectives, outcomes and performance measurement indicator data for 23,001 open activities through the end of fiscal year 2007. While every grantee makes its own decisions regarding the most appropriate objective/outcome combination for its activities, it is not surprising that certain combinations have been chosen much more frequently than others. Three objective/outcome statements combined account for 73 percent of all activities:

- 9,878 of the 23,001 activities are indicated as providing Accessibility for the purpose of creating Suitable Living Environments.
- 3,841 of 23,001 activities are indicated as providing Sustainability for the purpose of creating Suitable Living Environments.
- 3,098 of 23,001 activities are indicated as providing Affordability for the purpose of providing Decent Housing.

Programwide expenditures of funds by all grantees are heavily concentrated in several activities. In addition, certain objectives and certain outcomes lend themselves more readily to some types of activities than to others. Thus, it is not surprising that certain activity types are concentrated under just a few outcomes and objectives:

- Over 80 percent of all public facilities, public services and homeless shelter activities are concentrated under the Suitable Living Environment objective.
- Over 88 percent of all economic development activities are concentrated under the Create Economic Opportunity objective.
- Over 87 percent of homeownership activities are concentrated under the Decent Housing objective.

Community Development Block Grants

In addition to the Performance Measurement System, the Department will continue to develop community and national level measures that relate to the broader goals and objectives of HUD and the Federal Government. These will be outcome goals, indicators, and targets by which HUD will assess success of community and national efforts and the contribution of its programs in strengthening economically distressed communities.

CDBG grantees must, by law, use at least 70 percent of the funds expended during a period of up to 3 years for activities that benefit low- and moderate-income persons. The use of CDBG funding has reflected a balance between local flexibility in identifying and designing activities to meet local needs and targeting the use of funds to benefit low- and moderate-income persons. Local officials have used CDBG funds to take on new challenges in the area of housing, neighborhood development, public facilities, economic development and the provision of social services and have historically exceeded the 70 percent threshold, generally by significant amounts. For example, in fiscal year 2007, the share of entitlement funds that benefited low- and moderate-income persons was 94.8 percent and for States, 96.4 percent.

Summary expenditure data by grantee is posted on the Internet annually, and it provides detail for all individual grantees' expenditures made during each grantee's program year.

<http://www.hud.gov/offices/cpd/communitydevelopment/budget/disbursementreports/index.cfm>).

This information is also used to prepare individual grantee profiles that display grantee uses of funds in a variety of graphic formats (<http://www.hud.gov/offices/cpd/communitydevelopment/library/performanceprofiles/>). Expenditure summaries are by broad eligibility categories and cover CDBG program years 2001-2006; 2007 program year data will be added starting in April 2008. National summaries of spending by all CDBG grantees by fiscal year are also available for fiscal years 2001 through 2007. The Department also makes available on the Internet grantees' local addresses and contacts

(<http://www.hud.gov/offices/cpd/communitydevelopment/programs/contacts/index.cfm>) as part of the Department's continuing effort to expand citizen access to program information. The Department posted to the Internet detailed data on individual CDBG grantees' accomplishments in a spreadsheet format to provide all citizens the tools to review and analyze CDBG programs performance (<http://www.hud.gov/offices/cpd/communitydevelopment/library/accomplishments/index.cfm>).

The CDBG program will continue to report on homeownership, rental housing and job related activities as in past years. In addition, the Department has developed several outcome indicators to better capture the results of the program as follows:

- Measuring increased economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate;
- Eliminating the blighting influence of 5,000 vacant, boarded up or abandoned properties through improvement or demolition will be in effect; and
- Several metrics have been developed to measure the results of the CDBG supplemental Gulf Coast recovery efforts as states move beyond initial program goals.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Entitlement/Non-Entitlement	\$3,703,870	\$460,362	\$4,164,232	\$3,552,429	\$3,586,430	\$611,184	\$4,197,614	\$2,927,405
Insular Area CDBG Program	6,930	6,930	13,860	6,930	7,000	6,930	13,930	7,000
Challenge Grant .....	...	...	...	...	...	...	...	[200,000]
Indian Tribes	59,400	62,180	121,580	61,796	62,000	59,505	121,505	57,420
Section 107 Grants ....	...	4,401	4,401	3,930	3,000	437	3,437	5,000
Youthbuild .....	...	49,549	49,549	48,544	...	1,400	1,400	...
Working Capital Fund ..	1,584	-1,584	...	...	1,570	...	1,570	3,175
Economic Development Initiative Grants ....	...	348,404	348,404	274,090	179,830	71,449	251,279	...
Neighborhood Initiative Demonstration .....	...	47,380	47,380	36,589	25,970	10,643	36,613	...
Disaster Assistance ...	...	5,256,611	5,256,611	5,255,904	3,000,000	577	3,000,577	...
Section 805 Economic Development training .	...	213	213	...	...	213	213	...
Native Hawaiian Block Grants .....	...	496	496	496	...	...	...	...
Total	3,771,784	6,234,942	10,006,726	9,240,708	6,865,800	762,338	7,628,138	3,000,000

NOTE: The fiscal year 2009 budget request includes rescission proposals for the Economic Development Initiative in the amount of \$179.83 million and Neighborhood Initiative Demonstration in the amount of \$25.97 million. The net budget request in fiscal year 2009 is \$2.7942 billion.
 The fiscal year 2008 and 2009 Section 107 grants budget authority are solely for technical assistance.
 Entitlement/Non-entitlement 2006 carryover includes a rescission of \$116 thousand.
 Working Capital Fund (WCF) 2006 carryover transferred to Working Capital Fund (WCF). 2006 carryover includes recaptures of \$738 thousand.

Community Development Block Grants

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	117	113	113
Field	<u>171</u>	<u>180</u>	<u>181</u>
Total	288	293	294

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Entitlement/Non-Entitlement	<u>Amount</u>
2007 Appropriation	\$3,703,870
2008 Appropriation/Request	3,586,430
2009 Request	<u>2,927,405</u>
Program Improvements/Offsets	-659,025

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Entitlement/ Non-entitlement	\$3,703,870	\$460,362a/	\$4,164,232	\$3,552,429	\$3,586,430	\$611,184	\$4,197,614	\$2,927,405

a/ Includes a rescission of \$116 thousand.

Proposed Actions

The Administration requests \$3.0 billion for the CDBG program in fiscal year 2009, with \$2.934 billion of the amount for the formula component of the program. The formula amount represents an 18 percent reduction against the fiscal year 2008 appropriation level.

In May 2006 and again in June 2007, the Secretary submitted to Congress the CDBG Reform Act which proposes extensive revisions to the CDBG funding distribution formula in order to better target funds to community development needs and to create a minimum grant threshold. HUD intends to support this legislative proposal again in fiscal year 2008. The Reform Act has three basic components: first, formula reform to better target funding to communities with the greatest needs; second, a focus on performance and holding communities accountable for results; and third, the establishment of a Challenge Fund to reward communities that have demonstrated results in improving economic conditions.

CDBG funds are currently provided to entitlement cities, urban counties and States based on the highest amount produced by one of two formulae. Funding for Insular Areas is identified on a separate budget line item; funds are provided to territories on a per capita basis. Funds are used for a broad range of housing revitalization and community and economic development activities, thereby increasing State and local capacity for economic revitalization, job creation and retention, neighborhood revitalization, public services, community development and renewal of distressed communities.

Since the program's inception in 1974, almost \$120 billion has been awarded to grantees. For fiscal year 2008, 1,173 cities and counties were eligible to receive a CDBG entitlement grant directly from HUD. In addition, 49 States and the Commonwealth of Puerto Rico awarded more than 3,000 CDBG grants to small cities and counties from their State allocations. HUD awarded non-entitlement grants to Hawaii's three non-entitlement counties on a formula basis. In 2004, the State of Hawaii permanently elected not to assume administration of this funding under the State CDBG program, in response to statutory language contained in the fiscal year 2004 Consolidated Appropriations Act.

Because of the significant flexibility in the uses of CDBG funds, entitlement cities, urban counties and non-entitlement communities often use the CDBG program in conjunction with many other Federal, State, and local programs. During fiscal year 2006, CDBG grantees expended \$4.566 billion in formula funds for the following activity categories:

Community Development Block Grants

- acquisition, construction, and rehabilitation of public facilities and improvements, including senior centers, centers for the handicapped and disabled, homeless facilities, neighborhood and youth centers, parks and facilities, solid waste facilities, water and sewer improvements, health facilities, and streets and sidewalks, 33.2 percent;
- housing activities, including direct homeownership assistance, rehabilitation of single family and multifamily housing, lead-based paint and lead hazard testing and abatement, code enforcement, and residential energy efficiency, 25.4 percent;
- public services, including services for seniors, the disabled, the homeless, abused and neglected children, and abused spouses, legal services, youth services, transportation services, substance abuse services, mental health services, and employment training and placement, 9.9 percent;
- economic development, including job creation and retention, 8.3 percent;
- acquisition, disposition, clearance, Brownfields, and relocation, 5.6 percent;
- planning and administration expenses, 14.2 percent; and
- other, 3.4 percent.

Timely Expenditures. One management concern for CDBG had been the untimely expenditure of funds by some grantees. The Department has reduced the number of entitlement grantees that are untimely (defined as having undrawn funds exceeding 1.5 times the most recent grant) and the dollars associated with those grantees. HUD implemented a policy that provides an entitlement grantee one year from the date it is identified as untimely to meet the standard. Failure to meet the drawdown standard by the next measurement date, absent a show of circumstances beyond the grantee's control, results in a grant reduction of the amount exceeding the standard. As a result, the number of untimely grantees has been reduced from a high of 309 in 1999 to 79 grantees in November 2007.

At HUD's urging, a number of states implemented changes to their programs to increase the rate of expenditure of State CDBG funds by state grant recipients. These changes have borne results. Since 2003, the cumulative expenditure rate for the State CDBG program has increased, and the cumulative balance of unexpended funds has decreased. As of May 2003, states collectively were expending amounts equal to 96.7 percent of their annual allocations per year. As of May 2007, the average expenditure rate has often exceeded 100 percent of the States' cumulative allocation. In addition to program changes, the increase in the rate of expenditure can be associated with the reduction in the annual grant amounts to states (an average of more than 14 percent over the period fiscal year 2003 to 2007) based on lower appropriation levels.

PROGRAM DESCRIPTION AND ACTIVITY

1. Legislative Authority. CDBG is authorized by Title I of the Housing and Community Development Act of 1974, as amended.
2. Program Area Organization. The CDBG program provides flexible funding for communities across the nation to develop and implement community and economic development strategies that primarily benefit low- and moderate-income individuals. Grantees access their CDBG funding through the Consolidated Plan process in which States and localities establish their local priorities and specify how they would measure their performance. A locality's Consolidated Plan serves as the planning and application mechanism for CDBG funds. Entitlement grantees evaluate their performance through the Consolidated Annual Performance and Evaluation Report; States prepare a Performance Evaluation Report.

Community Development Block Grants

a. Program Purpose. Title I of the Housing and Community Development (HCD) Act of 1974, as amended, authorizes the Secretary to make grants to units of general local government and States for the funding of local community development programs. The program's primary objective is to develop viable urban communities by providing decent housing and a suitable living environment, and by expanding economic opportunities, principally for persons of low- and moderate-income. Activities are limited to those that carry out one of the following broad national objectives: (1) benefit low- and moderate-income persons; (2) aid in the prevention or elimination of slums and blight; or (3) meet other particularly urgent community development needs. At least 70 percent of all CDBG funds expended by a grantee have to be used for activities that benefit persons of low- and moderate-income over a period of up to 3 years. Historically, communities have used more than 90 percent of their CDBG funds for such activities. The underlying principle of the CDBG program is that recipients have the knowledge and responsibility for selecting eligible activities most appropriate to their local circumstances.

Instead of competing for categorical project dollars each year, the entitlement communities and States receive a basic grant allocation so they know in advance the approximate amount of Federal funds they would receive annually. States and entitlement communities are accountable for effectively managing resources to improve low-income neighborhoods and to create conditions for community and economic progress.

b. Eligible Recipients and Activities

Eligible Recipients. Eligible CDBG grant recipients include States, units of general local government (city, county, town, township, parish, village or other general purpose political subdivision determined to be eligible for assistance by the Secretary), the District of Columbia, Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Commonwealth of the Northern Marianas. A separate program, the Indian Community Development Block Grant program, is administered by the Office of Public and Indian Housing and provides funding to recognized Native American tribes and Alaskan Native villages.

Eligible Activities. Section 105 of the HCD Act of 1974, as amended, permits a broad range of activities to be undertaken by communities assisted under the program, ranging from the provision of public facilities or services to economic development or residential rehabilitation, including the reconstruction of housing. Housing activities, public facilities and infrastructure improvements, public services, acquisition and economic development activities accounted for 82.4 percent of the approximately \$4.56 billion in CDBG formula funds and program income expended during fiscal year 2007.

Fund Distribution. CDBG funds have been allocated to States and localities based on the formulae described below. After deducting a designated amount for the Insular Areas CDBG program, 70 percent of funds are allocated to entitlement communities and 30 percent are allocated to States for non-entitlement communities.

c. Explanation of Funds Allocated by Recipient Category

1. Formula Entitlement. The HCD Act of 1974, as amended, provides for the distribution of funds to eligible recipients (metropolitan cities and urban counties) for community development purposes utilizing the higher amount produced by one of two formulas, as shown:

<u>ORIGINAL FORMULA</u>	<u>SECOND FORMULA</u>
Poverty - 50 percent	Poverty - 30 percent
Population - 25 percent	Population growth lag (1960-2000) - 20 percent
Overcrowded housing - 25 percent	Age of housing stock - 50 percent)

Community Development Block Grants

"Age of housing stock" means the number of existing year-round housing units constructed before 1940, based on Census data. "Population growth lag" means the extent to which the current population of a metropolitan city or urban county is less than the population it would have been if its population growth rate between 1960 and the date of the most recent population count had been equal to the growth rate of all metropolitan cities over the same period.

Metropolitan Cities. Principal cities of metropolitan area (MAs), other cities in MAs with 50,000 or more population, and cities that retain metropolitan city status as a result of previously meeting the criteria as metropolitan cities are entitled to funding on the basis of one of the formulas. For fiscal year 2008, 989 metropolitan cities were eligible to receive grants. Of these, 27 elected to enter into joint grant agreements with their urban counties and 19 eligible grantees deferred their status.

Urban Counties. The statute also entitles urban counties to formula grants. In fiscal year 2008, 184 counties met the required population threshold and are thus eligible for formula funding. These urban counties include over 4,000 cooperating local incorporated units of government receiving funding under the program. The urban county has to have authority to undertake essential community development and housing assistance activities in its participating incorporated communities either under State law or through cooperation agreements. These agreements have to express the intention of the urban county and its incorporated jurisdictions to cooperate in essential community development and housing assistance activities, specifically urban renewal and publicly assisted housing. Participation by any included unit of government is voluntary. An urban county's qualification is valid for a 3-year period.

2. Non-entitlement (State/Small Cities Program). Non-entitlement funds are allocated among the States according to a dual formula, with the allocation being the higher of amounts determined under the original formula or a second formula which is identical to that used for entitlement communities, except that population was substituted for growth lag. Under the HCD Act of 1974, as amended, any State that elected to administer the Small Cities program in fiscal year 1985 or thereafter was considered to have assumed this responsibility permanently and, if it failed to provide an annual submission, funds would be reallocated among all other States in the succeeding year since 1982. Where the State did not so elect, HUD distributed the funds. The State of Hawaii is the only State that permanently elected not to administer the State CDBG program. HUD, therefore, administers grants to non-entitlement units of government in Hawaii following the requirements of the Entitlement program, except that the funding comes from the non-entitlement allocation.

3. CDBG Reform/New Formula. On May 25, 2006, the Secretary submitted the CDBG Reform Act to Congress. On June 5, 2007, the Secretary re-submitted the legislative proposal to Congress in nearly identical form and substance. Three components comprise the CDBG Reform Act: first, modernization of the CDBG distribution formula to tie the provision of financial assistance to community need; second, heightened focus on performance measurement and local accountability for community improvement; and third, establishment of a Challenge Fund to reward communities that have demonstrated success at strategically taking steps to improve economic conditions.

The modernized CDBG distribution formula consolidates the dual formula system into a single formula to repair a flaw that caused inequitable funding based on outdated factors. The factors included in the revised formula and their corresponding weights are:

- persons in poverty excluding college students, 50 percent;
- female-headed households with children under 18 years of age, 10 percent;
- housing overcrowding, 10 percent; and
- housing 50 years or older occupied by a poverty household, 30 percent.

Community Development Block Grants

The revised formula would also include a fiscal capacity adjustment to help ensure that appropriate levels of CDBG funding are directed to the neediest communities in a metropolitan area. The fiscal capacity adjustment examines the ratio of metropolitan per capita income to local per capita income and would make increased grant amounts for grantees having per capita income lower than the metropolitan average and decreased grant amounts for grantees having per capita incomes above the metropolitan average. Such adjustments would be capped at 25 percent of the grantee's allocation.

The single formula approach embodied in the Reform Act also eliminates the 70 percent/30 percent division between entitlement communities and states in order to restore parity. Under the standing formula, when a community graduates into entitlement status, the share of the financial pie shrinks for all other entitlement communities and expands for state grantees. The revised formula enacts a fair-share approach, establishing proportionate funding for all jurisdictions.

In addition to the formula revision, the CDBG Reform Act establishes a CDBG Challenge Grant program to be funded at a level of \$200 million and to be made available to grantees that target funds to highly distressed neighborhoods and demonstrate improvement in those areas by leveraging private investment, expanding economic opportunity, and fostering neighborhood viability. Furthermore, the Reform Act provides HUD greater ability to hold grantees accountable for achieving local performance goals.

The CDBG Reform Act grew out of a February 2005 HUD Office of Policy Development and Research study entitled, "CDBG Formula Targeting to Community Development Need," which assessed the precision of the CDBG formula for targeting to community development need as indicated by housing and infrastructure quality, economic development measures, poverty rate, local tax base, and other variables. The study revealed that formula fairness had declined substantially since the late 1970's. Specifically, the study showed that distressed communities commonly received smaller per capita allocations than did relatively healthy communities, indicating a decline in formula precision; and further that communities with similar levels of need commonly received very different per capita allocations, indicating a decline in formula parity. The CDBG Reform Act corrects these flaws.

4. Reallocation of Entitlement Funds. CDBG amounts allocated to a metropolitan city or urban county in a fiscal year, which become available for reallocation as a result of an eligible community not applying for its allocation, are first reallocated in the succeeding fiscal year to other metropolitan cities and urban counties in the same Metropolitan Statistical Area (MSA). These communities have to follow a simple certification process to qualify for receipt of these funds. Funds recaptured as a result of financial sanctions under Section 104(d) or Section 111 of the Housing and Community Development Act of 1974, as amended, are set aside to provide assistance to metropolitan areas, which are the subject of a Presidentially declared disaster.

5. Reallocation of Non-entitlement Funds. Existing law requires that amounts allocated for use in a fiscal year in a State which becomes available for reallocation have to be reallocated according to the following criteria:

- in the case of actions against Hawaiian small cities, amounts that became available for reallocation are to be added to amounts available for distribution in Hawaii in the fiscal year after the year in which the amounts became available; and
- in the case of actions against a state or if a state does not successfully apply, these amounts are allocated among all States in the succeeding fiscal year.

6. Consolidated Plan Requirement. The Consolidated Plan is the vehicle by which communities identify community and neighborhood development needs, actions to address those needs (including specific activities on which CDBG dollars will be spent), and the measures against which their performance will be judged. The Consolidated Plan also provides a means for identifying key low-income neighborhoods for targeted multiyear investment strategies.

Community Development Block Grants

In order to receive CDBG entitlement funds, a grantee develops and submits to HUD its Consolidated Plan and Annual Action Plans, which are a jurisdiction's plan and submission for funding under the following Community Planning and Development formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons With AIDS (HOPWA), and Emergency Shelter Grants (ESG). In its Consolidated Plan, the jurisdiction must identify its goals for these community planning and development programs, as well as for housing programs. In addition, the Consolidated Plan must include the jurisdiction's projected use of funds and required certifications. For CDBG, these certifications include that the grantee is following a current HUD-approved Consolidated Plan, that not less than 70 percent of the CDBG funds received over a 1-, 2-, or 3-year period specified by the grantee, would be used for activities that benefit persons of low- and moderate-income, and that the grantee is following other applicable laws, regulations, OMB circulars, and is affirmatively furthering fair housing. HUD will approve a Consolidated Plan submission unless the Plan (or a portion of it) is inconsistent with the purposes of the National Affordable Housing Act or it is substantially incomplete.

States participating in the State CDBG program also develop and submit to HUD a Consolidated Plan similar to those required of entitlement communities. However, in place of a listing of proposed funded activities, each State has to describe its funding priorities and has to describe the method it intends to use to distribute funds among communities in non-entitlement areas. Each participating State submits certifications that it would: (1) follow the Act's citizen participation requirements and require assisted local governments to follow citizen participation; (2) conduct its program in accordance with the Civil Rights Act of 1964 and the Fair Housing Act of 1988 and affirmatively further fair housing; (3) set forth and follow a method of distribution that ensures that each of the funded activities will meet one or more of the three broad national objectives of the program; (4) consult with affected local governments in determining the method of distribution and identifying community development needs; and (5) comply with Title I of the HCD Act and all other applicable laws. It must also certify that each housing activity funded will be consistent with the State's Consolidated Plan.

7. Performance Review. CDBG grantees (entitlement communities and states) annually review and report to HUD on their progress in carrying out their strategic and action plans for community development. This includes a description of CDBG funds made available to the grantee, the activities funded, the geographic distribution and location of the activities and the types of families or persons assisted (beneficiaries), and a report of the actions taken to affirmatively further fair housing. The report includes an assessment by the grantee of the relationship of its use of funds to the specific objectives identified in the Consolidated Plan.

HUD is required to review or audit a grantees' performance, at least annually, to determine whether activities were carried out in a timely manner, whether activities and certifications were carried out in accordance with all applicable laws, and whether the grantee had continuing capacity to carry out the program. In the case of States, HUD performs reviews to determine if the State had distributed funds in a timely manner, consistent with its method of distribution, was in compliance with CDBG requirements and other applicable laws and whether appropriate reviews of grants awarded to local governments were conducted by the State. HUD is authorized to terminate, reduce or limit the availability of the funds of a grantee according to review findings following the opportunity for a consultation or in some cases following a hearing before an administrative law judge.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Section 108 Loan Guarantees	<u>Amount</u>
2007 Appropriation	\$10,769
2008 Request.....	8,565
2009 Request .....	...
Program Improvements/Offsets	-8,565

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Section 108 Loan Guarantees.....	\$10,769 a/	\$1,458	\$12,227	\$12,155	\$8,565 b/	\$69	\$8,634	...

a/ This amount includes \$3 million in discretionary appropriations and \$7.8 million in a mandatory appropriation for an upward re-estimate of credit subsidy.

b/ This amount includes \$4.5 million in discretionary appropriations and \$4.065 in a mandatory appropriation for an upward re-estimate of credit subsidy.

Proposed Actions

Section 108 Loan Guarantee Program. No funding is requested for the Section 108 Loan Guarantee program in fiscal year 2009, similar to the President's Budgets in 2005, 2006 and 2007. For fiscal year 2008, the Congress provided a loan guarantee authority level of \$205 million based on credit subsidy of \$4.5 million. Section 108 has been evaluated through the Program Assessment Rating Tool (PART) for the current budget cycle and has received a "results not demonstrated" rating. Section 108 is proposed to be terminated as it has not been able to demonstrate results and, with some limitations, its activities can be funded by the CDBG program.

Loan Performance

No Section 108 loan is in default or delinquent on a payment. HUD has never paid a claim from a holder of a guaranteed obligation as a result of a default. This record is due in part to the availability of pledged CDBG funds if another payment source is insufficient to repay the Section 108 loan. Since 1998, communities have been required to differentiate their use of CDBG funds for Section 108 debt service with respect to whether such use was planned or unplanned. Planned use of CDBG funds to repay a Section 108 loan typically is associated with projects (e.g., public facilities) that generate little or no program income and are too large to finance from an annual grant allocation. Communities are expected to record an unplanned use when a shortfall in the intended repayment source occurs and CDBG funds must be used to cover that shortfall. In fiscal year 2007, total CDBG formula outlays were \$4.56 billion. Planned Section 108 outlays were \$134 million (2.9 percent), and unplanned Section 108 outlays were \$1.7 million (.04 percent).

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Insular Area CDBG Program	<u>Amount</u>
2007 Appropriation	\$6,930
2008 Appropriation/Request	7,000
2009 Request	<u>7,000</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Insular Area CDBG Program	\$6,930	\$6,930	\$13,860	\$6,930	\$7,000	\$6,930	\$13,930	\$7,000

Proposed Actions

The Housing and Community Development Act of 1974 was amended to provide a Section 106 (formula) CDBG funding mechanism for Insular areas by the enactment of Title V of the American Dream Downpayment Act (P.L. 108-186). Beginning in fiscal year 2005, the Insular CDBG program is authorized under section 106(a) rather than 107(a) of the Housing and Community Development Act of 1974, as amended (42 USC 5301ff), and regulations are found at 24 CFR Part 570. The Insular areas of Guam, the Virgin Islands, American Samoa, and the Northern Mariana Islands are eligible to participate in the Insular CDBG program.

Since 1982, Insular areas, with the participation of local citizens, have utilized program flexibility to set funding priorities and design their programs to meet local needs. The program has contributed to the community development efforts in these areas, supporting a wide range of activities that best serve development priorities, provided that these projects either: (1) benefit low- and moderate-income families (generally defined as members of low- and moderate-income families that earn no more than 80 percent of the median income in the area); (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs. Since 1982, more than \$137 million in CDBG funding has been provided to Insular areas.

In fiscal year 2005, HUD published a final rule to implement the statutory changes contained in the American Dream Downpayment Act. This rule provided that Insular areas CDBG funds continue to be distributed based on population, although the statutory revision gave HUD the authority to develop another formula based on improved Census data for the Insular areas. In fiscal year 2007, HUD issued a final rule setting the timely expenditure standard for the Insular areas CDBG program.

Insular CDBG funds may be used to improve the housing stock, provide community facilities, improve infrastructure, and expand job opportunities by supporting the economic development of the areas, especially by non-profit organizations or local development corporations. The Insular areas are restricted from using block grants for construction or improvement of governmental facilities or government operations. New housing construction and income payments to individuals are eligible only under very limited circumstances

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Indian Tribes	<u>Amount</u>
2007 Appropriation	\$59,400
2008 Appropriation/Request	62,000
2009 Request	<u>57,420</u>
Program Improvements/Offsets	-4,580

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Indian Tribes	\$59,400	\$62,180	\$121,580	\$61,796	\$62,000	\$59,505	\$121,505	\$57,420

Proposed Actions

In 1977, the Housing and Community Development Act of 1974 was amended to provide a special funding mechanism, the Indian Community Development Block Grant (ICDBG) program, for Native American communities. Since 1978, more than \$750 million has been provided for ICDBG funding. This budget proposes \$57.4 million for Native American Housing and Economic Development Block Grant activities in CDBG. Since 1974, the program has been the backbone of improvement efforts in many communities, providing a flexible source of grant funds for local governments nationwide. The program provides funds that they, with the participation of local citizens, can devote to a wide range of activities that best serve their development priorities, provided that these projects either: (1) benefit low- and moderate-income families; (2) prevent or eliminate slums or blight; or (3) meet other urgent community development needs.

These funds are distributed as annual competitive grants. Funds are allocated to each of the six Area Offices of Native American Programs (AONAP). Applicants compete for funding only with other Federally recognized tribes or eligible Indian entities within their area. Examples of eligible activities include: improving the housing stock, providing community facilities, improving infrastructure, and expanding job opportunities by supporting the economic development of the communities, especially by non-profit tribal organizations or local development corporations. Federally recognized Indian tribes and Alaskan Native Villages are restricted from using block grants for construction or improvement of governmental facilities, government operations, income payments, or unless extraordinary determinations have been made for new housing construction. Up to \$4 million may be used for imminent threats to health and safety under a separate competition pursuant to the regulations in 24 CFR 1003, subpart E.

The program is authorized by section 106(a) of the Housing and Community Development Act of 1974, as amended (42 USC 5301ff). Regulations are found at 24 CFR Part 1003. The Office of Public and Indian Housing, and the Office of Native American Programs (ONAP) administer it. All Federally recognized Indian tribes and Alaskan Native Villages are eligible to participate in the program. Projects funded by grants must primarily benefit low- and moderate-income persons (generally defined as members of low- and moderate-income families that earn no more than 80 percent of the median income in the area).

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Section 107 Grants	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$3,000
2009 Request	<u>5,000</u>
Program Improvements/Offsets	+2,000

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Section 107 Grants	\$4,401	\$4,401	\$3,930	\$3,000	\$437	\$3,437	\$5,000

Proposed Actions

This budget requests \$5 million in fiscal year 2009 for CDBG technical assistance in comparison to the fiscal year 2008 appropriation of \$3 million. There is a significant need for technical assistance funds to support and improve the effectiveness of the CDBG program at the local level. HUD directly funds almost 1,200 state and local CDBG grantees, and has provided an average \$4 billion or more annually for a broad range of housing, economic development, infrastructure, and public services. Entitlement cities fund thousands of sub-recipient organizations while states and urban counties, in turn, pass CDBG funds through to more than 7,000 local governments. All these entities have staff that must be familiar with the full range of CDBG program and cross-cutting Federal requirements and it is critical that local government staff be highly conversant with CDBG requirements. The focus of technical assistance funds would include provision of CDBG basic training, implementing performance measurement goals and requirements, improving grantee utility of HUD's Integrated Disbursement and Information System (IDIS), and promoting local use of new technologies and approaches in areas such as energy conservation and land use policies. Provision of funds for these types of CDBG technical assistance efforts will create economies of scale and greater efficiencies as opposed to individual grantees securing such assistance via their own means.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Youthbuild	<u>Amount</u>
2007 Appropriation
2008 Appropriation/Request
2009 Request	<u>...</u>
Program Improvements/Offsets

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Youthbuild	\$49,549	\$49,549	\$48,544	...	\$1,400	\$1,000	...

Proposed Actions

In fiscal year 2007, the Youthbuild program was transferred from HUD to the Department of Labor's Employment and Training Administration (ETA), as recommended by the White House Task Force on Disadvantaged Youth, to allow for greater coordination of the program with Job Corps and other employment and training programs. Legislation to affect this transfer was passed by Congress on September 6, 2006 (the Youthbuild Transfer Act, P.L. 109-281). The fiscal year 2007 request in the Department of Labor's Budget was \$50 million. Youthbuild's mission and strategic goals align directly with those of the ETAs. Youthbuild is a required partner in the Nation's One-Stop Career Center system administered by the Department of Labor under the Workforce Investment Act of 1998 (WIA); consequently, the President's Task Force recommended that a more direct linkage between the program and the system's activities was needed. The Task Force asserted that integrating Youthbuild funding into the Federal agency that is responsible for delivering youth employment services would benefit the program and its participants by streamlining policy development and service delivery. A greater number of individuals could be served in a more effective and comprehensive manner, enhancing program performance and supporting a competitive and prepared workforce.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Working Capital Fund	<u>Amount</u>
2007 Appropriation	\$1,584
2008 Appropriation/Request	1,570
2009 Request	<u>3,175</u>
Program Improvements/Offsets	+1,605

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Working Capital Fund ..	\$1,584	-\$1,584 a/	\$1,584	\$1,584	\$1,570	...	\$1,570	\$3,175

a/ Transferred to Working Capital Fund account.

Proposed Actions

This budget proposes \$3.175 million for transfer to the Working Capital Fund from this account for fiscal year 2009. The fiscal year 2008 appropriation is \$1.57 million. This funding will allow the maintenance of information technology systems used for Community Planning and Development, including the Integrated Disbursement and Information System (IDIS) and the Grants Management Process (GMP) system. The funds are also necessary to incorporate the business rules and processes for Community Planning and Development grant programs into an enterprise grants management solution that will replace the current systems.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Economic Development Initiative Grants	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$179,830
2009 Request	<u>...</u>
Program Improvements/Offsets	-179,830

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Economic Development Initiative Grants	\$348,404	\$348,404	\$274,090	\$179,830	\$71,449	\$251,279	-\$179,830

Proposed Actions

As in fiscal year 2008 and previous years, no funding is requested for fiscal year 2009. Rather, it is proposed to rescind the balances from the fiscal year 2008 appropriation. Until recently, Congress has appropriated funding for Economic Development Initiative-Special Projects (EDI-SP). The Department has not requested these earmarks and supports funding via the existing formula program. EDI-SP grants provide earmarks to designated entities for certain specified activities. No more than 20 percent of any EDI-SP grant may be used for planning, management development or administrative costs, except for EDI-SP grants specifically authorized as planning grants. Congress has also directed that no EDI-SP grant funds may be used for program operations. Since 1998, 6,467 EDI-SP grants have been funded.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Neighborhood Initiative Demonstration	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$25,970
2009 Request	<u>...</u>
Program Improvements/Offsets	-25,970

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Neighborhood Initiative Demonstration (NID)...	...	\$47,380	\$47,380	\$36,589	\$25,970	\$10,643	\$36,613	-\$25,970

Proposed Actions

As in fiscal year 2008 and previous years, no funding is requested for fiscal year 2009. The Department has not requested these earmarks and supports funding via the existing formula program. Rather, it is proposed to rescind the balances from the fiscal year 2008 appropriation.

The Appropriations Acts for fiscal years 1998 through 2006 provided earmarked funding for Neighborhood Initiative Demonstration (NID) projects that are utilized to improve the conditions of distressed and blighted areas and neighborhoods, to stimulate investment, economic diversification, and community revitalization in areas with population-out migration or a stagnating or declining economic base, or to determine whether housing benefits can be integrated more effectively with welfare reform initiatives. NID grants provide earmarks to designated entities for certain specified activities. Since 1998, 297 NID grants have been funded.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Disaster Assistance	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$3,000,000
2009 Request	<u>...</u>
Program Improvements/Offsets	-3,000,000

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Disaster Assistance	\$5,256,611	\$5,256,611	\$5,255,904	3,000,000	\$577	\$3,000,577	...

Proposed Actions

Disaster Assistance has historically been funded through as needed supplemental appropriations; therefore, no funding is requested for fiscal year 2009.

HUD received supplemental appropriations of \$700 million (Public Law (P.L.) 107-73) in fiscal year 2001, and \$2 billion (P.L. 107-38 and P.L. 107-117) and \$783 million (P.L. 107-206) in fiscal year 2002, for assistance to property and businesses (including restoration of utility infrastructure) damaged by, and economic revitalization related to, the September 11, 2001 terrorist attacks on New York City. HUD has obligated the full \$3.483 billion to New York State's Empire State Development Corporation and Lower Manhattan Development Corporation. Of the \$3.483 billion, \$2.086 billion has been drawn down through November 2007.

Public Law 108-324 provided \$150 million in fiscal year 2005 for disaster relief, long-term recovery, and mitigation in communities affected by disasters designated by the President between August 31, 2003 and October 1, 2004. Those funds were allocated to: Alabama, California, Florida, Maryland, North Carolina, Ohio, Pennsylvania, Puerto Rico, Virginia, and West Virginia. All funds have been obligated. As of the end of November 2007, approximately \$79 million has been disbursed.

Public Law 109-148 appropriated \$11.5 billion in fiscal year 2006 for disaster relief, long-term recovery, and restoration of infrastructure in the most impacted and distressed areas related to the consequences of Hurricanes Katrina, Rita, and Wilma. Public Law 109-234 appropriated an additional \$5.2 billion for the same purposes. Not less than \$1 billion from the \$5.2 billion funds made available on a pro-rata basis according to the allocation made to each state shall be used for repair, rehabilitation, and reconstruction (including demolition, site clearance and remediation) of the affordable rental housing stock (including public and other HUD-assisted housing) in the impacted areas. These funds cannot be used as a matching requirement, share, or contribution for any other Federal program. Also included within this \$5.2 billion is \$6 million that has been transferred to HUD's Working Capital

Community Development Block Grants

Fund for the enhancement of the capabilities of the Disaster Recovery Grant Reporting system by building additional electronic controls that will increase accountability while further decreasing the risk of fraud, waste, or abuse. In addition, \$12 million has been transferred to HUD's Salaries & Expenses account, of which \$7 million is for administrative costs, including IT costs and \$9 million has been transferred to the Office of Inspector General. Funds appropriated by both Public Laws have been allocated to Alabama, Florida, Louisiana, Mississippi, and Texas. All funds under P.L. 109-148 and under P.L. 109-234 have been obligated. Of the total \$16.673 billion of funds from the two supplementals, HUD has approved more than \$ 16.6 billion in disaster recovery action plans, and approximately \$7.3 billion has been expended by states as of the end of November 2007. Substantial acceleration of funding is expected through fiscal year 2008 in terms of compensation grants made to households, infrastructure planning and development as well as economic development.

Public Law 110-116 appropriated \$3 billion in fiscal year 2008 for costs associated with the Road Home Homeowner Assistance program administered by Louisiana. The Congress appropriated these amounts due to an estimated shortfall for Louisiana's Road Home Homeowner Assistance program. Funds appropriated have been allocated to Louisiana, but as directed by statute, grantees will not draw down funds from the Treasury beyond the exclusive purpose of compensating eligible claims.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Section 805 Economic Development training	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request .....	...
2009 Request	<u>...</u>
Program Improvements/Offsets .....	...

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Section 805 Economic Development training	...	\$213 a/	\$213	...	...	\$213	\$213	...

a/ Includes \$200 thousand in recapture balances.

Proposed Actions

No new funding is requested for fiscal year 2009 and carryover funds will be used for training in community and economic development areas.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Native Hawaiian Block Grants	<u>Amount</u>
2007 Appropriation
2008 Appropriation/Request
2009 Request	<u>...</u>
Program Improvements/Offsets

<u>Budget Activity</u>	2007 Budget <u>Authority</u>	2006 Carryover <u>Into 2007</u>	2007 Total <u>Resources</u>	2007 <u>Obligations</u>	2008 Budget <u>Authority</u>	2007 Carryover <u>Into 2008</u>	2008 Total <u>Resources</u>	2009 <u>Request</u>
Native Hawaiian Block Grants	...	\$496	\$496	\$496	...	...	...	...

Proposed Actions

Funding of \$5.9 million is requested for the Native Hawaiian Block Grants in fiscal year 2009 as a separate program and was funded as a separate program in fiscal year 2008.

Community Development Block Grants

DISTRIBUTIONS OF FUNDS BY STATE

The following table shows combined entitlement and non-entitlement allocations by State for the 2007, 2008, and 2009 appropriations. The 2008 and 2009 amounts represent preliminary estimates of budget authority, which are subject to change.

<u>STATE OR TERRITORY</u>	<u>ACTUAL</u> <u>2007</u>	<u>ESTIMATE</u> <u>2008</u>	<u>ESTIMATE</u> <u>2009</u>
		(Dollars in Thousands)	
Alabama.....	\$49,801	\$48,336	\$36,671
Alaska.....	4,760	4,623	3,505
Arizona.....	54,591	53,162	40,198
Arkansas.....	27,757	26,995	20,439
California.....	471,738	455,203	347,360
Colorado.....	38,555	37,300	28,390
Connecticut.....	42,118	40,850	31,013
Delaware.....	7,272	7,034	5,355
District of Columbia.....	18,757	18,042	13,812
Florida.....	162,551	157,192	119,693
Georgia.....	83,062	80,957	61,162
Hawaii.....	15,366	14,884	11,315
Idaho.....	12,277	11,970	9,040
Illinois.....	176,982	170,567	130,319
Indiana.....	70,896	68,354	52,204
Iowa.....	41,572	40,290	30,611
Kansas.....	28,177	27,327	20,748
Kentucky.....	46,029	44,684	33,893
Louisiana.....	62,745	63,992	46,202
Maine.....	19,961	19,399	14,698
Maryland.....	56,070	53,959	41,287
Massachusetts.....	110,765	107,309	81,561
Michigan.....	133,058	127,986	97,976
Minnesota.....	58,621	56,698	43,165
Mississippi.....	35,517	34,618	26,153

Community Development Block Grants

<u>STATE OR TERRITORY</u>	<u>ACTUAL</u> <u>2007</u>	ESTIMATE <u>2008</u> (Dollars in Thousands)	ESTIMATE <u>2009</u>
Missouri.....	\$68,075	\$65,655	\$50,127
Montana.....	9,285	8,984	6,837
Nebraska.....	19,589	18,954	14,424
Nevada.....	20,425	19,859	15,040
New Hampshire.....	13,340	12,951	9,823
New Jersey.....	101,921	98,543	75,049
New Mexico.....	21,238	20,670	15,638
New York.....	352,789	340,605	259,774
North Carolina.....	71,884	70,004	52,931
North Dakota.....	6,414	6,217	4,723
Ohio.....	163,639	158,120	120,494
Oklahoma.....	30,558	29,613	22,501
Oregon.....	36,996	35,892	27,242
Pennsylvania.....	224,183	216,692	165,076
Rhode Island.....	17,315	16,805	12,750
South Carolina.....	39,231	38,013	28,887
South Dakota.....	8,065	7,834	5,939
Tennessee.....	50,540	48,859	37,215
Texas.....	257,621	250,290	189,697
Utah.....	20,729	20,246	15,264
Vermont.....	8,423	8,183	6,202
Virginia.....	61,853	59,739	45,545
Washington.....	62,051	60,072	45,691
West Virginia.....	25,353	24,558	18,668
Wisconsin.....	67,446	64,867	49,663
Wyoming.....	4,246	4,138	3,127
Puerto Rico.....	111,779	108,336	82,308
Insular Areas.....	<u>6,930</u>	<u>7,000</u>	<u>7,000</u>
Subtotal Entitlement & Non-Entitlement.....	\$3,710,916	\$3,593,430	\$2,734,405
Other activities.....	<u>60,984</u>	<u>272,370</u>	<u>265,595</u>
TOTAL CDBG.....	\$3,771,900	\$3,865,800	\$3,000,000

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Challenge Grant	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request .....	...
2009 Request	<u>[\$200,000]</u>
Program Improvements/Offsets	+200,000

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Challenge Grant	[\$200,000]	...	[\$200,000]	[\$200,000]

Proposed Actions

The CDBG Reform Act proposes the establishment of a \$200 million Challenge Grant program to be available to those grantees demonstrate success in targeting CDBG funds to highly distressed neighborhoods.

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Performance Measurement Table**

Program Name: COMMUNITY DEVELOPMENT BLOCK GRANTS					
Program Mission: CDBG is a primary vehicle for the revitalization of our Nation's neighborhoods, providing opportunities for self-sufficiency to millions of lower-income Americans. The program's primary objective is to develop viable urban communities by expanding opportunities, and to provide decent housing and a suitable living environment, principally for persons of low- and moderate-income.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
HUD's major programs will promote affordable housing opportunities to individuals and families	Integrated Disbursement & Information System (IDIS)	134,963	124,749	130,291	109,689
Rental households and rental units will be assisted through major HUD programs	IDIS	37,032	26,358	36,041	23,176
Expand use of CDBG for economic opportunity by creating or retaining at least 36,090 CDBG jobs a/	IDIS	59,787	43,231	37,913/4,100	36,090
Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons.	IDIS	92 96	94 96	92 96	90%
Eliminate the blighting influence of vacant, boarded up, or abandoned properties.	IDIS	5,000	5,906	5,000	5,000
Increase economic opportunity through the use of CDBG funds in 66 percent of entitlement grantees that have unemployment rates above the national unemployment rate.	IDIS/Bureau of Labor Statistics	NA	NA	Yes	TBD
Financial management and targeting of CPD program resources to meet the needs of underserved populations maximized through the monitoring of 20 percent of CPD program grantees for compliance with program requirements.	Integrated Performance Reporting System	20%	22%	20%	20%
At least 17,000 units of rental housing will be in development or in service by September 2009 in the area affected by the 2005 Gulf Coast Hurricanes.	Disaster Recovery Grant Reporting (DRGR) system	NA	NA	NA	17,000 units

Community Development Block Grants

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
At least \$9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments; 145,000 households in Louisiana and Mississippi.	Disaster Recovery Grant Reporting (DRGR) system	NA	N/A	NA	145,000 households
At least \$700 million will be obligated by States to the local projects for restoration and enhancement of infrastructure throughout the five Gulf States receiving supplemental CDBG disaster recovery funding by September 2009.	Disaster Recovery Grant Reporting (DRGR) system	NA	NA	NA	\$700 million
Efficiency Measure: Cost per Single Family/Multifamily rehabilitated unit.	IDIS		\$5,800/\$5,600	TBD	TBD
Efficiency Measure: Subsidy cost per job newly created or retained.		345	652	327	NA

NA = Not Applicable.

TBD = To Be Determined.

a/ Section 108 projected jobs are included in fiscal year 2008 given credit subsidy of \$4.5 million. Since no Section 108 credit subsidy is requested in fiscal year 2009, no projections for jobs are included for that year.

Explanation of Indicators

Previous measures of CDBG program performance were general output indicators and, where continued in fiscal years 2008 and 2009, reflect projections based on recent appropriations and spendout of resources from fiscal year 2006 and prior years.

CPD has taken significant steps to develop outcome performance indicators to better demonstrate quantitative and qualitative results achieved with CDBG funds. The Department has developed several outcome indicators to better capture the results of the program as follows:

- Measuring increased economic opportunity through the use of CDBG funds in communities that have unemployment rates above the national unemployment rate;
- Eliminating the blighting influence of 5,000 vacant, boarded up or abandoned properties through improvement or demolition; and
- Several metrics have been developed to measure the results of the CDBG supplemental Gulf State recovery efforts as the states move beyond initial program goals.

Community Development Block Grants

In March 2006, HUD published in the Federal Register a notice implementing a performance measurement system that covers all four formula programs administered by CPD--CDBG, HOME, HOPWA and ESG. The performance measurement framework identified in that notice was the product of almost 2 years effort involving HUD, public interest groups representing CPD's grantee stakeholders and OMB. The framework establishes a matrix of objectives and outcomes based on the broad statutory purposes of the four CPD programs. Beyond the objectives and outcomes, grantees will be required to report on indicators that are applicable to the individual activities they are funding. Some indicators are common to nearly all program activities while others are activity specific indicators that are relevant only for the specific activity being undertaken. All reporting pursuant to the performance measurement framework is being implemented through HUD's Integrated Disbursement and Information System (IDIS). IDIS was revised in May 2006 to incorporate screens to capture the required data and HUD eagerly anticipates reviewing and analyzing the fiscal year 2007 data, the first full fiscal year for which such data will be available. The data will provide a substantially richer and more detailed view of the impact of CDBG funds at the local level.

HUD has begun analyzing performance measurement data reported by grantees throughout fiscal year 2007. Over 91 percent of all CDBG grantees have entered at least some performance measurement indicator data for open activities. Grantees have entered objectives, outcomes and performance measurement indicator data for 23,001 open activities through the end of fiscal year 2007. While every grantee makes its own decisions regarding the most appropriate objective/outcome combination for its activities, it is not surprising that certain combinations have been chosen much more frequently than others. Three objective/outcome statements combined account for 73 percent of all activities:

- 9,878 of the 23,001 activities are indicated as providing Accessibility for the purpose of creating Suitable Living Environments.
- 3,841 of 23,001 activities are indicated as providing Sustainability for the purpose of creating Suitable Living Environments.
- 3,098 of 23,001 activities are indicated as providing Affordability for the purpose of providing Decent Housing.

Programwide expenditures of funds by all grantees are heavily concentrated in several activities. In addition, certain objectives and certain outcomes lend themselves more readily to some types of activities than to others. Thus, it is not surprising that that certain activity types are concentrated under just a few outcomes and objectives:

- Over 80 percent of all public facilities, public services and homeless shelter activities are concentrated under the Suitable Living Environment objective.
- Over 88 percent of all economic development activities are concentrated under the Create Economic Opportunity objective.
- Over 87 percent of homeownership activities are concentrated under the Decent Housing objective.

Community Development Block Grants

Strategic Goal A: Increase Homeownership Opportunities

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS) and Annual Progress Reports.

The Community Development Block Grant (CDBG) program has provided flexible funding for communities across the Nation to develop and implement housing, community and economic development strategies that primarily benefit low- and moderate-income persons. Housing rehabilitation and other eligible housing activities have accounted for a large percentage (24.4 percent of expenditures in fiscal year 2006) of activities carried out under the CDBG program. By preserving existing housing stock and developing new housing opportunities, the CDBG program, along with the HOME program, has contributed to the strategic goals and objectives related to increasing affordable housing opportunities for families with low- and moderate-incomes. Providing increased resources for these efforts is a key priority within this Strategic Goal.

The CDBG program has directly supported Strategic Objective A.1, "Expand national homeownership opportunities" in that the largest use of CDBG funds is for housing related activities chosen at local discretion. CDBG housing activities not only directly fund homeownership activities, but also support rental activities, which preserve existing affordable housing stock and help transition families from being renters to homeowners. The CDBG program assisted 124,749 households either through homeownership assistance or housing rehabilitation assistance in fiscal year 2007, and plans to assist 130,291 in fiscal year 2008 and 109,689 in fiscal year 2009.

Strategic Goal B: Promote Decent Affordable Housing

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS) and Annual Progress Reports.

The CDBG program has directly supported Strategic Objective B.1, "Expand access to affordable rental housing." It assisted 26,358 households in fiscal year 2007, and plans on assisting 36,041 households in fiscal year 2008 and 23,176 in fiscal year 2009.

Strategic Goal C: Strengthen Communities

The source of data for actual accomplishments is reported using the Integrated Disbursement and Information System (IDIS) and Annual Progress Reports.

The Community Development Block Grant (CDBG) program has provided flexible funding for communities across the Nation to develop and implement community and economic development strategies that primarily benefit low- and moderate-income individuals or areas. In addition, the Section 108 loan guarantee program provides financial assistance that promotes job creation and retention activities.

The CDBG program supports Strategic Goal C, specifically Objective C.2: "Enhance sustainability of communities by expanding economic opportunities." Through CDBG and Section 108, 43,231 jobs were created or retained in fiscal year 2007, with CDBG accounting for 39,123 of those jobs and the Section 108 program accounting for 4,108 jobs. In fiscal year 2008, a total of 42,013 jobs are expected to be created or retained through CDBG and the Section 108 program, with CDBG accounting for 37,913 jobs and Section 108 accounting for 4,100 jobs. The Section 108 jobs estimate for fiscal year 2008 is based on a loan guarantee authority level of \$200 million and a related credit subsidy appropriation of \$4.5 million. In fiscal year 2009, 36,090 jobs are expected to be created or retained through CDBG with no jobs attributable to Section 108 given that the budget does not request any guarantee authority for fiscal year 2009.

Beyond jobs, CDBG grantees are required to expend at least 70 percent of funds in a designated period (1, 2 or 3 years, as selected by the grantee) for activities that primarily benefit low- and moderate income persons. HUD has traditionally expressed this indicator in separate terms for the Entitlement and State CDBG programs but has chosen to combine the results in a single indicator measured against the baseline of the statutory 70 percent standard. For fiscal year 2009, CPD is establishing for grantees the goal of expending at least 90 percent of state and entitlement CDBG funds.

Community Development Block Grants

CPD will also continue to refine indicators relating to Gulf Coast recovery efforts being undertaken with CDBG supplemental fundings. Through the end of fiscal year 2007, state recipients of such funding, most particularly the states of Louisiana and Mississippi have focused on implementing homeowner compensation programs. Attention in fiscal year 2008 and beyond will turn to other aspects of the Gulf coast recovery effort, specifically those related to rental housing production, economic development and infrastructure projects. As the states progress with implementation of these activities, HUD will be better able to define realistic indicators with regard to the use of the supplemental CDBG funding.

In fiscal year 2009, CPD will continue to track grantee's use of CDBG funds annually to eliminate the blighting influence of 5,000 vacant, boarded up or abandoned properties. Further, CPD will integrate its analysis of grantee use of CDBG funds to increase economic opportunity into the more specific jobs indicator.

Efficiency Measures

The efficiency measures selected for the CDBG program focus on per unit costs of housing rehabilitation activities for single family and multifamily units. In fiscal year 2007, the average single family unit rehabilitation cost for all units assisted was approximately \$5,800 per unit. This included minor repairs and improvements that address safety and security issues. If such repairs and improvements are excluded and the focus is on more substantial rehabilitation efforts, the cost per single family unit rises to approximately \$8,800 per unit. For multi-unit rehabilitation in fiscal year 2007, per unit costs were approximately \$5,600. If minor repairs and improvements as described above are excluded, per unit costs rise to approximately \$6,800 per multifamily unit. HUD believes that recent upgrades to CPD's Integrated Disbursement and Information System (IDIS) and improved grantee attention to data reporting efforts has yielded improvement in the quality and reliability of this efficiency measure in fiscal year 2007.

**COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Justification of Proposed Changes in Appropriations Language**

The fiscal year 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For assistance to units of State and local government, and to other entities, for economic and community development activities, and for other purposes, [~~\$3,865,800,000~~]~~\$3,000,000,000~~, to remain available until September 30, [2010]2011, unless otherwise specified: Provided, That of the total amount provided, [~~\$3,593,430,000~~]~~\$2,934,405,000~~ is for carrying out the community development block grant program under title I of the Housing and Community Development Act of 1974, as amended (the ``Act'' herein) (42 U.S.C. 5301 et seq.): Provided further, That unless explicitly provided for under this heading [except for planning grants provided in the second paragraph and amounts made available under the third paragraph], not to exceed 20 percent of any grant made with funds appropriated under this heading shall be expended for planning and management development and administration: Provided further, [That not to exceed \$1,570,000 may be]~~\$3,175,000 shall be transferred to and additional amounts up to \$793,750 may be~~ transferred to the Working Capital Fund: Provided further, That [~~\$3,000,000~~]~~\$5,000,000~~ is for technical assistance as authorized by section 107(b)(4) of such Act: Provided further, That [~~\$62,000,000~~]~~\$57,420,000~~ shall be for grants to Indian tribes notwithstanding section 106(a)(1) of such Act, of which, notwithstanding any other provision of law (including section 305 of this Act), up to \$3,960,000 may be used for emergencies that constitute imminent threats to health and safety.

Of the unobligated balances remaining from funds appropriated in fiscal year 2008 under the heading "Community Development Fund," for grants for the Economic Development Initiative, "\$179,830,000 is cancelled.

Of the unobligated balances remaining from funds appropriated in fiscal year 2008 under the heading "Community Development Fund," for grants for neighborhood initiatives, \$25,970,000 is cancelled.

[Of the amount made available under this heading, \$179,830,000 shall be available for grants for the Economic Development Initiative (EDI) to finance a variety of targeted economic investments in accordance with the terms and conditions specified in the explanatory statement accompanying this Act: Provided, That the amount made available for each grant shall be at the level of 98 percent of the corresponding amount cited in said explanatory statement: Provided further, That none of the funds provided under this paragraph may be used for program operations: Provided further, That, for fiscal years 2006, 2007, and 2008, no unobligated funds for EDI grants may be used for any purpose except acquisition, planning, design, purchase of equipment, revitalization, redevelopment or construction. Of the amount made available under this heading, \$25,970,000 shall be available for neighborhood initiatives that are utilized to improve the conditions of distressed and blighted areas and neighborhoods, to stimulate investment, economic diversification, and community revitalization in areas with population outmigration or a stagnating or declining economic base, or to determine whether housing benefits can be integrated more effectively with welfare reform initiatives: Provided, That amounts made available under this paragraph shall be provided in accordance with the terms and conditions specified in the explanatory statement accompanying this Act: Provided further, That the amount made available for each initiative shall be at the level of 98 percent of the corresponding amount cited in said explanatory statement.]

``Sec. 159.(a) Notwithstanding any other provision of this joint resolution, and in addition to amounts otherwise made available by this joint resolution, there is appropriated \$3,000,000,000 for `Department of Housing and Urban Development Community Planning and Development Community Development Fund', to remain available until expended, to enable the Secretary of Housing and Urban Development to make a grant or grants to the State of Louisiana solely for the purpose of covering costs associated with otherwise uncompensated but eligible claims that were filed on or before July 31, 2007, under the Road Home program administered by the State in accordance with plans approved by the Secretary.

``(b) In allocating funds under this section, the Secretary of Housing and Urban Development shall ensure that such funds serve only to supplement and not supplant any other State or Federal resources committed to the Road Home program. No funds shall be drawn from the Treasury under this section beyond those necessary to fulfill the exclusive purpose of this section.

``(c) The amount provided by this section is designated as an emergency requirement and necessary to meet emergency needs pursuant to subsections (a) and (b) of section 204 of S. Con. Res. 21 (110th Congress), the concurrent resolution on the budget for fiscal year 2008.'' (P.L. 110-116.)

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Entitlement/Non-Entitlement	\$3,703,986	-\$116	...	...	\$460,362	\$4,164,232
Insular Area CDBG Program	6,930	...	...	...	6,930	13,860
Challenge Grant .....	...	...	...	...	...	...
Indian Tribes	59,400	...	...	...	62,180	121,580
Section 107 Grants .....	...	...	...	...	4,401	4,401
Youthbuild .....	...	...	...	...	49,549	49,549
Working Capital Fund	1,584	...	...	...	-1,584	...
Economic Development Initiative						
Grants .....	...	...	...	...	348,404	348,404
Neighborhood Initiative Demonstration	...	...	...	...	47,380	47,380
Disaster Assistance .....	...	...	...	...	5,256,611	5,256,611
Section 805 Economic Development						
training .....	...	...	...	...	213	213
Native Hawaiian Block Grants .....	...	...	...	...	496	496
Total	3,771,900	-116	...	...	6,234,942	10,006,726

NOTE: Total carryover includes recaptures of \$738 thousand.
 Working Capital Fund (WCF) balances transferred to WCF.

Community Development Block Grants

COMMUNITY PLANNING AND DEVELOPMENT
 COMMUNITY DEVELOPMENT BLOCK GRANTS
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Entitlement/Non-Entitlement	\$2,767,580	\$3,586,430	...	...	\$611,184	\$4,197,614
Insular Area CDBG Program	7,000	7,000	...	...	6,930	13,930
Challenge Grant	200,000	...	...	...	...	...
Indian Tribes	57,420	62,000	...	...	59,505	121,505
Section 107 Grants	3,000	3,000	...	...	437	3,437
Youthbuild .....	...	...	...	...	1,400	1,400
Working Capital Fund	1,570	1,570	...	...	...	1,570
Economic Development Initiative						
Grants .....	...	179,830	...	...	71,449	251,279
Neighborhood Initiative Demonstration	...	25,970	...	...	10,643	36,613
Disaster Assistance .....	...	...	\$3,000,000	...	577	3,000,577
Section 805 Economic Development						
training .....	...	...	...	...	213	213
Native Hawaiian Block Grants .....	...	...	...	...	...	...
Total	3,036,570	3,865,800	3,000,000	...	762,338	7,628,138

NOTE: Section 107 Grants new Budget Authority is for Technical Assistance.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
2009 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>
2007 Appropriation	\$1,757,250	\$274,737 ^a	-\$96	\$2,031,891 ^b	\$1,711,889 ^b	\$1,876,198
2008 Appropriation/Request	1,704,000	320,002	...	2,024,002 ^c	1,753,465 ^c	2,017,863
2009 Request	<u>1,966,640</u>	<u>270,537</u>	...	<u>2,237,177^d</u>	<u>2,004,200^d</u>	<u>2,022,000</u>
Program Improvements/Offsets	+262,640	-49,465	...	+213,175	+250,735	+4,137

a/ Carryover includes \$5.3 million of funds recaptured in fiscal year 2007.

b/ Includes \$990 thousand of funds that were transferred and obligated to the Working Capital Fund.

c/ Includes \$3.46 million of funds that were transferred and obligated to the Working Capital Fund.

d/ Includes \$4.2 million of funds that were transferred and obligated to the Working Capital Fund.

Summary Statement

The Department requests \$1.967 billion of fiscal year 2009 funding for the HOME Investment Partnerships program, which is \$209 million more than the fiscal year 2007 appropriation and \$263 million more than the fiscal year 2008 appropriations. The budget proposes, as a separate account in the Office of Housing, \$65 million for the Housing Counseling Assistance program, which in fiscal year 2008 and prior years, was funded as a set-aside in the HOME program. 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.

The HOME funding request is predicated upon the program's key contributions in meeting the Department's strategic goals of increased homeownership opportunities, achieving the President's goal of adding 5.5 million new minority homeowners over 10 years, and increasing affordable housing opportunities. During fiscal year 2007, the number of new homebuyers who were assisted with HOME funds was 34,985 and the number of rental units produced was 28,039. The number of existing households assisted with housing rehabilitation was 11,221, and the number of households assisted with Tenant-Based Rental Assistance (TBRA) was 18,172, of which more than 56 percent have incomes below 30 percent of the area median income. Out of a total per unit cost of \$83,651, the historically average investment in HOME dollars to produce a unit of affordable housing was \$17,447. As of September 30, 2007, the leveraging ratio of other dollars to the HOME funds was 3.6 to 1.

Program evaluations, including the Program Assessment and Rating Tool (PART), have found that the program has a clear purpose, strong management, and can demonstrate results. In fact, 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 (PJs) to design homebuyer programs that are tailored to local needs and market conditions."

HOME Investment Partnerships Program

Initiatives

Funding of \$50 million is proposed for the American Dream Downpayment Initiative (ADDI) in fiscal year 2009, which is a 102 percent increase over the fiscal year 2007 enacted level, and \$40 million more than the fiscal year 2008 appropriations, reflecting the continuing importance and demand for assistance to overcome the down payment barrier to homeownership for low-income households. Proposed appropriations language extends ADDI through fiscal year 2011.

To improve the efficiency of the technical assistance (TA) program and reflect the best estimate of need and capacity, the President's Budget proposes to allow the HOME program to use remaining HOME Community Housing Development Organizations (CHDO) funds and those made available in prior Appropriations Acts and that still remain available for HOME technical assistance. It is also recommended that the CHDO/TA allocation be no more than 35 percent of the total technical assistance allocation. HOME TA funds are more flexible than CHDO funds and, therefore, more useful to grantees. While HOME TA funds can cover most of the eligible CHDO TA activities, CHDO TA funds cannot cover most of the eligible HOME TA activities. Additionally, the President's budget proposes several technical changes to the National Affordable Housing Act in administrative provisions that would allow for significantly more efficient distribution of HOME technical assistance funds.

Program Description and Activities

HOME funding will provide \$1.9 billion for HOME formula grants, consisting of \$1.14 billion for PJs and \$760 million for States. In addition, \$50 million is included for ADDI for assistance to low-income homebuyers that will be distributed by the formula prescribed by the authorizing legislation (P.L. 108-186, December 16, 2003). The budget request will provide \$9.9 million for TA, \$3.8 million for insular areas, and \$4.2 million for transfer to 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 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 TBRA. The low-income benefit requirements established 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 96.6 percent of those assisted with rental housing having incomes below 60 percent of area median. HOME works well with other HUD programs to complement comprehensive neighborhood 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, when the HOME program began, through the end of the most recent fiscal year ending September 30, 2007, States and local governments have committed more than \$19.3 billion in HOME funds to projects (based on data from the Integrated Disbursement and Information System (IDIS)). Of this amount, almost \$14.6 billion has been disbursed for completed projects, with an additional \$2.5 billion disbursed for on-going projects. The HOME funds disbursed for completed projects have leveraged almost \$53 billion in other Federal, state, local, and private funds for a total of approximately \$67.9 billion in resources expended for completed projects.

HOME program funding has been committed to newly construct, rehabilitate, or acquire in standard condition 868,215 units through fiscal year 2007. Of the units to which funds have been committed, 811,898 units have been completed, of which 42 percent are for homebuyers. Based on historical usage, it is projected that 35 percent of HOME funds will be used for

HOME Investment Partnerships Program

new construction, 45.3 percent for rehabilitation, 16.3 percent for acquisition, and 3.4 percent for TBRA. An estimated 172,526 families have already received time-limited Federal 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. Existing homeowners (82.9 percent) and 54.1 percent of new homebuyers receiving assistance have incomes below 60 percent of the median income.
- In addition, the HOME statute requires that at least 90 percent of the households occupying HOME-assisted rental units or receiving HOME-funded 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 98.4 percent of households receiving TBRA and 96.6 percent of households occupying assisted rental units have incomes below 60 percent of the area median, for a combined 97.5 percent. Furthermore, 56.5 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 2007, the historically average unit subsidy was only \$17,447. The average HOME per-family subsidy for TBRA was \$2,895. HOME funds are effectively leveraged, with more than \$3.56 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 TBRA 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.
- 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, 2007, State and local government PJs had reserved over \$4.8 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 effectively use HOME funds. Since the program began in fiscal year 1992, the number of local PJs has increased from 387 to 585 in fiscal year 2007 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. Further, additional PJs are expected to be created in fiscal year 2009 largely as a result of new consortia formation. As an example, in fiscal year 1992, with a national appropriation of \$1.5 billion, Miami City's allocation was \$5,314,000, while in fiscal year 2007, Miami received only \$4,603,000, although the national appropriation was approximately \$1.76 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 that 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.

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>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Formula Grants	\$1,676,553	\$202,364	\$1,878,917	\$1,662,238	\$1,624,747	\$244,811	\$1,869,558	\$1,898,707
American Dream								
Downpayment Initiative	24,750	...	24,750	... ^a	10,000	...	10,000	50,000
Insular Areas	3,382	...	3,382	... ^a	3,288	...	3,288	3,833
HOME/CHDO Technical								
Assistance	9,900	30,009	39,909	9,697	12,500	30,212	42,712	9,900
Housing Counseling	41,579	41,858	83,437	38,964	50,000	44,473	94,473	... ^b
Program Management &								
Analytical Support ...	...	7	7	...	...	7	7	...
Working Capital Fund								
Transfer	990	...	990	990	3,465	...	3,465	4,200
Disaster Assistance ...	...	<u>499</u>	<u>499</u>	...	...	<u>499</u>	<u>499</u>	...
Total	1,757,154	274,737	2,031,891	1,711,889	1,704,000	320,002	2,024,002	1,966,640

a/ Obligations and carryover included in Formula Grants.

b/ Fiscal years 2008 and 2009, funds for the Housing Counseling Assistance program are requested by the Office of Housing in a separate justification.

NOTE: The 2006 Carryover into 2007 column excludes \$990 thousand of funds that were transferred to the Working Capital Fund. The 2007 Budget Authority column excludes \$96 thousand of funds that were rescinded.

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	31	32	32
Field	<u>113</u>	<u>119</u>	<u>119</u>
Total	144	151	151

HOME Investment Partnerships Program

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

Formula Grants	<u>Amount</u>
2007 Appropriation	\$1,676,553
2008 Appropriation/Request	1,624,747
2009 Request	<u>1,898,707</u>
Program Improvements/Offsets	+273,960

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). For fiscal year 2009, funding for set-asides totals \$17.9 million (exclusive of the ADDI), leaving \$1.9 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 unit numbers are projected production over time for each fiscal year's funding of HOME formula allocations. Thus, fiscal year 2009 funds are expected to result in a cumulative 84,195 production units and a cumulative 17,863 Tenant-Based Rental Assistance units as the funds spend out in fiscal year 2009 and beyond:

HOME Investment Partnerships Program

	<u>2008</u>		<u>2009</u>	
Production units.....	72,019	a/	84,195	b/
Tenant-Based Rental Assistance units.....	15,279		17,863	

- a/ Includes 1,300 units through the American Dream Downpayment Initiative.
- b/ Includes 6,500 units through the American Dream Downpayment Initiative.

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 de-obligate HOME funds that have been available to PJs, but have not been committed to affordable housing by the end of the last day of the month of the 24-month period. The Department, by regulation, allows 24 months to obligate Community Housing Development Organizations (CHDOs) funds, and if this deadline is not met, the funds and recaptures are redistributed. As of September 30, 2007, the Department has de-obligated approximately \$26.5 million in non-CHDO funds and \$9.3 million in CHDO funds. The de-obligation process ensures that HOME funds are used in a timely manner. As of September 30, 2007, the Department also has made approximately \$6 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 National Affordable Housing Act provisions require that deobligated CHDO funds be made available through a national competition. Of the \$9.3 million in de-obligated CHDO funds, \$7.5 million were awarded by competition in 2004 and 2005 to 15 PJs to develop permanent rental housing for the chronically homeless.

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 TBRA. By statute, funds may not be used to provide TBRA 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 TBRA, 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 270 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>
2007 Appropriation	\$24,750
2008 Appropriation/Request	10,000
2009 Request	<u>50,000</u>
Program Improvements/Offsets	+40,000

Proposed Actions

American Dream Downpayment Initiative (ADDI). The Department proposes allocating \$50 million among PJs and States for first-time low-income families in need of downpayment assistance. Proposed appropriations language extends ADDI through fiscal year 2011. Homeownership provides low-income families with an opportunity to build assets and share in the American dream. Obtaining the resources to meet up-front downpayment and closing costs is the most significant obstacle to homeownership among lower-income groups (See Local Initiatives Support Corporation (LISC), "Mind the Gap," (2002)). The ADDI reduces that obstacle for thousands of additional families each year. ADDI funds have already assisted over 26,000 families to become new homeowners, at an average per household assistance level of \$7,600.

The \$50 million proposed for ADDI in fiscal year 2009 would eliminate that obstacle for 5,000 families (along with previous rounds of funding) in fiscal year 2009. In 2007, HUD awarded \$24.8 million in ADDI funds to 380 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. The effort will specifically contribute to the Presidential/Secretarial goal of creating 5.5 million new minority homeowners by 2010 because more than 52 percent of all new homebuyers assisted with ADDI funds are minorities.

HUD will provide ADDI funds to PJs in amounts determined by the statutory allocation formula. Thus, 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 PJ, 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 PJ is located. Participating Jurisdictions have additional flexibility with ADDI in the waiver of Uniform Relocation Act requirements on tenant-occupied properties not available with regular HOME funds, as well as the absence of a matching requirement.

ADDI has been reviewed by OMB for the PART during fiscal year 2007. A rating of "Adequate" was assessed.

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

HOME/CHDO Technical Assistance	<u>Amount</u>
2007 Appropriation	\$9,900
2008 Appropriation/Request	12,500
2009 Request	<u>9,900</u>
Program Improvements/Offsets	-2,600

Proposed Actions

HOME and CHDO Technical Assistance. The HOME budget proposes \$9.9 million for TA activities for States and local government PJs and non-profit CHDOs. While HOME technical assistance funds can be used for eligible CHDO technical assistance activities, CHDO technical assistance cannot be used for eligible HOME technical assistance activities. For example, CHDO TA cannot cover any technical assistance to state and local participating jurisdictions--including capacity building in areas such as program design, housing finance, building construction techniques, and energy efficiency. To address this issue, the budget proposes to allow the HOME program to use remaining HOME CHDO funds and those made available in prior appropriations acts that remain available or are recaptured for HOME technical assistance. If the Conference Report accompanying the Appropriations states a specific allocation for CHDO technical assistance (fiscal year 2008 was 68 percent), the Department prefers that the CHDO allocation be no more than 35 percent of the total. In recent years, the set-aside has been as much as 80 percent. This proposed allocation reflects the need as best as it can be determined, and would allow for the most efficient and effective use of TA funds. Additionally, the Budget proposes some technical changes to the National Affordable Housing Act that would allow for more efficient distribution of HOME and CHDO technical assistance funds. These provisions would change the proportion of CHDO funds that can be distributed to single-state contractors, and the maximum award amount available to any one organization under both HOME and CHDO technical assistance.

TA projects provide the support and tools to strengthen local capacity of existing PJs 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. TA 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. In addition, TA funds enable the production of a variety of written and web-based materials that provide guidance to HOME participants. This wide variety of critical uses of TA supports the need for continued funding. The following provides a sample of some of the TA products that have been produced or are in process:

- Nineteen model guidebooks have been produced, including guides on managing consortia, 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.
- Twenty-two training courses have been developed to create a full curriculum of housing and community development courses. Recent additions include: Expert HOME and CDBG; subsidy layering; advanced HOME, dealing with combining HOME with other sources of financing; monitoring; program management; performance and productivity; lead-based paint abatement focused on implementation; and PJ interaction with non-profits and CHDOs and how to develop effective, productive partnerships.

HOME Investment Partnerships Program

- Eight new or updated publications and a core curriculum for web-based training have been produced recently. 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 the Integrated Disbursement and Information System (IDIS) for HOME.
- Additional web-based training modules are being developed continuously for posting with the existing ones on HOME's interactive "HOMEfront" training center. See <http://www.hud.gov/offices/cpd/affordablehousing/training/web/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 TA to address specific problems or challenges encountered by grantees.

HOME Investment Partnerships Program

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

Working Capital Fund Transfer	<u>Amount</u>
2007 Appropriation.....	\$990
2008 Appropriation/Request.....	3,465
2009 Request.....	<u>4,200</u>
Program Improvements/Offsets.....	+735

Proposed Actions

Working Capital Fund Transfer. This budget proposes \$4.2 million for transfer to the Working Capital Fund from this account for fiscal year 2009. This funding will allow the maintenance of information technology systems used for Community Planning and Development, including the IDIS and the Grants Management Process (GMP) system. The funds are also necessary to incorporate the business rules and processes for Community Planning and Development grant programs into an enterprise grants management solution that will replace the current systems.

HOME Investment Partnerships Program

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

Insular Areas	<u>Amount</u>
2007 Appropriation	\$3,382
2008 Appropriation/Request	3,288
2009 Request	<u>3,833</u>
Program Improvements/Offsets	+545

Proposed Actions

These funds are distributed by formula (see Formula Grants) to the Virgin Islands, American Samoa, Guam, and the Northern Marianas. By statute, the greater of 0.2 percent of the total allocation or \$750,000 is available to Insular Areas each year.

HOME Investment Partnerships Program

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

Housing Counseling	<u>Amount</u>
2007 Appropriation	\$41,579
2008 Appropriation/Request	50,000
2009 Request	≡
Program Improvements/Offsets	-50,000

Proposed Actions

Funding for fiscal year 2009 is requested at \$65 million in a separate account (as in fiscal year 2008) within the Office of Housing, reflecting the priority of this Presidential initiative in increasing both national homeownership and minority homeownership.

HOME Investment Partnerships Program

DISTRIBUTIONS OF HOME FUNDS BY STATE

The following table shows HOME Investment Partnerships Program allocations by State for 2007, 2008 and 2009 appropriations. The 2008 and 2009 amounts represent preliminary estimates which are subject to change.

STATE OR TERRITORY	ACTUAL	ESTIMATE	ESTIMATE
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(Dollars in Thousands)		
Alabama.....	\$24,129	\$23,218	\$27,677
Alaska.....	4,053	3,971	4,734
Arizona.....	24,605	23,475	27,983
Arkansas.....	15,267	14,870	17,726
California.....	247,348	236,777	282,251
Colorado.....	20,875	19,872	23,689
Connecticut.....	19,983	19,017	22,669
Delaware.....	4,892	4,783	5,702
District of Columbia.....	8,732	8,459	10,084
Florida.....	76,989	73,484	87,597
Georgia.....	40,940	39,588	47,191
Hawaii.....	7,386	7,147	8,520
Idaho.....	6,637	6,361	7,583
Illinois.....	71,862	68,792	82,004
Indiana.....	28,946	27,647	32,957
Iowa.....	14,378	13,791	16,440
Kansas.....	12,970	12,441	14,830
Kentucky.....	23,829	22,974	27,386
Louisiana.....	29,748	28,617	34,113
Maine.....	8,119	7,769	9,261
Maryland.....	24,166	23,034	27,458
Massachusetts.....	45,238	43,309	51,627
Michigan.....	48,503	46,485	55,413
Minnesota.....	21,679	20,661	24,629
Mississippi.....	16,501	15,901	18,955

HOME Investment Partnerships Program

	ACTUAL	ESTIMATE	ESTIMATE
	<u>2007</u>	<u>2008</u>	<u>2009</u>
	(Dollars in Thousands)		
Missouri.....	\$29,463	\$28,111	\$33,510
Montana.....	5,922	5,681	6,772
Nebraska.....	8,636	8,269	9,857
Nevada.....	11,467	11,014	13,129
New Hampshire.....	6,209	6,009	7,163
New Jersey.....	46,447	44,498	53,044
New Mexico.....	10,529	10,083	12,019
New York.....	191,562	183,577	218,834
North Carolina.....	38,386	37,895	45,173
North Dakota.....	3,593	3,513	4,188
Ohio.....	63,545	60,661	72,311
Oklahoma.....	19,405	18,692	22,282
Oregon.....	20,744	19,869	23,685
Pennsylvania.....	71,545	69,064	82,328
Rhode Island.....	9,086	8,671	10,336
South Carolina.....	18,764	18,445	21,987
South Dakota.....	4,086	3,928	4,682
Tennessee.....	29,534	28,362	33,809
Texas.....	112,075	107,795	128,497
Utah.....	8,874	8,457	10,081
Vermont.....	4,079	3,936	4,692
Virginia.....	32,302	32,151	38,326
Washington.....	32,603	31,251	37,253
West Virginia.....	12,424	12,020	14,328
Wisconsin.....	27,003	25,864	30,831
Wyoming.....	3,543	3,500	4,172
Puerto Rico.....	31,797	30,988	36,939
Subtotal Formula Grants a/.....	1,701,398	1,634,747	1,948,707
Other activities.....	<u>55,852</u>	<u>69,253</u>	<u>17,933</u>
TOTAL HOME.....	1,757,250	1,704,000	1,966,640

a/formula includes ADDI

**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	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Promote affordable housing opportunities for low- and moderate-income households through homeownership assistance, including ADDI, and housing rehabilitation assistance	IDIS	N/A	46,206	35,939	34,645
Promote the number of rental households and rental housing units.	IDIS	30,477	46,211	29,563	28,676
Financial management and targeting of CPD program resources to meet the needs of underserved populations maximized through monitoring 20 percent of active CPD program grantees for compliance with program requirements.	HIPS	20%	22%	20%	20%
Efficiency Measure: The annual increase in the average "blended" HOME investment per unit produced will be no more than six percent.	IDIS	<6%	3.2%	<6%	<6%
Efficiency Measure: The increase in the average ADDI assistance per unit will not be greater than 3 percent per year.	PART	N/A	N/A	N/A	<3%

N/A-Not Available

Explanation of Indicators

Promote affordable housing opportunities for low and moderate income households through homeownership assistance and housing rehabilitation assistance from the HOME Investment Partnerships Program.

The HOME Investment Partnerships program plays a key role in addressing the shortage of affordable housing in America. These funds can be used to expand access to homeownership by subsidizing down payment and closing costs, as well as the costs of acquisition, rehabilitation, and new construction for homebuyers, existing homeowners, and renters. During fiscal year 2009, 23,730 households are projected to become homeowner with HOME Investment Partnerships program assistance, and an additional 2,500 assisted with the American Dream Downpayment Initiative. In addition to assisting homebuyers, the program will help 8,415 existing homeowners rehabilitate their

HOME Investment Partnerships Program

homes up to standard condition in fiscal year 2009, and also supports homeownership by assisting current homeowner in retaining that status.

Promote the number of rental households and rental housing units assisted with the HOME Investment Partnerships Program.

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, 43.2 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 56.5 percent of families assisted are of extremely low-income with worst-case housing needs. During fiscal year 2007, PJs completed 28,039 units of rental housing, and 11,221 units were existing homeowner rehabilitation housing. An additional 18,172 families were assisted with TBRA. The fiscal year 2009 projection for rental completions, excluding TBRA, is 19,475. The projections for TBRA in fiscal year 2009 is 9,201.

Efficiency Measures.

The HOME program has established an efficiency measure that the annual increase in the average "blended" HOME investment per unit produced will be no higher than 6 percent. This calculation includes the average for all acquisition, rehabilitation, and new construction activities. (This measure has been increased to reflect past practice.) The fiscal year 2007 average was 3.2 percent. The HOME program also established an efficiency measure that the increase in the average ADDI assistance per unit will not be greater than 3 percent.

HOME Investment Partnerships Program

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

The 2009 President's Budget includes proposed changes in the appropriations language listed and explained below.

For the HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, \$1,916,640,000, to remain available until September 30, 2011, of which at least \$4,200,000 shall, and up to \$5,250,000 may, be transferred to the Working Capital Fund: Provided further, That up to \$9,900,000 shall be available for technical assistance. Provided further, That amounts made available under this heading in prior appropriations Acts for Community Housing Development Organizations technical assistance, and that still remain available, may be used for HOME technical assistance notwithstanding the purposes for which such amounts were appropriated: Provided further, That in addition to amounts otherwise made available under this heading, \$50,000,000, to remain available until September 30, 2011, for assistance to homebuyers as authorized under Section 271 of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. 12821).

Administrative Provisions

Section 215. The Home Investment Partnerships Act (42 U.S.C. 12721 et seq) is amended—(1) in section 233(d)(1) by striking “20” and inserting “40”; (2) in section 233(e) by striking “40” and inserting “25”; (3) in section 243(b), in the second sentence, by striking “20” and inserting “40”; and (4) in section 271(i) by striking “Act after December 31, 2007” and inserting “section after December 31, 2011”.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
 HOME INVESTMENT PARTNERSHIPS PROGRAM
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Formula Grants	\$1,676,648	-\$95	...	...	\$202,364	\$1,878,917
American Dream Downpayment Initiative	24,750	...	...	...	...^a	24,750
Insular Areas	3,382	...	...	...	...^a	3,382
HOME/CHDO Technical Assistance	9,900	...	...	...	30,009	39,909
Housing Counseling	41,580	-1	...	...	41,858	83,437
Program Management & Analytical						
Support .....	...	...	...	...	7	7
Working Capital Fund Transfer	990	...	...	...	...	990
Disaster Assistance .....	...	...	...	...	<u>499</u>	<u>499</u>
Total	1,757,250	-96	...	...	274,737	2,031,891

a/ Carryover for the American Dream Downpayment Initiative and Insular Areas funds are included in the Formula Grants carryover.

HOME Investment Partnerships Program

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Crosswalk of 2008 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Formula Grants	\$1,899,442	\$1,624,747	...	...	\$244,811	\$1,869,558
American Dream Downpayment Initiative	50,000	10,000	...	...	...^a	10,000
Insular Areas	3,833	3,288	...	...	...^a	3,288
HOME/CHDO Technical Assistance	9,900	12,500	...	...	30,212	42,712
Housing Counseling .....	...^b	50,000	...	...	44,473	94,473
Program Management & Analytical Support .....	...	...	...	...	7	7
Working Capital Fund Transfer	3,465	3,465	...	...	...	3,465
Disaster Assistance .....	...	...	...	...	<u>499</u>	<u>499</u>
Total	1,966,640	1,704,000	...	...	320,002	2,024,002

a/ Carryover for the American Dream Downpayment Initiative and Insular Areas funds are included in the Formula Grants carryover.

b/ Funds for the Housing Counseling Assistance program are requested by the Office of Housing in a separate justification.

COMMUNITY PLANNING AND DEVELOPMENT
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
 2009 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>
2007 Appropriation	\$49,390	\$49,500	...	\$98,890	\$50,623	\$13,285
2008 Appropriation/Request	60,000	48,267	...	108,267	48,267	40,771
2009 Request	<u>40,000</u>	<u>60,000</u>	<u>...</u>	<u>100,000</u>	<u>60,000</u>	<u>50,098</u>
Program Improvements/Offsets	-20,000	+11,733	...	-8,267	+11,733	+9,327

The fiscal year 2009 budget proposes \$40 million for the Self-Help Homeownership Opportunity Program (SHOP) account. No funds are being requested for the Section 4 Capacity Building for Community Development and Affordable Housing Program.

The proposed funding for the SHOP competitive grant program is \$13.2 million (50 percent) higher than the fiscal year 2008 enacted amount. This request reflects the importance of this effort and the proven track record of the program. The requested funding will increase assistance to low- and very low-income families and individuals that otherwise could not become homeowners. The SHOP program leverages at least \$7 in resources from other sources for every SHOP dollar. Eligible uses of SHOP funds are land acquisition, infrastructure improvements and administrative costs.

The SHOP program was evaluated by OMB under the Program Assessment and Rating Tool (PART) in fiscal year 2006. The program was rated "effective;" it was noted that the program's purpose is clear, without major design flaws, and continues to serve an existing need for low- to very low-income families. It was also noted that SHOP has strong management practices, and has developed annual and long-term performance targets, and the program management regularly uses performance and financial data to demonstrate accountability, improve performance, and manage priorities. For its improvement plan, it was noted that additional annual and long-term outcome measures to assess community impact of the program, and completing an independent evaluation of program effectiveness, and areas of improvement were needed. These measures have since been added, and the Department has contracted with Applied Real Estate Analysis to conduct an independent evaluation. The evaluation is designed to assess the effectiveness of using homebuyer sweat equity and up-front subsidies to make housing affordable both initially and over the long term, to examine changing costs that may affect long-term affordability, and to analyze the impact of the housing built with sweat equity on the families and on the neighborhoods where the housing is located. The study focuses on SHOP grantees and affiliates receiving fiscal years 2001 and 2002 funds, and is planned to be completed in December 2008.

Initiatives

No new initiatives are proposed.

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>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Self-Help Homeownership Opportunity Program ..	\$18,677	\$19,800	\$38,477	\$19,800	\$26,500	\$18,677	\$45,177	\$40,000
Capacity Building	29,590	29,700	59,290	29,700	33,500	29,590	63,090	...
Housing Assistance								
Council	<u>1,123</u>	...	<u>1,123</u>	<u>1,123</u>	...	...	...	...
Total	49,390	49,500	98,890	50,623	60,000	48,267	108,267	40,000

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	2	2	2
Field	<u>3</u>	<u>3</u>	<u>3</u>
Total	5	5	5

Self-Help Homeownership Opportunity Program

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

Self-Help Homeownership Opportunity Program	<u>Amount</u>
2007 Appropriation	\$18,677
2008 Appropriation/Request	26,500
2009 Request	<u>40,000</u>
Program Improvements/Offsets	+13,500

Proposed Actions

Funding of \$40 million for the SHOP homeownership component in fiscal year 2009 will provide homeownership opportunities to approximately 2,100 low-income families over time. The SHOP funding requests in 2008 and 2009 recognize the importance and proven track record of this program. The funding requests also reflect the ability of the successful applicants to expand their staffing, outreach and production. Expanded demand for this program is evidenced by the fact that the availability of only \$19.8 million in fiscal year 2006 generated \$48 million in funding requests. This is further supported in fiscal year 2007, where \$18.7 million in available funds generated \$49.2 million in grant 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 the fiscal year 2009 requested amount will be needed to assist at least 2,100 households.

Program Design

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. Through fiscal year 2005, funds have been appropriated for SHOP as a set-aside in the CDBG appropriation. SHOP was established as a separate account in fiscal year 2006. Since the inception of the program, grantees have completed construction on 18,336 housing units as of September 30, 2007.

SHOP is successful because it provides funding for the acquisition and preparation of land to assist the efforts of national and regional non-profit organizations and consortia that have demonstrated a strong ability to obtain materials and mobilize volunteer labor to develop high quality affordable housing. Land costs and infrastructure expenses are key factors for driving the cost of homeownership beyond the reach of low-income families. SHOP funds serve as the "seed money" which provide 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, at least \$7 in resources from other sources is leveraged. This does not include sweat equity and volunteer labor required by this program.

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 as of fiscal year 2004. Thus, SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at expanding housing opportunities for low- and very low-income families across the country.

Self-Help Homeownership Opportunity Program

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

Capacity Building	<u>Amount</u>
2007 Appropriation	\$29,590
2008 Appropriation/Request	33,500
2009 Request	<u>...</u>
Program Improvements/Offsets	-33,500

Proposed Actions

No funding is requested in fiscal year 2009 for competitive awards under this program, reflecting limited overall budget resources and other higher funding priorities.

Self-Help Homeownership Opportunity Program

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

Housing Assistance Council	<u>Amount</u>
2007 Appropriation	\$1,123
2008 Appropriation/Request .....	...
2009 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

No funding is requested in fiscal year 2009 for competitive awards under this program, reflecting limited overall budget resources and other higher funding priorities.

Self-Help Homeownership Opportunity Program

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

Program Name: Self-Help Homeownership Opportunity Program					
Program Mission: SHOP provides homeownership opportunities to low-income homebuyers, who contribute sweat equity toward the construction of their house.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Promote affordable housing opportunities for low- and moderate-income households through homeownership assistance and housing rehabilitation assistance.	Grantee submitted reports	1,500	1,887	1,500	1,500
Maintain a leveraging ratio of at least 8.5:1 for private and other funds and resources invested in the housing versus SHOP funds.	Grantee submitted report	8.5:1	9.9:1	8.5:1	8.5:1
Capital Building: Cost for each home renovated, preserved, or newly constructed based upon data that identifies resources invested per unit produced.	Grantee submitted report	NA	NA	TBD	TBD

NA = Not Applicable.

TBD = To Be Determined.

Explanation of Indicators

Promote affordable housing opportunities for low- and moderate-income households through homeownership assistance and housing rehabilitation assistance from SHOP.

SHOP increases homeownership for low-income families, particularly those with incomes up to 65 percent of area median income by providing competitive grants to national and regional nonprofit organizations to subsidize the costs of land acquisition and infrastructure improvements. Homebuyers must contribute significant amounts of sweat equity to the construction or rehabilitation of the property.

Fiscal year 2009 results will continue to reflect the fiscal year 2004 increase from \$10,000 to \$15,000 in the program's allowable average assistance level per unit. Consequently, the fiscal year 2009 assistance goal is maintained at 1,500 units. The doubling in program funding requested in 2009, compared to the fiscal year 2007 appropriation level, will begin to affect results in fiscal year 2010, as fiscal year 2009 funds will be awarded on a competitive basis during the fourth quarter on fiscal year 2009.

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM

Justification of Proposed Changes in Appropriations Language

The 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For the Self-Help and Assisted Homeownership Opportunity Program, as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996, as amended, [~~\$60,000,000~~]*\$40,000,000*, to remain available until September 30, 2011, *of which up to \$990,000 is for technical assistance*[2010: *Provided*, That of the total amount provided under this heading, \$26,500,000 shall be made available to the Self-Help and Assisted Homeownership Opportunity Program as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996, as amended: *Provided further*, That \$33,500,000 shall be made available for the first four capacity building activities authorized under section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), of which up to \$5,000,000 may be made available for rural capacity building activities].

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Self-Help Homeownership Opportunity Program	\$18,677	...	...	...	\$19,800	\$38,477
Capacity Building	29,590	...	...	...	29,700	59,290
Housing Assistance Council	<u>1,123</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>1,123</u>
Total	49,390	...	...	...	49,500	98,890

Self-Help Homeownership Opportunity Program

COMMUNITY PLANNING AND DEVELOPMENT
 SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Self-Help Homeownership Opportunity Program	\$39,700	\$26,500	...	...	\$18,677	\$45,177
Capacity Building	30,000	33,500	...	...	29,590	63,090
Housing Assistance Council .....	...	...	...	...	...	...
Total	69,700	60,000	...	...	48,267	108,267

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOMELESS ASSISTANCE GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$1,441,600	\$1,596,808 ^a	-\$7,197	\$3,031,211	\$1,365,932 ^d	\$1,385,994
2008 Appropriation/Request	1,585,990	1,712,645 ^b	...	3,298,635	1,805,370 ^d	1,405,804
2009 Request	<u>1,636,000</u>	<u>1,543,265^c</u>	<u>...</u>	<u>3,179,265</u>	<u>1,680,465^d</u>	<u>1,440,103</u>
Program Improvements/Offsets	+50,010	-169,380	...	-119,370	-124,905	+34,299

a/ Carryover includes recaptures totaling \$50 million.

b/ Carryover includes estimated recaptures totaling \$50 million and excludes expired funds of \$2.6 million.

c/ Carryover includes estimated recaptures totaling \$50 million.

d/ Includes Working Capital Fund obligations.

Summary Statement

The fiscal year 2009 budget proposes \$1.636 billion for Homeless Assistance Grants (HAG), which is \$50 million more than the fiscal year 2008 appropriation and \$194.4 million more than the fiscal year 2007 level. Approximately \$365 million of the total funding will be used for Shelter Plus Care renewals and \$3 million is included to adequately fund research on models of homeless interventions that was begun in fiscal year 2008 with a \$25 million appropriation for a rapid re-housing demonstration.

The fiscal year 2009 budget request reflects both the Administration's priority to end chronic homelessness and the strong overall results that have been achieved under this program. HUD has in recent years been emphasizing to communities the importance of using HAG funds for housing activities. In fiscal year 2000, only 44 percent of HUD's competitive homeless funds used for housing and services were used for housing activities. As a result of the emphasis HUD has since placed on housing, by the 2007 competition, 64 percent of these funds were awarded for housing activities. This increase has resulted in additional housing for homeless persons nationwide. In December 2007, HUD announced new and renewal funding for over 168,000 transitional and permanent housing beds.

HUD continues to support the consolidation of its competitive homeless assistance programs into a single competitive program. This request provides significant support for the Department's on-going strategic objective to end chronic homelessness and move homeless families to permanent housing, as well as to meet the needs of the entire homeless population. The Department's consolidated legislative proposal, which combines Supportive Housing, Shelter Plus Care and Section 8 Single Room Occupancy (SRO) programs, will significantly streamline the delivery of homeless assistance in this nation.

HUD's Homeless Assistance Grants program provides Federal support to one of the nation's most vulnerable populations while working to reduce overall homelessness and end chronic homelessness. Homeless assistance funds are distributed through a unique competitive process called the Continuum of Care in which Federal funding is driven by the local decision-making process. The Continuum of Care (CoC) system is a community-based process that provides a coordinated housing and service delivery system that enables communities to plan for and provide a comprehensive response to homeless individuals and families. Communities have worked to establish more cost-effective continuums that identify and fill the gaps in housing and services that are needed to move homeless families and individuals

Homeless Assistance Grants

into permanent housing. The CoC system attempts to serve the specific needs of all homeless sub-populations within a particular community. It is an inclusive process that is coordinated with non-profit organizations, State and local government agencies, service providers, private foundations, faith-based organizations, law enforcement, local businesses, and homeless or formerly homeless persons. This planning model is based on the understanding that homelessness is not merely a lack of shelter, but involves a variety of unmet needs--physical, economic, and social.

The success the Department has had in focusing its resources on achieving performance is reflected in the 2005 evaluation by the Office of Management and Budget through the Program Assessment and Rating Tool (PART) in which HUD's Homeless Assistance Grants was the first program in the Department to receive the highest PART rating, "Effective."

Initiatives

For fiscal year 2009, HUD seeks to substantively strengthen the Continuum approach by streamlining the existing three competitive grant programs, as proposed by the Administration's proposed Homeless Assistance Consolidation Act, in order to both reduce homelessness overall, and to end chronic homelessness. The comprehensive program would replace the following funded programs:

- Supportive Housing Program (SHP), with its five sub-programs (Transitional Housing, Permanent Housing for Persons with Disabilities, Supportive Services Only, Safe Havens, and Innovative);
- Shelter Plus Care, with its five sub-programs (Tenant-based, Sponsor-based, Project-based without Rehabilitation, Project-based with Rehabilitation, and SRO); and
- Section 8 SRO Program.

This proposal makes several significant and systemic improvements. First, HUD will be able to provide needed funding more efficiently and effectively, reducing the number of applications and awards from approximately 6,000 to 460. Second, HUD's method of providing homeless assistance will be greatly simplified by the consolidation of program regulations such as match requirements, eligible activities and eligible applicants. Third, HUD's approach will be more comprehensive and will include for the first time, homeless prevention programs as an eligible activity. Fourth, funds will be available for planning and to serve persons more comprehensively, effectively and in a more timely fashion. As the lead Federal agency charged with serving all of the homeless populations with housing and services, regardless of their special need, this consolidation will allow HUD to significantly advance the coordinated planning, application, and award process.

Certain steps have already been undertaken in order to make the current grant efforts more targeted and more effective. These include: (1) bonus funds awarded in the Notice of Funding Availability (NOFA) to communities proposing new permanent housing projects serving chronically homeless; (2) additional rating points in the annual competition to communities that have developed a local strategy to end chronic homelessness and that are effectively addressing the problem; (3) additional rating points in the annual competition for communities that have actively enrolled homeless persons in mainstream supportive service and income support programs (e.g., Medicaid, Food Stamps, Temporary Assistance for Needy Families (TANF), Social Security Income (SSI)) so that HUD's dollars can be more efficiently focused on housing; and (4) a performance section linking the Government Performance and Results Act (GPRA) performance measurement requirements to local project operations. These steps help ensure that scarce Federal resources are allocated to programs that continue to demonstrate results, thus integrating performance with continued funding.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Summary of Resources by Program
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Grants	\$1,425,163	\$1,581,765	\$3,006,928	\$1,354,682	\$1,550,515	\$1,698,754	\$3,249,269	\$1,622,325
Technical Assistance/Data								
Analysis	4,750	12,872	17,622	8,041	5,200	10,391	15,591	8,000
Working Capital Fund ..	990	...	990	38	2,475	...	2,475	2,675
National Homeless Data Analysis Project	3,500	2,171	5,671	2,171	2,800	3,500	6,300	...
Rapid Re-housing Demonstration Project	...	...	...	...	25,000	...	25,000	...
Evaluation of Demonstration .....	...	...	...	...	...	...	...	3,000
Faith-Based Prisoner Re-Entry .....	...	...	...	...	...	...	...	...
Total	1,434,403	1,596,808	3,031,211	1,364,932	1,585,990	1,712,645	3,298,635	1,636,000

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	53	55	55
Field	<u>226</u>	<u>219</u>	<u>221</u>
Total	279	274	276

Homeless Assistance Grants

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)**

Grants	<u>Amount</u>
2007 Appropriation	\$1,425,163
2008 Appropriation/Request	1,550,515
2009 Request	<u>1,622,325</u>
Program Improvements/Offsets	+71,810

Proposed Actions

The following tables summarize the funding requested and the awards made as part of the fiscal year 2006 NOFA, excluding funds distributed by formula under the Emergency Shelter Grants program. Funding includes appropriated amounts and recaptures. The fiscal year 2006 NOFA is the more recently completed cycle, and awards were made in fiscal year 2007. Awards from the fiscal year 2007 appropriation and NOFA will be made during fiscal year 2008. The lag between appropriation and award is due to both the large number of projects and applicants and the complexities of the Homeless Assistance Grants program. Both of these points are addressed in the Administration's proposed reforms articulated both previously and later in this section.

Funding Requests
(Dollars in Millions)

Program	Total Projects Requested	Total Amount Requested	New Applicants	Requested Amount	Renewal Applicants	Requested Amount
SHP	5,235	\$1,047.1	576	\$173.1	4,659	\$874.1
SPC	1,024	413.3	213	121.4	811	291.8
SRO	7	6.8	7	6.8	0	0.0
Total	6,266	\$1,467.2	796	\$301.3	5,470	\$1,165.9

Funding Awards
(Dollars in Millions)

Program	Total Projects Funded	Total Amount Funded	New Applicants	Awarded Amount	Renewal Applicants	Awarded Amount
SHP	4,964	\$942.2	326	\$91.9	4,638	\$850.3
SPC	944	383.0	138	92.8	806	290.2
SRO	3	1.6	3	1.6	0	0.0
Total	5,911	\$1,326.8	467	\$186.3	5,444	\$1,140.5

Pursuant to the 2005 Appropriations Conference Report, the Department is providing, as part of the 2009 budget justifications, projected costs for renewing projects funded through the Shelter Plus Care Program and the Supportive Housing Program-Permanent Housing for Persons with Disabilities (SHP-PH) component. As required, projections for both programs are provided for each of the next 5 years beginning with 2008.

Homeless Assistance Grants

Shelter Plus Care (S+C) Renewals

The estimates for 1-year Shelter Plus Care renewal needs are based primarily on two factors: (a) the amount of renewals from the prior year which will be expected to renew again (this covers all ongoing, accumulating renewals from prior years); and (b) the amount of new S+C awards made 5 years prior to the year for which renewal demand is being estimated, which will now be renewed for the first time (the term of new S+C projects by law is 5 years). Based on HUD's experience that not all S+C grants eligible to seek renewal actually do so in any given year, the renewal estimates from known factors (a) and (b) above are contained within a range to accommodate the unknown percentage of projects that should renew in a given year but do not.

On the basis of this approach, the following chart displays the estimated range of S+C renewal need for the year in which the S+C projects will request renewals. One-year renewal terms are assumed:

<u>Fiscal Year</u>	<u>Estimated S+C Renewal Need</u>
2008	\$300 - 320 million
2009	\$345 - 365 million
2010	\$385 - 405 million
2011	\$425 - 445 million
2012	\$465 - 485 million

Supportive Housing Program—Permanent Housing for Persons with Disabilities Component

While estimating future renewal costs for Shelter Plus Care is difficult, projecting the cost of renewal SHP-PH renewals is even more challenging for the following reasons:

1. The law allows for varying SHP grant terms--1, 2, or 3 years are used. As such, some grantees will request to renew an SHP-PH project for 1 year, whereas other grantees will opt for a 2- or 3-year grant period. With over 450 communities receiving HUD McKinney competitive funds and well over 6,000 currently operating projects, HUD cannot predict with great certainty how much funding will be requested for each grant term in order to estimate future renewal demand. However, for purposes of this requirement, HUD assumes that from 2008 through 2012, a significant share of SHP-PH funds will be for 1-year terms.
2. New SHP-PH project funding from 2008 through 2012 will also be requested to meet the 30 percent requirement for permanent housing. Many new projects develop housing through acquiring, rehabilitating, and newly constructing facilities. Their progress often varies, depending on Not-In-My-Backyard (NIMBY) concerns, financing, etc. As the SHP grant term does not begin until the facility is finished and clients begin to be served, any delays can directly impact when a new grant will need to be renewed. Moreover, grantees often, but not always, renew projects for a shorter term than the original grant to comply with a local planning process, further complicating the ability to accurately estimate renewal demand.
3. Unlike S+C, there are numerous eligible SHP activities, some of which are renewable (e.g., operating costs) and some of which are not (e.g., acquisition). HUD cannot know in advance to what extent new SHP-PH projects will be funded for non-renewable activities in order to accurately reflect the actual amount of the grant that is renewable.

Homeless Assistance Grants

Notwithstanding these various cautionary notes, HUD provides the following range of estimates for SHP-PH renewal demand for each of the next 5 years:

<u>Fiscal Year</u>	<u>Estimated SHP Permanent Housing Renewal Need</u>
2008	\$280 - 300 million
2009	\$305 - 325 million
2010	\$330 - 350 million
2011	\$355 - 375 million
2012	\$360 - 380 million

Supportive Housing Program - Non-Permanent Housing Components

Although the renewal demand for SHP permanent housing is high, the demand for other types of eligible housing and services is even higher. HUD's non-permanent housing components include transitional housing, safe havens, supportive services, and homeless management information systems. As mentioned earlier with the permanent housing projects, the law allows for varying SHP grant terms--1, 2, or 3 years are used. As such, some grantees will request to renew an SHP project for 1 year, whereas other grantees will opt for a 2- or 3-year grant period. With over 450 communities receiving HUD McKinney competitive funds and well over 6,000 currently operating projects, HUD cannot predict with great certainty how much funding will be requested for each grant term in order to estimate future renewal demand. However, for purposes of this requirement, HUD assumes that from 2008 to 2012, a significant share of SHP funds will be for 1-year terms. The flexibility of the Supportive Housing Program allows for numerous eligible activities, some of which are renewable (e.g., operating costs) and some of which are not (e.g., acquisition). HUD cannot know in advance to what extent new SHP projects will be funded for non-renewable activities in order to accurately reflect the actual amount of the grant that is renewable. Notwithstanding these various cautionary notes, HUD provides the following range of estimates for SHP non-permanent housing renewal demand for each of the next 5 years:

<u>Fiscal Year</u>	<u>Estimated SHP Non-Permanent Renewal Need</u>
2008	\$520 - 540 million
2009	\$525 - 545 million
2010	\$530 - 550 million
2011	\$535 - 555 million
2012	\$540 - 560 million

Fiscal Year 2009 Proposal

The proposed streamlining of the Homeless Assistance Grants will make several significant and systemic improvements that will be realized in fiscal year 2009. First, HUD will be able to provide needed funding more efficiently and effectively, reducing the number of applications and awards from approximately 6,000 to 460. This will significantly reduce the amount of time it takes to award and obligate the current year appropriation. Second, HUD's method of providing homeless assistance will be greatly simplified by the consolidation of program regulations such as match requirements, eligible activities and eligible applicants. Third, HUD's approach will be more comprehensive and will include, for the first time, homeless prevention programs as an eligible activity. Fourth, funds will be available for planning and to serve persons more comprehensively, effectively and in a more timely fashion.

Most importantly, the core result of the streamlining of programs will be more housing. Any solution to homelessness must emphasize housing. In keeping with Congressional direction that a portion of HUD's homeless funds must be used for permanent housing, HUD's consolidated proposal specifies that at least 30 percent of funds be used for permanent housing. The proposal would also reduce match requirements for housing costs and contain other incentives to ensure that more of HUD's funds are used for housing.

In the 2007 competition, 60.5 percent of the funds were used for Housing/Operations, 34.0 percent for services, 2.3 percent for Homeless Management Information Systems (HMIS), and 3.2 percent for administrative costs. In fiscal year 2007, there were 168,489 beds funded.

Homeless Assistance Grants

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)**

Technical Assistance/Data Analysis	<u>Amount</u>
2007 Appropriation	\$4,750
2008 Appropriation/Request	5,200
2009 Request	<u>8,000</u>
Program Improvements/Offsets	+2,800

Proposed Actions

The Department proposes to use up to \$8 million for technical assistance (TA) and data analysis in fiscal year 2009. The TA funding will be used to educate communities on how the new program will work, to address local issues such as capital financing for initial acquisition and rehabilitation, to assist communities with their use of the HMIS, and to assess and evaluate the effectiveness of grantees' program performance.

Data analysis funding supports several key information systems that are critical for measuring and meeting HUD's Strategic Objectives related to homelessness. The funding is used to develop and operate a management information system that is reflective of each year's Continuum of Care (CoC) NOFA. The CoC competitive database is used to rate, rank, and select all new and renewal projects. For the 2007 competition, 6,266 projects were submitted and entered into the system, and 5,911 projects were awarded funding. The data analysis funds include maintaining prior year systems for essential program management, evaluation and reporting purposes. In addition, the funds are used to develop and manage a database of grantee performance reports, or Annual Progress Reports (APR), to be submitted by every active Supportive Housing, Shelter Plus Care and Section 8 SRO program--over 6,000 in all. At the direction of Congress, these funds have been used to provide assistance to communities nationwide in implementing HMIS for the collection of accurate information on homelessness at the local and national levels. Finally, at the direction of Congress, these funds have been used to conduct program assessments and evaluation research.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)

Working Capital Fund	<u>Amount</u>
2007 Appropriation	\$990
2008 Appropriation/Request	2,475
2009 Request	<u>2,675</u>
Program Improvements/Offsets	+200

Proposed Actions

This budget proposes at least \$2.7 million, and up to \$3.3 million for transfer to the Working Capital Fund (WCF) from this account for fiscal year 2009. This funding will allow the maintenance of information technology systems used for Community Planning and Development, including the Integrated Disbursement and Information System (IDIS), the Grants Management Process (GMP) system, and the Continuum of Care Special Needs Assistance Programs system (SNAPS). The funds are also necessary to incorporate the business rules and processes for Community Planning and Development grant programs into an enterprise grants management solution that will replace the current systems.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)

National Homeless Data Analysis Project	<u>Amount</u>
2007 Appropriation	\$3,500
2008 Appropriation/Request	2,800
2009 Request	<u>---</u>
Program Improvements/Offsets	-2,800

Proposed Actions

The fiscal year 2009 funding justification is found under the Technical Assistance/Data Analysis section. The division of funds between technical assistance and HMIS will be determined once funds are appropriated and specific needs and priorities are analyzed.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)

Evaluation of Demonstration	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request .....	...
2009 Request	<u>\$3,000</u>
Program Improvements/Offsets	+3,000

Proposed Actions

HUD funds demonstration programs to determine best practices for serving specific subpopulations such as families and the chronically homeless. The purpose of these demonstration programs is to examine types of interventions being used in the field in order to understand and replicate the components that result in the best outcomes for homeless persons and that demonstrate cost effectiveness. Funds allocated under the Evaluation of Demonstration line item will be used to assess the efficacy of these interventions/models, which will assist HUD to determine future funding priorities. The requested \$3 million will build on the funds appropriated in fiscal year 2008 for a demonstration project of rapid re-housing of homeless persons.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Program Offsets
(Dollars in Thousands)

Rapid Re-housing Demonstration Project	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$25,000
2009 Request .....	...
Program Improvements/Offsets	-25,000

Proposed Actions

No funds are being requested in fiscal year 2009 for this one-time demonstration project that was funded in fiscal year 2008. The purpose of the demonstration was to examine the "rapid re-housing" model for homeless families to determine the overall efficacy of the intervention and to develop replicable models for use in communities across the country.

Homeless Assistance Grants

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Performance Measurement Table**

Program Name: HOMELESS ASSISTANCE GRANTS					
Program Mission: End chronic homelessness and move homeless families and individuals to permanent housing.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The percentage of formerly homeless individuals who remain housed in HUD permanent projects for at least 6 months will be 77 percent for 2009.	Annual Performance Plans	71%	74.9%	71.5%	77%
The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 65 percent for 2009.	Annual Performance Plans	61.5%	68.9%	63.5%	65%
The employment rate of persons exiting HUD homeless assistance projects will be at least 20 percent for 2009.	Annual Performance Plans	17%	22.8%	19%	20%
Monitor 20 percent of active CPD program grantees for compliance with program requirements based on an annual risk assessment.	HUD Integrated Performance System	20%	22%	20%	20%
Efficiency Measure: The percentage of Homeless Assistance Grant funds used for housing activities will increase each year compared to the percentage used for supportive services.	PART	57%	60%	60%	60%

Explanation of Indicators

HUD's Homeless Assistance Grants program provides Federal support to one of the nation's most vulnerable populations while working to reduce overall homelessness and end chronic homelessness. These grants assist localities in establishing systems that can address the needs of different homeless populations while providing coordinated CoC systems that ensure the support necessary to help those who are homeless to attain permanent housing and move toward self-sufficiency.

For Homeless Assistance Grants, the Department requests \$1.64 billion to support Strategic Goal C: Strengthen communities. Funding for this program has been increased in recent years commensurate with the efforts of reducing overall homelessness and ending chronic homelessness. Additional resources are also integrated into the overall homeless efforts through other HUD programs as well as coordination with other departments and agencies.

Homeless Assistance Grants

End chronic homelessness. By streamlining HUD's array of different programs into a single program, communities will be able to both receive the funds in a timelier manner and focus attention on that portion of the homeless population that tends to cycle in and out of the homeless system. Anecdotal evidence indicates persons with disabilities who are homeless for extended periods of time, often referred to as the chronically homeless, consume a disproportionate share of available resources (psychiatric facilities, jails, detox centers, hospitals, emergency shelters, etc.) without having their basic needs appropriately addressed.

The fiscal year 2009 proposal also supports the objective to end chronic homelessness by ensuring that at least 30 percent of the grant funds be dedicated to providing permanent housing; many of those housed will be chronically homeless. By providing a permanent solution, chronically homeless persons will not need to continue to cycle from the streets to shelters, receiving stop-gap assistance that does not address their primary need, permanent housing and supportive services.

There has been an increase in the amount of homeless assistance funds used for housing costs rather than supportive services since 2000. In 2000, 44 percent of homeless assistance funds awarded for housing or supportive services were used for housing related costs; in 2007, 64 percent of funds were used for housing costs. Many of the permanent housing units created serve chronically homeless persons.

Finally, the fiscal year 2009 proposal would provide for a portion of the grants to be used to implement and operate Homeless Management Information Systems (HMIS) to allow communities to measure the incidence, reduction and eventual elimination of chronic homelessness. The coordination of housing and supportive services is crucial to breaking the cycle of homelessness. HUD's proposal allows grantees to use a percentage of their grant to implement and operate an HMIS that can help facilitate a coordinated set of housing and service resources for homeless persons within the community.

While the chronically homeless are often the most visible of the homeless population, there are a substantial number of families and individuals who experience temporary crises and then become homeless. The factors that lead to their homelessness include a lack of affordable housing, high unemployment and low wages, and the presence of domestic violence, substance abuse, or health problems. The proposal's provision to ensure that at least 30 percent of the grant funds are used for permanent housing provides a significant amount of resources for meeting the objective of moving persons to permanent housing.

The proposed program would significantly improve communities' ability to prevent homelessness. Currently, the only avenue through HUD's homeless assistance programs to prevent homelessness is through the Emergency Shelter Grants (ESG) Program. The law limits the amount of ESG funds that can be used for prevention to 30 percent. As such, only about 3 percent of the current overall HUD homeless funding account can be used for homeless prevention. The proposed homeless fund would allow communities to use a larger portion of the overall grant for prevention. Moreover, the proposal emphasizes that these funds be used to prevent discharge from publicly funded institutions into the homeless system. This increased flexibility will allow communities to better target resources to prevent homelessness so that the much higher human and financial costs associated with a family falling into homelessness can be avoided.

Homeless Assistance Reporting and Program Evaluation. The fiscal year 2009 proposal would improve reporting and evaluation in several ways. Accountability would be increased because Continuums would administer all grant funds and monitor and assess its projects. In addition, HMIS would enable communities to generate reports using client-based information that is richer and easier to analyze than the current project-level reporting now required. This reporting allows for completions of the Congressionally required Annual Homeless Assessment Report (AHAR).

Efficiency Measure. An efficiency measure has been established that will compare the use of HUD funds for housing rather than services.

**COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Justification of Proposed Changes in Appropriations Language**

The 2009 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For the emergency shelter grants program as authorized under subtitle B of title IV of the McKinney-Vento Homeless Assistance Act, as amended; the supportive housing program as authorized under subtitle C of title IV of such Act; the section 8 moderate rehabilitation single room occupancy program as authorized under the United States Housing Act of 1937, as amended, to assist homeless individuals pursuant to section 441 of the McKinney-Vento Homeless Assistance Act; and the shelter plus care program as authorized under subtitle F of title IV of such Act, [~~\$1,585,990,000~~]*\$1,636,000,000*, of which [~~\$1,580,990,000~~]*\$1,631,000,000* shall remain available until September 30, [~~2010~~]*2011*, and of which \$5,000,000 shall remain available until expended for rehabilitation projects with ten-year grant terms: *Provided*, That [of the amounts provided, \$25,000,000 shall be set aside to conduct a demonstration program for the rapid re-housing of homeless families: *Provided further*, That of amounts made available in the preceding proviso, not to exceed \$1,250,000 may be used to conduct an evaluation of this demonstration program: *Provided further*, That funding made available for this demonstration program shall be used by the Secretary, expressly for the purposes of providing housing and services to homeless families in order to evaluate the effectiveness of the rapid re-housing approach in addressing the needs of homeless families] up to \$50,000,000 of the funds appropriated under this heading may be used for a Samaritan Housing Initiative that will specifically address the supportive housing needs of chronically homeless individuals: *Provided further*, That not less than 30 percent of funds made available, excluding amounts provided for renewals under the shelter plus care program, shall be used for permanent housing for individuals and families: *Provided further*, That all funds awarded for services shall be matched by *not less than 25 percent* in funding by each grantee: *Provided further*, That the Secretary shall renew on an annual basis expiring contracts or amendments to contracts funded under the shelter plus care program if the program is determined to be needed under the applicable continuum of care and meets appropriate program requirements and financial standards, as determined by the Secretary: *Provided further*, That all awards of assistance under this heading shall be required to coordinate and integrate homeless programs with other mainstream health, social services, and employment programs for which homeless populations may be eligible, including Medicaid, State Children's Health Insurance Program, Temporary Assistance for Needy Families, Food Stamps, and services funding through the Mental Health and Substance Abuse Block Grant, Workforce Investment Act, and the Welfare-to-Work grant program: *Provided further*, That up to \$8,000,000 of the funds appropriated under this heading shall be available for the national homeless data analysis project and technical assistance: *Provided further*, That [not to exceed \$2,475,000 of the funds appropriated] of the total amount made available under this heading, at least \$2,675,000 shall, and up to \$3,343,750 may be transferred to the Working Capital Fund: *Provided further*, That \$3,000,000 of the funds appropriated under this heading shall be used to conduct an evaluation of demonstration programs: *Provided further*, That all balances for Shelter Plus Care renewals previously funded from the Shelter Plus Care Renewal account and transferred to this account shall be available, if recaptured, for Shelter Plus Care renewals in fiscal year [~~2008~~]*2009*.

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
 HOMELESS ASSISTANCE GRANTS
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Grants	\$1,432,360	-\$7,197	...	...	\$1,581,765	\$3,006,928
Technical Assistance/Data Analysis ..	4,750	...	...	...	12,872	17,622
Working Capital Fund	990	...	...	...	...	990
National Homeless Data Analysis						
Project	3,500	...	...	...	2,171	5,671
Rapid Re-housing Demonstration						
Project .....	...	...	...	...	...	...
Evaluation of Demonstration .....	...	...	...	...	...	...
Faith-Based Prisoner Re-Entry .....	...	...	...	...	...	...
Total	1,441,600	-7,197	...	...	1,596,808	3,031,211

Homeless Assistance Grants

COMMUNITY PLANNING AND DEVELOPMENT
 HOMELESS ASSISTANCE GRANTS
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Grants	\$1,550,515	\$1,550,515	...	...	\$1,698,754	\$3,249,269
Technical Assistance/Data Analysis ..	5,200	5,200	...	...	10,391	15,591
Working Capital Fund	2,475	2,475	...	...	...	2,475
National Homeless Data Analysis						
Project	2,800	2,800	...	...	3,500	6,300
Rapid Re-housing Demonstration						
Project .....	...	25,000	...	...	...	25,000
Evaluation of Demonstration .....	...	...	...	...	...	...
Faith-Based Prisoner Re-Entry	<u>25,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	1,585,990	1,585,990	...	...	1,712,645	3,298,635

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2009 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$286,110	\$90,016 ^a	...	\$376,126	\$261,454	\$277,789
2008 Appropriation/Request	300,100	114,671	...	414,771	299,000	303,000
2009 Request	<u>300,100</u>	<u>115,772</u>	...	<u>415,872</u>	<u>298,000</u>	<u>289,000</u>
Program Improvements/Offsets .....	...	+1,101	...	+1,101	-1,000	-14,000

a/ Carryover includes \$394,292 of recaptured funds.

Summary Statement

The Department requests \$300.1 million for the HOPWA program in fiscal year 2009. This funding level is same as the fiscal year 2008 appropriation and \$14 million more than the fiscal year 2007 enacted. The fiscal year 2009 request continues amounts as appropriated for fiscal year 2008. After designated amounts noted below, 90 percent, \$267.2 million, of HOPWA funding would be distributed by formula to qualifying states and metropolitan areas, and the remaining funds, \$29.7 million, would be distributed through a competitive grant processes, with priority to renewal of expiring successful permanent housing projects. Approximately 1 percent of funds are used to support program results with \$1.485 million is designated for technical assistance, training and oversight. Additionally, the HOPWA program is requesting \$1.75 million in funds to be transferred to the Working Capital Fund to support information technology systems needed to operate the program.

The fiscal year 2009 level of funding will allow the Department to increase its projected housing assistance to support an estimated 70,500 households as funds are used in future years, representing an increase of an estimated 2,650 households above the fiscal year 2007 operating level of HOPWA projects which reported serving 67,850 households. HOPWA funding is utilized in a highly targeted and efficient manner, resulting in the program's achievement of performance goals at a very modest cost per person assisted.

The funding request for HOPWA is needs-driven and reflects the Department's priority for providing stable and permanent housing assistance to the most vulnerable populations, including very low-income persons living with HIV or AIDS--who face homelessness and other challenges. Recent AIDS surveillance data provided by the Center for Disease Control and Prevention (CDC) report that the estimated number of people living with HIV disease in the United States is between 1,039,000 and 1,185,000. The number of new HIV infections is estimated to be over 40,000 each year and data for the last calendar year 41,993 cases of AIDS along with 17,011 deaths due to AIDS were reported occurring in CDC surveillance data. In addition, the Health Resources and Services Administration (HRSA), United States Department of Health and Human Services, has noted that introduction of Highly Active Anti-retroviral Therapy (HAART) has had an impact on morbidity due to AIDS and that the number of persons living with HIV in the United States has increased. From 1999 to 2003, the number of persons living with AIDS rose from 311,205 to 405,926--an increase of 30 percent (source: HRSA Testimony to the Senate Committee on Homeland Security and Governmental Affairs, April 26, 2006).

The use of Federal housing resources to help HOPWA's beneficiaries, who have very serious needs, has been shown to save and improve lives: stable housing serves as a base from which clients may participate in an effective comprehensive care program. The Department has placed great emphasis on meeting direct housing needs of persons living with AIDS or HIV and assisting grantees in targeting resources to priority housing needs by providing rental assistance, developing new housing resources, and operating housing facilities for this special needs population. For competitive grants, HUD has selected model projects that demonstrate effective ways to provide supportive housing and coordinate assistance for this population.

Program Evaluation

The fiscal year 2009 budget continues the Department's legislative recommendation that the data sources used to calculate annual HOPWA formula allocations for eligible states and cities be updated. This legislation would permit the Department to implement adjustments to the HOPWA formula through regulation to use current data on the number of persons living with AIDS and allow for a housing cost factor to reflect differences in area housing needs. This authorization would also allow for a future update of data sources so that information on the number of persons living with HIV can be used, once it is available from the CDC on a national basis.

Because the current formula was based on the nature of AIDS data available in 1990 when the HOPWA authorization was enacted, annual allocations are calculated using CDC data on area numbers of cumulative AIDS cases and AIDS incidence. Since 1990, surveillance data shows that over one-half of the persons reported with AIDS have died due to AIDS-related illnesses. In HUD's view, the use of such cumulative data can be replaced with more current and available data that reflect the number of persons currently living with AIDS in eligible areas. The use of data on persons living with AIDS and the later use of national HIV surveillance data would allow for a more effective and efficient targeting of these housing resources, thereby better serving the needs of the program's beneficiaries. This updating of the distribution of HOPWA resources is consistent with recent management assessments. The updated formula addresses a deficiency identified in the HUD and OMB review of the HOPWA program, under the Program Assessment Rating Tool (PART) conducted for fiscal year 2005 and a Government Accountability Office (GAO) review in 2006 on equity concerns in Federal AIDS program funding. These reviews on HOPWA noted strong program purposes and identified a need to replace data elements in the allocation mechanism, which was established by statute in 1990. Both questioned the use of cumulative AIDS data and incidence as the formula in double-counting data for some areas.

The funding request for these targeted housing efforts complements the delivery of AIDS-related health care for eligible persons. A study conducted in partnership with CDC on results for beneficiaries of HOPWA support will provide insight on the direct connection of housing as a base to enable consistent and successful participation in HIV treatment and address the cost effectiveness of a housing intervention that reduces public care costs. The request builds on the performance reporting results shown by HOPWA projects that the Federal assistance is maintaining beneficiaries in stable housing, reducing risks of homelessness and improving their access to care. It is consistent with research on the needs of this special needs population, now estimated by CDC to be over one million Americans living with HIV. The expanded HOPWA efforts would help remove one of the presenting barriers to better health outcomes by addressing the lack of stable housing that interferes with participation in HIV-drug treatments and related care.

The fiscal year 2009 budget request is consistent with the HOPWA program's performance reviews and recipients' demonstrated capacity to make use of appropriated resources, as evidenced in outlay records showing high expenditure levels in using HOPWA resources consistently above or near new appropriation levels in the last three years along with the consistent large number of households assisted through their community efforts. The beneficial impact of this program has been demonstrated by a national evaluation by HUD's Office of Policy Development and Research (PD&R) (See, http://www.huduser.org/publications/hsgspec/hopwa_0101.html), issued in January 2001. The report noted that the HOPWA program enhances clients' housing stability, which increases the "ability of clients to focus on maintaining good health and adhering to medical regimens," and clients report a high level of satisfaction with the housing they are receiving through HOPWA assistance, in terms of housing stability, adequacy of housing, and quality of life.

Research and program studies have shown insight on benefits that housing assistance has for persons living with HIV/AIDS. Since 2003, HUD has been working in partnership with the Centers for Disease Control and Prevention on the *Housing and Health Study* to examine the impact of providing rental housing assistance to Persons Living with HIV/AIDS who were homeless or at severe risk of homelessness. Data collected by the CDC is now under review, in preparation for issuing findings on the housing impact on (1) risk behaviors that might transmit HIV, (2) medical care access and utilization, (3) adherence to HIV medication therapies, and (4) mental and physical health (See, <http://www.springerlink.com/content>). Additionally, the project will offer insight to help determine whether the provision of housing assistance to persons living with HIV/AIDS was cost-effective when compared to other HIV prevention and intervention methods. This study represents an unprecedented interdepartmental collaboration, which is expected to culminate with scientifically based research papers, to be issued in late 2007 and 2008, documenting research on the effectiveness of housing assistance on reducing the risk of HIV and improving health outcomes for persons living with HIV/AIDS.

Housing Opportunities for Persons with AIDS

Research is underway with CDC and in other assessments to review cost savings to public care systems. For example, the use of supportive housing as an intervention for special needs households would help reduce use and related costs for emergency services, hospitalization, and nursing care, once beneficiaries as stabilized in housing and accessing health care and needed services. A study underway with HOPWA clients who were homeless has given some preliminary information provided to HUD. In this effort, the preliminary data on the costs for daily support in supportive housing efforts, averages \$34 per day, compared to hospitalization costs of \$2,168 per day, and compared to nursing care at \$84 to \$132 per day. The report is expected to be issued in 2008.

Program outlays for HOPWA grants have risen in recent operating years, with results showing a 3-year average at \$290 million in outlays, providing a consistent record of high level of expenditures in using HOPWA resources in a timely manner to provide assistance to beneficiaries. In fiscal year 2007, HOPWA assisted 120 formula grantees and 103 competitive grantees. Activities are coordinated by a total of 870 project sponsors, which include 787 under the formula program and an additional 83 project sponsors in competitive projects. Of these organizations, 123 are identified as faith-based organizations, 125 as government housing agencies, and there are 622 other nonprofit organizations. These efforts are undertaken in all parts of the nation and address the housing needs of HOPWA clients, which have consistently risen due to an increase in the number of persons living with HIV/AIDS and an increase in housing costs.

HUD utilizes HOPWA resources to provide direct housing support, which serves as a basis for clients to improve their participation in health care and other supportive services, thus resulting in improved health outcomes. Comprehensive data for fiscal year 2007 show that a total of 67,850 households received housing assistance through both the formula and competitive HOPWA programs, mainly in the form of rent payments to help maintain current housing arrangements. For fiscal year 2008, the Department has set the program's housing output goal at 67,000 households, a number based on the adjusted appropriated funding level and updated performance reporting data. Pending approval, HUD projects will use additional 2008 and 2009 resources to expand efforts and assist 70,500 households in fiscal year 2009, an increase of 3,500 households over the projected fiscal year 2008 performance level.

An essential component of providing housing assistance for a special needs population is the coordination and delivery of supportive services, such as: support for residents with their daily living activities; case management; substance abuse treatment and counseling; and other services. HOPWA funds are eligible to be used for supportive service activities to ensure that clients are stably housed, which reduces their risk of homelessness and allows them to access needed care. Clients also address their supportive service needs by accessing a range of mainstream health and supportive services funded by other sources, such as HHS through the Ryan White HIV/AIDS Treatment Modernization Act. In 2006, data collected in the first year for standardized reporting on client-outcomes for HOPWA beneficiaries indicated that 93 percent of clients receiving tenant-based rental assistance, and 88 percent of those in HOPWA-provided permanent supportive housing projects, achieved positive client outcomes. This data demonstrates the positive effects that HOPWA clients can achieve through the assistance of the Department, and exceeds HUD's goal of showing that 80 percent of clients were able to achieve housing stability, avoid homelessness, and access care by 2008.

HUD provided program data to the Government Accountability Office for a review conducted in 2006 on Federal AIDS programs (See, <http://www.gao.gov/new.items/d06703t.pdf>), which demonstrated that 66 percent of HOPWA funds expended were for direct housing costs, and an additional 4 percent was used for related housing placement information costs. Costs for related support for clients were reported at 25 percent of overall spending, and grant administration costs represented 5 percent of funds expended. The data represent fiscal year 2005 information which was collected and verified from all HOPWA grantees on actual program year accomplishments.

To supplement funding from the Department, HOPWA formula grantees also committed significant amounts of other resources to their projects and provided support to an additional 51,203 households with leveraged funds of more than \$334 million, about \$2.16 for each HOPWA dollar expended on housing costs. In the competition for fiscal year 2006, the selected projects and renewal grants reported that they had leveraged over \$63 million in other resources to support their awarded projects, about \$2.29 of other funds for each HOPWA dollar awarded.

Program Performance Measurement

The Program Assessment Rating Tool (PART) evaluation conducted by HUD and OMB, in conjunction with the fiscal year 2005 budget formulation process, determined that the HOPWA program is largely well-established with a clear program purpose and design; that its strategic planning efforts account for the annual use of funds under output indicators on the housing provided; and that the program shows evidence of strong program management. The review noted that HUD uses information to evaluate and improve HOPWA program efforts and that the program is achieving identifiable program results. Demonstration of these results has become increasingly evident as grantees have begun to report on how projects have achieved housing stability for clients, enabling them to increase their participation in comprehensive care. Since the PART evaluation was conducted, HUD has fully implemented the two recommendations provided by OMB: (1) completing a statutory update to the relevant data used in the HOPWA formula; and (2) requiring grantees to report on progress toward achieving the program's long-term client outcome measures. A legislative proposal addressing the HOPWA formula has been recommended for Congressional consideration, and HOPWA grantees now report annual results on their clients' ability to achieve or maintain housing stability, reduce their risks of homelessness, and improve their access to care.

In early 2006, the Department issued client outcome measures in new reporting formats for HOPWA formula and competitive grantees and provided related training for all grantees. The revised requirements were made in coordination with reporting for the Community Planning and Development formula programs. In addition, the Department issued a final rule implementing changes identified under the Consolidated Plan Improvement Initiative. The rule established a regulatory requirement that HOPWA grantees establish annual goals and annual reports for the use of housing funds, for the number of households benefiting from rental assistance, for short-term housing support and for residency in community housing facilities. HUD evaluated initial data collected in 2006 with the new reporting forms to determine whether its quality was adequate to support the program goals, or whether the forms were in need of refinement. As part of this data quality evaluation effort, in 2007, the Department collaborated with various HOPWA stakeholders, consisting of formula and competitive grantees, as well as technical assistance providers, to review the current data element of HUD's Annual Progress Report (APR) for competitive grantees and Consolidated Annual Performance and Evaluation Report (CAPER) for formula grantees. HUD consulted extensively with grantees and technical assistance providers, some of which occurred at a series of 38 regional trainings--for 693 grantees and project sponsors--and HOPWA's National Grantee Training in February 2007. The effort identified areas needing clarification for grantees and project sponsors, and subsequently resulted in the refinement of these sections of the APR and CAPER. The revised reporting forms are expected to be used beginning in 2008 to further facilitate reporting on the client outcome focus in results.

In 2006 and 2007, the Integrated Disbursement and Information System (IDIS) was updated to allow for collection of client outcome data (Version 10.0) and integrate HOPWA efforts with other CPD programs by reporting results as part of a performance matrix on sustainability, affordability, and availability of decent housing and other resources. Also in 2007, an updated version of IDIS (Version 10.2) was released and made available for enhanced reporting capacity to enable grantees to generate annual reports on their annual housing outputs and client outcomes. Further system enhancements are expected in 2008 that will increase the functionality of IDIS for the HOPWA formula program. HUD has requested that HOPWA funds support the development and maintenance of updated information technology systems by designating a small amount of HOPWA funds to be transferred to the Department's Working Capital Fund.

The activities of the HOPWA program support HUD's 2008-2011 Strategic Plan goals to: Promote decent affordable housing and strengthen communities. Within these strategic goals, the HOPWA program supports the objectives to: expand access to affordable rental housing, end chronic homelessness, and move homeless families and individuals to permanent housing. Objectives for embracing high standards of ethics, management and accountability are also addressed through improvements in program oversight. HUD addressed these goals through its 2006 development and implementation of appropriate HOPWA long-term client outcome indicators that measure the program's ability to help clients achieve and maintain housing stability; avoid homelessness, and improve access to care. In addition, the Department's 2007 efforts to analyze initial outcome performance data and refine performance measurement forms, through collaborations with grantees and technical assistance providers, further indicate the program's commitment to the HUD Strategic Plan.

Required HOPWA Performance Goals. HOPWA grant recipients must conduct activities consistent with their planned annual housing assistance output goals, objectively measure actual achievements against anticipated achievements, and report on their results. Grantees must also report on their client outcomes, with the goal that by 2008-2011, 80 percent of HOPWA clients will have achieved or maintained housing stability, avoided homelessness, and increased their access to HIV treatment and other care. Further, technical

Housing Opportunities for Persons with AIDS

assistance and management guidance, where necessary, will be provided to project reporting below this target to address service delivery challenges and help insure achievement of good outcomes for this special needs population.

(1) Required Output. The number of households being assisted during each operating year under the three main types of HOPWA housing support are: (a) short-term rent, mortgage and utility payments to prevent homelessness; (b) rental assistance programs, and (c) units provided in facilities that are developed and operated with HOPWA funds, including community residences and Single Room Occupancy (SRO) dwellings. Grantees currently report on this use of funds for eligible activities. The projected breakdown based on past activities on a nationwide basis indicates that 67,000 households benefit from HOPWA housing assistance (2006-2007 program year). These households receive support in the three types of housing components, including 22,000 households with tenant-based rental assistance, 39,000 with short-term payments to prevent homelessness, and 6,000 households in community residences or other housing facilities.

(2) Required Outcome. Housing assistance results in positive client outcomes for program beneficiaries, enabling them to establish or maintain housing stability, reduce their risks of homelessness, and improve access to care and other support. A number of grantees have tested the 2006 HOPWA reporting form and provided initial client outcome data. For fiscal year 2007, HUD received performance reports from 147 grantees who provided program results data on client outcomes. The outcome data indicate that 93 percent of households have stable housing arrangements or reduced risks of homelessness, exceeding the national goal of 80 percent. Data on clients in short-term programs is incomplete but demonstrates, where known, that the short-term efforts address the program goals in helping beneficiaries avoid homelessness, with 92 percent reported having on-going or temporary housing arrangements that prevented the loss of housing. To help guide the use of the short-term efforts in connection with these performance goals, training has been conducted consistent with CPD Notice 06-07, *Standards for HOPWA Short-term Rent, Mortgage and Utility (STRMU) Payments and Connections to Permanent Housing*.

(3) Efficiency Measure. HUD has also established an efficiency measure for the HOPWA program, which demonstrates that the costs per household served by rental assistance are cost effective when compared to average per unit costs for other types of rental subsidies. Data noted above for the 2007 program year indicates an average HOPWA program cost of \$4,320 per household assisted in annual rental assistance programs (about \$360 per month), compared to the HUD Housing Choice Voucher Program which operates at about \$6,600 per household assisted (\$550 per month). This efficiency measure is currently undergoing review and possible revision.

Housing Opportunities for Persons with AIDS

COMMUNITY PLANNING AND DEVELOPMENT
 HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Formula Grants	\$256,162	\$57,366	\$313,528	\$232,485	\$267,417	\$81,042	\$348,459	\$267,179
Competitive Grants	28,463	31,157	59,620	27,484	29,713	32,136	61,849	29,686
Technical Assistance ..	1,485	1,493	2,978	1,485	1,485	1,493	2,978	1,485
Working Capital Fund ..	...	...	...	...	1,485	...	1,485	1,750
Total	286,110	90,016	376,126	261,454	300,100	114,671	414,771	300,100

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	15	15	15
Field	32	34	34
Total	47	49	49

Housing Opportunities for Persons with AIDS

DISTRIBUTION OF FUNDS BY GRANTEE

The distribution of HOPWA funds for the 2007, 2008, and 2009 appropriations are shown below. The 2009 amounts are estimates for local and State grantees located within these States based on fiscal year 2008 distribution (as relevant data for future allocations are not yet available).

<u>GRANTEE</u>	<u>2007 ACTUAL</u>	<u>2008 ESTIMATE</u>	<u>2009 ESTIMATE</u>
	(Dollars in Thousands)		
Alabama.....	\$1,163	\$1,195	\$1,195
Birmingham.....	516	533	533
Arkansas.....	720	738	738
Arizona.....	180	181	181
Phoenix.....	1,456	1,496	1,496
Tucson.....	390	406	405
California.....	2,926	3,058	3,058
Los Angeles.....	10,393	10,763	10,763
Oakland.....	1,896	1,989	1,989
Riverside.....	1,689	1,758	1,758
Sacramento.....	784	821	821
San Diego.....	2,551	2,661	2,661
San Francisco.....	8,189	8,425	8,425
San Jose.....	739	770	770
Santa Ana.....	1,345	1,419	1,419
Colorado.....	363	380	380
Denver.....	1,361	1,419	1,419
Bridgeport.....	739	769	769
Connecticut.....	252	264	264
Hartford.....	1,098	1,157	1,157
New Haven.....	1,075	1,230	1,230
District of Columbia.....	11,118	11,870	11,870
Delaware.....	167	173	173
Wilmington.....	552	709	709
Cape Coral.....	332	351	351
Florida.....	3,316	3,458	3,458
Ft. Lauderdale.....	6,878	6,929	6,929
Jacksonville-Duval.....	1,630	1,657	1,657
Lakeland.....	418	465	465
Miami.....	11,689	11,681	11,681
Orlando.....	2,895	3,034	3,034
Sarasota.....	391	407	407
Tampa.....	2,772	2,654	2,654
West Palm Beach.....	3,235	3,753	3,753
Atlanta.....	6,801	5,522	5,522
Augusta.....	394	393	393
Georgia.....	1,621	1,645	1,645
Hawaii.....	160	169	169
Honolulu.....	419	448	448
Iowa.....	336	344	344

Housing Opportunities for Persons with AIDS

<u>GRANTEE</u>	<u>2007</u> <u>ACTUAL</u>	<u>2008</u> <u>ESTIMATE</u>	<u>2009</u> <u>ESTIMATE</u>
	(Dollars in Thousands)		
Chicago.....	\$5,572	\$5,805	\$5,805
Illinois.....	875	913	913
Indiana.....	\$822	\$858	\$858
Indianapolis.....	752	784	784
Kansas.....	332	346	346
Kentucky.....	408	428	428
Louisville.....	453	467	467
Baton Rouge.....	1,409	1,641	1,641
Louisiana.....	975	993	993
New Orleans.....	2,914	3,129	3,129
Boston.....	1,690	1,795	1,795
Lowell.....	622	655	755
Lynn.....	312	331	331
Massachusetts.....	166	175	175
Springfield.....	418	443	443
Worcester.....	349	370	370
Baltimore.....	8,038	7,985	7,985
Gaithersburg.....	539	547	547
Maryland.....	345	363	363
Detroit.....	1,640	1,667	1,667
Michigan.....	893	916	916
Warren.....	409	414	414
Minneapolis.....	833	865	865
Minnesota.....	114	117	117
Kansas City.....	918	958	958
Missouri.....	450	475	475
St. Louis.....	1,140	1,201	1,201
Jackson.....	899	906	906
Mississippi.....	783	812	812
Charlotte.....	626	623	623
North Carolina.....	2,154	2,189	2,189
Wake County.....	382	382	382
Camden.....	610	647	647
Jersey City.....	2,443	2,656	2,656
New Jersey.....	1,056	1,111	1,111
Newark.....	4,924	5,476	5,476
Paterson.....	1,250	1,339	1,339
Woodbridge.....	1,351	1,435	1,435
New Mexico.....	514	537	537
Las Vegas.....	897	921	921
Nevada.....	219	229	229
Albany.....	439	455	455
Buffalo.....	480	501	501
Islip Town.....	1,608	1,688	1,688

Housing Opportunities for Persons with AIDS

<u>GRANTEE</u>	2007	2008	2009
	<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>ESTIMATE</u>
	(Dollars in Thousands)		
New York.....	\$1,809	\$1,876	\$1,876
New York City (sub-allocation).....	54,723	59,090	58,842
Poughkeepsie.....	812	709	709
Rochester.....	605	\$625	\$625
Cincinnati.....	530	541	541
Cleveland.....	\$840	\$862	\$935
Columbus.....	608	622	622
Ohio.....	1,051	1,083	1,083
Oklahoma.....	437	520	520
Oklahoma City.....	506	454	454
Oregon.....	317	333	333
Portland.....	943	989	989
Pennsylvania.....	1,527	1,616	1,616
Philadelphia.....	6,650	7,394	7,394
Pittsburgh.....	619	650	650
Puerto Rico.....	1,616	1,705	1,705
San Juan Municipio.....	5,632	6,132	6,132
Providence.....	773	810	810
Charleston.....	401	414	414
Columbia.....	1,034	1,087	1,087
South Carolina.....	1,403	1,448	1,448
Memphis.....	1,879	1,965	1,965
Nashville-Davidson.....	757	769	769
Tennessee.....	756	780	780
Austin.....	947	981	981
Dallas.....	3,134	3,279	3,279
Ft. Worth.....	819	849	849
Houston.....	6,579	6,304	6,304
San Antonio.....	972	1,014	1,014
Texas.....	2,733	2,809	2,809
Salt Lake City.....	346	369	369
Utah.....	111	117	117
Richmond.....	660	694	694
Virginia.....	615	645	645
Virginia Beach.....	937	982	982
Seattle.....	1,604	1,686	1,686
Washington.....	622	647	647
Milwaukee.....	492	519	519
Wisconsin.....	<u>391</u>	<u>406</u>	<u>406</u>
Total Formula Grants.....	256,162	267,417	267,179
Total Competitive Grants.....	28,463	29,713	29,686
Technical Assistance.....	1,485	1,485	1,485
Working Capital Fund.....	<u>...</u>	<u>1,485</u>	<u>1,750</u>
Total HOPWA.....	286,110	300,100	300,100

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2007 Appropriation	\$256,162
2008 Appropriation/Request	267,417
2009 Request	<u>267,179</u>
Program Improvements/Offsets	-238

Proposed Actions

Formula Changes. The fiscal year 2009 budget continues the Department’s recommendation to update the statutory HOPWA formula, which is used to distribute 90 percent of appropriated funds for this Federal program. As enacted in 1990, the current formula relies on: (a) cumulative cases of AIDS, including data over the 25 years of this epidemic, which involves many persons who have died due to AIDS; and (b) area incidence of cases of AIDS, allocating one-quarter of funds only to those cities with a higher-than-average incidence, using 1-year data which is proving to be increasing variable each year. The Department recommends that the allocation formula be updated to use (a) the number of persons living with AIDS, as reported by the Centers for Disease Control and Prevention, until data become available on persons living with HIV; and (b) a housing cost factor to account for differences in housing costs among eligible metropolitan statistical areas and states, based on resources such as fair market rents. This approach would be consistent with the PART recommendations, including use of updated HIV or AIDS surveillance data and an adjustment for local housing needs. In addition, HUD would propose related technical edits to maintain eligibility and funding levels to help maintain stability for current housing programs. If this formula change is enacted in fiscal year 2009, these draft administrative provisions should be included or adjusted as may be necessary in the proposed budget to maintain current grantee eligibility.

Awarding of Formula Funds

HOPWA formula funds are made available under the Department’s Consolidated Plan process, which serves as the vehicle for a community to comprehensively identify each of its needs, consult with citizens and organizations in the community, and coordinate a responsive plan of action for addressing identified needs with Federal and other resources. Consolidated Plan modifications were issued in 2006 as a result of the President’s Management Agenda project. The modifications are focused on streamlining and making the Consolidated Planning process more effective and establishing a framework for reporting on performance. For a community to successfully address its often complex and interrelated problems, including homelessness and the risk of homelessness among persons living with HIV/AIDS and their families, the community must marshal its varied housing, community and economic development resources, health care, and service programs to use them in a coordinated and effective manner. Currently metropolitan areas with a population of at least 500,000 that have at least 1,500 reported cumulative cases of AIDS, and areas of a state outside of qualifying metro areas that have at least 1,500 reported cases of AIDS qualify for formula awards.

Housing Opportunities for Persons with AIDS

Based on HUD's review of CDC data, population information, and the application of definitions of metropolitan statistical areas and divisions, and the administrative provisions of the appropriations act, there were 127 formula jurisdictions in 2008. HUD estimates that 3 additional jurisdictions could become eligible for a direct allocations in fiscal year 2009 (El Paso, TX, Fresno, CA and the State of West Virginia) as the metropolitan and State areas had over 1,450 reported cases in their prior year data from CDC; in prior years funding for these MSAs were included under their state formula grant. Determination for fiscal year 2009 will be based on AIDS data to be collected and updated by the CDC by March 31, 2008. The eligibility of jurisdictions is also dependent on the application of CDC data and US Census data and the definitions of metropolitan statistical areas, and a designated area may also make arrangements allowing States to administer the funds. The following table displays the number of jurisdictions that have qualified for a formula allocation in recent years, including an adjustment to the number receiving formula grants, the number that will qualify in fiscal year 2008, and the estimated number that will qualify in fiscal year 2009.

Fiscal Year	Number Qualifying	Adjusted Number of Grantees
2005	121	120
2006	123	120
2007	123	120
2008	127	To Be Determined
2009 est.	130	To Be Determined

Unless otherwise covered under authority establishing a new program formula, HUD proposes to continue current administrative provisions on eligibility contained in the fiscal year 2008 Appropriations Act to maintain HOPWA eligibility for six states (Arizona, Delaware, Hawaii, Minnesota, Nevada, and Utah) and grant administration arrangements in place for four communities (Paterson, Jersey City and Salem County, NJ and Wake County, NC) and the provision to allow for a city to arrange for a state to undertake grant responsibilities for its metropolitan area. This authority was used in fiscal year 2005 in Lakeland, FL. In 2006, the authority granted in the provision was also utilized in Lakeland and Cape Coral, FL, to enable the State of Florida to continue to manage the HOPWA program in these metropolitan areas, and in Gaithersburg, MD, to enable the State of Maryland to manage that city's grant activities. In 2007, in addition to the two Florida arrangements, an arrangement was made allowing for the State of Maryland to manage HOPWA grants for the city of Frederick, which qualified in place of Gaithersburg as the largest city in this Metropolitan Statistical Area, to allow for consistency in grant administration by the State. Also, if the program formula is not updated, HUD proposes to continue the provision in fiscal year 2009, authorizing the use of incidence data collected for a 3-year period as a more reasonable use of data compared to more variable data collected in 1 year.

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Program Offsets
(Dollars in Thousands)**

Competitive Grants	<u>Amount</u>
2007 Appropriation	\$28,463
2008 Appropriation/Request	29,713
2009 Request	<u>29,686</u>
Program Improvements/Offsets	-27

Proposed Actions

The Department proposes \$29.7 million for HOPWA competitive grants in fiscal year 2009. Authorizing legislation (Section 854c of NAHA) requires that 90 percent of the (non-set-aside) appropriated funds be distributed by formula to qualifying states and metropolitan areas, and that the remaining funds be used for the competitive selection of special projects of national significance and projects in non-formula areas.

HOPWA competitive grant funds are awarded by national competition as part of the Department's Notice of Funding Availability (NOFA) process and for renewal grants. In 2007, 27 renewal grants were reviewed under revised procedures issued as CPD Notice 07-13 that provided for priority treatment for previously awarded competitive grantees through a streamlined application process. Recent Appropriations Acts require HUD to renew the funding to expiring competitive grants that provide permanent supportive housing prior to making awards for new projects. After funding eligible renewal projects, fiscal year 2007 funds were available to award grants to four new projects. This authority is requested to be continued in 2009 in order to provide continuity for the program. The renewal priority was first established in the fiscal year 2001 Appropriations Act, and HUD implemented the new requirement in the 2001 and subsequent SuperNOFA competitions. Under the 2006 competition, HUD awarded grants in October 2006 for 26 applicants, 16 of which were renewal projects and 10 of which were new projects.

Competitive grants are available to State and local governments and private non-profit entities for projects in areas that do not qualify for a formula allocation. The NOFA establishes the selection criteria and procedures, consistent with the National Affordable Housing Act (NAHA) and the HUD Reform Act. The Appropriations Act in fiscal year 2006 also included a new administrative provision allowing a 3-year commitment period for HOPWA competitive grants, similar to the requirements used for the continuum of care competitive projects. This authority has been included within the fiscal years 2007 and 2008 Appropriations Acts and is requested to be continued in the future. While this provision is not expected to be used, as HOPWA competitive projects have been obligated in a 2-year period, it serves as a protective contingency for a project that had been awarded funds, but experienced unforeseen complications in the project's development. To date, all HOPWA competitive funds have been obligated in less than 2 years; however, special actions were required for two grants in order to meet the deadline, including one in the Gulf Coast hurricane recovery area.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Program Offsets
(Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2007 Appropriation	\$1,485
2008 Appropriation/Request	1,485
2009 Request	<u>1,485</u>
Program Improvements/Offsets .....	...

Proposed Actions

The fiscal year 2009 budget requests \$1.485 million for technical assistance, training, and oversight. These funds, jointly referred to as technical assistance (TA) efforts, ensure that recipients fully use funds in an effective and resourceful manner and implement effective grants management oversight to ensure that the resources are used effectively in addressing clients' housing needs in a comprehensive and cost-effective manner. Since 1992, communities have developed greater and more effective capacities for providing AIDS housing assistance, as seen in the year-to-year increases in program outlays. In 2006, the support was used to help implement the new performance outcome measures framework. In 2007, the support was used to provide training to grantees on revised reporting forms, which included HOPWA's new client outcome measures framework. Under the Department's guidance, TA providers also assisted with efforts to streamline the forms through minor technical edits by working collaboratively with grantees, project sponsors and representatives from HOPWA. TA will continue to be provided to communities to fund national and local training conferences in an effort to provide training to grantees and project sponsors, assist nonprofit sponsors in sustaining on-going programs, assist in identifying other mainstream resources in developing and providing housing and supportive services assistance, and to support operational issues, service delivery models, program evaluation and the use of publications, handbooks, reports, guidance, and other communications.

HOPWA TA is also an effective tool in providing the program with resources to assist local communities in developing their comprehensive housing strategies, including needs assessments to identify local needs and strategies for targeting area resources. In addition, this assistance reaches the efforts of 787 local non-profit projects and housing agencies, including faith-based and community-based organizations. HUD field staff conducts annual risk assessment reviews of grants and identifies projects for additional monitoring or TA support.

Housing Opportunities for Persons with AIDS

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Program Offsets
(Dollars in Thousands)

Working Capital Fund	<u>Amount</u>
2007 Appropriation .....	...
2008 Appropriation/Request	\$1,485
2009 Request	<u>1,750</u>
Program Improvements/Offsets	+265

Proposed Actions

Working Capital Fund Transfer. This budget proposes that at least \$1.75 million, and up to \$2,187,500, be transferred to the Working Capital Fund (WCF) from this account for fiscal year 2009. This funding will allow the maintenance of relevant information technology systems used for Community Planning and Development, such as the Integrated Disbursement and Information System (IDIS) and the Grants Management Process (GMP) system. The funds are also necessary to incorporate the business rules and processes for Community Planning and Development grant programs into an enterprise grants management solution that will replace the current systems.

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Performance Measurement Table**

Program Name: HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS					
Program Mission: To provide States and localities with resources and incentives to devise long-term comprehensive strategies for meeting the housing needs of persons with HIV/AIDS or related diseases and their families.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
The number of rental households and rental housing units assisted with Housing Opportunities for Persons With AIDS.	Annual Program Reports	67,000	67,850	67,000	70,500
The percentage of Housing Opportunities for Persons With AIDS program clients who maintain housing stability, avoid homelessness, and access to HIV treatment will be maintained at 80 percent in 2009.	Annual Program Reports	80%	93%	80%	80%
Financial Management and targeting of CPD program resources to meet the needs of underserved populations maximized through the monitoring of 20 percent of CPD program grantees for compliance with program requirements.	Integrated Performance Reporting System	20%	22%	20%	20%
Efficiency Measure: Rental assistance cost per household assisted for tenant based rental assistance as percentage of the cost per household assisted in the Housing Choice Voucher program.	NA	<100%	57.8%	<100%	<100%

NA = Not Applicable.

Explanation of Indicators

Households receiving assistance

This indicator tracks the number of households that receive housing assistance through the HOPWA program. The outputs tracked by this indicator show the contribution of HOPWA toward increasing the availability of decent affordable housing, a key Presidential and Secretarial priority. This program helps reduce the number of households with worst-case housing needs (low-income households who pay more than half of their incomes for housing or who live in substandard housing).

Financial data and grantee reports for the 2007 performance show that 67,850 households were supported with HOPWA funded housing efforts. The fiscal year 2008 goal is based on actual prior year performance data from grantees, which demonstrates the number of households assisted under their current operations (i.e., based on expenditures under existing grant agreements and sub-recipient arrangements, as well as verified performance data). The budget goal estimates the likely use of the proposed increases in HOPWA appropriations in 2008 as continued in 2009, which would allow for a greater number of households (+3,500) to be assisted as such funds are used over their grant cycle.

HOPWA clients maintain housing stability, avoid homelessness and access care.

Housing Opportunities for Persons with AIDS

This is an important indicator for the Department because it is an outcome indicator that reflects the priority for providing stable and permanent housing assistance to the most vulnerable populations--very low-income persons living with HIV or AIDS--who face homelessness and other challenges. Both formula and competitive grant recipients will measure client outcomes to access how housing assistance results in creating or maintaining stable housing, reduces risks of homelessness, and improves access to HIV/AIDS treatment and healthcare and other needed support.

Efficiency Measure

This indicator represents HOPWA's average rental assistance costs per household (at \$4,320) assisted versus costs per household assisted in Housing Choice Voucher program (\$6,600). In fiscal year 2007, rental assistance cost under the HOPWA program per unit reflects 57.8 percent of the cost of a Housing Choice Voucher unit. As shown in annual cost comparisons, the HOPWA program is efficient in assisting eligible households maintain affordable housing. This indicator is currently being modified to ensure that the measure reflects HOPWA's commitment to helping this vulnerable population.

**COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Justification of Proposed Changes in Appropriations Language**

The 2009 President's Budget includes proposed changes in the appropriations language listed and explained below.

For carrying out the Housing Opportunities for Persons with AIDS program, as authorized by the AIDS Housing Opportunity Act (42 U.S.C. 12901 et seq.), \$300,100,000, to remain available until September 30, 2010, except that amounts allocated pursuant to section 854(c)(3) of such Act shall remain available until September 30, 2011: Provided, That the Secretary shall renew all expiring contracts for permanent supportive housing that were funded under section 854(c)(3) of such Act that meet all program requirements before awarding funds for new contracts and activities authorized under this section: Provided further, That the Secretary may use not to exceed \$1,485,000 of the funds under this heading for training, oversight, and technical assistance activities: Provided further, That of the total amount made available under this heading, at least \$1,750,000 shall, and up to \$2,187,500 may, be transferred to the Working Capital Fund.

Administrative Provisions

SEC. 203. (a) Notwithstanding section 854(c)(1)(A) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)(1)(A)), from any amounts made available under this title for fiscal year 2009 that are allocated under such section, the Secretary of Housing and Urban Development shall allocate and make a grant, in the amount determined under subsection (b), for any State that--

(1) received an allocation in a prior fiscal year under clause (ii) of such section; and

(2) is not otherwise eligible for an allocation for fiscal year 2009 under such clause (ii) because the areas in the State outside of the metropolitan statistical areas that qualify under clause (i) in fiscal year 2009 do not have the number of cases of acquired immunodeficiency syndrome (AIDS) required under such clause.

(b) The amount of the allocation and grant for any State described in subsection (a) shall be an amount based on the cumulative number of AIDS cases in the areas of that State that are outside of metropolitan statistical areas that qualify under clause (i) of such section 854(c)(1)(A) in fiscal year 2009, in proportion to AIDS cases among cities and States that qualify under clauses (i) and (ii) of such section and States deemed eligible under subsection (a).

(c) Notwithstanding any other provision of law, the amount allocated for fiscal year 2009 under section 854(c) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)), to the City of New York, New York, on behalf of the New York-Wayne-White Plains, New York-New Jersey Metropolitan Division (hereafter `metropolitan division') of the New York-Newark-Edison, NY-NJ-PA Metropolitan Statistical Area, shall be adjusted by the Secretary of Housing and Urban Development by: (1) allocating to the City of Jersey City, New Jersey, the proportion of the metropolitan area's or division's amount that is based on the number of cases of AIDS reported in the portion of the metropolitan area or division that is located in Hudson County, New Jersey, and adjusting for the proportion of the metropolitan division's high incidence bonus if this area in New Jersey also has a higher than average per capita incidence of AIDS; and (2) allocating to the City of Paterson, New Jersey, the proportion of the metropolitan area's or division's amount that is based on the number of cases of AIDS reported in the portion of the metropolitan area or division that is located in Bergen County and Passaic County, New Jersey, and adjusting for the proportion of the metropolitan division's high incidence bonus if this area in New Jersey also has a higher than average per capita incidence of AIDS. The recipient cities shall use amounts allocated under this subsection to carry out eligible activities under section 855 of the AIDS Housing Opportunity Act (42 U.S.C. 12904) in their respective portions of the metropolitan division that is located in New Jersey.

Housing Opportunities for Persons with AIDS

(d) Notwithstanding any other provision of law, the amount allocated for fiscal year 2009 under section 854(c) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)) to areas with a higher than average per capita incidence of AIDS, shall be adjusted by the Secretary on the basis of area incidence reported over a 3-year period.

SEC. 206. (a) Notwithstanding any other provision of law, the amount allocated for fiscal year 2009 under section 854(c) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)) to the City of Wilmington, Delaware, on behalf of the Wilmington, Delaware-Maryland-New Jersey Metropolitan Division (hereafter "metropolitan division"), shall be adjusted by the Secretary of Housing and Urban Development by allocating to the State of New Jersey the proportion of the metropolitan division's amount that is based on the number of cases of AIDS reported in the portion of the metropolitan division that is located in New Jersey and adjusting for the proportion of the metropolitan division's high incidence bonus if this area in New Jersey also has a higher than average per capita incidence of AIDS. The State of New Jersey shall use amounts allocated to the State under this subsection to carry out eligible activities under section 855 of the AIDS Housing Opportunity Act (42 U.S.C. 12904) in the portion of the metropolitan division that is located in New Jersey.

(b) Notwithstanding any other provision of law, the Secretary of Housing and Urban Development shall allocate to Wake County, North Carolina, the amounts that otherwise would be allocated for fiscal year 2009 under section 854(c) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)) to the City of Raleigh, North Carolina, on behalf of the Raleigh-Carey North Carolina Metropolitan Statistical Area. Any amounts allocated to Wake County shall be used to carry out eligible activities under section 855 of such Act (42 U.S.C. 12904) within such metropolitan statistical area.

(c) Notwithstanding section 854(c) of the AIDS Housing Opportunity Act (42 U.S.C. 12903(c)), the Secretary of Housing and Urban Development may adjust the allocation of the amounts that otherwise would be allocated for fiscal year 2009 under section 854(c) of such Act, upon the written request of an applicant, in conjunction with the State(s), for a formula allocation on behalf of a metropolitan statistical area, to designate the State or States in which the metropolitan statistical area is located as the eligible grantee(s) of the allocation. In the case that a metropolitan statistical area involves more than one State, such amounts allocated to each State shall be in proportion to the number of cases of AIDS reported in the portion of the metropolitan statistical area located in that State. Any amounts allocated to a State under this section shall be used to carry out eligible activities within the portion of the metropolitan statistical area located in that State.

Housing Opportunities for Persons with AIDS

COMMUNITY PLANNING AND DEVELOPMENT
 HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Formula Grants	\$256,162	...	...	...	\$57,366	\$313,528
Competitive Grants	28,463	...	...	...	31,157	59,620
Technical Assistance	1,485	...	...	...	1,493	2,978
Working Capital Fund .....	...	...	...	...	...	...
Total	286,110	...	...	...	90,016	376,126

Housing Opportunities for Persons with AIDS

COMMUNITY PLANNING AND DEVELOPMENT
 HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Formula Grants	\$267,417	\$267,417	...	...	\$81,042	\$348,459
Competitive Grants	29,713	29,713	...	...	32,136	61,849
Technical Assistance	1,485	1,485	...	...	1,493	2,978
Working Capital Fund	<u>1,485</u>	<u>1,485</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>1,485</u>
Total	300,100	300,100	...	...	114,671	414,771

**COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
2009 Summary Statement and Initiatives
(Dollars in Thousands)**

EMPOWERMENT ZONES	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$120	...	\$120	\$10	\$24,631
2008 Appropriation/Request	110	...	110	110	26,891
2009 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>17,524</u>
Program Improvements/Offsets	-110	...	-110	-110	-9,367

Summary Statement

The budget request continues funding of the Empowerment Zone and Renewal Community program solely through the use of tax incentives.

The Empowerment Zone and Renewal Community program has focused on creating self-sustaining development in distressed urban and rural Renewal Communities (RCs) and Empowerment Zones (EZs) throughout the country. The initiative results in important outcomes by concentrating resources in some of the most distressed communities in the nation. The initiative has been successful and continues to be successful because it requires community stakeholders to work together to create and implement strategies for revitalization. Using a combination of \$11 billion in Federal tax incentives, flexible grant funds, and other resources, the RCs and EZs are reinvigorating businesses and entire communities that were previously in decline.

HUD has expended significant effort since 2001 helping the designated Renewal Communities and Empowerment Zones conduct outreach efforts to promote utilization of the tax incentives by small- and medium-sized businesses. For example, tens of thousands of businesses have claimed nearly \$1 billion in RC and EZ employment credits, i.e., over 400,000 jobs for residents; hundreds of RC businesses have received approximately \$1.4 billion in Commercial Revitalization Deduction allocations; dozens of businesses in the Empowerment Zones have received low-cost loans through the issuance of nearly \$600 million in Enterprise Zone facility bonds; and businesses have claimed Work Opportunity Tax Credits by hiring more than 250,000 youth who reside in the Renewal Communities and Empowerment Zones. The most recent actual figures for utilization of the Empowerment Zone and Renewal Community employment credit by sole proprietors show a 22 percent increase from fiscal year 2005 to fiscal year 2006. Certifications issued by the states to authorize the use of the Work Opportunity Tax Credits in the two categories tied to Federally designated RCs and EZs jumped 19 percent with the designations of the Renewal Communities and the Round III Empowerment Zones--from 47,700 (12.1 percent of the overall Work Opportunity Tax Credit totals) in 2001 and 2002, to 56,800 (14.2 percent of the overall totals) in 2003, according to data reported by the Department of Labor. From 2003 to 2005, there was an additional 34 percent increase to 76,144.

The revitalization efforts, as reported by the Renewal Communities and Empowerment Zones in HUD's on-line Performance Measurement System (PERMS), are diverse and far reaching, as evidenced by over 3,900 programs and projects. In addition to supporting local small- and medium-sized businesses, the initiative attracts major corporations. Well-known companies operating in the designated areas include General Motors, Kimberly Clark, Ford, Chrysler, Toyota, Wells Fargo, Home Depot, ADP, The Walt Disney Company, GAP, Ameritech, Rite Aid, Microsoft, Starbucks, Dell Computer, IBM, Amazon.com, and many others.

HUD's program implementation efforts include training, outreach, publications, and automated systems. In late 2007, HUD partnered with the IRS to co-host a webcast on the Renewal Community and Empowerment Zone tax incentives. HUD marketed this broadcast to economic

Empowerment Zones/Enterprise Communities/Renewal Communities

development partners and tax practitioners in States that have Renewal Community and Empowerment Zone designations. More than 500 persons viewed the live broadcast on October 11, 2007, and hundreds more will view the archived version in 2008.

In late 2005, HUD published *Spotlight on Results: Capturing Successes in Renewal Communities and Empowerment Zones*, which contains numerous examples of successfully using the tax incentives and grant funds. To assist RCs and EZs in effective application of tax incentives, HUD released updated business contact information on more than 200,000 businesses for all RCs and EZs in January 2007. HUD published *Tax Incentives + Businesses = Jobs, A Marketing Primer on How to Entice Businesses to Renewal Communities, Empowerment Zones, & Enterprise Communities* in 2003, as well as updated the popular HUD publication *Tax Incentive Guide for Business in the Renewal Communities, Empowerment Zones and Enterprise Communities*. The HUD RC/EZ Locator, an automated on-line Geographic Information System which is used to determine if addresses qualify for the tax incentives, receives about 60,000 "hits" per month.

The designated communities cooperate to strongly support the program. They share successful strategies through monthly conference calls and other peer learning strategies. At the instigation of community leaders from the Empowerment Zones and Renewal Communities, legislation has been introduced in Congress to amend the Internal Revenue Code of 1986 to extend and expand the tax incentives for businesses operating in Empowerment Zones and Renewal Communities until 2015.

Finally, the value of the program in expanding local capacity is considered an international model. In 2006 and 2007, delegations from four Latin American countries visited, selected HUD-designated Renewal Communities and Empowerment Zones under an initiative supported by the Department of State and the Inter-American Foundation.

Departmental Goals

The Community Renewal program area with emphasis on EZ and RC program efforts addresses the Department's goals in the following ways:

1. Assists disaster recovery in the Gulf Coast region by providing technical assistance on millions of dollars in tax incentives for eligible businesses in eight Renewal Communities in Louisiana, Mississippi and Alabama;
2. The Community Renewal program works daily with the directors of 70 Renewal Communities and Empowerment Zones to help enhance sustainability and expand economic opportunities in these developing communities that have higher levels of poverty and unemployment. The Federal Government has made \$11 billion in tax incentives available to eligible businesses in these communities, and Community Renewal personnel work with the RC and EZ Directors every day to help them to fully understand these incentives and market them to local business owners, business groups, and to local tax practitioners. These incentives include employment credits that encourage employers to hire local residents, increased Section 179 deductions that help business owners finance their purchases of equipment, Commercial Revitalization Deductions that help business owners in Renewal Communities finance the purchase and rehabilitation of commercial properties, and Enterprise Zone facility bonds, which provide low-cost loans to finance construction in the Empowerment Zones.
3. The Community Renewal program also works daily with the leaders of the 30 Empowerment Zones and 40 Renewal Communities to foster better living environments by improving physical conditions and quality of life. The EZs' strategic plans are comprehensive community revitalization strategies, including sustainable development, crime control, and social services elements. HUD's requirements under the provisions of the statutes Congress enacted for the 28 RC programs in urban areas and 12 RC programs in rural areas require that the 40 RC directors must work locally to provide the following social services and facilities:
 - a. services for RC residents to help them become self-sufficient, which can include services for Temporary Assistance for Needy Families recipients, job support services, child care and after school care for children of working residents, employment training, transportation services, and other services;
 - b. crime-reduction and/or prevention services;

Empowerment Zones/Enterprise Communities/Renewal Communities

- c. job training for, and technical, financial, or other assistance to, employers, employees, and residents of the Renewal Community; and
- d. free or low-cost real property such as land, homes, and commercial or industrial structures for neighborhood organizations and community development corporations in the Renewal Community to help facilitate development.

HUD reviews annual reports from the RCs to assess the degree to which the RCs are meeting these requirements.

- 4. The Renewal Communities and Empowerment Zones initiative improves accountability, service delivery, and customer service to HUD and its partners through reviewing the performance reports and on-site monitoring of the individual RCs and EZs, to determine if they should retain their designations. This is HUD's obligation under the statutory provisions enacted by Congress.
- 5. The initiative promotes participation of faith-based and community organizations through extensive collaboration-building efforts, as required under the statutory provisions for the EZ strategic plan and the RC course of action.

Program Evaluation and Performance Reporting

HUD collects information that the Empowerment Zones and Renewal Communities report on their performance in the on-line Performance Measurement System (PERMS). HUD field offices assess the designees' annual reports in PERMS to evaluate progress in carrying out the designations and use them as a basis for onsite monitoring as well.

RCs and Round III EZs receive only tax incentives without the benefit of any administrative funding for outreach efforts and collecting data. Because of the lack of funding, HUD recognizes that a standard methodology and the need for consistent reporting are critical. HUD is reasonably assured that as long as timely and accurate data are received from the Internal Revenue Service (IRS), the program performance measurements will be a reliable evaluating source.

The program has received extensive outside review. The studies document indicates that conditions in the communities are improving, lends support but is not definitive in establishing a correlation between the statistical changes and the Federal designations. The outside evaluations include the Government Accountability Office's report on the overall progress of the Federal designations issued in 2004, GAO-04-306, and its 2006 report on the Round I Empowerment Zones and Enterprise Communities, GAO-06-727. Congress mandated three more GAO reviews, covering the Round II and III EZs and the RCs.

HUD published one interim assessment of the Round I Empowerment Zones in 2001. The Secretary's Advisory Council on Community Renewal conducted public hearings in 2003.

Empowerment Zones/Enterprise Communities/Renewal Communities

The following indicates the status of grant funds provided to Round II EZs:

STATUS OF ROUND II EZ GRANTEE ACTIVITY

<u>Grantee</u>	<u>Obligated</u>	<u>Disbursed</u>	<u>Percent Disbursed</u>
Boston	25,615,299.00	22,231,367.00	86.8
Cincinnati	25,615,299.00	19,575,574.00	76.4
Columbia/Sumter	25,615,299.00	17,834,609.00	69.6
Columbus	25,615,299.00	24,167,066.00	94.3
Cumberland County	25,615,299.00	21,338,017.00	83.3
El Paso	25,615,299.00	21,618,591.00	84.4
Gary/Hammond/East Chicago	25,615,299.00	20,116,230.00	78.5
Huntington/Ironton	25,615,299.00	22,684,043.00	88.6
Knoxville	25,615,299.00	14,013,985.00	54.7
Miami	25,615,299.00	21,685,380.00	84.7
Minneapolis	25,615,299.00	23,573,948.00	92.0
New Haven	25,615,299.00	23,410,161.00	91.4
Norfolk/Portsmouth	25,615,299.00	25,350,385.00	99.0
Santa Ana	25,615,299.00	20,265,639.00	79.1
St. Louis/East St. Louis	25,615,299.00	20,910,789.00	81.6
TOTAL	\$384,229,485.00	\$318,775,784.00	83.0%

By December 2007, 83 percent of obligated funds were disbursed with more than 50 percent of the undisbursed funds under contract by the grantee to a third party. In addition, 96 percent of all obligated funds are formally committed to projects and programs through approval by the EZ governance boards.

Empowerment Zones/Enterprise Communities/Renewal Communities

COMMUNITY PLANNING AND DEVELOPMENT
 EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Empowerment Zones/Enterprise Community/Renewal Communities .....	...	\$120	\$120	\$10	...	\$110	\$110	...
Total .....	...	120	120	10	...	110	110	...
 <u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>					
Headquarters	17	17	17					
Field	<u>2</u>	<u>2</u>	<u>2</u>					
Total	19	19	19					

**COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Program Offsets
(Dollars in Thousands)**

Empowerment Zones/Enterprise Community/Renewal Communities	<u>Amount</u>
2007 Appropriation
2008 Appropriation/Request
2009 Request	<u>...</u>
Program Improvements/Offsets

The Omnibus Budget Reconciliation Act of 1993 authorized the Secretary of HUD to designate six urban EZs and 65 urban Round I Enterprise Communities (ECs). The Taxpayer Relief Act of 1997 later authorized two additional Round I urban EZs. This Act also authorized the Secretary to designate 15 Round II urban EZs. The 2000 Community Renewal Tax Relief Act (CRTR Act) authorized the Secretary to designate 40 Renewal Communities (28 urban, 12 rural) and seven Round III Empowerment Zones, as well as tax incentive provisions to support community revitalization efforts.

The goal of the Renewal Communities (RCs) and Empowerment Zones (EZs) programs is to create sustainable, long-term economic development in distressed areas by using a "Course of Action" and economic growth promotion requirements (for RCs) or a strategic plan (for EZs) developed and implemented in partnerships among private, public, and non-profit entities. Residents provide input into what happens in their neighborhoods. Each community develops quantifiable goals and ways to measure the results of implementation. Although these communities' primary benefit is tax incentives, HUD is responsible for oversight of measuring performance of the communities. The progress in carrying out the strategic plans and commitments is tracked in HUD's Internet-based Performance Measurement System (PERMS).

Proposed Actions

As in recent years, no grant funding is proposed for Round II Empowerment Zones (EZs) in fiscal year 2009. The program will continue to focus on maximizing the use of tax incentives, disbursing unexpended grant balances, and tracking the use of program income.

EMPOWERMENT ZONES

Launched in 1993, the EZ/EC Initiative was an interagency effort focused on the creation of self-sustaining, long-term development in distressed urban and rural areas throughout the nation. Round I and II Empowerment Zones received grant funding to implement their strategic plans, in addition to tax incentives, bonus points for other Federal competitive grant programs, and leveraging of public and private funding. Round III Empowerment Zones utilize only tax incentives, leverage and bonus points.

The conceptual framework of the EZ program is embodied in four key principles that applicants address in their Strategic Plans. The principles, which are drawn from the best practices of holistic approaches to community revitalization, are as follows:

- **The Strategic Vision for Change** identifies what a community will become in the future, and includes a clear statement of the values that the community used to create its vision;

Empowerment Zones/Enterprise Communities/Renewal Communities

- **Community-Based Partnerships** emphasize the importance of involving all community stakeholders in the revitalization of distressed neighborhoods. Key partners should be included in the governance structure, and all partners should be held accountable for their commitment to revitalizing the community;
- **Economic Opportunity** includes creating jobs for Zone residents and linking residents to jobs within the Zone and throughout the region; and
- **Sustainable Community Development** advances the creation of livable and vibrant communities through physical, environmental, community, and human development.

EZ Tax Incentives. The EZs use tax incentives to help achieve strategic plan goals. Tax incentives available only to EZs include the following:

- Enterprise Zone Facility Bonds, which are tax exempt up to a certain ceiling. State and local governments have issued nearly \$500 million in tax exempt bonds to help finance projects in the Empowerment Zones;
- Non-recognition of Gain on Sale of EZ Assets; and
- Partial Recognition of Gain on Sale of EZ Stock.

RENEWAL COMMUNITIES

The 40 Community Renewal (RCs) foster efforts to encourage economic development through the use of Federal tax incentives. As well, the State and Local governments and Community-based organizations must adopt a "course of action" including at least four of six required goals and actions. These include the following: reducing tax rates or fees, increasing the efficiency of local services; supporting effort to reduce crime; streamlining government requirements; involving local partners; and soliciting in kind contribution. RC designees also are required to work with state and local governments to achieve at least four of five economic growth promotion requirements, described below:

- repeal or reduce, not enforce, or reduce within the RC licensing requirements for occupations that do not ordinarily require a professional degree;
- repeal, reduce; or not enforce zoning restrictions on home-based businesses in the RC that do not create a public nuisance;
- repeal, reduce or enforce permit requirements for street vendors in the RC who do not create a public nuisance;
- repeal, reduce, or not enforce zoning or other restrictions in the RC that impede the formation of schools or child care centers; and
- repeal, reduce, or not enforce franchise or other restrictions on competition for businesses providing public services in the RC, including taxicabs, jitneys, cable television, or trash hauling.

RC Tax Incentives. The tax incentives available only in RCs include the following:

- Commercial Revitalization Deduction (CRD), which allows an eligible business owner to depreciate either one-half of his or her property construction or substantial rehabilitation cost in the first year the property is placed in service or all the cost on a ratable basis over 10 years. The business owner must receive a CRD allocation for the depreciated amount, and the commercial building must be located in an RC-designated area. According to PERMS, states have awarded approximately \$1.2 billion in CRD allocations to businesses in the RCs from 2002 through 2006; and
- Zero Percent Capital Gains Rate for the sale or transfer of RC Assets.

Tax incentives for both RCs and EZs include:

- Employment Credits for people who live and work in their RC or EZ. The IRS estimates that 64,000 businesses claimed at least \$626 million in employment credits from 1999 through 2003;
- Work Opportunity Tax Credit for businesses that hire 18- to 39-year old EZ/EC residents and other hard-to-employ groups;
- Increased Section 179 Deduction for depreciation expenses; and
- Qualified Zone Academy Bonds (QZABS), which enable State and local governments to issue bonds that permit public schools to raise funds for curriculum development or physical improvements.

**COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Performance Measurement Table**

Program Name: EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES					
Program Mission: To create sustainable, long-term economic development in distressed areas by using a Course of Action and economic growth promotion requirements (for RCs) and a strategic plan (for EZs). HUD's EZ grants must be used in conjunction with economic development, whereas the strategic plans are comprehensive. Improving the designated areas depends on establishing partnerships and leveraging public and private funds. For all rounds of EZs and RCs, Federal benefits include tax incentives through the IRS, and the designee's implementation efforts include promoting the use of those tax incentives.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Amount of Commercial Revitalization Deductions allocated.	PERMS	\$252 million	\$252 million	\$252 million	NA
Amount of RC and EZ employment credits claimed by sole proprietors	Third party data	\$151 million	\$155 million	\$181 million	\$183 million

NA = Not Applicable.

Explanation of Indicators

HUD is revising performance measures for the Renewal Community (RC) and Empowerment Zone (EZ) Initiatives to focus on outputs related to utilization of the \$11 billion tax incentive package for businesses effective for RCEZs for 2002-2009 under the Community Renewal Tax Relief Act of 2000 and on outcome indicators that may reflect impacts on the business climate and tax base intended to benefit the low-income and unemployed residents of the RCEZ areas.

Commercial Revitalization Deductions. The allocation of commercial revitalization deductions (CRDs) in the RCs, measures utilization of tax incentive that subsidizes new construction and substantial rehabilitation of primarily commercial/industrial buildings, and indicates how energetically the states and local entities are implementing the RC initiative. HUD is considering modifying this indicator, and using it as an efficiency measure beginning in 2009.

RCEZ Employment Credits. The total RCEZ employment credits claimed by sole proprietor business owners for employees who work exclusively and reside within the same RC or EZ, which are available up to a maximum per employee of \$1,500 per year in an RC or \$3,000 per employee per year in an EZ.

Efficiency Measure. Beginning in fiscal year 2009, HUD is planning to use the following efficiency measure to help track the continued success of the Renewal Community and Empowerment Zone programs: the value of Commercial Revitalization Deductions allocated annually relative to the value of allocations available.

Empowerment Zones/Enterprise Communities/Renewal Communities

**COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Justification of Proposed Changes in Appropriations Language**

There was no appropriation in fiscal year 2008 and no new funding is proposed for 2009.

Empowerment Zones/Enterprise Communities/Renewal Communities

COMMUNITY PLANNING AND DEVELOPMENT
 EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Empowerment Zones/Enterprise Community/Renewal Communities	\$120	\$120
Total	120	120

Empowerment Zones/Enterprise Communities/Renewal Communities

COMMUNITY PLANNING AND DEVELOPMENT
 ENPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Empowerment Zones/Enterprise Community/Renewal Communities	\$110	\$110
Total	110	110

COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
2009 Summary Statement and Initiatives
(Dollars in Thousands)

RURAL HOUSING AND ECONOMIC DEVELOPMENT PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$16,830	\$20,440 ^a	...	\$37,270	\$15,900	\$19,525
2008 Appropriation/Request	17,000	21,370	...	38,370	21,500	23,257
2009 Request	<u>...</u>	<u>16,870</u>	<u>...</u>	<u>16,870</u>	<u>16,870</u>	<u>23,000</u>
Program Improvements/Offsets	-17,000	-4,500	...	-21,500	-4,630	-257

a/ Includes \$690 thousand of recaptured funds.

Summary Statement

No fiscal year 2009 funding is proposed for the Rural Housing and Economic Development (RHED) program. This is the same as the fiscal year 2008 President's request and \$17 million below the fiscal year 2008 enacted amount. The RHED program was created to encourage new, innovative approaches to serving the housing and economic development needs of the nation's rural communities. With the Department's proposed revisions of the Community Development Block Grants program, the needs of America's rural communities will be addressed through the State CDBG program, the HOME program, and through the U.S. Department of Agriculture (USDA). USDA manages a portfolio of rural housing and economic development grant and loan programs that vastly exceed RHED in terms of programs and services provided to America's rural communities. The Program Assessment and Rating Tool (PART) results of the RHED program to date have been characterized as ineffective.

Rural Housing and Economic Development

COMMUNITY PLANNING AND DEVELOPMENT
 RURAL HOUSING AND ECONOMIC DEVELOPMENT
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Rural Housing and								
Economic Development .	\$16,830	\$20,440	\$37,270	\$15,900	\$17,000	\$21,370	\$38,370	...
Total	16,830	20,440	37,270	15,900	17,000	21,370	38,370	...

NOTE: The 2007 Carryover into 2008 includes \$690 thousand of recaptured funds.

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	8	9	9
Field	<u>7</u>	<u>7</u>	<u>7</u>
Total	15	16	16

Rural Housing and Economic Development

COMMUNITY PLANNING AND DEVELOPMENT
 RURAL HOUSING AND ECONOMIC DEVELOPMENT
 Program Offsets
 (Dollars in Thousands)

Rural Housing and Economic Development	<u>Amount</u>
2007 Appropriation	\$16,830
2008 Appropriation/Request	17,000
2009 Request	<u>...</u>
Program Improvements/Offsets	-17,000

Proposed Actions

No fiscal year 2009 funding is proposed for the Rural Housing and Economic Development (RHED) program. The RHED program was created to encourage new and innovative approaches to serving the housing and economic development needs of the nation's rural communities, including capacity building activities. Beginning in 1999, grants were competitively awarded to eligible recipients: local rural non-profit organizations, community development corporations, federally recognized Indian tribes, state housing finance agencies, and state community and/or economic development agencies.

The Department proposes to consolidate the RHED program activities under the CDBG reform and through the HOME program. Additionally, the U.S. Department of Agriculture manages a portfolio of rural housing and economic development grant programs that vastly exceeds RHED in terms of programs and services provided to the nation's rural communities. Furthermore, the RHED program was evaluated under the Program Assessment and Rating Tool (PART) during fiscal year 2004, and received an overall rating of "ineffective." The evaluation indicated that the program had a clear purpose and design, but needed improvements in program management and comprehensive results.

Rural Housing and Economic Development

**COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
Performance Measurement Table**

Program Name: RURAL HOUSING AND ECONOMIC DEVELOPMENT					
The purpose of the Rural Housing and Economic Development program is to build capacity at the State and local level for rural housing and economic development and to support innovative housing and economic development activities in rural areas. The funds made available under this program are awarded through a competitive selection process conducted in accordance with the HUD Reform Act.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Number of Jobs Created		2,600	854	427	214
Number of Housing Units Created		1,000	784	392	196
Efficiency Measure: The average blended cost of rehabilitation per unit.					

Rural Housing and Economic Development

**COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
Justification of Proposed Changes in Appropriations Language**

[For the Office of Rural Housing and Economic Development in the Department of Housing and Urban Development, \$17,000,000, to remain available until expended, which amount shall be competitively awarded by September 1, 2008, to Indian tribes, State housing finance agencies, State community and/or economic development agencies, local rural nonprofits and community development corporations to support innovative housing and economic development activities in rural areas.]

Explanation of Changes

No fiscal year 2009 funding is proposed for the Rural Housing and Economic Development program.

Rural Housing and Economic Development

COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
Crosswalk of 2007 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Rural Housing and Economic						
Development	\$16,830	...	...	...	\$20,440 ^a	\$37,270
Total	16,830	...	...	...	20,440	37,270

Rural Housing and Economic Development

COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
Crosswalk of 2008 Changes
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Rural Housing and Economic Development	\$17,000	...	...	\$21,370	\$38,370
Total	17,000	...	...	21,370	38,370

a/ Includes \$690 thousand of recaptured funds.

COMMUNITY PLANNING AND DEVELOPMENT
 BROWNFIELDS REDEVELOPMENT PROGRAM
 2009 Summary Statement and Initiatives
 (Dollars in Thousands)

BROWNFIELDS REDEVELOPMENT PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2007 Appropriation	\$9,900	\$31,727 ^a	-\$3,813	\$37,814	\$5,150	\$11,164
2008 Appropriation/Request	10,000	32,664	...	42,664	32,500	25,945
2009 Request	<u>...</u>	<u>10,164</u>	<u>...</u>	<u>10,164</u>	<u>10,164</u>	<u>27,400</u>
Program Improvements/Offsets	-10,000	-22,500	...	-32,500	-22,336	+1,455

a/ Carryover includes \$20.075 million of funds recaptured in fiscal year 2007.

Summary Statement

No funding is requested for the Brownfields Economic Development Initiative (BEDI) in fiscal year 2009. The Brownfields program will not be retained as a separate program in large part because of performance issues that include slow expenditure of funding and lengthy time frames to produce tangible results. The program's activities remain eligible under a reformed Community Development Block Grant program.

COMMUNITY PLANNING AND DEVELOPMENT
 BROWNFIELDS REDEVELOPMENT PROGRAM
 SUMMARY OF RESOURCES BY PROGRAM
 (DOLLARS IN THOUSANDS)

<u>Budget Activity</u>	<u>2007 Budget Authority</u>	<u>2006 Carryover Into 2007</u>	<u>2007 Total Resources</u>	<u>2007 Obligations</u>	<u>2008 Budget Authority/ Request</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2009 Request</u>
Competitive Grants	\$6,087	\$31,727	\$37,814	\$5,150	\$10,000	\$32,664	\$42,664	...
Total	6,087	31,727	37,814	5,150	10,000	32,664	42,664	...

NOTE: 2006 Carryover Into 2007 includes \$20.075 million of funds recaptured in fiscal year 2007.
 2007 Total Resources excludes \$3.813 in rescinded funds.

<u>FTE</u>	<u>2007 Actual</u>	<u>2008 Estimate</u>	<u>2009 Estimate</u>
Headquarters	5	5	5
Field	<u>2</u>	<u>3</u>	<u>3</u>
Total	7	8	8

**COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
Program Offsets
(Dollars in Thousands)**

Competitive Grants	<u>Amount</u>
2007 Appropriation	\$6,087
2008 Appropriation/Request	10,000
2009 Request	---
Program Improvements/Offsets	-10,000

Proposed Actions

No funding is requested for the Brownfields Economic Development Initiative (BEDI) in fiscal year 2009. The program's activities will be those that are eligible under a reformed Community Development Block Grant program.

Program Description. BEDI grants are authorized by Section 108(q) of the Housing and Community Development Act of 1974, as amended. This program provides competitive grants, which must be used with Section 108 loan guarantees for economic development and remediation of qualified Brownfields projects. Grants are made in accordance with Section 108(q) selection criteria, including: (1) quality of the proposed plan and capacity of the applicant; (2) financial need for the assistance; (3) level of distress in the community to be served and in the jurisdiction applying for the assistance; and (4) project readiness to proceed with redevelopment activities. BEDI grants are used to either enhance the security of Section 108 guaranteed loans or to improve the feasibility of proposed projects. Eligible recipients are Community Development Block Grant (CDBG) entitlement communities and non-entitlement communities.

Eligible Activities. Eligible BEDI activities are CDBG-eligible housing and economic redevelopment activities. These include: (1) assistance to private, for-profit entities for economic development projects; (2) acquisition of property; (3) rehabilitation of buildings or construction of real property improvements carried out by public or private non-profit organizations; (4) improvements, including construction, reconstruction or installation of public and other site improvements; (5) clearance, demolition, removal and rehabilitation of buildings and improvements; and (6) the investigation and clean-up of environmental contaminations in connection with any of these eligible activities.

In all previous rounds of BEDI grants, the Department worked collaboratively with the Environmental Protection Agency (EPA). There is a long-standing Memorandum of Understanding with EPA, and both HUD and EPA continue to integrate their efforts in the Brownfields area to maximize the coordination of community development and environmental expertise. Specifically, HUD has focused its financial and human resources on the end-use, or construction, phase of the redevelopment of Brownfields sites, while EPA concentrates its resources on up-front project assessment and remediation. HUD and EPA continue to work closely to target and utilize existing BEDI funds; to jointly evaluate proposals; to proactively help grantees find complementary sources of funding; and to provide technical assistance to bring BEDI-supported projects to successful closure. EPA representatives serve on HUD's BEDI review panel, and HUD staff members in turn serve on EPA competition review panels. HUD is also part of the National Brownfields Partnership, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim Brownfields.

Between 1998 and 2007, HUD awarded 164 BEDI grants to 122 public entities, representing just under half of all applications submitted. Of these, 154 went to CDBG entitlement cities or counties, with the remaining ten awarded to small cities. The average grant amount has been \$1.1 million. The largest grant awarded was for \$2.5 million, while the smallest was for \$80 thousand. A significant portion of the total appropriation has been projected to be used as loan loss reserves to cover potential shortfalls in the grantees' inability to pay debt service on the Section 108 loans, which are required to accompany all BEDI grants. By definition, loan loss reserves

Brownfields Redevelopment Program

cannot be disbursed until construction is completed and the project is open for business--a process that typically takes in excess of 5 years. Note that awards for the fiscal year 2007 competition are expected to be made in the second quarter of fiscal year 2008.

Brownfields redevelopment projects financed under BEDI have typically been large-scale and often complex undertakings, averaging more than \$40 million in total development costs. Each BEDI project has an average of five public and private sources of financing. While BEDI funds represent, on average, 2.3 percent of total development costs, they have leveraged an average of \$28 million in private funds and \$12 million in other public funds.

**COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
Performance Measurement Table**

Program Name: Brownfields Redevelopment Program					
Program Mission: The Brownfields Redevelopment program helps communities more readily access revitalization resources that stimulate and promote economic and community development activities.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2007 Plan	2007 Actual	2008 Plan	2009 Plan
Support Creation of Jobs (estimate)	Grant Applications	NA	NA	3,000	NA

NA = Not Applicable.

Explanation of Indicators

The indicator tracks the number of jobs to be created as reported by grantees. Since no funds are requested for fiscal year 2009, no jobs are projected in the Performance Plan.

Brownfields Redevelopment Program

**COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
JUSTIFICATION OF PROPOSED CHANGES IN APPROPRIATIONS LANGUAGE**

The 2009 President's Budget does not include appropriations language.

Explanation of Changes

Deletes language providing funds for competitive grants because no new funding is requested for fiscal year 2009.

[For competitive economic development grants, as authorized by section 108(q) of the Housing and Community Development Act of 1974, as amended, for Brownfields redevelopment projects, \$10,000,000, to remain available until September 30, 2009: *Provided*, That no funds made available under this heading may be used to establish loan loss reserves for the section 108 Community Development Loan Guarantee program.]

Brownfields Redevelopment Program

COMMUNITY PLANNING AND DEVELOPMENT
 BROWNFIELDS REDEVELOPMENT PROGRAM
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2007 Resources</u>
Competitive Grants	<u>\$9,900</u>	<u>-\$3,813</u>	<u>...</u>	<u>...</u>	<u>\$31,727</u>	<u>\$37,814</u>
Total	9,900	-3,813	...	...	31,727	37,814

Brownfields Redevelopment Program

COMMUNITY PLANNING AND DEVELOPMENT
 BROWNFIELDS REDEVELOPMENT PROGRAM
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 President's Budget Request</u>	<u>Congressional Appropriations Action on 2008 Request</u>	<u>2008 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Competitive Grants	\$10,000	...	...	\$32,664	\$42,664
Total	10,000	...	...	32,664	42,664

COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 2009 Summary Statement and Initiatives
 (Dollars in Thousands)

REVOLVING FUND (LIQUIDATING PROGRAMS)	<u>Appropriation</u>	<u>Receipts and Repayments</u>	<u>Repayments to Treasury-In Year Dividend</u>	<u>Repayments to Treasury-Cumulative</u>	<u>Book Value of Assets, EOY</u>	<u>Outlays</u>
2007 Appropriation.....	\$1,170	\$410	\$586	\$2,291,666	\$3,000	-\$407
2008 Request.....	1,170	500	1,500	2,293,166	2,000	1,500
2009 Request.....	1,170	500	500	2,293,666	1,000	500
Program Improvements/Offsets	...	...	-1,000	+500	-1,000	-1,000

Summary Statement

The expenses of the Revolving Fund (Liquidating Programs) are financed from permanent, indefinite budget authority. This account's largest previous source of funds came from the Section 312 loan portfolio, the bulk of which was sold in fiscal year 2001 for \$64 million. Contract support is still required to support the loans sold to the private sector, as well as the remaining reduced portfolio. There are three components to this contract:

- (1) Property Disposition--resolution of the outstanding issues related to the July 2001 loan sale with the primary focus on compiling the necessary property documents required for placing the remaining assets into the Department's property disposition pipeline (goal is to sell these remaining assets);
- (2) Mortgage Satisfactions and Releases--preparation and processing of all Section 312 mortgage releases and satisfaction, as requested by 312 borrowers or their legally appointed representatives, who claim that their loans have been paid in full and include lien releases; and
- (3) File Storage and Servicing--storage of all Section 312 historical program files and resolution of correspondence and telephone inquiries pertaining to the portfolio.

The Section 312 loan program provided first and junior lien financing at below market interest rates for the rehabilitation of homes in low-income neighborhoods. This program ceased originating new loans over 15 years ago. More than 100,000 loans were made while this program, which was authorized by the Housing Act of 1964, was active. All of the remaining Section 312 properties will be sold. Since fiscal year 2007, funding for the Section 312 Property Disposition loan portfolio has been allotted directly to the Department's Office of Housing and this will continue in fiscal year 2009.

On October 1, 1991 the assets and liabilities of Public Facility Loans were transferred to the Revolving Fund (Liquidating Programs) pursuant to P.L. 102-27 and 102-139. HUD awarded these loans to the State housing finance agencies, State community and/or economic development agencies, local rural nonprofits, and community development corporations. The Federal Reserve Bank of Richmond, acting as the United States Department of Treasury's Fiscal Agent, provided loan services for HUD, and ensures timely and cost effective collection of principal and interest that has accrued on public facility loans. HUD estimates that loan servicing for the remaining seven public facility loans will be required through fiscal year 2019.

Revolving Fund (Liquidating Programs)

Explanation of Increases and Decreases

Since the sale of the bulk of the Section 312 loan portfolio in fiscal year 2001, activity in this account has been substantially reduced, but there are variances depending on the timing of bills, tax considerations and other issues under legal review.

Revolving Fund (Liquidating Programs)

COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Summary of Resources by Program
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Receipts and Repayments</u>	<u>2007 In year Dividend</u>	<u>2007 Cumulative</u>	<u>2008 Receipts and Repayments</u>	<u>2008 In year Dividend</u>	<u>2008 Cumulative</u>	<u>2009 Receipts and Repayments</u>	<u>2009 In year Dividend</u>
Liquidating Programs..	<u>\$410</u>	<u>\$586</u>	<u>\$2,291,666</u>	<u>\$500</u>	<u>\$500</u>	<u>\$2,293,166</u>	<u>\$500</u>	<u>\$500</u>
Total Revolving Fund (Liquidating Programs)	410	586	2,291,666	500	500	2,293,166	500	500

Revolving Fund (Liquidating Programs)

COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Program Offsets
 (Dollars in Thousands)

Liquidating Programs	<u>Amount</u>
2007 Receipts and Repayments.....	\$500
2008 Receipts and Repayments.....	500
2009 Receipts and Repayments.....	<u>500</u>
Program Improvements/Offsets.....	...

The Revolving Fund (Liquidating Programs) was established by the Independent Offices Appropriation Act, 1955, to provide a single fund to assist in the efficient liquidation of assets acquired under various housing and urban development programs. The assets of certain war and emergency housing constructed under the Lanham and Related Acts, Alaska Prefabricated Housing, War Public Works, Defense Community Facilities and Reconstruction Finance Corporation Public Agency Loan programs initially were included in this Fund. At the end of 1970, the Public Works Planning Advances, Grants to Aid Advance Acquisition of Land, and the Alaska Housing Grants and Loans programs were terminated and the assets were transferred to this Fund for liquidation.

In 1975, the assets and liabilities of four community development categorical programs, Basic Water and Sewer Facilities, Neighborhood Facilities, Open Space Land, and Public Facility Loans, were included in the Fund pursuant to Section 117(b) of the Housing and Community Development Act of 1974, which provided for such transfers to facilitate liquidation of the programs. In 1984, the New Communities program was transferred to the Revolving Fund, and on October 1, 1986, the Urban Renewal Program was transferred to the Fund.

The National Affordable Housing Act repealed the Rental Rehabilitation Grants and Rehabilitation Loan (Section 312) programs. Both programs were transferred to the Revolving Fund (Liquidating Programs), effective October 1, 1991, pursuant to P.L. 102-27 and P.L. 102-139.

The Office of Community Planning and Development has trailing management responsibilities associated with the Section 312 loan portfolio. These activities include the disposition of a small number of foreclosed properties being handled by Housing's Property Disposition Office, loan support to former Section 312 borrowers who request lien releases provided through a Community Planning and Development contractor, and general inquiries related to the status of HUD loans and whether they were Section 312. In fiscal year 2007, funding for the Section 312 Property Disposition loan portfolio was allotted directly to the Department's Office of Housing and this will continue in fiscal year 2009.

Revolving Fund (Liquidating Programs)

COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Crosswalk of 2007 Availability
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2007 Receipts and Repayments</u>	<u>2007 Repayments to Treasury-In Year Dividend</u>	<u>2007 Repayments to Treasury- Cumulative</u>	<u>2007 Book Value of Assets, EOY</u>
Liquidating Programs.....	<u>\$410</u>	<u>\$586</u>	<u>\$2,291,666</u>	<u>\$3,000</u>
Total Changes.....	410	586	2,291,666	3,000

Revolving Fund (Liquidating Programs)

COMMUNITY PLANNING AND DEVELOPMENT
 REVOLVING FUND (LIQUIDATING PROGRAMS)
 Crosswalk of 2008 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Receipts and Repaments</u>	<u>2008 Repayments to Treasury-In Year Dividend</u>	<u>2008 Repayments to Treasury- Cumulative</u>	<u>2008 Book Value of Assets</u>
Liquidating Programs.....	\$500	\$500	\$2,293,166	\$2,000
Total Changes.....	500	500	2,293,166	2,000