COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

COMMUNITY DEVELOPMENT BLOCK GRANTS	**Enacted/ Request**	**Carryover**	**Supplemental/ Rescission**	**Total Resources**	**Obligations**	**Outlays**
2008 Appropriation	$3,866,800[a]	$762,338[b]	$9,422,802[d]	$14,051,940	$4,855,926	$8,935,036
2009 Appropriation/Request	3,900,000	9,196,208[c]	3,000,000[e]	16,096,208	13,221,000	8,009,000
2010 Request	4,450,000	2,875,208	...	7,325,208	6,449,000	8,307,000
Program Improvements/Offsets	+550,000	-6,321,000	-3,000,000	-8,771,000	-6,772,000	+298,000

NOTE: Fiscal years 2008 and 2009 budget authority includes transfers to the Working Capital Fund.
a/ Includes transfers of $1 million from Urban Development Action Grants.

b/ Excludes recaptures of $270 thousand.

c/ Does not include $1.28 million of expired funds.

d/ Includes $6.123 billion net appropriation for hurricanes Ike and Gustav aid; $3 billion for Louisiana "Road Home" aid; and $300 million for Midwest and Flood and other disasters. Also included is a rescission of $58 thousand.

e/ An additional $1 billion in CDBG funding and $2 billion for a second round of funding for the Neighborhood Stabilization Program (NSP) was provided through the American Recovery and Reinvestment Act (Recovery Act), enacted in February 2009. Included in this amount is 1 percent for CDBG Administrative costs including staffing, training, TA, IT, monitoring, travel, enforcement, research, and evaluation activities and $50 million for NSP technology assistance.

Section 108 Loan Guarantees

Commitment levels

2008 Enacted loan level...........	$200,000[a]	$3,109	...	$203,109	$165,360	NA
2009 Appropriation/Request.........	275,000[b]	41,629	...	316,629	300,000	NA
2010 Request......................	275,000[c]	16,629	...	291,629	275,000	NA
Program Improvements/Offsets......	...	-25,000	...	-25,000	-25,000	NA

a/ This is based on a revised credit subsidy rate of 2.25 percent.

b/ The credit subsidy rate in fiscal year 2009 is 2.26 percent.

c/ This is a new program based on fee assessment not the appropriation of credit subsidy.

NA = Not Applicable.

Credit Subsidy and Administrative Expenses

	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation/Request.........	$8,565[b]	$69[a]	...	$8,634	$8,634	$8,283
2009 Appropriation/Request.........	9,165[c]	941	...	10,106	9,945	10,000
2010 Request......................	…	161	...	161	...	2,000
Program Improvements/Offsets......	-9,165	-780	...	-9,945	-9,945	-8,000

a/ This is based on a revised credit subsidy rate of 2.25 percent.

b/ 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.

c/ Includes an upward re-estimate of $3.165 million.

Summary Statement

The Community Development Block Grant (CDBG) program provides formula grants to entitlement cities and states to catalyze economic opportunity and suitable living environments through a very extensive array of community development activities that primarily benefit Americans of modest financial means. The fiscal year 2010 Budget proposes $4.450 billion for the Community Development Fund, which includes $4.178 billion for CDBG formula distribution, an increase of $543 million over fiscal year 2009. Full funding for the CDBG program is a top Presidential Priority for 2010. The White House website refers to CDBG under the heading of Urban Policy Initiatives.

Fully Fund the Community Development Block Grant: In the long run, regions are only as strong as their people and neighborhoods. The Community Development Block Grant (CDBG) program is an important program that provides housing and creates jobs primarily for low- and moderate-income people and places. Through the 2010 Budget, President Obama has restored funding for the CDBG program.

In addition to fully funding the CDBG program, a number of new initiatives are included in the fiscal year 2010 Budget proposal. To highlight a few: The Department is proposing legislation to reform the CDBG formula in a carefully thought out process. The Department is considering a number of options for a hold harmless provision in the formula reform. For example, one hold harmless proposal would allow for grantees that would receive less funding under the new formula to receive a bonus so that they would receive an allocation at least equal to their previous allocation. There is a new legislative proposal for Section 108 would allow for HUD to collect fees which would in effect cancel the need to request credit subsidy appropriations for the program; Also, there is a new proposal for a Sustainable Communities Initiative which would be a joint HUD/DOT regional and local planning effort to catalyze the next generation of metropolitan transportation, housing, land use and energy planning to develop a more comprehensive approach to making communities more sustainable; a Rural Innovation Fund Initiative to promote innovative and effective approaches to improving housing conditions in the nation’s rural communities; and a proposal for a University Community Fund in which University partnership programs will be consolidated into one initiative. All of these proposals are described at greater length under separate sections within this overall request.

The CDBG reform proposal will include an amendment to the CDBG statute to establish performance measures and accountability standards for formula grantees. HUD would, for the first time, be able to take corrective actions against grantees for failure to accurately report their performance or for failure to achieve their locally established CDBG program objectives.

Community Development Block Grants

Since inception in 1974, CDBG has invested $127.1 billion in community development at the local level. The CDBG program is authorized by Title I of the Housing and Community Development Act of 1974, as amended, and provides annual grants on a formula basis to states and entitled metropolitan cities and urban counties (generally, cities with a population of 50,000 or more and counties with a population of 200,000 or more). Underpinning the traditional CDBG program is the fundamental philosophy that local decision-makers are poised to drive a cohesive metropolitan dynamic, based on a keen perception of local needs and priorities and a crucial stake in achieving sustainable outcomes. Consistent with that philosophy, CDBG grantees determine the use of CDBG funds with minimal Federal influence. Each activity must achieve one of three statutory national objectives: benefit persons of low- and moderate-income, assist the elimination of slums or blight, or meet a need of particular urgency. And, at least 70 percent of all CDBG funds expended over a period of up to 3 years must primarily benefit persons of low- and moderate-income. Grantees always exceed this overall benefit benchmark by a significant margin. In fiscal year 2008, more than 95 percent of CDBG funds were invested to primarily benefit low- or moderate-income Americans.

An additional $1 billion in CDBG funding was provided through the American Recovery and Reinvestment Act (Recovery Act), enacted in February 2009. These funds have been distributed to the fiscal year 2008 CDBG grantee pursuant to the provisions of the Recovery Act and represent an additional increment of funding equal to 27 percent of fiscal year 2008 funding allocations. Grantees have been urged to use these funds to undertake activities and projects that will contribute to long--term economic growth and must expend these funds not later than September 30, 2012.

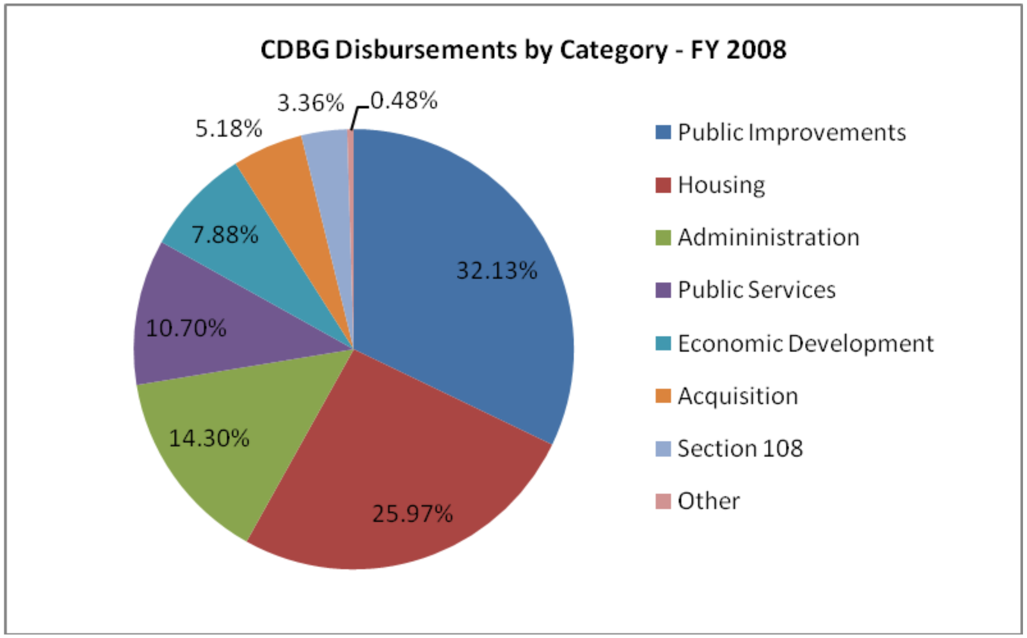
CDBG remains the largest and most flexible community development program in the Federal portfolio. For fiscal year 2008, 1,173 cities and counties were eligible to receive a CDBG entitlement grant directly from HUD. In addition, 49 states and the Commonwealth of Puerto Rico invested in more than 3,000 CDBG small cities and counties from the grants made to states for non-entitled communities. Hawaii’s three non-entitlement counties receive non-entitlement funding on a formula basis directly from HUD, as Hawaii has permanently elected to decline funding under the CDBG States program.

CDBG flexibility encourages use of program to help address key national priorities. The effectiveness of CDBG’s flexibility is demonstrated by the use of CDBG as the funding conduit to assist in addressing a range of national priorities. CDBG is one the Federal Government’s primary vehicles for long-term disaster recovery assistance to states and local governments. For example, Congress appropriated $19.7 billion in supplemental disaster assistance to aid the comprehensive recovery of Alabama, Florida, Louisiana, Mississippi and Texas following the devastation of Hurricanes Katrina, Rita and Wilma in 2005. Furthermore, during fiscal year 2008, Congress appropriated $300 million in supplemental CDBG disaster recovery funding to address a range of presidentially-declared major disasters occurring in the late spring and early summer of 2008 and an additional $6.5 billion in supplemental CDBG disaster recovery funding as part of the fiscal year 2009 continuing resolution to promote recovery from Presidentially declared major disasters that occurred during calendar year 2008, most notably the widespread flooding in the Midwest and Hurricanes Gustav and Ike. HUD proposes a statutory codification of CDBG disaster assistance requirements and development of implementing regulations to allow the Secretary to expedite future recovery initiatives.

Further, CDBG is the underpinning for the Neighborhood Stabilization Program initiatives of the last 2 years. The Housing and Economic Recovery Act of 2008 (HERA) appropriated $3.92 billion in CDBG-like funding for states and local governments to invest in locally--designed strategies to address abandoned and foreclosed properties. Given the urgency of the situation, HERA directed HUD to establish a program, the Neighborhood Stabilization Program (NSP), and allocate the funding within 60 days. By the “rule of construction” under HERA, HUD is to treat NSP funds as if they were CDBG funds under the Housing and Community Development Act except as modified by HERA or by an alternative HUD requirement established to expedite the NSP investment. HUD allocated NSP funding to 309 grantees, a collection of local governments, states and the insular areas. Building on the original NSP investment, the American Recovery and Reinvestment Act of 2009 appropriated an additional $2 billion for NSP activities. The Recovery Act directs HUD to allocate the 2009 NSP funding by competition among units of local government, states, nonprofit organizations, and consortia of nonprofit organizations, any of which may partner with for-profit entities. The flexibility of the CDBG-like funding promotes the coordination of public, private, and philanthropic sectors to make transformative investments that simultaneously address immediate needs and lay the foundations for future prosperity.

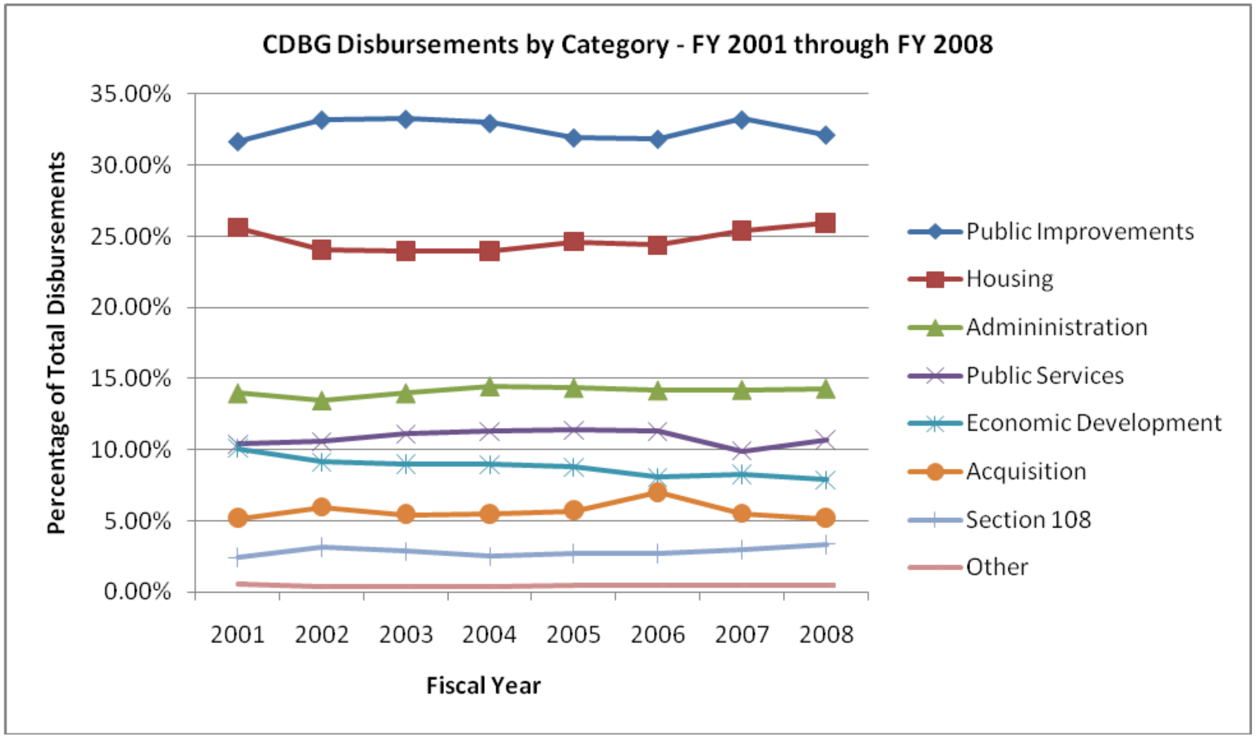
Performance Measurement

HUD's Office of Community Planning and Development is focused on making outcome driven investments. In concert with community development public interest groups, their grantee members and OMB, in fiscal year 2006 HUD developed a performance measurement framework to be used by Community Planning and Development-formula grantees to gauge program effectiveness. The performance measurement framework sets three overarching aims derived from the CDBG statutory objectives: Create Suitable Living Environments, Provide Decent Affordable Housing, and Create Economic Opportunities. The framework allows HUD to aggregate data up to the national level. Grantees began reporting into the new framework on October 1, 2006. For fiscal year 2008 CDBG grantees invested $4.354 billion in CDBG funds and program income in the following activity categories:


CDBG Disbursements by Category - FY 2008
32.13%
25.97%
14.30%
10.70%
7.88%
5.18%
3.36%
0.48%
Public Improvements
Housing
Admininistration
Public Services
Economic Development
Acquisition
Section 108
Other

Community Development Block Grants

As the graph below indicates, the proportion of CDBG funding invested in each of the major categories of eligible activities has remained fairly constant over time.



In fiscal year 2008, grantees reported that CDBG housing activities helped approximately 147,000 households obtain decent, safe, and sanitary housing and achieved the following outcomes:

- Owner-occupied Housing Rehabilitation: Thirty-one percent of rehabilitated homes were occupied by elderly individuals and 16 percent were raised from substandard to standard condition with CDBG funding.

- Rental Housing Rehabilitation: Grantees deemed an overwhelming majority of the rehabilitated rental units to be affordable by local standards. Grantees reported that 19 percent of all rehabilitated rental units climbed from substandard to standard condition. Elderly residents occupied 14 percent of the rental units.

Community Development Block Grants

- Homebuyer Assistance: One-half of CDBG-assisted homebuyers purchased their first home. Of first-time homebuyers, 89 percent received housing counseling assistance to prepare for homeownership and 45 percent received a financial subsidy of down-payment or closing costs.

CDBG grantees also use funds to provide special assistance for homeless individuals and families by carrying out a wide range of public service and public facilities activities. In fiscal year 2008 CDBG grantees achieved the following outcomes for homeless individuals and families:

- provided for 21,974 beds in overnight or emergency shelters.
- sheltered 92,603 homeless persons.
- provided emergency legal or financial assistance to 15,972 individuals to prevent homelessness.
- provided short-term, emergency rental assistance to 875 households.

Grantees historically have funded public improvements according to the following trends.

- Between 2003 and 2008 entitlement grantees collectively committed:
  - 6.05% of CDBG allocations to General Public Facilities.
  - 5.32% of CDBG allocations to Street Improvements.
  - 2.59% of CDBG allocations to Parks.

- Between 2003 and 2008 state governments collectively committed:
  - 31.1% of CDBG allocations to Water and Sewer Systems.
  - 6.44% of CDBG allocations to Street Improvements.
  - 7.22% of CDBG allocations to General Public Facilities.

In fiscal year 2008, CDBG grantees achieved the following economic development outcomes:

- Of jobs created or retained, more than half provided health care benefits and four out of five were newly created.
- Skilled or semi-skilled workers filled 43 percent of new jobs.
- Sales and service workers, professional office and clerical workers, and technical workers filled 42 percent of new jobs.
- Of the CDBG assisted businesses, the overwhelming majority are located in low- and moderate-income neighborhoods.

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
SUMMARY OF RESOURCES BY PROGRAM
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Entitlement/Non-Entitlement	$3,586,372	$611,184	$4,197,556	$3,581,891	$3,634,967	$615,051	$4,250,018	$4,178,000
Insular Area CDBG Program	7,000	6,930	13,930	6,930	7,000	6,036	13,036	7,000
Sustainable Communities	...	...	...	...	...	...	...	150,000
Indian Tribes	62,000	59,505	121,505	55,730	65,000	65,774	130,774	65,000
Rural Innovation Fund .	[12,913]	...	[12,913]	...	[26,000]	...	[26,000]	25,000
University Community Fund	[23,000]	...	[23,000]	...	[23,000]	...	[23,000]	25,000
Section 107 Grants	4,000	437	4,437	849	5,000	3,604	8,604	...
Working Capital Fund ..	1,570	...	1,570	1,570	3,175	...	3,175	...
Economic Development Initiative Grants	179,830	71,449	251,279	101,236	165,311	150,044	315,355	...
Neighborhood Initiative Demonstration	25,970	10,643	36,613	20,785	19,547	15,827	35,374	...
Disaster Assistance ...	9,422,860	577	9,423,437	1,085,533	...	8,339,661	8,339,661	...
Section 805 Economic Development training .	...	213	213	2	...	211	211	...
Youthbuild	...	1,400	1,400	1,400	...	...	...	...
American Recovery and Reinvestment Act	...	...	...	...	3,000,000	...	3,000,000	...
Total	13,289,602	762,338	14,051,940	4,855,926	6,900,000	9,196,208	16,096,208	4,450,000

NOTE: The fiscal years 2008 and 2009 Section 107 grants budget authority are solely for technical assistance.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	116	113	116
Field	162	161	162
Total	278	274	278

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

Entitlement/Non-Entitlement	**Amount**
2008 Appropriation	$3,586,372
2009 Appropriation/Request	3,634,967
2010 Request	4,178,000
Program Improvements/Offsets	+543,033

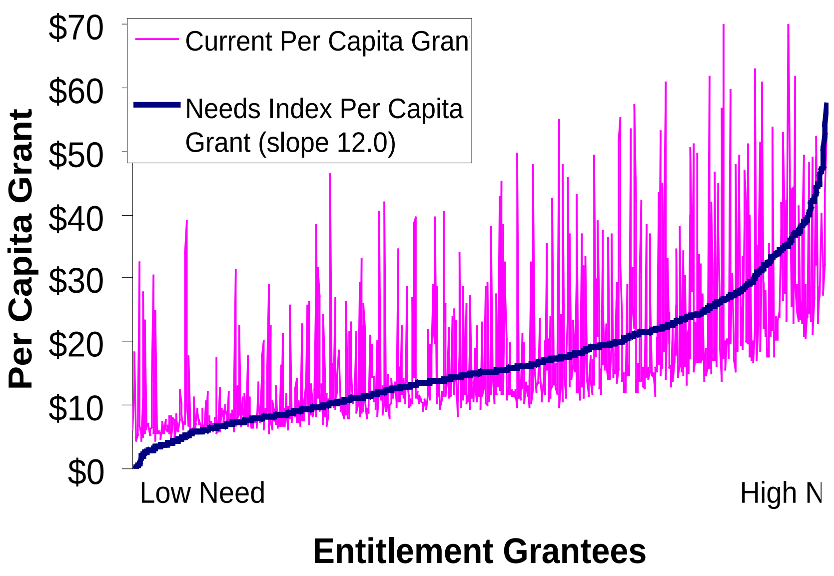
Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Entitlement/ Non-Entitlement	$3,586,372	$611,184	$4,197,556	$3,581,891	$3,634,967	$615,051	$4,250,018	$4,178,000

Proposed Actions

Formula Reform. 1. The formulas through which CDBG funds are distributed to eligible entitlement grantees have not been altered in more than thirty years and the State CDBG formulas are unchanged since established in 1981. Collectively, the formulas no longer target to community development need as well as they once did due to demographic shifts in the nation's population. The chart at the right demonstrates how CDBG allocations vary from HUD's estimate of community development need (represented by the solid upward sloping dark line). Three problems are evident: low need grantees receiving high per capita grants; high need grantees receiving low per capita grants; and grantees having the same need receiving significantly different per capita amounts.

The current CDBG formula was developed in the early 1970s with variables that at that time were reasonable proxies for community development need. Our nation has change a lot since 1970 so some of these variables are no longer good measures.

CHART A: Distribution under the Current Formula



For example,

- A large amount of money is currently allocated based on a community's share of housing built before 1940. The problem is that distressed communities have torn down their old housing while less distressed communities have renovated their old homes, shifting dollars from distressed communities to less distressed communities.
- Poverty remains a good measure of need but as it is currently used in the formula it disproportionately benefits communities with large numbers of college students living off-campus, many of which are "in poverty" by the Census measure but are likely supported by their family in reality.
- The "growth lag" variable funds communities that have grown slower than the rest of the US since 1960. These are usually needy places, but it also benefits undistressed communities that were fully built out in 1960 or had population decline associated with smaller wealthier households.
- The current dual formula results in Formula A communities getting significantly less than Formula B communities with similar needs. The more needy a Formula A grantee, the greater the disparity. Three high need communities, Miami, St. Louis, and Detroit should get around the same amount of funding per capita. Miami is a formula A grantee and gets $22 per capita, St. Louis is Formula B and gets $59 per capita, and Detroit is a formula B and gets $43 per capita. Both the needs index and common sense argue against St. Louis needs being 50 percent greater than Detroit and three times greater than Miami. Ideally, all three communities would have fairly similar per capita grant amounts.
- An additional problem is the 70/30 split between entitlement communities and nonentitlement communities. Over time, the proportion of the US population served by entitlements has risen while the proportion served by states has declined yet the split has remained fixed since 1981. This has led to entitlement communities dividing their share of the funding into smaller and smaller pieces.

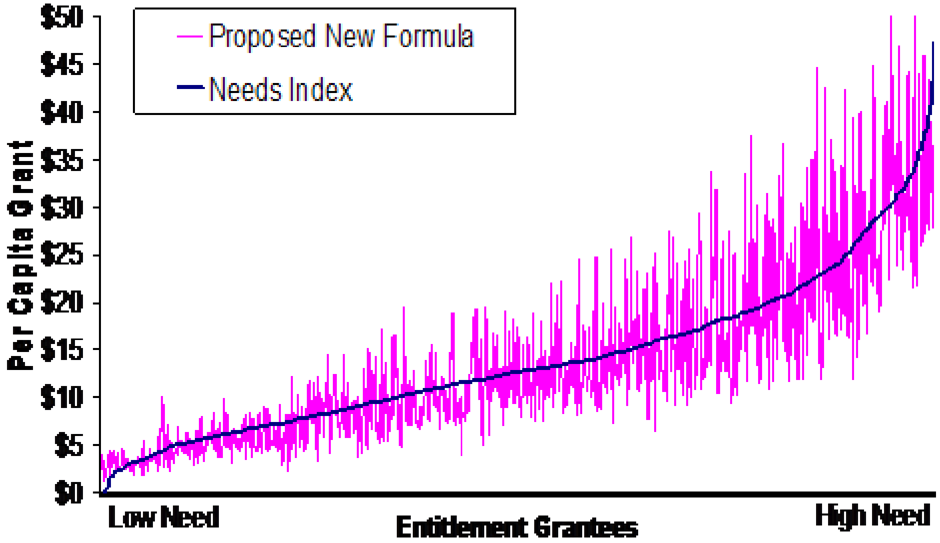
This Budget proposal calls for a substantial increase in funding for CDBG. Because of this increase in funding it is possible to change the formula without any grantee getting less funding than the amount allocated in fiscal year 2009. In the 2005 report "CDBG Formula Targeting to Community Development Need," there were four formula alternatives to improve the allocation. One of the formulas under consideration is described as alternative 4. This proposed formula is a single formula with no 70/30 split between states and entitlements. All grants would be allocated using the same formula. That proposed formula has four research supported indicators of community development need:

- Persons in poverty excluding unrelated individuals enrolled in college;
- Housing 50 years old or older occupied by a poverty household;
- Female headed households with children under the age of 18; and
- Overcrowding.

The formula also adjusts for different areas labor costs and relative fiscal capacity of grantees by adjusting grants based on the inverse of a community's per capita income relative to the per capita income in a metro area. That is, communities with much lower per capita income than the metropolitan area have their grants adjusted up while those with much higher per capita incomes than the metropolitan area have their grants adjusted down.

Most important, this proposal would include a hold harmless provision. By asking for more funding in fiscal year 2010 than in fiscal year 2009, it permits the establishment of a "hold harmless" fund to raise the grants of communities that would otherwise see a reduction in funding due to the new formula.

Proposed formula targeting to need if alternative four is adopted before increasing appropriations and making the hold-harmless adjustment:



2. Hold Harmless. To account for the redistribution of funding under CDBG formula reform, HUD proposes a "hold harmless" approach to ensure that grantees do not suffer destabilizing reductions in CDBG funding. There is precedent for this type of policy. In 1974 when the CDBG program was created, grantees were transitioned from receiving funding under several categorical programs to receiving funding under CDBG. While there are several approaches to designing a hold harmless provision, one of the options under consideration is a "hold harmless" provision to ensure grantees do not suffer a reduction from their CDBG allocation level so long as appropriations for the CDBG formula remain at or above $4 billion annually.

3. Outcome Driven Accountability. The HCD Act and CDBG rules purposefully permit tremendous flexibility in program implementation, which inadvertently complicates the measurement of program effectiveness and the enforcement of program implementation accountability standards. To address these complications, HUD staff has developed two proposals. First, many local governments accurately report on performance targets and outcomes. Furthermore, many local governments do not concentrate their CDBG investment, which makes it difficult to measure the program's impact. In order to demonstrate that CDBG investments achieve the greatest possible impact, HUD needs to: 1) improve reporting of performance-based data from all grantees; 2) focus on improving information systems, and 3) implement accountability standards for all grantees. Implementation of the Performance Measurement System allows CPD to move away from simply counting jobs, housing units and public facilities/public services to a robust demonstration of the impact of these Federal dollars. For example, instead of just reporting on the number of jobs created or retained, CDBG can now provide the number of jobs with employer provided health insurance or jobs that were taken by previously unemployed persons. However, CPD has noted that the extent and accuracy of data entry varies greatly among grantees.

Community Development Block Grants

Although the implementation of the Performance Measurement System in 2006 was a major CDBG accomplishment,the Department intends to pursue a more aggressive course in its data collection efforts. First, completion of the re-engineered Integrated Disbursement and Information System (IDIS) system is a very high priority; system improvements and edits will make it easier for grantees to enter data promptly and accurately. Second, HUD needs to focus on grantee accountability for demonstrating results by requiring complete, accurate and timely data input by its grantees. The CDBG reform proposal will include an amendment to the CDBG statute to establish performance measures and accountability standards for formula grantees. HUD would, for the first time, be able to take corrective actions against grantees for failure to accurately report their performance or for failure to achieve their locally established CDBG program objectives.

The Department intends to augment this data collection effort by seeking to establish an incentive-driven component in CDBG that would reward CDBG grantees that produce specific, measureable results. This approach is reflective of the Department's desire to manage through incentive to improvement performance. In designing this proposal, the Department will consult with grantees, academics, and other interest parties in coming year.

4. Section 108 Fee Subsidy. The Section 108 loan guarantee program has been part of the Community Development Block Grant (CDBG) program since its establishment in 1974. The Section 108 program operates within the statutory and regulatory framework of the CDBG program and its basic eligible activities are a subset of the activities authorized under CDBG. All activities funded under Section 108 must meet all requirements of the CDBG program. Section 108 offers variable and fixed rate financing for up to 20 years to finance economic development projects, public facilities and improvements, housing rehabilitation, land acquisition, and related activities. Communities must pledge their CDBG funding as security for the Section 108 loans. As a Federal credit program, the Section 108 program is subject to the requirements of the Federal Credit Reform Act of 1990. The Credit Reform Act requires that a credit subsidy rate be established for loan guarantee programs such as Section 108 and that an appropriation of credit subsidy be provided to support loan guarantees made through the program. In an effort to eliminate the need for a credit subsidy for the Section 108 program and increase the alignment of Section 108 with the CDBG program, HUD is proposing that it be authorized to charge a fee for its guarantee under Section 108. Borrowers would be authorized to pay such fees from CDBG funds at the discretion of the borrower. This approach retains the utility of the Section 108 program while reducing its current and future budgetary impact. Imposition of the fee would require a legislative change and HUD proposes language authorizing the fee. Notably, Section 108 has never experienced a loan default that has required the use of the Federal guarantee.

5. Sustainable Communities. The Department of Housing and Urban Development proposes $150 million for a Sustainable Communities Initiative for fiscal year 2010. HUD believes that affordable housing is best developed "in context" of communities and regions, because proximity to transit, jobs, and retail and other amenities influences the long--term success of both the housing and its occupants. Walkable, transit-oriented, mixed-income and mixed-use communities substantially reduce transportation costs (now a greater part of many family budgets than housing costs), create energy savings (by reducing Vehicle-Miles Traveled), and enhance access to employment and educational opportunities. This Initiative would have several components.

First, this initiative would fund a joint $100 million HUD/Department of Transportation (DOT) regional planning effort to catalyze the next generation of metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and Global Information System (GIS) mapping. These integrated plans would inform state, metropolitan and local decisions on how and where to allocate Federal, state and local transportation and housing investments. The end result would be to tighten the nexus between transportation and housing investments as a means to drive more sustainable development patterns, reduce greenhouse gas emissions and give residents more housing choices near transport and transit nodes.

Second, this initiative would fund a $40 million challenge grant to help localities undertake a new wave of zoning and land use reform that is more sustainable and green. These investments would provide a local complement to the broader metropolitan planning effort described above, enabling those changes in local land use policy and practice that are necessary to implement a broader vision for growth.

Finally, the initiative would provide $10 million for a joint HUD/DOT research effort designed to advance transportation and housing linkages on a number of levels.

6. Rural Innovation Fund. HUD proposes to utilize $25 million to support a limited number of highly targeted and innovative approaches dedicated to addressing the problems of concentrated rural housing distress and community poverty. Similar to the Choice Neighborhoods Initiative that will focus on neighborhoods of high distress that have a good chance of long-term sustainability given their location, the Rural Innovation Fund (RIF) will support bold ideas that lead to better housing conditions, increased energy efficiency, and economically viable communities with a strong potential for sustaining the benefits resulting from a one-time Federal investment. Through its proposed Transformation Initiative, HUD would study the effectiveness of the varying approaches to determine the replicability potential in other communities.

Recognizing the need for affordable housing and economic development in rural areas, and the strong role HUD programs play in rural America, particularly the HOME program, Housing Opportunities for Persons with AIDS (HOPWA), tenant-based Housing Choice vouchers, and other programs, HUD proposes the Rural Innovation Fund. HUD also recognizes the unique relationship between the Government of the United States and the governments of Indian tribes, and the importance of HUD programs including the Native American Housing Assistance and Self-Determination Act (NAHASDA) block grant for affordable housing needs in Indian communities, and proposes to structure the Rural Innovation Fund to reflect these considerations.

This effort would be competitive. States and Federally recognized Indian Tribes could be the lead applicants for comprehensive grants. Applicants would identify targeted affordable housing and economic development interventions (either geographically targeted, or through an innovative overall approach applicable over a wider area) to assist low-income communities with fewer than 2,500 residents. Applicants would be required to develop coordinated plans and to leverage other Federal and state programs, including the Department of Agriculture, Interior, and Energy and the Environmental Protection Agency. States will develop implementation strategies involving both local governments as well as non-profit partners to assist in the delivery and administration. Funds could also be used for capacity building for non-profits, community development organizations and Tribally Designated Housing Entities (TDHEs).

7. University Community Fund. HUD proposes to consolidate four separate university partnership programs into one, unified $25 million University Community Fund. With the restructuring of the United States economy, universities have emerged as growth engines for metropolitan and rural economies. They also serve as anchor institutions and major employers within their host communities. The consolidated University Community Fund will continue to leverage the potential of universities to serve as catalysts for broader revitalization in their surrounding communities. Special attention will be paid to those classes of universities traditionally served by the prior University Partnership programs [i.e., Historically Black Colleges and Universities (HBCU), Tribal Colleges and Universities (TCU), Alaska Native/Native Hawaiian Institutions (AN/NHI), and Hispanic-Serving Institutions (HSI)].

The University Community Fund would also allow funding opportunities for colleges and universities interested in forming consortia with other minority-serving or non-minority-serving institutions to jointly address the community/economic development needs of local communities. This option would be an additional means of focusing diverse resources/expertise of the institutions and other program partners on revitalizing communities.

Program applicants will be encouraged to undertake projects that address a broad range of community and economic development activities, with renewed emphasis on energy conservation, financial literacy programs and homeownership training/counseling programs, and assist in strengthening communities to sustain long-term economic development benefits.

8. Transformation Initiative. The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for the CDBG account may be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD. Examples of projects that could be undertaken with Transformation Initiative funding in respect to the CDBG account include: Technical Assistance, Informational Technology, Research, and Demonstrations. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

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.

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.

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.

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. 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:

ORIGINAL FORMULA	SECOND FORMULA
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)

"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. The State of Hawaii is the only State that permanently elected not to administer the State CDBG program and HUD, therefore, administers grants to non-entitlement units of government in Hawaii.

3. 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.

4. 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.

5. 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.

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.

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 also submits a series of certifications as part of its Consolidated Plan.

6. 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 monitor 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 monitors 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 the State conducted appropriate reviews of the grants that it awarded to local governments. HUD is authorized to terminate, reduce, or limit the availability of the funds of a grantee according to monitoring findings, following the opportunity for a consultation or in some cases following a hearing before an administrative law judge.

7. 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 1 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 to 62 grantees in April 2009.

Community Development Block Grants

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 96.7 percent of their annual allocations per year. As of March 2009, the cumulative national expenditure rate was 105.3 percent of the annual allocation amount, thereby reducing accumulated balances. Since June 2004, the average expenditure rate has generally 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 17 percent over the period fiscal years 2003 2008) based on lower appropriation levels.

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

Sustainable Communities	Amount
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$150,000
Program Improvements/Offsets	+150,000

Proposed Actions

The Department of Housing and Urban Development proposes $150 million for a Sustainable Communities Initiative for fiscal year 2010. HUD believes that affordable housing is best developed “in context” of communities and regions, because proximity to transit, jobs, and retail and other amenities influences the long term success of both the housing and its occupants. Walkable, transit-oriented, mixed-income and mixed-use communities substantially reduce transportation costs (now a greater part of many family budgets than housing costs), create energy savings (by reducing Vehicle-Miles Traveled), and enhance access to employment and educational opportunities. This Initiative would have several components.

First, this Initiative would fund a joint $100 million HUD/DOT regional planning effort to catalyze the next generation of metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and GIS mapping. These integrated plans would inform state, metropolitan and local decisions on how and where to allocate Federal, state and local transportation and housing investments. The end result would be to tighten the nexus between transportation and housing investments as a means to drive more sustainable development patterns, reduce greenhouse gas emissions and give residents more housing choices near transport and transit nodes.

Second, this Initiative would fund a $40 million challenge grant to help localities undertake a new wave of zoning and land use reform that is more sustainable and green. These investments would provide a local complement to the broader metropolitan planning effort described above, enabling those changes in local land use policy and practice that are necessary to implement a broader vision for growth.

Finally, the Initiative would provide $10 million for a joint HUD/DOT research effort designed to advance transportation and housing linkages on a number of levels.

Background

In the past 15 years, widespread frustration with sprawling and stratified development patterns has precipitated an explosion in metropolitan thinking and action across the United States. A new policy language–“smart growth,” “livable communities,” “sustainable development,” “regional equity”--has emerged to describe efforts to curb sprawl and traffic congestion, promote urban reinvestment, reduce greenhouse gas emissions and enhance access to opportunity.

Community Development Block Grants

Several trends should be noted:

First, the relationship between housing, transportation, energy and climate change has become manifest. Housing and the built environment more broadly are major contributors to energy consumption and global warming. Residential buildings alone account for 20 percent of U.S. carbon emissions. The transportation sector accounts for another third of carbon emissions, in part because sprawling development patterns separate jobs and houses and, without adequate transit systems, necessitate car travel.

Second, the social implications of stratified growth patterns have grown more apparent and complex. As metropolitan areas sprawl outward and jobs become increasingly dispersed, fewer low-wage and minority renters can find housing near their work. While most jobs are added in outer suburbs, affordable housing remains disproportionately located in urban and older suburban neighborhoods or in distant exurbs. This is due to the fact that exclusionary zoning laws limit the development of affordable housing in growing suburban communities.

Nationally, 45 percent of all renters and two-thirds of poor renters live in central cities. Thus, many low-income families, particularly families of color, live in neighborhoods that limit their ability to access quality jobs and good schools and build wealth for their families. The unbalanced nature of metropolitan housing patterns also places enormous strains on urban and suburban households as commutes lengthen and gas prices rise. The combination of housing and transportation costs now average near 60 percent of income for working families in metropolitan areas.

Finally, the Federal role in promoting unsustainable growth patterns is incontrovertible. It is well documented that Federal housing programs and policies have contributed to racially and economically stratified patterns of development. Public housing was often sited “on the wrong side of the tracks”—in segregated areas of extreme poverty—to minimize opposition. Low-income housing tax credits give preference to projects located in neighborhoods of distress. Vouchers, although portable in theory, are often not portable in practice since they are administered by local public housing agencies that rarely represent the geography of metropolitan housing markets. With few exceptions, neither HUD nor states and localities even examine location efficiency (e.g., the potential location of affordable housing developments near transit), nor do they encourage smart zoning and planning reform when allocating resources under a broad array of programs.

Beyond housing, the Federal government’s policies and rules are narrowly defined, poorly coordinated, and often work at cross-purposes. Federal programs dealing with housing, transportation, and energy issues, for example, remain largely divorced from each other, precluding the smartest sort of integrated problem-solving. For example, while Federal transportation policy continues to disproportionately invest outside of the core areas of metropolitan America, Federal housing policy, as noted above, continues to favor the concentration of affordable housing in central cities.

Federal requirements for transportation and housing planning are particularly disconnected. For example, HUD requires states, cities and counties, as a condition for receiving formula grants, to prepare a 5-year Consolidated Plan, as well as an annual Action Plan, estimating housing status and needs. These plans have become largely pro forma, do not take land use or transportation into account, and are for political jurisdictions, not regions. At the same time, DOT requires states and metropolitan areas (through Metropolitan Planning Organizations--MPOs) to develop a 20 year Long Range Transportation Plan and a 4-year Transportation Improvement Program (TIP). While taken more seriously, and regional in scope, these plans do not consider housing and land use patterns, or broader sustainability goals.

The silo driven nature of Federal policy and program extends to data collection, performance measurement, research and evaluation. Although transportation costs now approach or exceed housing costs for working families, Federal “affordability” definitions and assessments do not join these costs together, continuing the distortions in Federal policy toward locations that undercut affordability goals because of associated energy and transportation costs exists. Under Congressional direction, DOT and HUD are just beginning to collect information on the rising phenomenon of transit-oriented development, including an inventory of affordable housing developments near transit, incremental impacts on transit ridership from such developments, changes in zoning ordinances that promote affordable housing near transit, and other performance indicators including combined housing and transportation affordability.

Sustainable Communities Initiative

To promote more environmentally sustainable and socially inclusive growth patterns, HUD proposes a $150 million Sustainable Communities Initiative for fiscal year 2010. In addressing the challenges described above, this Initiative also represents a major contribution to the mission of a Federal interagency working group on Transportation, Land Use and Climate Change.

The Initiative would have three essential components.

First, the Initiative would dedicate $100 million for a regional planning effort to be jointly administered by HUD and DOT. The goal of this effort would be to enable metropolitan areas (and, in some cases, their States) to set a vision for growth and then apply Federal transportation, housing and other investments in an integrated way in support of the broader vision.

This regional planning effort would seek to assist states and metropolitan areas in one of their hardest tasks: that of transcending policy stove-pipes and disconnected transportation and housing programs that expand detrimental development. To that end, the new challenge would entice metropolitan-area leaders to design and implement truly integrated transportation, land use, and housing plans aimed at promoting quality regional place-making and environmental sustainability in fresh and structural ways.

Ideally, HUD and DOT would entertain joint applications between metropolitan planning organizations and consortia of local recipients of HUD block grant assistance. Funding generally would be used to support the development of integrated, state of the art regional development plans that use the latest data and most sophisticated analytic, modeling and mapping tools available.

Preference would be given to applications that show evidence of long term structural collaboration between the disparate housing, transportation and planning agencies, illustrate the deep engagement of business, government and civic leaders and demonstrate the intent to use planning to drive allocation decisions around Federal resources as well as land use decisions at the local level. Preference also would be given to plans that go beyond transportation; housing and land use plans and incorporate other key elements of the built environment, including economic clustering, energy usage and environmental impacts.

We anticipate that the Federal cost for these advanced plans would average $3 million-$5 million and would be supplemented by funds from other state and local sources. The goal would be to create replicable models that can be transferred to and deployed by comparable agencies in other parts of the country. In the long run, Federal transportation and housing programs could be revised to require integrated regional development plans, and reward grantees that perform at the highest level.

HUD believes that the $100 million request, continuously budgeted and appropriated over the coming years, is needed to ensure that the preponderance of the nation’s top 100 metropolitan areas (with populations over 500,000) benefit from state-of-the-art planning and design. We believe that that this investment is necessary to ensure that much more substantial investments in transportation, housing and other areas of domestic policy are designed and implemented in ways that can have transformative impacts on economic, social and environmental priorities. A relatively small amount of planning funds could provide a platform for the deployment of effective strategies: transit oriented development, congestion pricing schemes, brownfield remediation, even regional economic cluster and workforce housing initiatives

The timing of this initiative is propitious. In the next year, the law governing surface transportation programs is set to expire and Congress will likely enact a new framework for Federal transportation policy, authorizing hundreds of billions of dollars for highway and transit in the process. It is likely that this reauthorization will challenge states and metropolitan areas to design and implement a new wave of transportation solutions that seek to ease growing congestion in major metropolitan areas while enhancing metropolitan competitiveness and reducing greenhouse gas emissions. Achieving those priorities is possible only if transportation and housing interventions are joined up, sparking more balanced growth patterns and expanding choices for residents and businesses.

Second, the Initiative would dedicate $40 million to a Metropolitan Challenge Grant that would seek to entice state, metropolitan and local leaders to make market shifting changes in local zoning and land use rules—in essence to flip the current equation and make sustainable growth easy and counter-productive growth hard.

Community Development Block Grants

To make it easier to build housing in older communities, the Challenge Grant would arm states and localities with the resources needed to revise local zoning rules for downtown areas, commercial and even industrial areas in cities and older suburbs. To make it easier to rehabilitate older buildings, the Challenge Grant would likewise give states and localities the resources to overhaul building codes. To make it easier to expand the supply of moderately priced housing within their borders, particularly multifamily dwellings, both urban and suburban jurisdictions would be eligible to compete for resources to reduce regulatory barriers and explore innovative reforms like inclusionary zoning.

HUD’s experience shows that many jurisdictions, particularly suburban jurisdictions, simply do not have the resources or planning capacity necessary to undertake sophisticated zoning and land use reform. The efforts by larger cities (e.g., New York, Chicago, Washington, D.C.) over the past decade illustrate the power of zoning reforms to unlock the hidden vitality of waterfront and former manufacturing areas and promote more sustainable patterns of development. Extending these innovations to smaller cities and suburban jurisdictions will require investment by the Federal government.

As with the investment in regional planning, HUD believes that a relatively small investment in local zoning and land use reform will have dramatic impact over time. Through these investments, HUD will help establish a new norm for land use practice in the United States and a new network of local experts that can help replicate innovative techniques quickly and efficiently, to avoid any necessity for each municipality, city and county to “reinvent the wheel.”

Finally, the Initiative would dedicate $10 million for a major research and evaluation effort that is jointly administered by DOT and HUD. This effort would aggressively engage on joint data development, information platforms, analytic tools and research to better track housing and transportation expenditures by location, create broader measures of affordability, establish standardized and efficient performance measures, such as VMT or location efficiency, identify best practices in transit oriented development, evaluate location efficient mortgages and energy efficient mortgages, and then to create products that move this information into the marketplace to inform private investment decisions as well.

All these efforts will be administered by a new Office of Sustainability and Metropolitan Planning, in close collaboration with the Office of Policy Development & Research as well as other program offices in the Department. One of the first acts of this new Office will be to strengthen and enhance the joint DOT/HUD working group mandated by Congress.

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

Section 108 Loan Guarantees	**Amount**
2008 Appropriation	$8,565
2009 Request..	9,165
2010 Request	...
Program Improvements/Offsets	-9,165

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Section 108 Loan Guarantees............	$8,565 a/	$69	$8,634	$8,634	9,165 b/	$941	$10,106	...

a/ This amount includes $4.5 million in discretionary appropriations and $4.065 million in a mandatory appropriation for an upward re-estimate of credit subsidy.
b/ This amount includes $6 million in discretionary appropriations and $3.165 million in a mandatory appropriation for an upward re-estimate of credit subsidy.

Proposed Actions

No appropriation for credit subsidy is requested for the Section 108 Loan Guarantee program in fiscal year 2010. Instead HUD proposes legislative changes that would enable HUD to charge borrowers a fee to make this a zero credit subsidy program. For fiscal year 2009, the Congress provided a loan guarantee authority level of approximately $275 million based on credit subsidy of $6.0 million.

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, due in part to the availability of CDBG funds for repayment if planned repayment sources are insufficient. Since 1998 communities have been required to differentiate between planned use of CDBG funds for Section 108 debt service and unplanned use. Planned use of CDBG funds is associated with projects (e.g., public facilities) that generate little or no revenue. Unplanned use of CDBG funds occurs upon a revenue shortfall in the intended repayment source. In fiscal year 2008, planned Section 108 outlays were $139 million, and unplanned Section 108 outlays were $7.4 million.

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

Insular Area CDBG Program	**Amount**
2008 Appropriation	$7,000
2009 Appropriation/Request	7,000
2010 Request	7,000
Program Improvements/Offsets	...

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Insular Area CDBG Program	$7,000	$6,930	$13,930	$6,930	$7,000	$6,036	$13,036	$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.

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

Indian Tribes	**Amount**
2008 Appropriation	$62,000
2009 Appropriation/Request	65,000
2010 Request	65,000
Program Improvements/Offsets	...

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Indian Tribes	$62,000	$59,505	$121,505	$55,730	$65,000	$65,774	$130,774	$65,000

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 $65 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 PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Rural Innovation Fund	**Amount**
2008 Appropriation	[$12,913]
2009 Appropriation/Request	[26,000]
2010 Request	25,000
Program Improvements/Offsets	-1,000

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Rural Innovation Fund..	[$12,913]	…	…	…	[$26,000}	…	…	$25,000

Proposed Actions

HUD proposes to utilize $25 million in CDBG funding to fund a new Rural Innovation Fund Initiative to promote innovative and cost effective approaches to improving housing conditions in the nation’s rural communities. The Rural Housing and Economic Development program was funded as a separate program within CPD in prior years, as shown above, but proposes to eliminate its standalone nature. HUD will provide assistance to a limited number of states to establish programs that will focus resources on the particular housing needs of rural communities having populations of 2,500 or fewer persons. HUD seeks to promote the long-term sustainability of such communities by improving housing conditions and energy efficiency and pairing these gains with other community wide investments. This effort will be competitive in nature and only states will be eligible to apply. States will be expected to develop a coordinated program having significant leverage of other HUD resources such as the HOME program as well as funding from programs administered by other Federal partners such as the Departments of Agriculture, Energy, and Transportation and the Environmental Protection Agency. In addition, HUD will require that States develop implementation strategies involving both local governments and non-profit partners to assist in the delivery and administration of these targeted efforts. As part of the fiscal year 2010 budget process, HUD will seek the legislative changes necessary to use CDBG funds for this purpose and to provide states with the appropriate authorities to implement this Initiative.

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

University Community Fund	Amount
2008 Appropriation	[$23,000]
2009 Appropriation/Request	[23,000]
2010 Request	25,000
Program Improvements/Offsets	+2,000

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
University Community Fund	[$23,000]	…	…	…	[$23,000}	…	…	$25,000

Proposed Actions

HUD proposes to consolidate four separate university partnership programs into one unified $25 million University Community Fund. With the restructuring of the United States economy, universities have emerged as growth engines for metropolitan and rural economies. They also serve as anchor institutions and major employers within their host communities. The consolidated University Community Fund will continue to leverage the potential of universities to serve as catalysts for broader revitalization in their surrounding communities. Special attention will be paid to those classes of universities traditionally served by HUD programs [i.e., Historically Black Colleges and Universities (HBCU), Tribal Colleges and Universities (TCU), Alaska Native/Native Hawaiian Institutions (AN/NHI), and Hispanic-Serving Institutions (HSI)].

The University Community Fund could also allow funding opportunities for colleges and universities interested in forming consortia with other minority-serving or non-minority-serving institutions to jointly address the community/economic development needs of local communities. This option would be an additional means of focusing diverse resources/expertise of the institutions and other program partners on revitalizing communities.

With renewed emphasis, program applicants will be encouraged to undertake projects that address a broad range of community and economic development activities, with renewed emphasis on energy conservation, financial literacy programs and homeownership training/counseling programs, and assist in strengthening communities to sustain long-term economic development benefits.

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

Section 107 Grants	Amount
2008 Appropriation	$3,000
2009 Appropriation/Request	5,000
2010 Request	...
Program Improvements/Offsets	-5,000

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Section 107 Grants	$4,000 a/	$437	$4,437	$849	$5,000	$3,604	$9,604	...

a/ Includes a transfer of $1 million from Urban Development Action Grants.

Proposed Actions

Technical assistance needs in fiscal year 2010 will be met through the Transformative Initiative (described further in a separate Congressional Justification). HUD directly funds more than 1,200 state and local CDBG grantees which expend more than $4 billion annually in Federal community development funds. Entitlement cities fund thousands of sub-recipient organizations, and states and urban counties pass CDBG allocate funds to more than 7,000 local governments. All of these entities must be familiar with the full range of CDBG and cross-cutting Federal requirements. Technical assistance needs consistently include instruction in CDBG requirements, performance measurement, and HUD’s Integrated Disbursement and Information System (IDIS).

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

Working Capital Fund	**Amount**
2008 Appropriation	$1,570
2009 Appropriation/Request	3,175
2010 Request	...
Program Improvements/Offsets	-3,175

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Working Capital Fund	$1,570	...	$1,570	$1,570	$3,175	...	$3,175	...

Proposed Actions

This Budget proposes that the needs of the Working Capital Fund will be met through the Working Capital Fund and the Transformative Initiative (discussed in a separate Congressional Justification) and is included in that section of the Justification. The fiscal year 2008 appropriation was $1.57 million and the fiscal year 2009 appropriation was $3.175 million.

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

Economic Development Initiative Grants	**Amount**
2008 Appropriation	$179,830
2009 Appropriation/Request	165,311
2010 Request	...
Program Improvements/Offsets	-165,311

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Economic Development Initiative Grants	$179,830	$71,449	$251,279	$101,236	$165,311	$150,044	$315,355	...

Proposed Actions

As in fiscal year 2009 and previous years, no funding is requested for fiscal year 2010. Frequently in recent years, including fiscal year 2009, Congress has appropriated funding for Economic Development Initiative-Special Projects (EDI-SP). The Department has not requested these Congressional 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, 7,208 EDI-SP grants have been funded.

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

Neighborhood Initiative Demonstration	**Amount**
2008 Appropriation	$25,970
2009 Appropriation/Request	19,547
2010 Request	...
Program Improvements/Offsets	-19,547

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Neighborhood Initiative Demonstration	$25,970	$10,643	$36,613	$20,787	$19,546	$15,827	$35,374	...

Proposed Actions

As in fiscal year 2009 and previous years, no funding is requested for fiscal year 2010. The Department has not requested these Congressional earmarks and supports funding via the existing formula program. The Appropriations Acts in most recent years and in fiscal year 2009 included earmarked grants. NID grants provide earmarks to designated entities for certain specified activities. Since and the Department believes that these priorities should be established through the formula process and not through consideration of individual grants. Since 1998, 333 NID grants have been funded.

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

Disaster Assistance	**Amount**
2008 Appropriation	$9,422,860
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Disaster Assistance ...	$9,422,860	$577	$9,423,437	$1,085,533	...	$8,339,661	$8,339,661	...

Proposed Actions

HUD proposes a statutory codification of CDBG disaster assistance requirements and development of implementing regulations to allow the Secretary to expedite future recovery initiatives.

CDBG disaster recovery assistance is funded through supplemental appropriations. Congress appropriated $6.5 billion in supplemental CDBG disaster recovery funding in the fiscal year 2009 continuing resolution (Public Law 110-329). This amount available for allocation was reduced to $6.1 billion due to a decision to use $377 million of the amount to fulfill a rescission requirement imposed upon the Department as part of the fiscal year 2008 budget process. These remaining funds will be distributed to states to address Presidentially declared major disasters that occurred in calendar year 2008. Consistent with the directives of P.L. 110-329, the Department allocated $2.145 billion of this amount in late November 2008, to 14 states, with the largest single grant being $1.3 billion to the state of Texas. The remaining balance will be allocated later in fiscal year 2009. This legislation also provided the Office of Community Planning and Development with $6.5 million in Salaries and Expenses funds that must be used to support administration of the $6.1 billion in disaster recovery funding as well as the CDBG-related Neighborhood Stabilization Program (NSP) established pursuant to the requirements of the Housing and Economic Recovery Act of 2008 (HERA) (Public Law 110-289).

Public Law 110-252 appropriated $300 million in CDBG disaster recovery funding to address Presidentially declared major disasters that occurred in May and June of 2008. These funds were been distributed to a total of 15 states with the largest grant being made available to the states of Iowa and Indiana to address effects of widespread flood damage.

Public Law 110-116 appropriated an additional $3 billion in fiscal year 2008 for costs associated with the Road Home Homeowner Assistance program administered by Louisiana. 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

Fiscal year 2006 CDBG disaster recovery assistance supplemental appropriations, in the wake of Hurricanes Katrina, Rita, and Wilma, have achieved notably expeditious spend-down rates. As of March 27, 2009, $12 billion (60 percent) of the $19.7 billion made available over three supplemental appropriations has been disbursed. Of the grantees, Louisiana has disbursed $9.1 billion of $13.4 billion (67 percent), Mississippi has disbursed $2.7 of $5.5 billion (49 percent), and Texas has disbursed $126 million of $523 million (24 percent). Average spend-down rate for the typical CDBG grant over 2 years is 34 percent.

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

Section 805 Economic Development training	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Section 805 Economic Development training .	...	$213	$213	$2	...	$211	$211	...

Proposed Actions

No new funding is requested for fiscal year 2010 and carryover funds will be used for training in community and economic development areas.

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

Youthbuild	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Proposed Actions

An obligation of $1.4 million was made out of carryover from fiscal year 2006 funds.

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

American Recovery and Reinvestment Act	Amount
2008 Appropriation	...
2009 Appropriation/Request	$3,000,000
2010 Request	...
Program Improvements/Offsets	-3,000,000

Proposed Actions

The American Recovery and Reinvestment Act (Recovery Act), enacted in February 2009, provided $3 billion in a supplemental appropriation for CDBG and the Neighborhood Stabilization Program. CDBG received $1 billion and NSP 2 received $2 billion. CDBG will be divided as follows: $973 million to the regular formula program, $7 million to Insular Areas, $10 million for Indian CDBG and $10 million for technical Assistance. Also, $50 million of the $973 million will also be used for technical Assistance. The $2 billion for NSP 2 will all go to competitive grants.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
HUD's major programs will promote affordable housing opportunities to individuals and families.	Top of Form Bottom of Form	120,936	125,679	120,843	119,079
Rental households and rental units will be assisted through major HUD programs.	Top of Form Bottom of Form	25,552	21,418	20,781	20,293
Expand use of CDBG for economic opportunity by creating or retaining at least 36,090 CDBG jobs. a/	Top of Form Bottom of Form	42,013	38,214	36,779	36,057
Grantees expend at least 90 percent of state and entitlement CDBG funds on activities that benefit low- and moderate-income persons.	Top of Form Bottom of Form	92% (Ent.) 96% (State)	95.6%(Ent.) 96% (State)	90%	90%
Eliminate the blighting influence of +vacant, boarded up, or abandoned properties.	Top of Form Bottom of Form	5,000	9,180	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.	Top of Form Bottom of Form	NA	NA	66%	66%
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.	Top of Form Bottom of Form	20%	22%	20%	20%

Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
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.	Top of Form Bottom of Form	NA	NA	17,000 units	...
At least $9 billion of CDBG disaster recovery funds will be disbursed for homeowner compensation payments; 145,000 households in Louisiana and Mississippi.	Top of Form Bottom of Form	130,000 households	141,236 households	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.	Top of Form Bottom of Form	NA	NA	$700 million	...

NA = Not Applicable.
TBD = To Be Determined.

a/ Section 108 projected jobs (6,000) are included in fiscal year 2009 given credit subsidy of $6.0 million. For fiscal year 2010, job estimates is based on projected use of same level of Section 108 commitments using proposed fee structure.

Explanation of Indicators

Previous measures of CDBG program performance were general output indicators and, where continued in fiscal years 2009 and 2010, reflect projections based on recent appropriations and spendout of resources from fiscal year 2008 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 primary effort was the development of a performance measurement framework that covers all four formula programs administered by CPD-–CDBG, HOME, HOPWA and ESG. The performance measurement framework 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).

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 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 125,679 households either through homeownership assistance or housing rehabilitation assistance in fiscal year 2008, and plans to assist 120,843 in fiscal year 2009 and 119,079 in fiscal year 2010.

Strategic Goal B: Promote Decent Affordable Housing

The CDBG program has directly supported Strategic Objective B.1, "Expand access to affordable rental housing." It assisted 21,418 households in fiscal year 2008, and plans on assisting 20,781 households in fiscal year 2009 and 20,293 in fiscal year 2010.

Strategic Goal C: Strengthen Communities

The CDBG program supports Strategic Goal C, specifically Objective C.2: "Enhance sustainability of communities by expanding economic opportunities." Through CDBG and Section 108, 38,214 jobs were created or retained in fiscal year 2008, with CDBG accounting for 31,723 of those jobs and the Section 108 program accounting for 6,491 jobs. In fiscal year 2009, a total of 30,779 jobs are expected to be created or retained through the CDBG program; based on the availability of $275 million in Section 108 authority for fiscal year 2009, Section 108 is projected to support 6,000 additional jobs, thus bringing the total to 36,779 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 2010, CPD is establishing for grantees the goal of expending at least 90 percent of state and entitlement CDBG funds for activities that benefit low- and moderate-income persons.

CPD will also continue to refine indicators relating to Gulf Coast recovery efforts being undertaken with CDBG supplemental appropriations. Through the end of fiscal year 2008, state recipients of such funding, most particularly the states of Louisiana and Mississippi have focused on implementing homeowner compensation programs. Attention in fiscal year 2009 and beyond will focus on other aspects of the Gulf coast recovery effort, specifically those related to rental housing production, economic development and infrastructure projects.

In fiscal years 2009 and 2010, 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 consistent with the Department's strategic plan. In fiscal year 2008, grantees addressed 9,180 blighted properties with CDBG support.

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 2008, the average single family unit rehabilitation cost for all units assisted was approximately $4,980 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 $7,468 per unit. For multi-unit rehabilitation in fiscal year 2008, per unit costs were approximately $5,258. If minor repairs and improvements as described above are excluded, per unit costs rise to approximately $5,688 per multifamily unit.

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

The fiscal year 2010 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, [$3,900,000,000]*$4,450,000,000*, to remain available until September 30, [2011]*2012*, unless otherwise specified: Provided, That of the total amount provided, [$3,641,966,875]*$4,185,000,000* 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 of the total amount made available under this heading, not to exceed $1,570,000 may be *transferred to* the Working Capital Fund: Provided further, That [$5,0*00,000* is for technical assistance as authorized by section 107(b)(4) of such Act: Provided further, That *$65,000,000* 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 amount made available under this heading, $165,311,875 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 2007, 2008, and 2009, 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, $19,546,250 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.]

Of the amounts made available under this heading, $150,000,000 shall be made available for a Sustainable Communities Initiative to stimulate improved regional planning efforts that integrate housing and transportation decisions, and to challenge communities to reform zoning and land use ordinances: Provided, That $100,000,000 shall be for Regional Planning Grants to support the linking of transportation and land use planning: Provided further, That $40,000,000 shall be for Metropolitan Challenge Grants to foster reform and reduce barriers to achieve affordable, economically vital, and sustainable communities: Provided further, That up to $10,000,000 shall be for a joint Department of Housing and Urban Development and Department of Transportation research effort that shall include a rigorous evaluation of the Regional Planning Grants and Metropolitan Challenge Grants programs: Provided further, That of the amounts made available under this heading, $25,000,000 shall be made available for the Rural Innovation Fund to address the problems of concentrated rural housing distress and community poverty: Provided further, That of the amounts made available under this heading, $25,000,000 shall be made available for the University Community Fund for grants to assist universities in revitalizing their surrounding communities, with special attention to Historically Black Colleges and Universities, Tribal Colleges and Universities, Alaska Native/Native Hawaiian Institutions, and Hispanic-Serving Institutions: Provided further, That the Secretary shall develop and publish guidelines for the use of such competitive funds including, but not limited to, eligibility criteria, minimum grant amounts, and performance metrics. (Department of Housing and Urban Development Appropriations Act, 2009.)

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Entitlement/Non-Entitlement	$3,586,430	-$58	...	...	$611,184	$4,197,556
Insular Area CDBG Program	7,000	...	...	...	6,930	13,930
Sustainable Communities	...	...	...	...	...	...
Indian Tribes	62,000	...	...	...	59,505	121,505
Rural Innovation Fund	[12,913]	...	...	...	...	[12,913]
University Community Fund	[23,000]	...	...	...	...	[23,000]
Section 107 Grants	3,000	...	$1,000	...	437	4,437
Working Capital Fund	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	...	9,422,860	...	...	577	9,423,437
Section 805 Economic Development training	...	...	...	...	213	213
Youthbuild	...	...	...	...	1,400	1,400
American Recovery and Reinvestment Act	...	...	...	...	...	...
Total	3,865,800	9,422,802	1,000	...	762,338	14,051,940

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

COMMUNITY PLANNING AND DEVELOPMENT
COMMUNITY DEVELOPMENT BLOCK GRANTS
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Entitlement/Non-Entitlement	$2,927,405	$3,634,967	...	...	$615,051	$4,250,018
Insular Area CDBG Program	7,000	7,000	...	...	6,036	13,036
Sustainable Communities	...	...	...	...	...	...
Indian Tribes	57,420	65,000	...	...	65,774	130,774
Rural Innovation Fund	...	[26,000]	...	...	...	[26,000]
University Community Fund	...	[23,000]	...	...	...	[23,000]
Section 107 Grants	5,000	5,000	...	...	3,604	8,604
Working Capital Fund	3,175	3,175	...	...	...	3,175
Economic Development Initiative Grants	...	165,311	...	...	150,044	315,355
Neighborhood Initiative Demonstration	...	19,547	...	...	15,827	35,374
Disaster Assistance	...	...	...	...	8,339,661	8,339,661
Section 805 Economic Development training	...	...	...	...	211	211
Youthbuild	...	...	...	...	...	...
American Recovery and Reinvestment Act	...	...	$3,000,000	...	...	3,000,000
Total	3,000,000	3,900,000	3,000,000	...	9,196,208	16,096,208

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

COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
2010 Summary Statement and Initiatives

(Dollars in Thousands)

NEIGHBORHOOD STABILIZATION PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	$3,920,000	$3,920,000	...	...
2009 Appropriation/Request	...	$3,920,000	[2,000,000]	3,920,000	$3,920,000	$980,000
2010 Request	...	...	...	...	...	1,960,000
Program Improvements/Offsets	...	-3,920,000	-2,000,000	-3,920,000	-3,920,000	+980,000

Summary Statement

An amount of $3.92 billion was appropriated for the Neighborhood Stabilization Program as an emergency supplemental in fiscal year 2008. It was designated as formula based and as mandatory. In fiscal year 2009, there was a second round $2 billion competitive appropriation for the NSP within the regular Community Development Block Grant (CDBG) account and is discussed and shown in the CDBG justification, elsewhere in the Community Planning and Development section.

Neighborhood Stabilization Program 1

The Neighborhood Stabilization Program (NSP) was first established by the Housing and Economic Recovery Act of 2008 (HERA), enacted on July 30, 2008. Title III, Division B of HERA appropriated $3.92 billion for assistance to states and local governments to address the effects of abandoned and foreclosed properties upon neighborhoods and HUD has designated this initiative as NSP. HERA included a provision directing HUD to treat the NSP funds as if they were CDBG funds under Title I of the Housing and Community Development Act of 1974 unless otherwise provided by HERA.

HERA directed HUD to distribute the funds to states and local governments via a formula using the following criteria: 1) number and percent of foreclosures in each state or local government; number and percent of subprime loans in each state or local government; 2) and the number and percent of mortgage delinquencies in each state or local government. HERA further required recipients to give a priority to areas having the greatest need for such assistance based on foreclosures, subprime loans and risk of increased rate of mortgage delinquency. NSP grantees are also required by HERA to use at least 25 percent of their NSP funds to provide housing to families at or below 50 percent of area median income (AMI). HERA also expanded income eligibility beyond the 80 percent AMI level used in the CDBG program by directing that all benefits under NSP be provided to households at or below 120 percent of AMI. HERA identified five eligible uses of NSP funds: 1) establishment of financing mechanisms to assist in the purchase or foreclosed properties; 2) acquisition and rehabilitation of abandoned or foreclosed properties; 3) land banking of foreclosed homes; 4)demolition of blighted structures; 5) and redevelopment of demolished or vacant property. HERA also established a series of other requirements with regard to activities carried out with NSP funds.

HUD allocated all $3.92 billion to 309 grantees on September 26, 2008 and issued program guidelines on September 29, 2008 (subsequently published in the Federal Register on October 6, 2008). HUD directed that jurisdictions receiving an allocation submit not later than December 1, 2008, a substantial amendment to previously approved action plans covering FY 2008 CPD formula funding programs. All jurisdictions submitted their amendments in a timely manner, all plans were approved by March 19, 2009, and grant agreements were provided to grantees by March 31, 2009. Grantees have 18 months from the time HUD executed the NSP agreement to obligate the funds to specific activities or HUD will recapture the funds. HUD will use its Disaster Recovery Grant Reporting (DRGR) system to track the use of NSP funds and to gather performance information. Grantees will be required to submit quarterly reports beginning in July 2009.

Neighborhood Stabilization Program 2

The American Recovery and Reinvestment Act (Recovery Act) appropriated in fiscal year 2009 an additional $2 billion in funding for NSP but made several fundamental changes to the program. First, it directed that HUD establish a competition for the funds and that the competition be open to states and local governments but also non-profit organizations with each being able to have for-profit partners. The Recovery Act made several changes to NSP as enacted in HERA, specifically altering the eligible uses involving land banking and redevelopment activities, repealing revenue provisions, and adding substantial tenant protection provisions. HUD intends to conduct two NSP 2 competitions, one for $50 million for technical assistance and capacity building activities and a second competition for the remaining $1.93 billion to provide funding for carry out the NSP eligible uses in an effort to combat the effects of abandoned and foreclosed properties in the nation's communities. These competitions will be announced in May 2009 and applications will be accepted in July 2009. HUD has until February 17, 2010 to obligate these funds and 3 years to expend the funds.

COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Grants	$3,920,000	...	$3,920,000	...	[$2,000,000]	$3,920,000	$3,920,000	...
Total	3,920,000	...	3,920,000	...	[2,000,000]	3,920,000	3,920,000	...

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
Program Offsets
(Dollars in Thousands)

Grants	Amount
2008 Appropriation	$3,920,000
2009 Appropriation/Request	[2,000,000]
2010 Request	...
Program Improvements/Offsets	-2,000,000

Proposed Actions

Fiscal year 2009 reflects the $2 billion competitive NSP grants in the American Recovery and Reinvestment Act.

COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Grants	...	$3,920,000	...	...	...	$3,920,000
Total	...	3,920,000	...	...	...	3,920,000

COMMUNITY PLANNING AND DEVELOPMENT
NEIGHBORHOOD STABILIZATION PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Grants	...	...	[$2,000,000]	...	$3,920,000	$3,920,000
Total	...	...	[2,000,000]	...	3,920,000	3,920,000

`COMMUNITY PLANNING AND DEVELOPMENT
SUSTAINABLE COMMUNITIES
2010 Summary Statement and Initiatives
(Dollars in Thousands)

SUBSTAINABLE COMMUNITIES INITIATIVE	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	...	...	...	...	...	...
2010 Request	$150,000	...	...	$150,000	$150,000	$1,500
Program Improvements/Offsets	+150,000	...	...	+150,000	+150,000	+1,500

Summary Statement

The Department requests $150 million for a new Sustainable Communities Initiative, to be set aside from the Community Development Fund. The purpose of the Sustainable Communities Initiative is to stimulate more collaborative, integrated and sophisticated regional planning to guide state, metropolitan, and local decisions and investments in land use, transportation and housing, and to challenge states and localities to undertake zoning and land use reform.

The concept of "sustainability" has become a central component of national thought about communities in recent years, reflecting growing recognition of the complex interactions of human society, places, economies and natural environment. Aligning with this thinking, HUD and other Federal agencies hold the view that affordable housing is best developed "in context" of communities and regions, so that proximity to transit, jobs, retail and environmental amenities support the long term success of both the housing and its occupants. Walkable, transit-oriented communities that have mixed land uses and support mixed income populations can substantially reduce transportation costs for families, save energy, and enhance access to employment and educational opportunities.

The Sustainable Communities Initiative would have three components.

First, HUD proposes to collaborate with the Department of Transportation (DOT) to offer Regional Integrated Planning Grants with $100 million of the requested funds. The program will catalyze the next generation of metropolitan transportation, housing, land use and energy planning using the most sophisticated data, analytics and geographic information systems. These integrated plans would inform state, metropolitan and local decisions on how and where to allocate Federal, state and local transportation and housing investments. Better coordination of transportation and housing investments will result in more sustainable development patterns, reduced greenhouse gas emissions, and more transit-accessible housing choices for residents and firms.

Second, the Initiative would fund a $40 million challenge grant to help localities undertake a new wave of zoning, building code, and land use reform. These investments would provide a local complement to the regional planning initiative, enabling those changes in local land use policy and practice that are necessary to carry out the broader scale vision for growth.

Finally, the Initiative would provide $10 million for a joint HUD-DOT research effort designed to advance transportation and housing linkages on a number of levels.

Regional Integrated Planning Grants

HUD requests $100 million of Sustainable Communities Initiative funding to establish a Regional Integrated Planning Grant program. HUD proposes to administer the program in close collaboration with the Department of Transportation (DOT), as well as the Environmental Protection Agency and other Federal agencies, in order to ensure that transportation planning and land use planning can be closely linked. The goal of this effort would be to enable metropolitan areas (and, in some cases, their States) to develop a vision for growth and then apply federal transportation, housing and other investments in an integrated way in support of the shared goals established by the broader vision.

This regional planning grants seeks to help states and metropolitan areas in one of their hardest tasks: transcending policy stove-pipes and disconnected transportation and land use programs and policies that expand detrimental development. Low-density housing and uncoordinated, leap-frog development patterns have caused enormous public and private costs for the nation. These costs include high energy consumption and dependency on foreign oil; traffic congestion that decreases productivity and distorts decisions about highway construction and public infrastructure development; communities where housing and transportation expenses may total up to two-thirds of household income; and communities that lack access to employment and retail opportunities, safe places to walk, and natural amenities that are essential for good quality of life.

Objectives. To that end, integrated planning grants will lead and enable metropolitan-area leaders to design and implement truly integrated transportation, land use, and housing plans aimed at promoting quality regional place-making and environmental sustainability in fresh and structural ways. Transit-oriented development is perhaps the most narrowly focused form of integrated planning, and increasingly highlights the substantial potential of these approaches to reduce vehicle-miles traveled, improve air quality and enhance mobility while building more affordable, desirable and sustainable communities. Focusing development decisions on community needs can have significant long-term impacts. For example, in the North Central Texas region, major developments that are pedestrian-oriented increased from 3.6 percent to 15.8 percent of projects completed or under construction during the 2003-2008 period.

HUD anticipates that regional integrated planning grants will have transformative impacts on economic, social, and environmental priorities, while producing results that flow from local conditions and priorities. The relatively small federal investment will provide a platform for the deployment of effective strategies: transit oriented development, congestion pricing schemes, brownfields remediation, even regional economic cluster and workforce housing initiatives. Better urban planning is also better for preserving farmland, open space, and the way of life in rural areas within and adjacent to metropolitan areas.

HUD proposes to solicit, with DOT, applications submitted jointly by metropolitan planning organizations and consortia of HUD formula block grant recipients. States would be allowed as co-applicants. Applicants will be required to clarify in their submissions which entities would be the primary recipients and how the funding and responsibilities would be allocated. Federal funding will support the development of integrated, state-of-the-art regional development plans that use the latest data and most sophisticated tools available for analysis, modeling, mapping, and citizen collaboration.

HUD proposes to give preference to applications that demonstrate capacity for long term structural collaboration between the disparate housing, transportation and planning agencies; deeply engage business, government and civic leaders and the general public in shaping a shared vision; and demonstrate the intent to use planning to drive both local land use decisions and allocation decisions around federal resources. Preference also would be given to comprehensive planning efforts that go beyond transportation, housing and land use issues to integrate other key elements of the built environment, including economic clustering, energy usage and environmental impacts.

HUD proposes to offer awards averaging about $4 million for these advanced plans, to be supplemented by funds from other state and local sources. The goal would be to create replicable models that can be transferred to and deployed by comparable agencies in other parts of the country. In the long run, federal transportation and housing programs could be revised to require integrated regional development plans, and reward grantees that perform at the highest level. The $100 million request for fiscal year 2010 would be sufficient for awards to stimulate state-of-the-art planning in 20 of the nation’s top 100 metropolitan areas having populations over 500,000; as well as 5 to 10 grants in smaller metropolitan areas, especially those experiencing higher than needed infrastructure costs as well as loss of farmland and open space due to a lack of thoughtful metropolitan planning. Fifty-one percent of people living in rural areas live within metropolitan areas.

HUD anticipates that regional integrated planning grants will have transformative impacts on economic, social and environmental priorities, while producing results that flow from local conditions and priorities. The relatively small Federal investment will provide a platform for the deployment of effective strategies: transit oriented development, congestion pricing schemes, brownfield remediation, even regional economic cluster and workforce housing initiatives. Better urban planning is also better for preserving farmland, open space, and the way of life in rural areas within and adjacent to metropolitan areas.

Regional integrated planning grants also will provide planning support and incentive at a critical moment, as the law governing surface transportation programs is set to expire next year. Reauthorization of the framework for Federal transportation policy will encompass hundreds of billions of dollars for highway and transit, and is likely to challenge states and metropolitan areas to design and implement a new wave of transportation solutions that ease congestion, enhance metropolitan competitiveness, and reduce greenhouse gas emissions. Achieving those priorities is possible only by linking transportation and housing interventions, sparking more balanced growth patterns and expanding choices for residents and businesses.

Community Challenge Grants

HUD proposes to allocate $40 million of Sustainable Communities Initiative funding toward Community Challenge Grants. The challenge grants will create incentives for state, metropolitan and local leaders to make market-shifting changes in local zoning and land use ordinances so as to encourage sustainable growth and discourage the counter-productive growth patterns that have prevailed in many areas.

To make it easier to build housing in older communities, the Challenge Grant would arm states and localities with the resources needed to revise local zoning rules for downtown areas, commercial and even industrial areas in cities and older suburbs. To make it easier to rehabilitate older buildings, the Challenge Grant likewise would provide resources to overhaul building codes. To make it easier to expand the supply of moderately priced housing within their borders, particularly multifamily dwellings, both urban and suburban jurisdictions would be eligible to compete for resources to reduce regulatory barriers and explore innovative reforms like inclusionary zoning.

HUD’s experience shows that many jurisdictions, particularly suburban jurisdictions, simply do not have the resources or planning capacity necessary to undertake sophisticated zoning and land use reform. The efforts by larger cities (e.g., New York, Chicago, Washington, D.C.) over the past decade illustrate the power of zoning reforms to unlock the hidden vitality of waterfronts and former manufacturing areas, and to promote more sustainable patterns of development. Federal investment will more rapidly extend these innovations to jurisdictions across the nation, including smaller cities and suburbs. Small towns also may benefit from reforms that enable revivals of stagnant main street districts or mixed use of existing building stock to preserve and enhance community assets.

Similar to the Regional Integrated Planning Grant program, a relatively small investment in local zoning and land use reform is expected to have dramatic impact over time. HUD proposes to cap Challenge grants at $2 million per jurisdiction. Through these investments, HUD will help establish a new norm for land use practice in the United States and a new network of state and local experts that can help replicate innovative techniques quickly and efficiently, to avoid any necessity for each state, municipality, city and county to “reinvent the wheel.” Challenge grants will accelerate adoption of smart alternatives to conventional local growth policies and regulatory practices that have become barriers to affordable, economically vital and sustainable communities.

Housing-Transportation Integration Research

HUD proposes to dedicate $10 million of Sustainable Communities Initiative funding for a major research and evaluation effort to be jointly administered by HUD and the Department of Transportation. This effort would aggressively pursue data development, information platforms, analytic tools and research that support both HUD's mission of affordable housing and community development and DOT's mission of efficient transportation, thus laying a foundation for greater sustainability in the nation's built environment.

A number of research efforts have been identified as potentially satisfying this joint objective. Potential projects include developing effective tracking of housing and transportation expenditures by location; creating broader measures of affordability and metropolitan accessibility; evaluating location efficient mortgages and energy efficient mortgages; identifying best practices in transit oriented development that responds to affordable housing needs; establishing standardized and efficient performance measures such as vehicle-miles traveled or location efficiency; and creating products that move this information into the marketplace to inform private investment decisions as well.

HUD expects to use up to $2 million of the research funds to evaluate the impact of the $100 million in Regional Planning grants and the $40 million in Metropolitan Challenge grants. Systematic assessment of differences in planning tools, processes and products between jurisdictions receiving and those not receiving Federal incentives will provide accountability and documentation to inform federal policy toward integrated regional planning.

HUD plans to administer all these efforts through a new Office of Sustainability, in close collaboration with the Office of Policy Development and Research as well as other program offices in the Department. One of the first acts of this new Office will be to strengthen and enhance the joint DOT-HUD working group mandated by Congress.

Background

At present, Federal requirements for transportation and housing planning are particularly disconnected. For example, as a condition for receiving formula grants, HUD requires states, cities and counties to prepare a 5-year Consolidated Plan estimating housing status and as well as annual Action Plans. These plans do not take land use or transportation into account, and are for political jurisdictions, not regions.

At the same time, DOT requires states and metropolitan areas (through Metropolitan Planning Organizations, or MPOs) to develop 20-year Long Range Transportation Plans and four-year Transportation Improvement Programs. The SAFETEA-LU act of 2005 (Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users) is the basic authorization for highway, road and transit program involving hundreds of billions of dollars over a long period of investment. SAFETEA-LU requires consideration of environmental issues, energy conservation, quality of life, and consistency with state and local planned growth and economic development patterns. Air quality issues create additional requirements for transportation planning if a metropolitan area is designated as an air quality non-attainment or maintenance area. The act also provides that MPOs should address broad issues such as security and emergency preparedness, public participation, and electronic access to completed plans.

Although transportation plans generally are more rigorous than Consolidated Plans and more regional in scope, they continue to fall short of integrating housing and land use patterns and broader sustainability goals. Further, local land use plans and zoning ordinances may fall far short of providing parallel connections to the plans produced by MPOs, depending on the requirements of state laws and local factors.

The silo driven nature of federal policy and programs extends to data collection, performance measurement, research and evaluation. Although transportation costs may approach or exceed housing costs for working families, Federal "affordability" definitions and assessments do not join these costs together, continuing the distortions in federal policy toward locations that undercut affordability goals because of associated energy and transportation costs. Under Congressional direction, DOT and HUD are beginning to collect information on the rising phenomenon of transit-oriented development, including an inventory of affordable housing developments near transit, incremental impacts on transit ridership from such developments, changes in zoning ordinances that promote affordable housing near transit, and other performance indicators including combined housing and transportation affordability.

Performance Measures

Increase the percentage of very-low-income households for which the sum of housing costs and transportation costs falls within affordability thresholds.

Decrease the mean transit time between rental units affordable to very low-income renters and major employment nodes in each metropolitan area (or similar accessibility metric to be developed).

Slow increases or decrease the vehicle-miles traveled in each metropolitan area.

Increase the percentage of households commuting to work by public transit, bicycle, or on foot.

Increase the number of jurisdictions covered by smarter integrated land use-transportation plans.

COMMUNITY PLANNING AND DEVELOPMENT
SUSTAINABLE COMMUNITIES
Program Offsets
(Dollars in Thousands)

Grants	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$150,000
Program Improvements/Offsets	+150,000

Proposed Actions

This new fiscal year 2010 initiative is funded within the Community Development Block Grant and a detailed description is provided in this justification.

COMMUNITY PLANNING AND DEVELOPMENT
SUSTAINABLE COMMUNITIES
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Grants	...	...	...	...	...	...	...	$150,000
Total	...	...	...	...	...	...	...	150,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
SUSTAINABLE COMMUNITIES
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Grants	...	...	...	...	...	...
Total	...	...	...	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT

SUSTAINABLE COMMUNITIES

Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Grants	...	...	...	...	...	...
Total	...	...	...	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

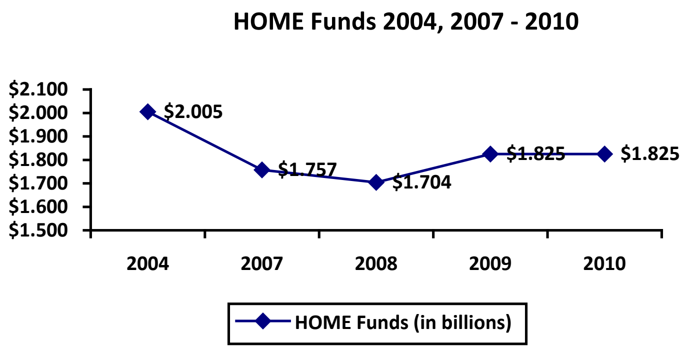
HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$1,704,000	$328,161[a]	-$5,403	$2,026,758[b]	$1,650,784[b]	$1,969,434
2009 Appropriation/Request	1,825,000	375,974	2,250,000[c/]	4,450,974[d]	4,149,000[d]	2,244,000
2010 Request	1,825,000	318,414	...	2,143,414	2,015,000	2,928,000
Program Improvements/Offsets	...	-57,560	-2,250,000	-2,307,560	-2,134,000	+684,000

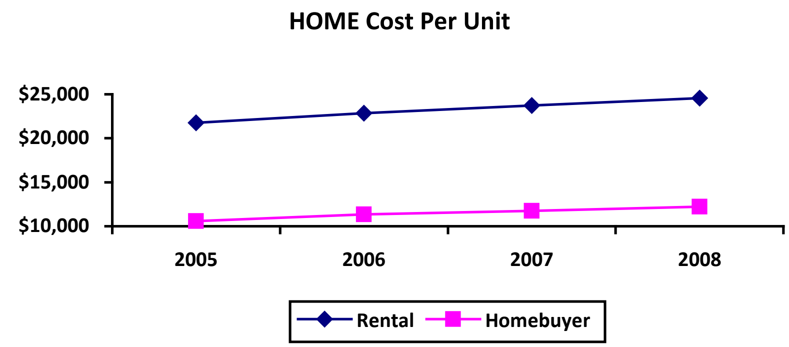
a/ Carryover includes $8.3 million of funds recaptured in fiscal year 2008.
b/ Includes $3.4 million of funds that were transferred and obligated to the Working Capital Fund.
c/ Per the American Recovery and Reinvestment Act, P.L. 111-5, 123 Stat. 115 (2009).
d/ Includes $4.2 million of funds that were transferred and obligated to the Working Capital Fund.

Summary Statement

While HUD has a number of programs that can be used to provide affordable housing, the HOME Investment Partnerships program is the major affordable housing production program. The Department requests $1.825 billion of fiscal year 2010 funding for the HOME Program, which is $121 million more than the fiscal year 2008 appropriation and equal to the fiscal year 2009 appropriation. The 2009 Omnibus Act funded the Housing Counseling program as a separate account in the Office of Housing, which in prior years had been funded as a set-aside in the HOME account. The fiscal year 2010 proposes to continue to fund Housing Counseling as a separate account at $100 million.

The increase in requested HOME funds over the fiscal year 2008 appropriated amount is justified due to the effectiveness of the program and unmet need for affordable housing as well as the significant increase in the costs of construction and building materials during the past few years. For example, the average per-unit HOME cost of producing a rental unit in fiscal year 2008 increased by $892 to $24,564, or 3.8 percent, compared to fiscal year 2007. The increased amount of HOME funds is necessary to keep pace with the increase in costs. However, it should be noted that the fiscal year 2010 HOME request is lower than the highest HOME appropriation of $2.005 billion in fiscal year 2004.

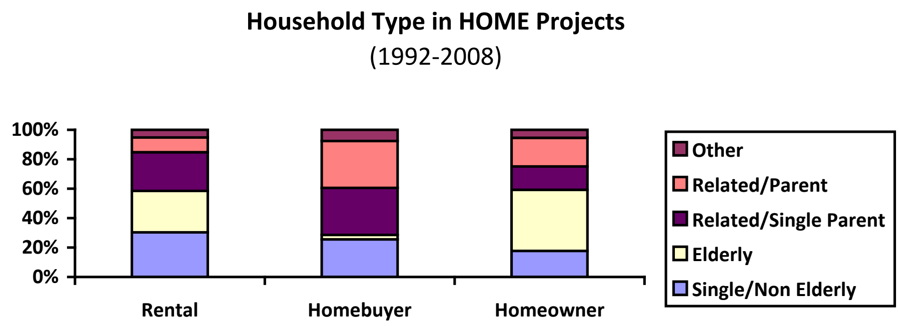




Also, the American Recovery and Reinvestment Act, P.L. 111-5, provided $2.25 billion to the HOME program to make available to State housing credit agencies for low-income housing tax credit projects. These funds are expected to provide 35,000 rental housing units.

The HOME program was authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990, as amended. Program regulations are at 24 CFR Part 92. HOME provides formula grants to States and localities that communities use--often in partnership with local non-profit groups--to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. The HOME program makes key contributions towards meeting two of the Department's strategic goals: (1) increase homeownership opportunities and (2) promote decent affordable housing. Additional information about the HOME program can be found by visiting the HOME program web pages: http://www.hud.gov/homeprogram/.

From program inception through September 30, 2008, HOME has created 872,747 units of affordable housing and has assisted another 197,758 low-income households with tenant-based rental assistance. Of the units created by the HOME program through fiscal year 2008, 367,925 (42 percent) have been homebuyer projects, 330,295 (38 percent) have been rental projects, and 174,527 (20 percent) have been homeowner rehabilitation projects. Historically, 53 percent of HOME funds used for development purposes have been used for completed rental projects, 28 percent have been used for homebuyer projects and 19 percent have been used for homeowner rehabilitation. The average cost of a HOME unit at the end of fiscal year 2008 was $18,064.



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 TA 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. These changes were also included as part of the President's Budget fiscal year 2009.

During fiscal year 2008, HOME reallocated previously deobligated funds designated for CHDOs through a "green building" competition. Through this competition, $1.5 million was awarded to HOME Participating Jurisdictions (PJs) to expand the supply of energy efficient and environmentally friendly (Green) housing that is affordable to low-income families. Six applicant PJs were each awarded $250,000 to produce energy efficient and environmentally friendly housing units that are owned, developed or sponsored by eligible CHDOs, using design and technology models that can be replicated. All units must qualify for and receive ENERGY STAR certification by an independent Home Energy Rater (HER) upon completion.

Program evaluations have found that the program has a clear purpose, strong management, and can demonstrate results, and in three independent evaluations of the HOME program that 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 PJs to design homebuyer programs that are tailored to local needs and market conditions."

Program Description and Activities

HOME funding will provide $1.821 billion for HOME formula grants, consisting of $1.093 billion for local PJs and $728 million for States. The Budget request will also provide $3.650 million for insular areas.

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 down payment assistance), new construction, or tenant-based rental assistance (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 96.8 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.

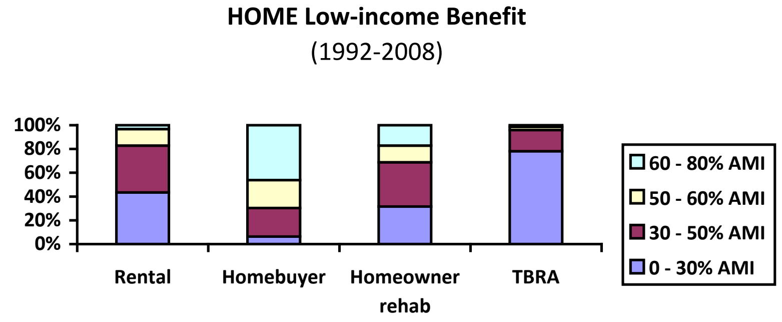
The following aspects of the HOME program make it an effective and efficient provider of affordable rental and homeownership opportunities for the nation's low-income families:

- Production. Beginning with fiscal year 1992, when the HOME program began, through the end of the most recent fiscal year ending September 30, 2008, States and local governments have committed almost $21.0 billion in HOME funds to projects (based on data from the Integrated Disbursement and Information System (IDIS)). Of this amount, almost $16.3 billion has been disbursed for completed projects, with an additional $2.6 billion disbursed for on-going projects. [Commitments and disbursements do not include funds for administration.] The HOME funds disbursed for completed projects have leveraged almost $61.6 billion in other Federal, state, local, and private funds for a total of approximately $78.4 billion in resources expended for completed projects.

  HOME program funding has been committed to newly construct, rehabilitate, or acquire in standard condition 919,519 units through fiscal year 2008. Of the units to which funds have been committed, 872,747 units have been completed, of which 42 percent are for homebuyers. Based on historical usage, it is projected that 35.6 percent of HOME funds will be used for new construction, 44.8 percent for rehabilitation, 16.2 percent for acquisition, and 3.4 percent for TBRA. An estimated 197,758 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 53.8 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 98.6 percent of households receiving TBRA and 96.8 percent of households occupying assisted rental units have incomes below 60 percent of the area median, for a combined 97.5 percent. Furthermore, 56.7 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.

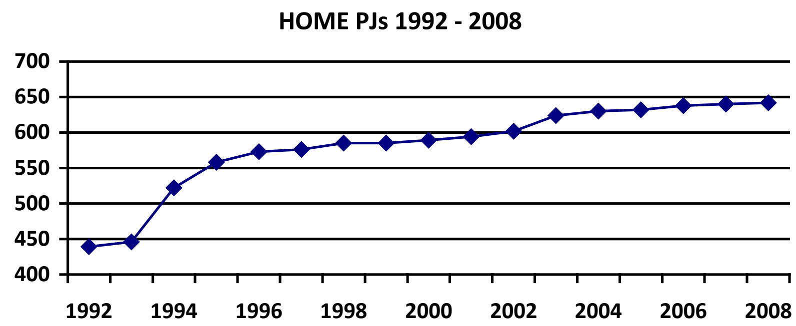


- Modest Cost Per Unit. The average HOME subsidy for a HOME-assisted unit remains modest. In fiscal year 2008, the historically average unit subsidy was only $18,285. The average HOME per-family subsidy for TBRA was $2,847. HOME funds are effectively leveraged, with more than $3.68 contributed from other 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 CHDOs. As of September 30, 2008, State and local government PJs had reserved over $5.5 billion, or 21 percent, for CHDO housing activities. Non-profit organizations, including those sponsored by faith-based organizations, also participate in the HOME program as sub-recipients 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 591 in fiscal year 2008 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. As an example, in fiscal year 1992, with a national appropriation of $1.5 billion, Miami's allocation was $5,314,000, while in fiscal year 2008 Miami received only $4,475,258, although the national appropriation was approximately $1.7 billion. In addition, when inflation is considered, the real dollar value of appropriated HOME funds has declined for all PJs. The lead hazard removal requirements, while necessary and important, 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 Accomplishments and Beneficiary Characteristics

Completed Production Units

Homebuyer	367,925
Rental	330,295
Homeowner Rehab	174,527
Total Production Units	**872,747**

Occupied Units

98%

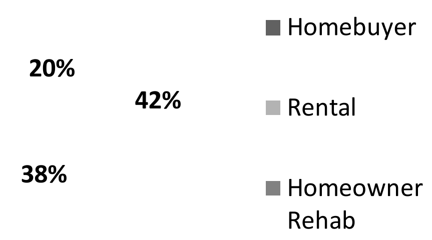
Households Receiving Tenant Based Rental Assistance (TBRA)

197,758

Ethnicity Characteristics

Hispanic	17%
Non-Hispanic	83%

Units by HOME Activity



Family Size

1 Person	36%
2 Persons	22%
3 Persons	18%
4 Persons	13%
5 Persons	7%
6 Persons	2%
7 Persons	1%
8+ Persons	1%

Family Type

Single/Non-Elderly	26%
Elderly	20%
Related/Single Parent	27%
Related/Two Parent	21%
Other	6%

Race Characteristics

White	47%
Black/African American	32%
Asian	1%
American Indian/Alaskan Native	1%
Native Hawaiian/Pacific Islander*	0%
American Indian/Alaskan Native & White*	0%
Asian & White*	0%
Black/African American & White*	0%
American Indian/Alaskan Native & Black*	0%
Other Multi-Racial*	0%
Asian/Pacific Islander**	1%
Spanish Culture or Origin**	17%

* represents less than 0.5%
** data collected through old race definitions

Status of HOME Funds

Amount Allocated	$26.1 billion	(100%)
Amount Committed	$23.7 billion	(90%)
Amount Disbursed	$21.2 billion	(81%)

Units: Number of Bedrooms

0 Bedroom	3%
1 Bedroom	16%
2 Bedrooms	29%
3 Bedrooms	44%
4 Bedrooms	6%
5+ Bedrooms	1%

Income Status

Extremely Low-Income (0 - 30% AMI)	25%
Very Low-Income (30 - 50% AMI)	33%
Low-Income (50 - 80% AMI)	42%
Above Low-Income (>80% AMI)	0%

Ratio of Other Dollars to HOME Dollars (Leveraging)

3.68

Average HOME Cost Per Unit

Homebuyer	$12,228
Rental	$24,564
Homeowner Rehab	$18,065
TBRA	$2,847

Funds Reserved to Community Housing Development Organizations (CHDOs)

21%

Source: Cumulative HOME Production (1992 – 2008) from the Integrated Disbursement and Information System (IDIS).

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Formula Grants	$1,624,593	$252,024	$1,876,617	$1,595,140	$1,805,150	$294,765	$2,099,915	$1,821,350
American Dream Downpayment Initiative	10,000	...	10,000	...[a]	...	...	...	...
Insular Areas	3,288	...	3,288	...[a]	3,650	...	3,650	3,650
HOME/CHDO Technical Assistance	7,518	31,140	38,658	8,165	12,000	30,494	42,494	...
Housing Counseling	49,733	44,491	94,224	44,007	...	50,216	50,216	...[b]
Program Management & Analytical Support ...	...	7	7	7	...	...	...	...
Working Capital Fund Transfer	3,465	...	3,465	3,465	4,200	...	4,200	...
Disaster Assistance ...	...	499	499	...	...	499	499	...
Tax Credit Assistance Program	...	...	...	...	2,250,000	...	2,250,000	...
Total	1,698,597	328,161	2,026,758	1,650,784	4,075,000	375,974	4,450,974	1,825,000

a/ Obligations and carryover included in Formula Grants.

b/ The fiscal year 2009 Omnibus Act provided Housing Counseling Assistance funds in a separate account in the Office of Housing. The fiscal year 2010 budget makes the same request to fund as a separate account.

NOTE: The “2008 Carryover into 2008” column excludes $3.46 million of funds that were transferred to the Working Capital Fund. The 2008 Budget Authority column excludes $5.403 million of funds that were rescinded.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	25	24	28
Field	107	107	112
Total	132	131	140

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

Formula Grants	Amount
2008 Appropriation	$1,624,593
2009 Appropriation/Request	1,805,150
2010 Request	1,821,350
Program Improvements/Offsets	+16,200

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 2010, funding for set-asides for Insular areas total $3.650 million, leaving $1.821 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 2010 funds are expected to result in a cumulative 77,946 production units and a cumulative 17,403 Tenant-Based Rental Assistance units as the funds spend out in fiscal year 2010 and beyond:

	2008		2009	2010
Production units............................	85,350	a/	77,252	77,946
Tenant-Based Rental Assistance units..........	17,760		17,248	17,403

a/ Includes 1,300 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. These funds are reallocated by formula. The Department, by regulation, allows 24 months to reserve Community Housing Development Organizations (CHDOs) funds, and if this deadline is not met, the funds and recaptures are redistributed by competition. As of September 30, 2008, the Department has de-obligated approximately $38.9 million in non-CHDO funds and $10.7 million in CHDO funds. The de-obligation process ensures that HOME funds are used in a timely manner. As of September 30, 2008, the Department also has made approximately $13.8 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 $10.7 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. An additional $1.5 million was awarded in fiscal year 2008 to expand the supply of energy efficient and environmentally friendly (Green) housing that is affordable to low-income families. Six applicant PJs were each awarded $250,000 to produce energy efficient and environmentally friendly housing units that are owned, developed or sponsored by eligible CHDOs, using design and technology models that can be replicated. All units must qualify for and receive ENERGY STAR certification by an independent Home Energy Rater upon completion. The remaining amount of deobligated CHDO funds ($1.7 million) was either recaptured by the U.S. Treasury or has not yet been competitively reallocated.

Eligible Activities. PJs may use HOME funds to help renters, new homebuyers, or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including down payment assistance), new construction, or tenant-based rental assistance (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. To be considered eligible as match, a contribution must be made from nonfederal sources and must be a permanent contribution to a HOME project or to HOME match-eligible housing. Consequently, not all leveraged funds can be considered match. The Housing and Community Development 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. PJs' eligibility for reduced match rates because of fiscal or severe fiscal distress is based on: (1) family poverty rate of more than 125 percent of the national average; (2) per capita income of less than 75 percent of the national average as well as (for states only); and (3) personal income growth rate of less than 75 percent of the national average. If a local jurisdiction satisfies both of the first two distress criteria, it is determined to be in severe fiscal distress and receives a 100 percent reduction of match. Local PJs that satisfy one of the first two distress criteria are considered to be in fiscal distress and receive a 50 percent match reduction. Similarly, states that satisfy one of the three distress criteria are considered to be in fiscal distress and receive a 50 percent match reduction. States that satisfy at least two of three distress criteria are considered to be in severe fiscal distress and receive a 100 percent match reduction. For fiscal year 2008, HUD has determined that there were 268 PJs in “fiscal distress” and their matching requirements were reduced accordingly. 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	Amount
2008 Appropriation	$10,000
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Proposed Actions

American Dream Downpayment Initiative (ADDI). The program did not receive an appropriation in fiscal year 2009. Continued termination of ADDI is recommended due to the consistently low and inadequate funding of the program, and its duplication of other HUD programs. ADDI was authorized at the $200 million level; however, its highest appropriation (fiscal year 2004) was only 43 percent of that amount. Moreover, based on the fiscal year 2008 appropriation of $10 million, only 384 of the 642 HOME participating jurisdictions qualified for ADDI formula allocations; 107 of which received less than the average ADDI subsidy per unit of roughly $7,600. In fact, the smallest fiscal year 2008 ADDI grant was $2,338 for Shelby County, Tennessee. The eligible activities under ADDI, Downpayment and closing cost assistance to low-income first-time homebuyers, is also an eligible activity of the HOME program so that no loss in coverage of low-income housing needs will result from the termination of this program.

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

HOME/CHDO Technical Assistance	**Amount**
2008 Appropriation	$7,518
2009 Appropriation/Request	12,000
2010 Request	...
Program Improvements/Offsets	-12,000

Proposed Actions

HOME and CHDO Technical Assistance (TA). The fiscal year 2010 Budget includes a Transformation Initiative, discussed as a separate Congressional Justification, which allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the HOME account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD. An example of a project that could be undertaken with Transformation Initiative funding with respect to the HOME account could be a panel study of the effects of mixed income developments using HOME funding. 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.

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, as permitted in fiscal year 2009, 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 2009 was 67 percent), the Department recommends 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.

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

Working Capital Fund Transfer	Amount
2008 Appropriation	$3,465
2009 Appropriation/Request	4,200
2010 Request	...
Program Improvements/Offsets	-4,200

Proposed Actions

Working Capital Fund Transfer. The fiscal year 2010 Budget includes a Transformation Initiative, discussed as a separate Congressional Justification, which allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the HOME account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

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

Insular Areas	Amount
2008 Appropriation	$3,288
2009 Appropriation/Request	3,650
2010 Request	3,650
Program Improvements/Offsets	...

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.

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

Housing Counseling	Amount
2008 Appropriation	$49,733
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Proposed Actions

The fiscal year 2009 Omnibus Act provided funding for the Housing Counseling Assistance program in a separate account in the Office of Housing. This budget proposed to continue to fund as a separate account within the Office of Housing in fiscal year 2010 in the amount of $100 million, reflecting the priority of providing rental assistance and foreclosure related counseling.

DISTRIBUTIONS OF HOME FUNDS BY STATE

The following table shows HOME Investment Partnerships Program allocations by State for 2008, 2009 and 2010 appropriations. The 2009 and 2010 amounts represent preliminary estimates which are subject to change.

	ACTUAL 2008	ESTIMATE 2009	ESTIMATE 2010
	(Dollars in Thousands)		
STATE OR TERRITORY			
Alabama	$23,218	$25,635	$25,865
Alaska	3,987	4,405	4,445
Arizona	23,495	25,920	26,153
Arkansas	14,868	16,417	16,565
California	236,616	261,448	263,793
Colorado	19,906	21,942	22,139
Connecticut	19,024	20,997	21,185
Delaware	4,796	5,302	5,349
District of Columbia	8,453	9,342	9,426
Florida	73,529	81,139	81,867
Georgia	39,616	43,710	44,102
Hawaii	7,170	7,912	7,982
Idaho	6,359	7,023	7,086
Illinois	68,808	75,958	76,640
Indiana	27,674	30,526	30,800
Iowa	13,798	15,226	15,363
Kansas	12,455	13,736	13,860

HOME Investment Partnerships Program

STATE OR TERRITORY	ACTUAL 2008	ESTIMATE 2009	ESTIMATE 2010
	(Dollars in Thousands)		
Kentucky	22,971	25,365	25,593
Louisiana	28,594	31,597	31,880
Maine	7,764	8,577	8,654
Maryland	23,070	25,434	25,662
Massachusetts	43,306	47,821	48,250
Michigan	46,496	51,326	51,787
Minnesota	20,683	22,812	23,017
Mississippi	15,886	17,556	17,713
Missouri	$28,131	$31,038	$31,317
Montana	5,679	6,273	6,329
Nebraska	8,284	9,131	9,212
Nevada	11,040	12,183	12,291
New Hampshire	6,012	6,635	6,695
New Jersey	44,502	49,135	49,576
New Mexico	10,077	11,133	11,233
New York	183,342	202,706	204,526
North Carolina	37,929	41,842	42,217
North Dakota	3,536	3,900	3,935
Ohio	60,696	66,979	67,580
Oklahoma	18,698	20,638	20,823
Oregon	19,879	21,938	22,135

HOME Investment Partnerships Program

STATE OR TERRITORY	ACTUAL 2008	ESTIMATE 2009	ESTIMATE 2010
	(Dollars in Thousands)		
Pennsylvania	69,040	76,258	76,943
Rhode Island	8,671	9,574	9,660
South Carolina	18,452	20,366	20,549
South Dakota	3,931	4,336	4,376
Tennessee	28,379	31,315	31,596
Texas	107,858	119,023	120,092
Utah	8,464	9,338	9,421
Vermont	3,932	4,346	4,385
Virginia	32,176	35,499	35,818
Washington	31,285	34,507	34,816
West Virginia	12,001	13,271	13,390
Wisconsin	25,899	28,557	28,813
Wyoming	3,517	3,889	3,924
Puerto Rico	30,795	34,214	34,522
Subtotal Formula Grants a/	1,634,747	1,805,150	1,821,350
Other activities	69,253	19,850	3,650
TOTAL HOME	1,704,000	1,825,000	1,825,000

a/ Formula includes ADDI for fiscal year 2008.

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

Program Management & Analytical Support	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

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

Tax Credit Assistance Program	Amount
2008 Appropriation	...
2009 Appropriation/Request	$2,250,000
2010 Request	...
Program Improvements/Offsets	-2,250,000

Proposed Actions

The American Recovery and Reinvestment Act, P.L. 111-5, provided $2.25 billion to the HOME program to make available to State housing credit agencies for low-income housing tax credit projects. These funds are expected to provide 35,000 rental housing units.

COMMUNITY PLANNING AND DEVELOPMENT ACCOUNT
HOME INVESTMENT PARTNERSHIPS PROGRAM

Program Name: **HOME INVESTMENT PARTNERSHIPS PROGRAM**					
Program Mission: The HOME Investment Partnerships Program helps expand the supply of decent, affordable housing for low- and very low-income families.					
Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Promote affordable housing opportunities for low- and moderate-income households through homeownership assistance, including ADDI, and housing rehabilitation assistance.	IDIS	35,939	41,846	34,145	31,181 a/
Rental households and rental units will be assisted through HOME.	IDIS	29,563	48,551	28,676	27,816
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%	3.5%	<6%	<6%
Efficiency Measure: The increase in the average ADDI assistance per unit will not be greater than 3 percent per year.	PART	<3%	0%	<3%	<3%

a/ This represents a larger than usual decrease because ADDI funds will be mostly, if not completely, expended by fiscal year 2010.

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 2010, 31,181 households are expected to be assisted. Of this number, 20,593 households are projected to become homeowners with HOME Investment Partnerships program assistance, with an additional 2,425 assisted with the American Dream Downpayment Initiative. In addition to assisting homebuyers, the program will help 8,163 existing homeowners rehabilitate their homes up to standard condition in fiscal year 2010.

HOME Investment Partnerships Program

During fiscal year 2009, 34,145 households are expected to be assisted. Of this number, 23,730 households are projected to become homeowners with HOME Investment Partnerships program assistance, with an additional 2,000 assisted with the American Dream Downpayment Initiative. In addition to assisting homebuyers, the program will help 8,415 existing homeowners rehabilitate their homes up to standard condition in fiscal year 2009.

Rental households and rental units will be 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. Approximately 27,816 rental households and rental units will be assisted with HOME funds during fiscal year 2010. Of this number, 18,891 will be rental units completed and 8,925 will be tenant-based assistance. Approximately 28,676 rental households and rental units will be assisted with HOME funds during fiscal year 2009. Of this number, 19,475 will be rental units completed and 9,201 will be tenant-based assistance. During fiscal year 2008, PJs completed 23,170 units of rental housing, and an additional 25,381 families were assisted with TBRA.

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. The fiscal year 2008 average was 3.5 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. The fiscal year 2008 average for ADDI was 0 percent.

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

The 2010 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For the HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, $1,825,000,000, to remain available until September 30, [2011, of which not to exceed $4,200,000 may be transferred to the Working Capital Fund]*2012*: *Provided*, [That up to $12,000,000 shall be available for technical assistance: *Provided further*, That in prior appropriations Acts]*That funds provided in prior appropriations Acts for technical assistance, that were made available* 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.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Formula Grants	$1,624,747	-$154	...	...	$252,024[a]	$1,876,617
American Dream Downpayment Initiative	10,000	...	...	...	...	10,000
Insular Areas	3,288	...	...	...	...	3,288
HOME/CHDO Technical Assistance	12,500	-4,982	...	...	31,140	38,658
Housing Counseling	50,000	-267	...	...	44,491	94,224
Program Management & Analytical Support	...	...	...	...	7	7
Working Capital Fund Transfer	3,465	...	...	...	...	3,465
Disaster Assistance	...	...	...	...	499	499
Tax Credit Assistance Program	...	...	...	...	...	...
Total	1,704,000	-5,403	...	...	328,161	2,026,758

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

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Formula Grants	$1,898,707	$1,805,150	...	...	$294,765[a]	$2,099,915
American Dream Downpayment Initiative	50,000	...	...	...	...	...
Insular Areas	3,833	3,650	...	...	...	3,650
HOME/CHDO Technical Assistance	9,900	12,000	...	...	30,494	42,494
Housing Counseling	...[b]	...[b]	...	...	50,216	50,216
Program Management & Analytical Support	...	...	...	...	...	...
Working Capital Fund Transfer	4,200	4,200	...	...	...	4,200
Disaster Assistance	...	...	...	...	499	499
Tax Credit Assistance Program	...	...	$2,250,000	...	...	2,250,000
Total	1,966,640	1,825,000	2,250,000	...	375,974	4,450,974

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 were requested as a separate account in the Office of Housing and the fiscal year 2009 Omnibus Act provided such funds to the Office of Housing as a separate account.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING TRUST FUND	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	...	...	...	...	...
2009 Appropriation/Request	...	...	...	...	...	...
2010 Request	$1,000,000	...	...	$1,000,000	$1,000,000	$20,000
Program Improvements/Offsets	+1,000,000	...	...	+1,000,000	+1,000,000	+20,000

Summary Statement

The Housing Trust Fund was established by the Housing and Economic Recovery Act of 2008 (HERA), with a dedicated mandatory funding stream from assessments on Fannie and Freddie Mac. However, the Federal Housing Finance Agency has indefinitely suspended these assessments, not that the government-sponsored enterprises (GSEs) are in conservatorship. The purpose of the Housing Trust Fund is to provide grants to States for use: (a) to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families; and (b) to increase homeownership for extremely low- and very low-income families, limited to 10 percent of the total funding.

The 2010 Budget proposes to restore funding for the Housing Trust Fund through legislation directing $1 billion to finance the development, rehabilitation, and preservation of affordable housing for very low-income residents.

Initiatives

The program has been identified as a Presidential Initiative.

Program Description and Activities

The Housing and Economic Recovery Act of 2008 directs the Secretary of Housing and Urban Development to establish and manage a Housing Trust Fund, which could be funded with amounts allocated from Fannie Mae and Freddie Mac and any amounts as are or may be appropriated, transferred, or credited to such Housing Trust Fund under any other provisions of law.

The purpose of the Housing Trust Fund under this section is to provide grants to States for use (a) to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families; and (b) to increase homeownership for extremely low- and very low-income families.

The Secretary shall, by regulation, establish a formula within 12 months of the date of enactment of the Federal Housing Finance Regulatory Reform Act of 2008, to distribute amounts made available under this Act to each State to provide affordable housing to extremely low- and very low-income households.

Grant amounts allocated to a State or State designated entity under the Housing Trust Fund are eligible for use, or for commitment for use, only for assistance for (A) the production, preservation, and rehabilitation of rental housing, and for operating costs, and (B) the production, preservation, and rehabilitation of housing for homeownership, including such forms as down payment assistance, closing cost assistance, and assistance for interest rate buy-downs.

- DISTRIBUTION TO STATES BY NEEDS-BASED FORMULA.

  In General. The Secretary shall, by regulation, establish a formula within 12 months of the date of enactment of the Housing and Economic Recovery Act of 2008, to distribute amounts made available to each State to provide affordable housing to extremely low- and very low-income households.

  Basis for Formula. The formula shall include the following:

  (i) The ratio of the shortage of standard rental units both affordable and available to extremely low-income renter households in the State to the aggregate shortage of standard rental units both affordable and available to extremely low-income renter households in all the States.

  (ii) The ratio of the shortage of standard rental units both affordable and available to very low-income renter households in the State to the aggregate shortage of standard rental units both affordable and available to very low-income renter households in all the States.

  (iii) The ratio of extremely low-income renter households in the State living with either: (a) incomplete kitchen or plumbing facilities, (b) more than 1 person per room, or (c) paying more than 50 percent of income for housing costs, to the aggregate number of extremely low-income renter households living with either (d) incomplete kitchen or plumbing facilities, (e) more than 1 person per room, or (f) paying more than 50 percent of income for housing costs in all the States.

  (iv) The ratio of very low-income renter households in the State paying more than 50 percent of income on rent relative to the aggregate number of very low-income renter households paying more than 50 percent of income on rent in all the States.

  (v) The resulting sum calculated from the factors described in clauses (i) through (iv) shall be multiplied by the relative cost of construction in the State.

- ALLOCATION OF GRANT AMOUNTS.

  Not later than 60 days after the date that the Secretary determines the formula amounts, the Secretary shall publish in the Federal Register that funds are available.

- MINIMUM STATE ALLOCATIONS. $3,000,000

- ALLOCATION PLANS REQUIRED.

  In General. For each year that a State or State designated entity receives a grant, the State or State designated entity shall establish an allocation plan. Such plan shall: (a) set forth a plan for the distribution of grant amounts received by the State or State designated entity for such year; (b) be based on priority housing needs, as determined by the State or State designated; (c) include performance goals.

  Contents. An allocation plan of a State or State designated entity shall set forth the requirements for eligible recipients to apply for such grant amounts, including a requirement that each such application include: (a) a description of the eligible activities to be conducted using such assistance; and (b) a certification by the eligible recipient applying for such assistance that any housing units assisted with such assistance will comply with the requirements of the Housing Trust Fund.

- Eligible Activities. Grant amounts allocated to a State or State designated entity shall be eligible for use, or for commitment for use, only for assistance for:

(a) the production, preservation, and rehabilitation of rental housing and for operating costs, except that not less than **75 percent of such grant amounts shall be used for the benefit only of extremely low-income families or families with** incomes at or below the poverty line, and not more than 25 percent for the benefit only of very low-income families; and

(b) the production, preservation, and rehabilitation of housing for homeownership, including such forms as down payment assistance, closing cost assistance, and assistance for interest rate buy-downs, that:

(i) is available for purchase only for use as a principal residence by families that qualify both as extremely low- and very low-income families; and first-time homebuyers;

(ii) has the same maximum initial purchase price as the HOME program;

(iii) is subject to the same resale restrictions as HOME; and

(iv) is made available for purchase only by homebuyers who have, before purchase, completed a program of independent financial education and counseling from an eligible organization.

- ELIGIBLE RECIPIENTS. Grant amounts allocated to a State or State designated entity may be provided only to a recipient that is an organization, agency, or other entity (including a for-profit entity or a nonprofit entity) that:

(a) has demonstrated experience and capacity, as evidenced by its ability to:

(i) own, construct or rehabilitate, manage, and operate an affordable multifamily rental housing development;

(ii) design, construct or rehabilitate, and market affordable housing for homeownership; or

(iii) provide forms of assistance, such as down payments, closing costs, or interest rate buy-downs for purchasers;

(b) demonstrates the ability and financial capacity to undertake, comply, and manage the eligible activity; and

(c) demonstrates its familiarity with the requirements of any other Federal, State, or local housing program that will be used in conjunction with such grant amounts to ensure compliance with all applicable requirements and regulations of such programs.

LIMITATIONS ON USE.

REQUIRED AMOUNT FOR HOMEOWNERSHIP ACTIVITIES. Of the aggregate amount allocated to a State or State designated entity, not more than 10 percent shall be used for homeownership activities.

DEADLINE FOR COMMITMENT OR USE. Grant amounts allocated to a State or State designated entity under this subsection shall be used or committed for use within 2 years of the date that such grant amounts are made available to the State or State designated entity. The Secretary shall recapture any such amounts not so used or committed for use and reallocate such amounts under this subsection in the first year after such recapture.

ADMINISTRATIVE COST. Limit the amount of any grant amounts for a year that may be used by the State or State designated entity for administrative costs of carrying out the program, including home ownership counseling, to a percentage of such grant amounts of the State or State designated entity for such year, which may not exceed 10 percent.

- ACCOUNTABILITY OF RECIPIENTS AND GRANTEES.

(a) RECIPIENTS.

TRACKING OF FUNDS. The Secretary will

(i) require each State or State designated entity to develop and maintain a system to ensure that each recipient of assistance uses such amounts in accordance with this section, the regulations issued under this section, and any requirements or conditions under which such amounts were provided; and

(ii) establish minimum requirements for agreements between the State or State designated entity and recipients, regarding assistance, which shall include appropriate periodic financial and project reporting, record retention, and audit requirements for the duration of the assistance to the recipient.

(b) GRANTEES.

- REPORT. The Secretary will require each State or State designated entity to submit a report to the Secretary that describes the activities funded during such year with such grant amounts; and the manner in which the State or State designated entity complied during such year with any allocation plan.
- REGULATIONS. The Secretary will issue regulations to carry out this program.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Formula Grants	...	...	...	...	...	...	...	$1,000,000
Total	...	...	...	...	...	...	...	1,000,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	...	...	...
Field	...	...	...
Total	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Justification of Proposed Changes in Appropriations Language

Explanation of Changes

The Housing Trust Fund was established by the Housing and Economic Recovery Act of 2008 (HERA), with a dedicated mandatory funding stream from assessments on Fannie Mae and Freddie Mac. However, the Federal Housing Finance Agency has indefinitely suspended these assessments, now that the GSEs are in conservatorship. The 2010 Budget proposes to restore funding for the Housing Trust Fund through legislation directing $1 billion to finance the development, rehabilitation, and preservation of affordable housing for very low-income residents. The forthcoming legislative proposal will amend the authorizing language for the Housing Trust Fund; no discretionary appropriations language is required.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Formula Grants	...	...	...	...	...	...
Total	...	...	...	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Formula Grants	...	...	...	...	...	...
Total	...	...	...	...	...	...

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING TRUST FUND
Program Offsets
(Dollars in Thousands)

Formula Grants	Amount
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$1,000,000
Program Improvements/Offsets	+1,000,000

COMMUNITY PLANNING & DEVELOPMENT
HOUSING TRUST FUND
Performance Measurement Table

Program Name: **HOUSING TRUST FUND**

Program Mission: To provide grants to States for use to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families; and to increase homeownership for extremely low- and very low-income families, limited to 10 percent of the total funding.

Performance Indicators	**Data Sources**	**Performance Report**		**Performance Plan**	
		2008 Plan	**2008 Actual**	**2009 Plan**	**2010 Plan**
Establish Number of additional rentals and Homeownership units provided by HUD.		N/A	N/A	N/A	Establish baseline

N/A = Not Available

Explanation of Indicators. The baseline for the performance plan will be established in fiscal year 2010.

PERFORMANCE OUTLOOK

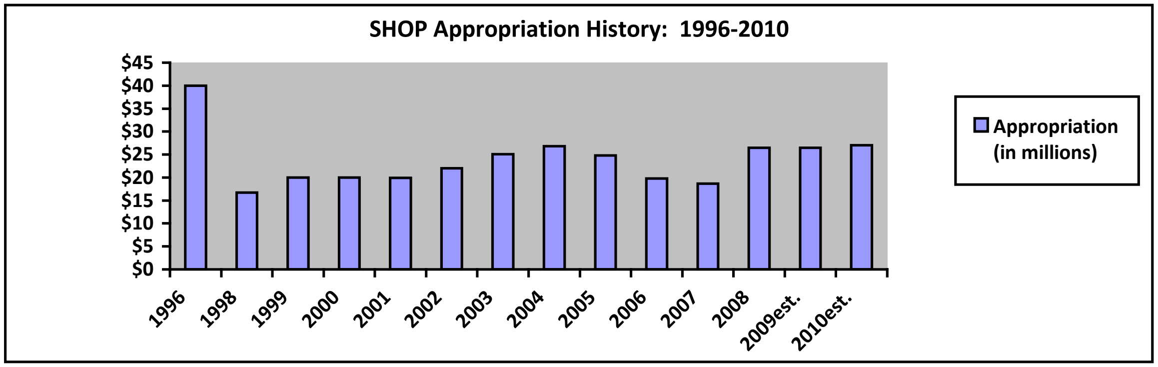
The following unit numbers are projected production over time for the 2010 funding of Housing Trust Fund formula allocations. Fiscal year 2010 funds ($1 billion) are expected to result over time in cumulative of 35,939 production units which will comprise of 29,381 rental units and 6,558 homebuyer units.

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$60,000	$48,267	-$3,450[a]	$104,817	$44,817	$25,504
2009 Appropriation/Request	64,000	60,000	...	124,000	64,000	50,098
2010 Request	77,000	60,000	...	137,000	77,000	55,000
Program Improvements/Offsets	+13,000	...	...	+13,000	+13,000	+4,902

a/ Includes a $3,450,000 rescission as a result of P.L. 110-161.

Summary Statement

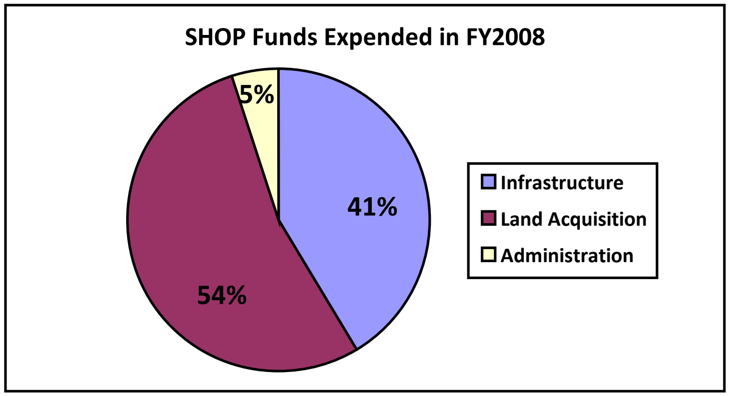


The fiscal year 2010 budget proposes $77 million for the Self-Help Homeownership Opportunity Program (SHOP) account. This request consists of $27 million for SHOP, $50 million for the Capacity Building for Community Development and Affordable Housing Program, and no funding for the Housing Assistance Council.

The proposed funding for the SHOP competitive grant program is $500,000 higher than the fiscal year 2009 appropriated 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 $10 in resources from other sources for every SHOP dollar. Eligible uses of SHOP funds are land acquisition, infrastructure improvements and administrative costs.

Self-Help Homeownership Opportunity Program

Capacity Building for Community Development and Affordable Housing program will have five eligible grantees in fiscal year 2010: Living Cities Inc./National Community Development Initiative (NCDI), Enterprise Community Partners, the Local Initiatives Support Corporation (LISC), Habitat for Humanity International and Youth Build USA. In fiscal year 2009, only three of these applicants were eligible. The proposed additional funding of $16 million for the Capacity Building program for fiscal year 2010 reflects the proven track record of the program and the importance of the grantees capacity building work with Community Development Corporations across the country. The additional funding will support grantees increased focus on foreclosure recovery efforts for homeowners. The requested funding will also allow the grantees to expand their innovative green and sustainable communities programs.



The SHOP program was evaluated in fiscal year 2006. 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. 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 June 2009.

Initiatives

No new initiatives are proposed.

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Self-Help Homeownership Opportunity Program ..	$26,500	$18,677	$45,177	$18,677	$26,500	$26,500	$53,000	$27,000
Capacity Building	30,050	29,590	59,640	26,140	34,000	33,500	67,500	50,000
Housing Assistance Council	...	...	...	...	3,500	...	3,500	...
Total	56,550	48,267	104,817	44,817	64,000	60,000	124,000	77,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	2	1	1
Field	2	3	3
Total	4	4	4

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

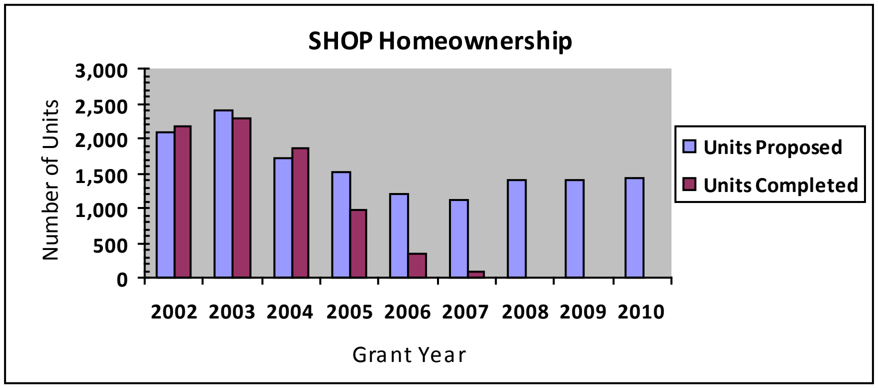
Self-Help Homeownership Opportunity Program	**Amount**
2008 Appropriation	$26,500
2009 Appropriation/Request	26,500
2010 Request	27,000
Program Improvements/Offsets	+500

Proposed Actions

Funding of $27 million for the SHOP homeownership component in fiscal year 2010 will provide homeownership opportunities to a minimum of 1,440 low-income families at an average SHOP investment of $15,000 per unit. Grantees may use 20 percent of their grants for administrative costs. 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 $18.7 million in fiscal year 2007 generated $48.2 million in funding requests from four selected applicants. This is further supported in fiscal year 2008, where $26.5 million in available funds generated $48.1 million in grant requests from three selected applicants.

Program Design

The SHOP program embodies HUD's focus on nurturing partnerships by providing competitive grants to national and regional non-profit housing organizations and consortia that specialize in the development of self-help housing. Since inception of the program, grantees have completed construction on 20,596 housing units as of December 31, 2008.



Self-Help Homeownership Opportunity Program

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 two key factors that drive the cost of homeownership beyond the reach of low-income families. SHOP funds serve as the "seed money" which provides momentum for greatly expanded levels of construction investment from public and private sources. While the matching of SHOP funds with other dollars is not required, SHOP grantees have submitted evidence, as part of their annual application submissions, demonstrating that for every SHOP dollar, at least $10 in resources from other sources is leveraged. This does not include sweat equity and volunteer labor required by this program. The presence of SHOP funds increases the ability of non-profit organizations to leverage funds, providing a substantial return on the maximum Federal investment of $15,000 per unit. 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 in urban and rural areas across the country. In the table below, AMI means Area Median Income.

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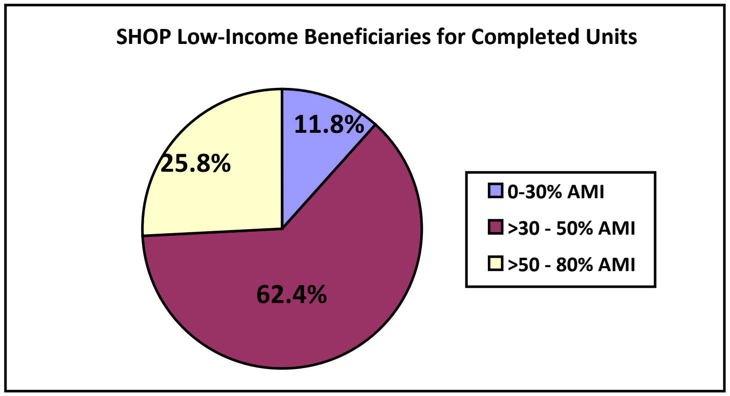

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COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Program Offsets
(Dollars in Thousands)

Capacity Building	Amount
2008 Appropriation	$30,050
2009 Appropriation/Request	34,000
2010 Request	50,000
Program Improvements/Offsets	+16,000

Proposed Actions

The Capacity Building for Community Development and Affordable Housing (Capacity Building) program funding request for fiscal year 2010 is $50,000,000, an increase of $16,000,000 over the fiscal year 2009 appropriated amount. There will be five eligible grantees in fiscal year 2010: Living Cities Inc./National Community Development Initiative (NCDI), Enterprise Community Partners, the Local Initiatives Support Corporation (LISC), Habitat for Humanity International and Youth Build USA. In fiscal year 2009 only three of these applicants were eligible. The proposed additional funding for the Capacity Building program for fiscal year 2010 reflects the proven track record of the program and the importance of the grantees capacity building work with Community Development Corporations across the country. The additional funding will support grantees increased focus on foreclosure recovery efforts for homeowners. The requested funding will also allow the grantees to expand their innovative green and sustainable communities programs.

Background

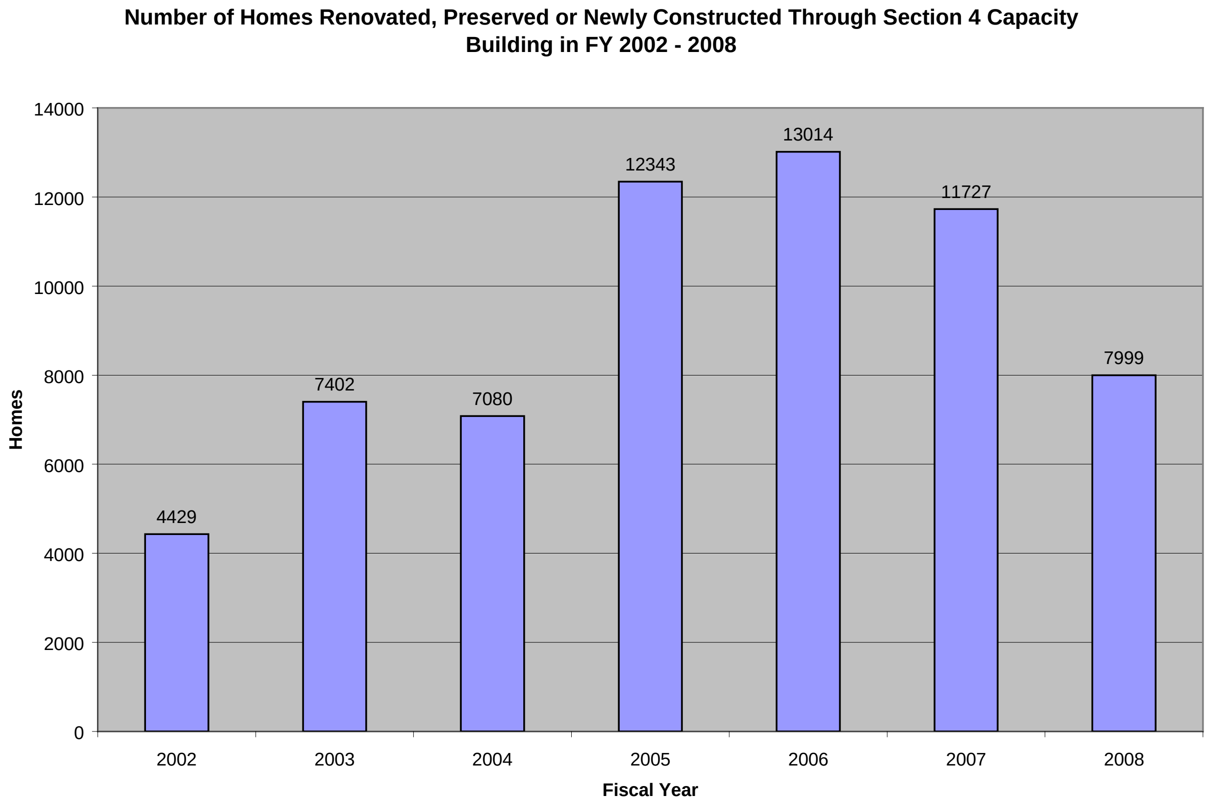
The Capacity Building for Community Development and Affordable Housing (Capacity Building) program is authorized by Section 4 of the HUD Demonstration Act of 1993, which established HUD's participation in the privately organized and initiated National Community Development Initiative (NCDI). The Capacity Building program provides grants to national intermediaries to develop, enhance and strengthen the technical and administrative capabilities of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out community development and affordable housing activities for low- and moderate-income persons and families. This holistic effort develops capacity in nonprofits so that they can work together with cities to rebuild and revitalize neighborhoods, which improves the lives of the people who reside there by securing adequate housing, education, employment, shopping, safe streets and transportation. The national intermediaries build capacity by providing operating support, training, technical assistance and project financing to the CDCs and CHDOs.

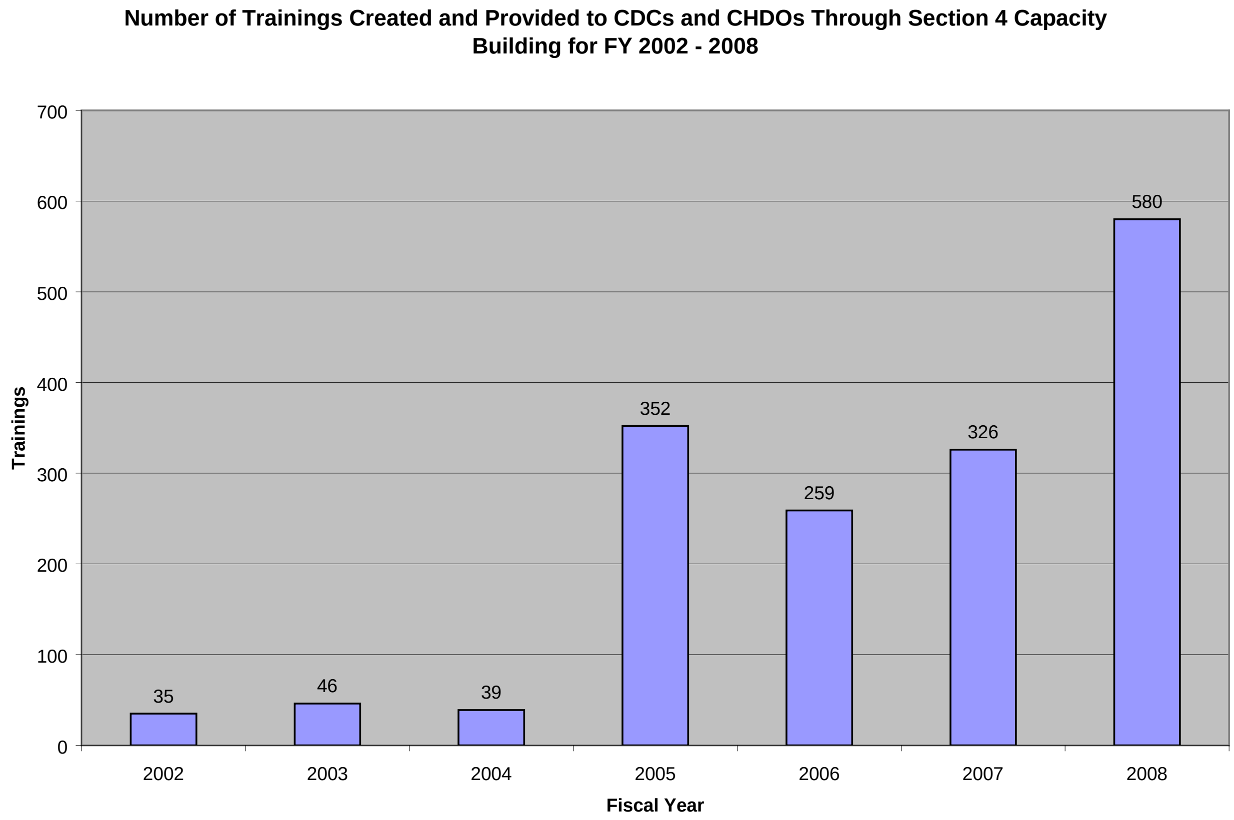
The 1997 statute lists five eligible national intermediary organizations--Living Cities, Inc/National Community Development Initiative, Local Initiatives Support Corporation (LISC), Enterprise Community Partners, Inc., Habitat for Humanity International, and YouthBuild USA. Recent legislation has limited eligibility to the second, third and fourth listed organizations. The statute requires that each Federal dollar is matched by three private dollars. This 3:1 private/public match is the most stringent match requirement of any HUD program. Since 2007, the program has been competitive.

While CDCs are important anchor institutions serving low and moderate persons in communities across America, CDCs themselves benefit from additional capacity support and assistance in pre-development, joint venturing, finance layering, asset management, or economic and housing development. In 2008, almost 8,000 homes were renovated, preserved or newly constructed using program resources. Grantees also commit to investment in other community development activities, such as economic development, workforce development, childcare, and community safety. In 2008, grantees used the Capacity Building funding to leverage more than $1.5 billion in cash and in-kind contributions.

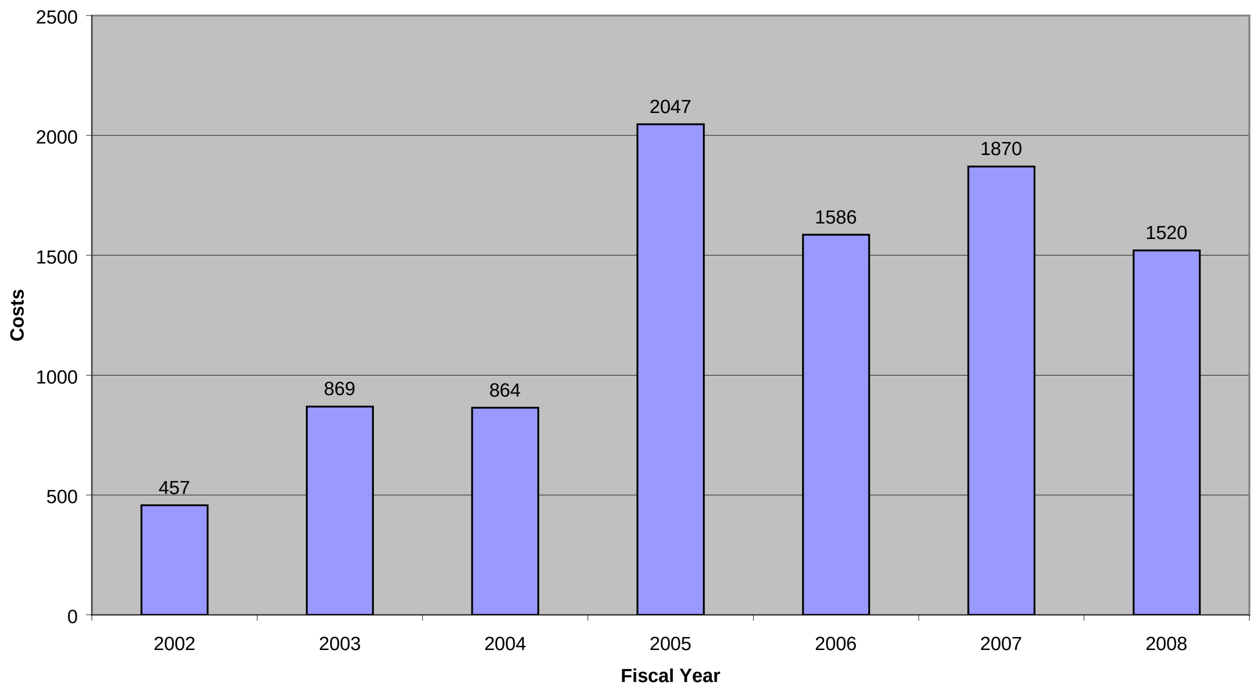
Overall, the Capacity Building program is a particularly innovative program. The grantees have far-reaching, national impact and the very nature of their work serves as a laboratory for innovative ideas and best practices in green technologies, community sustainability and neighborhood stabilization. For CDCs, becoming effective at housing development is the first step in mastering the challenges of economic development, sustainable development and other community development activities. In recent years, Capacity Building grantees have led the way in promoting sustainable and green communities. The additional funding will support grantees increased focus on foreclosure recovery efforts for homeowners. For example, Enterprise Community Partners has developed green community criteria, and the Local Initiatives Support Corporation (LISC) has developed a Sustainable Communities initiative to evaluate and monitor the health of eleven American neighborhoods.

An assessment, conducted in 2003 for the 2005 Budget, determined the program to be moderately effective, as well as effectively leveraging private sources.


Number of Homes Renovated, Preserved or Newly Constructed Through Section 4 Capacity Building in FY 2002 - 2008
Homes
Fiscal Year
0
2000
4000
6000
8000
10000
12000
14000
2002
2003
2004
2005
2006
2007
2008
4429
7402
7080
12343
13014
11727
7999


Number of Trainings Created and Provided to CDCs and CHDOs Through Section 4 Capacity Building for FY 2002 - 2008
Trainings
0
100
200
300
400
500
600
700
35
46
39
352
259
326
580
2002
2003
2004
2005
2006
2007
2008
Fiscal Year

Total Development Cost Estimate of Community Development Projects Funded by CDCs and CHDOs Through Section 4 Capacity Building for FY 2002 - 2008
(in millions of dollars)
(Shows Increased Capacity of CDC and CHDO Industry.)



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

Housing Assistance Council	Amount
2008 Appropriation	...
2009 Appropriation/Request	$3,500
2010 Request	...
Program Improvements/Offsets	-3,500

Proposed Actions

No funding is requested for Housing Assistance Council (HAC) for fiscal year 2010. HAC is eligible to compete in the SHOP program NOFA, and other Federal funding streams, including Rural Housing Fund under CDBG.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Promote affordable housing opportunities for low- and moderate-income households through homeownership assistance and housing rehabilitation assistance.		1,500	1,927	1,500	1,500

COMMUNITY PLANNING AND DEVELOPMENT
SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Justification of Proposed Changes in Appropriations Language

The 2010 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, [$64,000,000]*$77,000,000*, to remain available until September 30, [2011]*2012*: Provided, That of the total amount provided under this heading, [$26,500,000]*$27,000,000* 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 [$34,000,000]*$50,000,000* shall be made available [for the second, third and fourth capacity building activities authorized] under section 4[(a)] of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), of which not less than [$5,000,000]*$10,000,000* may be made available for rural capacity building activities[: Provided further, That $3,500,000 shall be made available for capacity building activities as authorized in sections 6301 through 6305 of Public Law 110-246].
(Department of Housing and Urban Development Appropriations Act, 2009.)

COMMUNITY PLANNING AND DEVELOPMENT

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Self-Help Homeownership Opportunity Program	$26,500	...	...	...	$18,677	$45,177
Capacity Building	33,500	-$3,450[a]	...	...	29,590	59,640
Housing Assistance Council	...	...	...	...	...	...
Total	60,000	-3,450	...	...	48,267	104,817

a/ Includes a $3,450,000 rescission as a result of P.L. 110-161

COMMUNITY PLANNING AND DEVELOPMENT

SELF-HELP HOMEOWNERSHIP OPPORTUNITY PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Self-Help Homeownership Opportunity Program	$40,000	$26,500	...	...	$26,500	$53,000
Capacity Building	...	34,000	...	...	33,500	67,500
Housing Assistance Council	...	3,500	...	...	...	3,500
Total	40,000	64,000	...	...	60,000	124,000

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOMELESS ASSISTANCE GRANTS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$1,585,990	$1,693,605[a]	-$44,909	$3,234,686[b]	$1,539,430[b]	$1,440,463
2009 Appropriation/Request	1,677,000	1,744,470[c]	1,500,000[d]	4,921,470[e]	3,359,470[e]	1,551,000
2010 Request	1,793,715	1,612,000[f]	...	3,405,715	1,794,307	2,422,000
Program Improvements/Offsets	+116,715	-132,470	-1,500,000	-1,515,755	-1,565,163	+871,000

a/ Carryover includes $31.547 million of funds recaptured in fiscal year 2008.
b/ Includes $2.475 million of funds that were transferred and obligated to the Working Capital Fund.
c/ Includes $50 million in anticipated recaptured funds and excludes $785 thousand of expired funds.
d/ Per the American Recovery and Reinvestment Act, P.L. 111-5.
e/ Includes $2.675 million of funds that were transferred and obligated to the Working Capital Fund.
f/ Carryover includes $50 million in estimated recaptured funds.

Summary Statement

The fiscal year 2010 Budget proposes $1.794 billion for Homeless Assistance Grants (HAG), which is $116.7 million more than the fiscal year 2009 appropriated amount and $207.7 million more than the fiscal year 2008 level. Approximately $405 million of the total funding will be used for Shelter Plus Care renewals. This justification proposes a substantial change in that it details the grants budget into three components: (1) competitive renewals; (2) competitive new projects; and (3) Emergency Shelter Grants. As renewals have absorbed a larger share of the budget each year, it has become increasingly difficult to fund new permanent supportive housing projects through the Continuum of Care competitive process. It is the Administration's intent to provide dedicated funding for new supportive housing units totaling about $140 million.

The fiscal year 2010 budget request reflects both the Administration's priority to confront homelessness and the strong overall results that have been achieved under this program. In addition to increasing the number of transitional and permanent beds from approximately 160,000 in fiscal year 2006 to the current level of approximately 183,000, the number of homeless individuals who remain housed in HUD permanent projects for at least 6 months has increased from 69.0 percent to 75.1 percent. In addition, these critical resources can be used to serve homeless veterans and their families, which currently make up approximately 15 percent of the sheltered homeless population in addition to unsheltered homeless veterans.

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 2008 competition, 62.5 percent of these funds were awarded for housing activities. This increase has resulted in additional housing for homeless persons nationwide. In February 2008, HUD announced new and renewal funding for over 183,000 transitional and permanent housing beds. Although the investment by HUD in housing individuals and families who are homeless is significant, the problem remains a large one. The last Annual Homeless Assessment Report (AHAR) to Congress reported that nearly 1.6 million people are served by emergency shelter and transitional housing programs over the course of a year and nearly 672,000 persons are homeless on a given night. That far exceeds HUD's current portfolio of 183,000 beds, although the $1.5 billion Homelessness Prevention Fund included as part of the 2009 Recovery Act will assist in developing capacity at the local level for prevention of homelessness and to rapidly re-house those who experience homelessness. The AHAR also documented progress made by communities in reducing the number of chronically homeless persons, due largely to HUD's policy emphasis on this population and the dedicated resources made available for programs to serve chronically homeless persons.

The Administration is committed to reforming the existing HUD homeless assistance programs by consolidating and simplifying them. In addition to pursuing legislative change by working with the Congress, HUD has and will continue to take administrative steps to increase efficiency. The proposed streamlining of the Homeless Assistance Grants will make several significant and systemic improvements that will be realized in fiscal year 2010. 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.

Any solution to homelessness must emphasize housing. In the 2008 competition, 62.5 percent of the funds were used for Housing/Operations, 32.0 percent for services, 2.6 percent for Homeless Management Information Systems (HMIS), and 3.1 percent for administrative costs. In fiscal year 2008, there were 183,474 beds funded.

HUD's Homeless Assistance Grants program provides Federal support to reduce homelessness, including for those who are most difficult to serve. 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 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 in which HUD's Homeless Assistance Grants was the first program in the Department to receive the highest rating, "Effective."

Initiatives

HUD continues to support the consolidation of its homeless assistance programs, which has recently been considered by Congress. If passed, consolidation would significantly streamline the delivery of homeless assistance in this nation, providing significant flexibility to communities to measurably reduce homelessness.

HUD has also taken administrative steps to increase efficiency. In 2008, HUD implemented a new electronic grants management system called e-snaps, that minimizes the amount of time needed for HUD to review projects and automates other funding activities. This efficient and more modern web-based approach is expected to cut HUD's review time for applications nearly in half. For the 2008 competition, HUD was able to reduce the time needed to process applications from the usual six months to less than four months. In 2009 and 2010, that schedule will be reduced further through e-snaps and other significant streamlining efforts.

Certain steps have 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; (2) additional rating points in the annual competition to communities that have developed a local strategy to focus on those most difficult to serve; (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 national 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.

Specific streamlining efforts for fiscal year 2010:

- Continue to aggressively pursue homeless consolidation legislation, which would drastically improve the way in which the competition is processed at HUD and that would provide additional resources for grantees to innovate at the local level.
- Given the large infusion of Homelessness Prevention Fund (HPF) resources and the urgent need for streamlining, HUD will eliminate traditional renewal applications beginning in the 2009 competition while preserving oversight and policy functions of the CoC by: (1) continuing to have the CoC certify that renewals are needed in the community; and (2) focusing policy and planning efforts on new projects and community-level strategic planning, including how HPF will be used. This strategy will serve to:
  - Alleviate a significant amount of pressure both within HUD and on the grantee side related to staffing and technology resources needed to carry out the requirements of the new HPF program in addition to a full competition for 2009 and beyond
  - Allow the Administration to focus on developing policy initiatives that will target resources for new projects; and
  - Allow adequate time and funding to continue to develop e-snaps as a full grants management system.

Transformation Initiative

The Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for the Homeless Assistance Grants account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD. Examples of project that should be undertaken with the Transformation Initiative in respect to the Homeless Assistance Grants account include:

- Continue the development of e-snaps as a full grants management tool for both grantee and HUD use. In the long run, the use of a grants management tool allows for the updating of information rather than the creation of new data sets and documents each year. This is also the administrative mechanism that will cut down on unnecessary processing time for the over 6,300 grants currently funded under the HAG account.

- Develop and roll-out technical assistance resources that take advantage of technology and that assist communities to more effectively operate new and existing programs funded either through the competition or the HPF.

More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Grants	$1,505,606	$1,679,714	$3,185,320	$1,525,111	$1,652,575	$1,709,538	$3,362,113	...
Competitive Grant Renewals (SPC & SHP) .	...	...	...	...	...	...	...	$1,503,390
Competitive Grants (New Projects)	...	...	...	...	...	...	...	140,325
Emergency Shelter Grants Formula	...	...	...	...	...	...	...	150,000
Technical Assistance/Data Analysis	5,200	10,391	15,591	8,344	5,900	7,132	13,032	...
National Homeless Data Analysis Project	2,800	3,500	6,300	3,500	2,100	2,800	4,900	...
Nation's Veterans Demonstration	...	...	...	...	10,000	...	10,000	...
Working Capital Fund ..	2,475	...	2,475	2,475	2,675	...	2,675	...
Rapid Re-housing Demonstration Project	25,000	...	25,000	...	...	25,000	25,000	...
Homeless Research	...	...	...	...	3,000	...	3,000	...
Evaluation of Demonstration Programs	...	...	...	...	750	...	750	...
Homelessness Prevention and Rapid Re-housing .	...	...	...	...	1,500,000	...	1,500,000	...
Total	1,541,081	1,693,605	3,234,686	1,539,430	3,177,000	1,744,470	4,921,470	1,793,715

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	51	52	54
Field	229	241	244
Total	280	293	298

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

Competitive Grant Renewals (SPC & SHP)	Amount
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$1,503,390
Program Improvements/Offsets	+1,503,390

NOTE: This request breaks grants into three components rather than having one grant line as in previous years. Under the new format the previous amounts would have been $1,159,912 in fiscal year 2008 and $1,286,600 in fiscal year 2009.

Proposed Actions

The following tables summarize the funding requested and the awards made as part of the fiscal year 2008 NOFA, excluding funds distributed by formula under the Emergency Shelter Grants program. Funding includes appropriated amounts and recaptures. The fiscal year 2008 NOFA is the most recently completed cycle, and awards were made in fiscal year 2009. Awards from the fiscal year 2009 appropriation and NOFA will be made during fiscal year 2010. 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 administrative and legislative reforms articulated both previously and later in this section.

FY 08 Funding Requests*

(Dollars in Millions)

Program	Total Projects Requested	Total Amount Requested	New Applicants	Requested Amount	Renewal Applicants	Requested Amount
SHP	5,748	$1,182.9	774	$289.6	4,974	$893.3
SPC	1,088	434.6	210	109.6	878	325.0
SRO	7	2.8	7	2.8	0	0.0
Total	6,843	$1,620.3	991	$402.0	5,852	$1,218.3

FY 08 Funding Awards*

(Dollars in Millions)

Program	Total Projects Funded	Total Amount Funded	New Applicants	Awarded Amount	Renewal Applicants	Awarded Amount
SHP	5,316	$1,008.0	365	$120.4	4,951	$887.6
SPC**	1,015	$405.9	141	74.7	874	331.2
SRO	5	$2.4	5	2.4	0	0.0
Total	6,336	$1.416.3	511	$197.5	5,825	$1,218.8

* This includes the one-time Rapid Re-Housing Demonstration Program for Families.
** By law, the award for SPC is based on the FMR at the time of award. The awarded amount is higher than the requested amount because the FMR update that is included at the time of award represents a $10-14 million increase annually.

Pursuant to the 2005 Appropriations Conference Report, the Department is providing, as part of the 2010 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.

Shelter Plus Care (S+C) Renewals

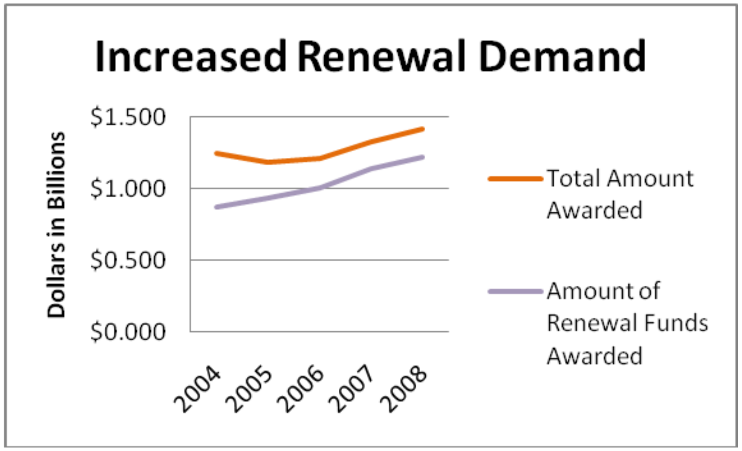
The estimates for 1-year Shelter Plus Care renewal needs are based primarily on two factors: (a) the amount of renewals from the prior year which will be expected to renew again (this covers all on-going, accumulating renewals from prior years); and (b) the amount of new S+C awards made 5 years prior 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. Please note that the 2008 $50 million special appropriation to provide Louisiana with a new 1,000 unit Shelter Plus Care program will be renewable, potentially in the 2014 cycle. Although it does not impact the five year projections shown below, it will substantially increase the renewal demand (by at least $10 million) in the year in which it must renew.

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:

Fiscal Year	Estimated S+C Renewal Need
2009	$360 - 385 million
2010	$405 – 445 million
2011	$465 – 485 million
2012	$505 – 525 million
2013	$545 – 565 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 2009 through 2010, a significant share of SHP-PH funds will be for 1-year terms.

2. *New* SHP-PH project funding from 2009 through 2010 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.

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

Fiscal Year	Estimated SHP Permanent Housing Renewal Need
2009	$325 – 345 million
2010	$350 – 370 million
2011	$375 – 395 million
2012	$400 – 420 million
2013	$425 – 445 million

Supportive Housing Program – Non-Permanent Housing Components

There is also demand for other types of eligible housing and services. 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 2009 to 2013, 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:

Fiscal Year	Estimated SHP Non-Permanent Renewal Need
2009	$580 – 600 million
2010	$590 – 610 million
2011	$600 – 620 million
2012	$610 – 630 million
2013	$620 – 650 million

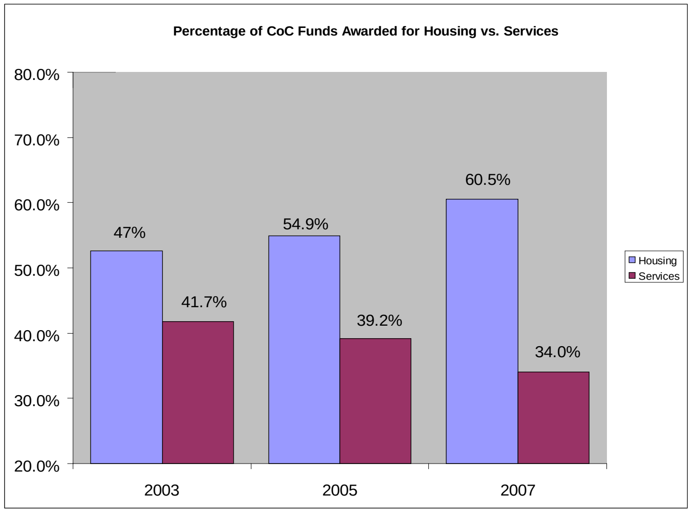
In fiscal year 2008, Congress directed HUD to implement a Rapid Re-Housing Demonstration Program for Homeless Families (RRH), and made RRH programs renewable under the Supportive Housing Program. The amount of funding available for RRH programs (not including program evaluation) in fiscal year 2008 was $23.75 Million, which HUD will award as 3-year transitional housing grants. It is expected that these programs will begin to renew through the Continuum of Care competition in fiscal year 2011. The chart below estimates the additional renewal burden for these programs and assumes a 1-year renewal.

Fiscal Year	Estimated SHP RRH Programs
2009	$0
2010	$0
2011	$4 - 6 million
2012	$6 - 8 million
2013	$6 – 8 million

Fiscal Year 2010 Proposal

Homeless Assistance Grants

The proposed legislative streamlining of the various competitive Homeless Assistance Grants programs will make several systemic improvements. First, HUD will be able to provide needed funding more efficiently and effectively, reducing the number of applications 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 match requirements, eligible activities and eligible applicants. Third, HUD's approach will be more comprehensive and will include, for the first time, homelessness prevention programs as an eligible activity. Fourth, funds will be available for the first time 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 to provide communities much greater flexibility to use HUD's resources to readily confront changing local homeless conditions.

In 2008, HUD implemented a new electronic grants management system, called *e-snaps*, that reduces the amount of time needed for HUD to review projects and automates other funding activities. This efficient and web-based approach is expected to result in making a funding announcement earlier than in previous years. E-snaps will also be used for general grants management functions over the life of a grant, and will simplify the contracting process for both field offices and grantees.

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

Competitive Grants (New Projects)	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$140,325
Program Improvements/Offsets	+140,325

NOTE: This justification breaks grants into three components rather than having one grant line as in previous years. Under the new format the previous amounts would have been $185,694 in fiscal year 2008 and $205,975 in fiscal year 2009.

Proposed Actions

The Competitive Grants New Projects line item is new in fiscal year 2010. The purpose of including this line item in the HAG justification is to clearly indicate the Administration’s intent to fund new projects within the homeless competition, and at what level. The potential impact of policy initiatives and the focus of resources for new beds is also communicated through the addition of this line item.

In fiscal year 2010, renewal demand as described in the previous section is estimated to account for at least 90 percent of the funds available for the competitive homeless programs. The balance of competition funds, shown above at $140 million, will be used to fund new projects in accordance with policy initiatives developed by the Administration, which include an emphasis on permanent housing for homeless families and individuals, and continuing progress in ending chronic homelessness. These new funds are available to communities through a Bonus Initiative (as outlined in the NOFA) and through the ability for Continuums of Care to reallocate existing projects that do not meet local standards for renewal to eligible new projects.

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

Emergency Shelter Grants Formula	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	...
2010 Request	$150,000
Program Improvements/Offsets	+150,000

NOTE: This justification breaks grants into three components rather than having one grant line as in previous years. Under the new format the previous amounts would have been $160,000 in fiscal year 2008 and fiscal year 2009.

Proposed Actions

The Emergency Shelter Grants (ESG) program is the portion of the HAG account that is allocated by formula to approximately 360 State and local government entities annually. The ESG allocation in fiscal year 2010 is slightly less than the fiscal year 2008 and fiscal year 2009 funding levels. In part, this is due to the large influx of funds allocated to the same communities through the 2009 Recovery Act. ESG funds are used for a variety of purposes related to emergency shelter operations, transitional housing, and essential services. In fiscal year 2010, the Administration intends to enhance the reporting mechanisms for the ESG program to better mirror the metrics of the competitive programs so that outcomes and results can be more clearly demonstrated.

The ESG program will increase and change significantly if the proposed consolidation legislation is passed by Congress. The current bill under consideration increases the amount of ESG funds from approximately 10 percent of the appropriation up to 20 percent and allows for more flexible prevention and rapid re-housing activities. The Administration considers this the vehicle for continued support of prevention and rapid re-housing programs developed nationwide as part of the Recovery Act of 2009.

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

Grants	Amount
2008 Appropriation	$1,505,606
2009 Appropriation/Request	1,652,575
2010 Request	...
Program Improvements/Offsets	-1,652,575

Proposed Actions

The Grants line item in past justifications included all competitive programs (new and renewal) in addition to the formula allocation for ESG. In fiscal year 2010, these components of the Grants line item have been broken out in more detail in order to improve transparency and clearly communicate the intent of the Administration for the homeless assistance programs.

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

Technical Assistance/Data Analysis	Amount
2008 Appropriation	$5,200
2009 Appropriation/Request	5,900
2010 Request	...
Program Improvements/Offsets	-5,900

Proposed Actions

The Department is proposing to consolidate technical assistance funds into one account under its Transformation Initiative. Therefore, no funds are being requested under this line item.

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

Working Capital Fund	Amount
2008 Appropriation	$2,475
2009 Appropriation/Request	2,675
2010 Request	...
Program Improvements/Offsets	-2,675

Proposed Actions

The Department is proposing to consolidate Working Capital Funds into one account under its Transformation Initiative. Therefore, no funds are being requested under this line item.

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

National Homeless Data Analysis Project	Amount
2008 Appropriation	$2,800
2009 Appropriation/Request	2,100
2010 Request	...
Program Improvements/Offsets	-2,100

Proposed Actions

The Department is proposing to consolidate technical assistance funds into one account under its Transformation Initiative. Therefore, no funds are being requested under this line item.

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

Nation's Veterans Demonstration	**Amount**
2008 Appropriation	...
2009 Appropriation/Request	$10,000
2010 Request	...
Program Improvements/Offsets	-10,000

Proposed Actions

No funds are being requested in fiscal year 2010 for this one-time demonstration project that was funded in fiscal year 2009.

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

Rapid Re-housing Demonstration Project	Amount
2008 Appropriation	$25,000
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

Proposed Actions

No funds are being requested in fiscal year 2010 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.

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

Homelessness Prevention and Rapid Re-housing	Amount
2008 Appropriation	...
2009 Appropriation/Request	$1,500,000
2010 Request	...
Program Improvements/Offsets	-1,500,000

Proposed Actions

No funds are being requested in fiscal year 2010 for this one-time program that was funded in fiscal year 2009 as part of the American Recovery and Reinvestment Act.

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

Homeless Research	Amount
2008 Appropriation	...
2009 Appropriation/Request	$3,000
2010 Request	...
Program Improvements/Offsets	-3,000

Proposed Actions

The Department is proposing to consolidate technical assistance and research funds into one account under its Transformation Initiative. Therefore, no funds are being requested under this line item.

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

Evaluation of Demonstration Programs	Amount
2008 Appropriation	...
2009 Appropriation/Request	$750
2010 Request	...
Program Improvements/Offsets	-750

Proposed Actions

No funds are being requested in fiscal year 2010. These funds were appropriated in conjunction with $10 million for a Veterans Demonstration funded in fiscal year 2009.

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	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The percentage of formerly homeless individuals who remain housed in HUD permanent projects for at least 6 months will be 77 percent for 2010.	Annual Performance Plans	71.5%	75.1%	77%	77%
The percentage of homeless persons who have moved from HUD transitional housing into permanent housing will be 65 percent for 2010.	Annual Performance Plans	63.5%	71.1%	65%	65%
The employment rate of persons exiting HUD homeless assistance projects will be at least 20 percent for 2010.	Annual Performance Plans	19%	21.9%	20%	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 $1.6 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.

Moving Homeless Families and Individuals to Permanent Housing. 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 2010 proposal also supports the objective to end chronic homelessness by ensuring that at least 30 percent of the competition 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 2008, nearly 63 percent of funds were used for housing costs.

Finally, the fiscal year 2010 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 competitive funds are used for permanent housing provides a significant amount of resources for meeting the objective of moving persons, including families with children, to permanent housing.

Homeless Consolidation. The proposed program would significantly improve communities' ability to prevent homelessness and would build on the resources made available through the Homelessness Prevention Fund in the 2009 Recovery Act. Currently, the only regular 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. Adding homelessness prevention as an eligible activity to a new, consolidated homeless program would provide communities with increased flexibility 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 2010 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 2010 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, [$1,677,000,000] *$1,793,715,000*, of which [$1,672,000,000] *$1,788,715,000* shall remain available until September 30, [2011] *2012*, and of which $5,000,000 shall remain available until expended for rehabilitation projects with 10-year grant terms: *Provided*, [That of the amount provided, $10,000,000 shall be made available to conduct a demonstration program on the prevention of homelessness among the Nation's veterans: *Provided further*, That the Secretary shall work in coordination with the Department of Veterans Affairs and the Department of Labor to select a limited number of urban and rural sites in which to carry out this demonstration: *Provided further*, That in selecting sites, the Secretary shall evaluate the rate of homelessness among veterans in the area, and the experience of the grantees in coordinating with Department of Veterans Affairs and the Department of Labor to enable veterans to access mainstream programs: *Provided further*, That of the sites selected, up to three shall have a high number of service members separating from the military and transitioning into civilian life: *Provided further*, That the Secretary shall also select up to four sites located in rural areas to evaluate how to effectively serve veterans in rural areas, many of whom may have been part of the National Guard, may have limited access to the Department of Veterans Affairs medical centers, and may have dependent family members: *Provided further*, That funding made available under this demonstration shall be available for housing and appropriate services to prevent veterans and their families from becoming homeless or reduce the length of time veterans and their families are homeless: *Provided further*, That of the amounts made available under this heading, not to exceed $750,000 may be available for an evaluation of this demonstration: *Provided further*,] That not less than 30 percent of funds made available, excluding amounts provided for renewals under the shelter plus care program *and emergency shelter grants*, 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 for all match requirements applicable to funds made available under this heading for this fiscal year and prior years, a grantee may use (or could have used) as a source of match funds other funds administered by the Secretary and other Federal agencies unless there is (or was) a specific statutory prohibition on any such use of any such funds: *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 of the total amount made available under this heading, not to exceed $2,675,000 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 research on homeless issues, including homeless prevention and youth homelessness:] *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 [2009: *Provided further*, That this heading in the Department of Housing and Urban Development Appropriations Act, 2008 is amended by inserting the following new proviso after the third proviso: ``Provided further, That the Secretary may renew grants made under this demonstration program and may treat such original grants and any such renewal grants as if these grants were made under the supportive housing program:''] *2010*. (Department of Housing and Urban Development Appropriations Act, 2009.)

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Grants	$1,550,515	-$44,909	...	...	$1,679,714	$3,185,320
Competitive Grant Renewals (SPC & SHP)	...	...	...	...	...	...
Competitive Grants (New Projects) ...	...	...	...	...	...	...
Emergency Shelter Grants Formula	...	...	...	...	...	...
Technical Assistance/Data Analysis ..	5,200	...	...	...	10,391	15,591
National Homeless Data Analysis Project	2,800	...	...	...	3,500	6,300
Nation's Veterans Demonstration	...	...	...	...	...	...
Working Capital Fund	2,475	...	...	...	...	2,475
Rapid Re-housing Demonstration Project	25,000	...	...	...	...	25,000
Homeless Research	...	...	...	...	...	...
Evaluation of Demonstration Programs	...	...	...	...	...	...
Homelessness Prevention and Rapid Re-housing	...	...	...	...	...	...
Total	1,585,990	-44,909	...	...	1,693,605	3,234,686

COMMUNITY PLANNING AND DEVELOPMENT
HOMELESS ASSISTANCE GRANTS
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Grants	$1,622,325	$1,652,575	...	...	$1,709,538	$3,362,113
Competitive Grant Renewals (SPC & SHP)	...	...	...	...	...	...
Competitive Grants (New Projects)	...	...	...	...	...	...
Emergency Shelter Grants Formula	...	...	...	...	...	...
Technical Assistance/Data Analysis	8,000	5,900	...	...	7,132	13,032
National Homeless Data Analysis Project	...	2,100	...	...	2,800	4,900
Nation's Veterans Demonstration	...	10,000	...	...	...	10,000
Working Capital Fund	2,675	2,675	...	...	...	2,675
Rapid Re-housing Demonstration Project	...	...	...	...	25,000	25,000
Homeless Research	...	3,000	...	...	...	3,000
Evaluation of Demonstration Programs	3,000	750	...	...	...	750
Homelessness Prevention and Rapid Re-housing	...	...	$1,500,000	...	...	1,500,000
Total	1,636,000	1,677,000	1,500,000	...	1,744,470	4,921,470

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$300,100	$114,684[a]	-$13	$414,771[b]	$311,524[b]	$313,832
2009 Appropriation/Request	310,000	103,247	...	413,247[c]	331,750[c]	289,000
2010 Request	310,000	81,497	...	391,497	330,000	299,000
Program Improvements/Offsets	...	-21,750	...	-21,750	-1,750	+10,000

a/ Carryover includes $12,406 of recaptured funds.

b/ Includes $1.485 million of funds that were transferred and obligated to the Working Capital Fund.

c/ Includes $1.750 million of funds that were transferred and obligated to the Working Capital Fund.

Summary of Statement

OVERVIEW

The Department requests $310 million for the HOPWA program in fiscal year 2010. The fiscal year 2010 request continues to allocate ninety percent by formula, $279,000,000, and the balance to competitive grants, $31,000,000 with continuing emphasis on the renewal of permanent supportive housing projects. The recent record of outlays by grantees in fiscal year 2008 is $313.8 million, demonstrating a service delivery capacity to obligate and use funds. This level is operatively about ten percent above the level of appropriations from fiscal year 2007, which had been obligated in the prior year and then available for use during this period. This level is above the level of new appropriations, and project efforts to use funds in a timely manner can be anticipated based on the record. During fiscal year 2009, the program operated through 122 formula and 105 competitive grantees who partner with area housing agencies and nonprofit organizations to carryout assistance for beneficiaries. In December 2008, grantees reported an aggregate total of 942 project sponsors, including 696 nonprofit organizations of which 101 were identified as faith-based organizations, and 145 government agencies.

The HOPWA program has demonstrated results in addressing the Department's priority of providing stable and permanent housing assistance to this special needs population as identified in HUD's 2006-2011 Strategic Plan goals to promote decent affordable housing and strengthen communities. The HOPWA program provides direct housing assistance that supports unmet housing needs through the provision of rental assistance, the use of short-term rent, mortgage and utility payments to reduce risks of homelessness, and through the operation of supportive housing facilities. The provision of stable housing serves as base from which program beneficiaries may participate in an effective and comprehensive care program. HUD addresses these goals through measuring and reporting project performance under HOPWA long-term client outcome indicators that demonstrate the program's ability to help clients achieve and maintain housing stability, avoid homelessness, and improve access to care.

The HOPWA program is the only Federal program dedicated to address the urgent housing needs of low-income Americans living with HIV/AIDS. There are over 1.2 million Americans living with HIV/AIDS. The epidemic continues to increase with an estimated number of 56,300 new HIV cases annually (Centers for Disease Control and Prevention (CDC) data). A disproportionate number of cases impacts low-income minority communities. In addition, there are over 530,000 persons with HIV/AIDS who qualify for related HIV care through the Department of Health and Human Services' Ryan White CARE programs, many of whom are likely to be HOPWA eligible. It is estimated by The National AIDS Housing Coalition that 70 percent of those living with HIV/AIDS are at risk of homelessness. Fiscal year 2008 HOPWA grantee performance reporting data identifies 62,210 households as receiving HOPWA housing support. The majority of program beneficiaries are extremely low-income, less than 30 percent of median income and grantees report that 91 percent have incomes below $1,000 per month. HOPWA grantees report that the program is only able to address about 27 percent of the identified housing need, as documented through Consolidated Plans, project data, housing waiting lists, and related planning sources.

HOPWA has served as a homelessness prevention intervention and many local HOPWA projects will be involved in assisting communities make use new federal resources made available under the American Recovery and Reinvestment Act (ARRA). Importantly, the $1.5 billion made available under the Homeless Prevention and Rapid Re-Housing Program (HPRP) added an unparalleled opportunity to address pressing housing needs for eligible households who would otherwise become homeless and rapidly re-house persons who are homeless. Local HPRP efforts can address a range of risk factors for homelessness, including assisting persons with chronic health issues such as HIV/AIDS. In addition, HUD expects to collaborate more extensively with other Federal agencies to better coordinate domestic HIV/AIDS efforts under the national AIDS strategy to be developed in collaboration with the White House Office of National AIDS Policy, as authorized in the Omnibus Appropriation Act, 2009.

TRANSFORMATION INITIATIVES

The fiscal year 2010 Budget request includes a Transformation Initiative, described in a separate Congressional Justification, which allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 1 percent of the funds appropriated for the HOPWA account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD. The integration of HOPWA into the Homeless Management Information System, which would enable communities to better support service delivery for HOPWA beneficiaries as well as allow for use of more comprehensive client level data on addressing the housing and supportive service needs of special needs populations, is an example of a project that could be undertaken with Transformation Initiative funding with respect to the HOPWA account. Additional efforts could include activities that bolster financial management of the program and improve support and oversight of grantees.

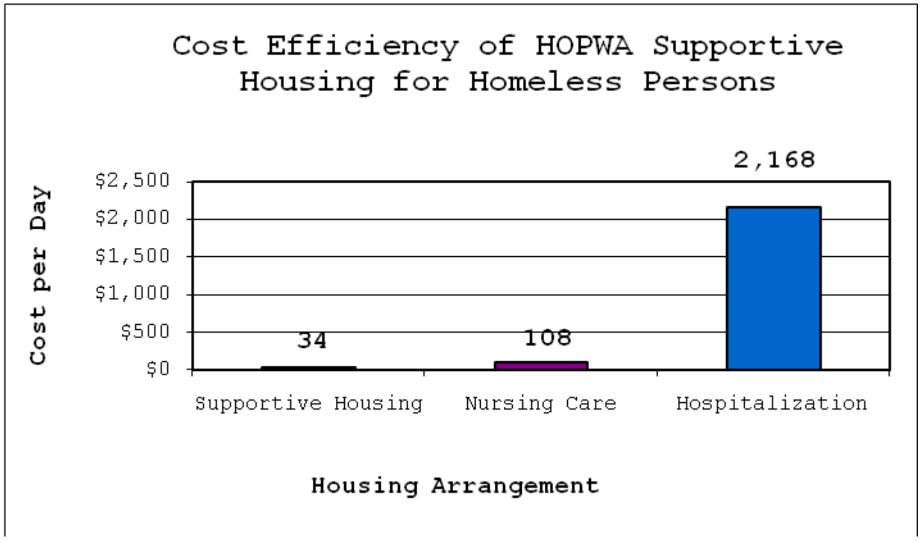
PROGRAM RESULTS AND PERFORMANCE OUTCOME GOALS

An OMB management review in 2008 measured the HOPWA program as demonstrating significant strengths in achieving client outcomes and “effective” as HUD’s highest rated program. The Office of HIV/AIDS Housing is working with grantees in using two goals for program outcomes, measuring results by two distinct areas of the program: housing stability in permanent housing and reduced risks of homelessness in short-term and transitional housing. For purposes of reporting on the status of the client’s household arrangements, these are based on client assessments at the end of the operating period that arrangements are reasonably in place to maintain housing stability. This would be seen, for example, in grantee plans to continue their rental assistance programs for clients providing the on-going monthly subsidy or in the case that clients leave program support that other arrangements are in place with other public support or through the household’s private resources to maintain a suitable housing arrangement. By contrast, an assessment of unstable housing reflects poor outcomes, for loss of housing, detachment from needed program support, failure to follow requirements, incarceration or homelessness. Grantee performance reports received in program years 2007-2008 indicate that 92 percent of households receiving tenant-based rental assistance achieved housing stability in having housing arrangements and related support that is on-going. Within the next year, data used for this measure will also include client outcomes from households in permanent housing facilities, once a full year of this data is available. Initial data on permanent housing facilities show that 88 percent of residents have stable housing arrangements. These results approach HUD’s long-term performance targets of achieving 90 percent housing stability for this permanent housing component.

For the related outcome measure, the short-term and transitional housing efforts are designed to help households with severe risks of homelessness avoid displacement from current housing or address needs through transitional support, such as addiction counseling and treatments. The results from projects that make short-term efforts are also being assessed under the new focus on HOPWA long-term outcomes, as beneficiaries of these projects may be placed into other permanent housing support, be restored to more independent living or temporarily reduce their risk of homelessness through the short-term support. Program year 2007-2008 data from the short-term/transitional projects show that 62 percent of households receiving short-term rent, mortgage, and utility payments have stable outcomes or reduced their risks of homelessness. This result is also shown by 64 percent of residents participating in transitional housing programs (in initial data on this type of facility). These results approach HUD’s long-term performance targets of achieving 70 percent reduced risks of homelessness for this component of HOPWA housing efforts by 2012. In the next operating year, interim goals are established for results at 87 percent for HOPWA clients in permanent housing and 63 percent for HOPWA clients receiving short-term housing assistance who experience reductions in their risks of homelessness.

To help guide grantees’ performance reporting efforts, the Department has conducted training on program oversight and reporting, consistent with HOPWA regulations and notices. As an additional resource, in 2008 the Department issued HOPWA’s Grantee Oversight Resource Guide, designed as a desk guide to assist grantees in effectively operating and tracking their programs. Program information is also posted on the program websites, integrated in the Homelessness Resource Exchange site (www.HUDHRE.inifo/HOPWA) and linked to the Federal government HIV/AIDS information portal at www.AIDS.Gov.

Chart 1: Cost Efficiency of HOPWA Supportive Housing for Homeless Persons:



HOPWA and HUD's other special needs programs have been noted for their cost effective results as shown in related research conducted on issues related to the challenges of poverty and risks of homelessness. During fiscal year2009, significant HIV/AIDS housing evaluation findings are expected to be issued based on: study efforts under a unique federal partnership to help explore the connections of housing with improve health outcomes for persons living with HIV. Since 2002, HUD has worked in partnership with CDC to conduct a *Housing and Health* (H&H) study on the benefits of HOPWA rental housing assistance to persons living with HIV/AIDS who were homeless or at severe risk of homelessness in order to advance the body of knowledge on the relationship between housing and HIV care. Initial publications are found in the November 2007 supplement to *AIDS and Behavior*, which contains 18 articles on the connection between housing and HIV/AIDS (*see http://www.nationalaidshousing.org/PurchaaseAIDSandBehavior.htm*).

These will be followed by more complete findings that are expected to be published in 2009 addressing 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 study will offer insight to help assess and quantify how the provision of housing assistance to persons living with HIV/AIDS is 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, documenting research on the effectiveness of housing assistance on reducing the risk of HIV and improving health outcomes for persons living with HIV/AIDS.

Already, the study has revealed that the use of supportive housing as an intervention for special needs households who are homeless would help reduce use and related costs for emergency services, hospitalization, and nursing care, once beneficiaries were stabilized in housing and adequate health care arrangements. Preliminary data showed that for clients who were homeless, daily support in supportive housing efforts averages $34 per day, compared to hospitalization costs of $2,168 per day, and nursing care at $108 per day. See the chart for a visual representation of this information.

PROGRAM ACTIVITY SUMMARY

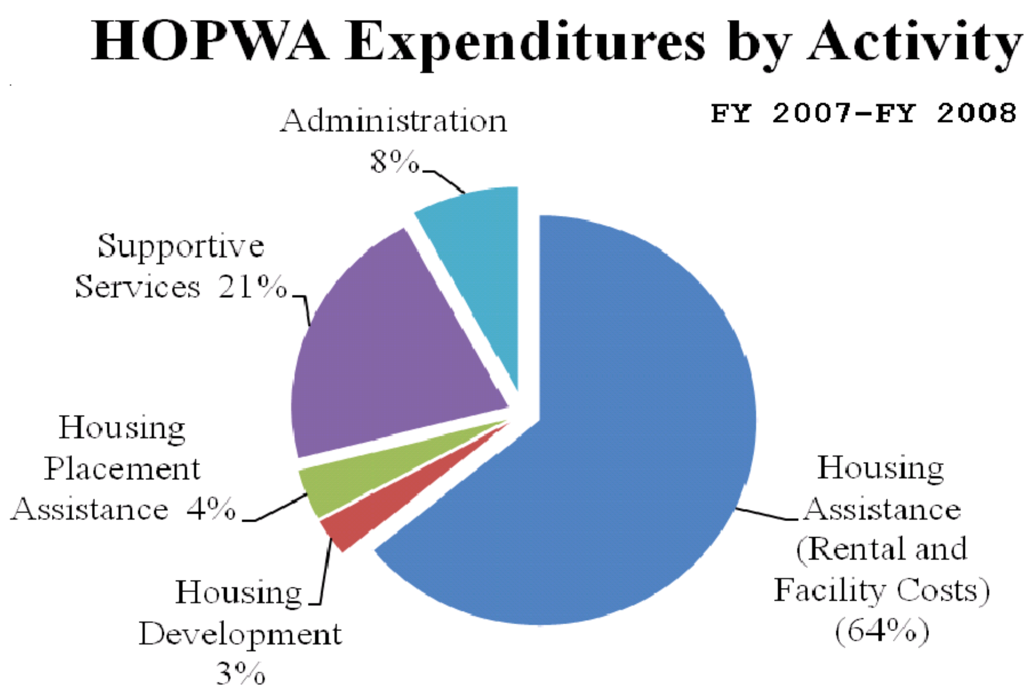
HOPWA housing assistance results in the provision of stable housing arrangements. Essentially, housing enables this special needs population an improved opportunity to address other life challenges such as mental illness, substance abuse, and sobriety, while improving their access to appropriate HIV care and treatment. Funds are distributed to states and cities by formula allocations and made available as part of the area's Consolidated Plan. In addition, some projects are selected in national competitions to serve as service delivery models or operate in non-formula areas. Grantees partner with nonprofit organizations and housing agencies to provide housing and support to beneficiaries.

HOPWA funds are eligible to be used for supportive service activities to ensure that the program's special needs clients are stably housed with support as needed, which reduces their risk of homelessness and allows them to access medical services and other needed care. Clients also address their supportive service needs by accessing a range of mainstream health and supportive services funded by other sources. The funding request for HOPWA complements the delivery of AIDS-related health care through the Ryan White HIV/AIDS Treatment and Modernization Act, as well as other government-provided health care programs. HOPWA efforts help to remove one of the presenting barriers for this special needs population with help to achieve better health outcomes by addressing the lack of stable housing that interferes with participation in HIV-drug treatments and related care.

Fiscal years 2007-08 data demonstrates that 64 percent of HOPWA funds expended were for direct housing costs, with an additional four percent used for related housing placement information costs and an additional three percent used for housing development. Costs for related support for clients were reported at 21 percent of overall spending, and grant administration costs represented eight percent of funds expended.

Of the funds used for direct housing assistance, grantees spent most on permanent supportive housing options. Fifty-seven percent of the amounts of these direct housing funds were used toward tenant-based rental assistance, and an additional 23 percent was spent on facility-based housing, much of which is designed to provide permanent support to clients. Grantees used 20 percent of direct housing funds on short-term rent, and mortgage and utility assistance, in order to help prevent clients from becoming homeless.

Chart 2: HOPWA Expenditures by Activity



Those supportive services which comprise 21 percent of overall spending represent an essential component of providing housing assistance for a special needs population. This related support is provided largely as case management assistance for better coordination and delivery of activities. This may involve other forms of supportive services, such as support for residents with their daily living activities; substance abuse treatment and counseling; job training and other services.

The combination of formula and competitive grants operating in non-formula areas allows the HOPWA program efforts to be undertaken in all parts of the nation. Resources are used to assist communities impacted by the housing needs of HOPWA eligible clients, seen in the increasing number of persons living with HIV/AIDS and increases in housing costs.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Formula Grants	$267,415	$83,739	$351,154	$275,049	$276,089	$73,423	$349,512	$279,000
Competitive Grants	29,702	29,452	59,154	33,497	30,676	28,339	59,015	31,000
Technical Assistance ..	1,485	1,493	2,978	1,493	1,485	1,485	2,970	...
Working Capital Fund ..	1,485	...	1,485	1,485	1,750	...	1,750	...
Total	300,087	114,684	414,771	311,524	310,000	103,247	413,247	310,000

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	11	14	14
Field	31	31	32
Total	42	45	46

NOTE: Formula Grants 2008 Budget Authority excludes $2 thousand that were rescinded. Competitive Grants 2008 Budget Authority excludes $11 thousand that were rescinded.

Distribution of Funds by Grantees

The distribution of HOPWA funds for the 2008, 2009, and 2010 appropriations are shown below. The 2010 amounts are estimates for local and State grantees located within these States based on fiscal year 2009 distribution (as relevant data for future allocations are not yet available).

HOPWA FORMULA GRANTEE	2008 ACTUAL	2009 ESTIMATE	2010 ESTIMATE
	(Dollars in Thousands)		
Alabama	$1,241	$1,300	$1,313
Birmingham	538	555	561
Arizona	191	199	201
Phoenix	1,541	1,608	1,625
Tucson	411	420	425
Arkansas	766	798	806
Bakersfield	323	472	477
California	2,746	2,558	2,585
Fresno	0	316	319
Los Angeles	10,437	10,764	10,878
Oakland	1,952	2,039	2,060
Riverside	1,751	1,850	1,870
Sacramento	818	844	853
San Diego	2,646	2,732	2,760
San Francisco	8,193	9,233	9,331
San Jose	767	797	805
Santa Ana	1,402	1,459	1,474
Colorado	379	392	397
Denver	1,414	1,452	1,468
Bridgeport	771	855	864
Connecticut	263	269	272
Hartford	1,140	1,084	1,095
New Haven	946	963	973
Delaware	179	186	188

HOPWA FORMULA GRANTEE	2008 ACTUAL	2009 ESTIMATE	2010 ESTIMATE
Wilmington	604	652	659
	(Dollars in Thousands)		
Washington	$11,541	$12,214	$12,342
Cape Coral	350	369	373
Deltona	0	312	316
Florida	3,191	3,013	3,044
Ft. Lauderdale	7,351	7,546	7,625
Jacksonville-Duval	1,988	2,266	2,290
Lakeland	509	491	497
Miami	12,370	12,600	12,732
Orlando	3,234	3,533	3,570
Palm Bay	311	318	321
Bradenton	409	421	426
Tampa	3,193	3,450	3,486
West Palm Beach	3,271	3,200	3,234
Atlanta	7,034	8,788	8,881
Augusta	385	399	403
Georgia	1,744	1,860	1,880
Hawaii	164	168	170
Honolulu	433	445	449
Chicago	5,819	5,993	6,056
Illinois	916	945	955
Indiana	863	893	902
Indianapolis	782	807	815
Iowa	354	367	371
Kansas	346	357	361
Kentucky	431	453	458
Louisville	476	503	508
Baton Rouge	1,433	1,797	1,816
Louisiana	1,034	1,090	1,102
New Orleans	2,769	3,090	3,122
Baltimore	8,195	8,657	8,749
Frederick	575	604	610

HOPWA FORMULA GRANTEE	2008 ACTUAL	2009 ESTIMATE	2010 ESTIMATE
	(Dollars in Thousands)		
Maryland	$357	$362	$366
Lynn	326	332	335
Boston	1,747	1,779	1,798
Lowell	644	658	665
Lynn	173	180	182
Massachusetts	426	445	450
Springfield	368	377	381
Worcester	1,979	2,067	2,089
Michigan	941	980	990
Warren	437	456	461
Minneapolis	873	904	913
Minnesota	119	125	126
Jackson	885	882	891
Mississippi	833	858	867
Kansas City	955	1,016	1,027
Missouri	473	492	498
St. Louis	1,227	1,265	1,278
Nebraska	306	318	321
Las Vegas	952	1,002	1,013
Nevada	228	237	239
Camden	642	656	663
Woodbridge	1,390	1,409	1,424
New Jersey	1,079	1,110	1,121
Newark	5,167	4,913	4,965
New Mexico	532	552	558
Albany	462	471	476
Buffalo	507	522	527
New York	1,897	1,938	1,959
Jersey City	2,534	2,359	2,383
Paterson	1,287	1,302	1,315
New York City (sub-allocation)	56,811	52,654	53,210
Poughkeepsie	947	655	662
Rochester	640	659	665
Islip Town	1,675	1,711	1,729

HOPWA FORMULA GRANTEE	2008 ACTUAL	2009 ESTIMATE	2010 ESTIMATE
	(Dollars in Thousands)		
Charlotte	$671	$714	$722
North Carolina	2,272	2,387	2,412
Wake County	434	460	465
Cincinnati	562	584	590
Cleveland	870	895	905
Columbus	641	667	674
Ohio	1,108	1,157	1,170
Oklahoma	226	230	232
Oklahoma City	459	483	488
Tulsa	307	325	328
Oregon	335	350	354
Portland	988	1,017	1,028
Pennsylvania	1,670	1,755	1,774
Philadelphia	7,052	8,716	8,808
Pittsburgh	649	677	684
Providence	801	821	829
Charleston	419	438	443
Columbia	1,138	1,404	1,419
South Carolina	1,491	1,564	1,580
Memphis	2,115	2,019	2,041
Nashville-Davidson	795	830	839
Tennessee	796	831	839
Austin	987	1,029	1,040
Dallas	3,332	3,643	3,681
El Paso	0	328	331
Ft. Worth	863	893	902
Houston	6,038	7,316	7,393
San Antonio	1,025	1,064	1,076
Texas	2,841	2,626	2,654
Salt Lake City	357	363	367

HOPWA FORMULA GRANTEE	2008 ACTUAL	2009 ESTIMATE	2010 ESTIMATE
	(Dollars in Thousands)		
Virginia..............................	$634	$668	$675
Virginia Beach........................	968	1,002	1,013
Seattle...............................	1,663	1,706	1,724
Washington............................	651	672	679
Milwaukee.............................	515	532	538
Wisconsin.............................	407	422	427
Puerto Rico...........................	1,679	1,709	1,727
San Juan Municipio....................	6,144	6,267	6,333
West Virginia.........................	0	310	313
Total Formula Grants	267,417	276,089	279,000
Total Competitive Grants	29,713	30,677	31,000
Technical Assistance	1,485	1,485	0
Working Capital Fund	1,485	1,750	0
Total HOPWA	$300,100	$310,000	$310,000

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

Formula Grants	**Amount**
2008 Appropriation	$267,415
2009 Appropriation/Request	276,089
2010 Request	279,000
Program Improvements/Offsets	+2,911

Formula Allocations

The fiscal year 2010 budget continues the Department's reliance on the current statutory HOPWA formula, which is used to distribute 90 percent of appropriated funds. The Department expects to review the efficacy of this authorization and make related recommendations at a future time.

HOPWA formula funds are made available under the Department's Consolidated Plan process which enables a community to develop a comprehensive plan that identifies and prioritizes community needs, provides consultation with citizens and organizations in the community, and coordinates a responsive plan of action for addressing identified needs with federal and other resources. This plan promotes efforts to address the housing challenges of this special needs population, including those who are homeless and those at risk of homelessness. The plan should strategically incorporate the use of other resources for housing, community and economic development, health care, and service programs and guide them in a coordinated and effective manner. By statute, formula funds are currently given to metropolitan areas with a population of at least 500,000 that have at least 1,500 reported cumulative cases of AIDS. Formula funds also go to states based on AIDS data for areas of a state outside of qualifying metro areas that have at least 1,500 reported cases of AIDS. A few areas states that had qualified in a prior year are maintained as eligible based on administrative provisions of appropriations acts.

Based on HUD's review of CDC data, population information, the application of definitions of metropolitan statistical areas and divisions, and the administrative provisions of the appropriations act, there were 131 eligible formula jurisdictions in 2009 and six jurisdictions have used authority to have their state serve as grantee for the allocation. Due to the impact of additional cases of AIDS reported annually, HUD estimates that 3 additional jurisdictions could become eligible for a direct allocations in fiscal year 2010 (Albuquerque, NM; Little Rock, AR; and Allentown, PA) 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 2010 will be based on AIDS data to be collected and updated by the CDC by March 31, 2009. 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 and states that have qualified for a formula allocation most recently, including an adjustment to the number receiving formula grants, the number that qualify in fiscal year 2009, and the estimated number that will qualify in fiscal year 2010.

Fiscal Year	Number Qualifying	Adjusted Number of Grantees
2007	123	120
2008	127	121
2009	131	122 – 124 est.
2010	134 est.	122 – 127 est.

HUD proposes to continue the following current administrative provisions on eligibility contained in the fiscal year 2009 Omnibus Act: maintain HOPWA eligibility for nine states (Arizona, Connecticut, Delaware, Hawaii, Massachusetts, Minnesota, Nevada, Oklahoma, and Utah); maintain current grant administration authority in place for four communities (Paterson, Jersey City, and Salem County, NJ, and Wake County, NC); maintain the provision to allow for a city to arrange for a state to undertake grant responsibilities for its metropolitan area--this authority has been used by the communities of Lakeland, Cape Coral, and Palm Bay, Florida; Frederick, Maryland; Bakersfield, California; and Tulsa, Oklahoma and expected to be used in 2010 in three other areas by Deltona and Bradenton, Florida and Fresno, California. In addition, HUD proposes to continue the provision in fiscal year 2010, authorizing the use of incidence data collected for a 3-year period as a more reasonable source of this 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	**Amount**
2008 Appropriation	$29,702
2009 Appropriation/Request	30,676
2010 Request	31,000
Program Improvements/Offsets	+324

Proposed Actions

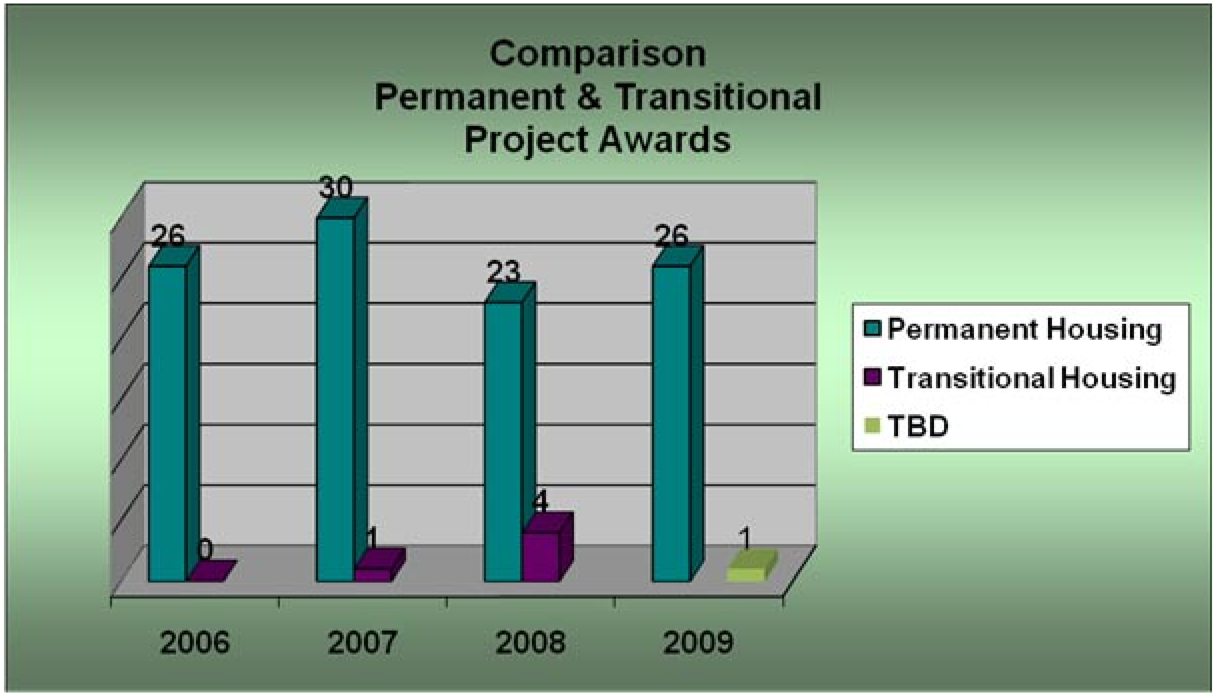
The Department proposes $31 million for HOPWA competitive grants in fiscal year 2010. Since 2002 renewal of expiring grants have a statutory priority over selection of new projects. This provision has been included in Appropriations Acts that require HUD to renew funding to expiring competitive grants that meet program requirements and provide permanent supportive housing (PSH). As this authority helps to maintain successful current housing programs, it is requested to be continued in 2010. HUD has implemented review and renewal selection procedures through a notice providing for a streamlined application process for submission, review and award of renewal projects on this priority basis.

In fiscal year 2009, HUD has received 26 renewal applications (pending selection actions) with the potential for one addition selection based on available funding. As shown by type of project selected in the last 4 years (or pending for 2009), chart #3, almost all of the recent HOPWA competitive projects provide permanent supportive housing. If successful over their approved three years operating periods, these grants would likely qualify for renewal funds in the future. There were five other awards involving transitional housing activities.

HUD anticipates that available amounts in 2010 will be awarded to the renewal of the next group of expiring permanent supportive housing projects. There is also some potential that the fiscal year 2010 funds will need to be shared in a pro-rata manner among the eligible renewal efforts.

In fiscal year 2009, HUD received 26 renewal applications and anticipates possible selection of one additional grant with balances remaining after renewal actions are completed.

Chart 3: Comparison Permanent and Transitional Awards for Competitive Grants



Renewal applications have provided information on changes in housing costs in operating their projects. In continuing projects over an additional 3 years, these projects have requested increases averaging about 20 percent over amounts approved for their prior grant.

Additionally, the fiscal year 2006 appropriation act, and subsequent acts, allowed a 3-year commitment period for HOPWA competitive grants, similar to the requirements used for the continuum of care competitive projects. HUD requests that this administrative provision be continued as it serves as a contingency for projects that experience unforeseen complications in obligating these project funds.

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

Technical Assistance	Amount
2008 Appropriation	$1,485
2009 Appropriation/Request	1,485
2010 Request	...
Program Improvements/Offsets	-1,485

Proposed Actions

The fiscal year 2010 Budget requests that the Transformation Initiative be used to provide for HOPWA 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. Technical assistance supports development of greater and more effective capacities for providing AIDS housing assistance, as seen in the year-to-year increases in program outlays. In 2008, the support was used to help evaluate project data under the new performance outcome measures framework, with training on grantee oversight responsibilities and use of updated reporting forms. TA will continue to be provided to recipient communities 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 845 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.

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

Working Capital Fund	**Amount**
2008 Appropriation	$1,485
2009 Appropriation/Request	1,750
2010 Request	...
Program Improvements/Offsets	-1,750

Proposed Actions

The fiscal year 2010 budget request includes a Transformation Initiative, described in a separate Congressional Justification, which allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. One percent of the funds appropriated for the HOPWA account will be transferred to the Transformation Initiative account to undertake research, demonstrations, technical assistance, and technology improvements. Within 30 days of enactment, the Secretary will provide a detailed operating plan to the Committees on Appropriations with the specific activities that will be undertaken toward achieving transformation at HUD.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The percentage of Housing Opportunities for Persons With AIDS program clients in permanent housing who maintain housing stability will be 90 percent by 2012 and will increase by one percent each subsequent year.	Annual Program Reports	80%	92%	85%	87%
The percentage of Housing Opportunities for Persons With AIDS program clients receiving short-term housing assistance who experience reductions in their risks of homelessness will be 70 percent in 2012 and will increase by 2 percent each subsequent year.	Annual Program Reports	Establish target	Done; data reported 62%	60%	63%
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: HOPWA's tenant-based rental assistance costs per household will be 4 percent more effective than the Housing Choice Voucher program's costs per household in 2009 and will increase by 1 percent each subsequent year. (This measure to be updated by August 2009).	NA	More than 0%	4%	More than 4%	More than 5%
Promote decent, affordable housing through the number of rental households and rental housing units providing permanent housing.	Annual Program Reports	revised to permanent housing	21,405	20,000	20,260
Support reduced risks of homelessness through short-term and transitional housing.	Annual Program Reports	Revised to short-term and transitional housing	40,805	38,000	38,500

NA = Not Applicable.

Explanation of Indicators

HOPWA Permanent Housing Stability and Reduced Risks of Homelessness Outcome Measures

These indicators track the outcomes of the households receiving permanent housing assistance through the HOPWA program, under tenant-based rental assistance and permanent housing facility assistance and the outcomes of the households receiving short-term housing assistance through the HOPWA program. A housing output indicator is also shown for number of households receiving permanent housing support, as reported under the departmental objective for promoting decent affordable housing, as adjusted for expected outlay at available funding levels and inflation. Program year 2007-2008 performance data indicates that 21,405 households received support through HOPWA permanent housing projects, another 40,804 received benefits to reduce risks of homelessness under the short-term and transitional housing projects, and 35,253 eligible persons benefited under housing assistance leveraged from other state, local, or private sources operating under the community's HIV housing efforts. The program initiated a focus on stable housing outcomes, issued in reporting tools in 2006 and revised tools in 2008. The HOPWA output indicator was previously used as the main assessment tool and has been updated to this outcome focus in results. The outcome indicators, previously combined into one HOPWA outcome measure, were divided in fiscal year 2009 to help assess results relative to differing purposes of permanent housing compared to short-term and transitional efforts, under the program improvement review. These are important indicators for the Department because they are outcome indicators that reflect 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 review how this housing assistance results in creating or maintaining stable housing and reduces risks of homelessness. The program will also continue to review other output indicators, such as timely obligation and expenditure of funds, use of funds for housing purposes, field monitoring actions, and number of households assisted.

Efficiency Measure

This indicator represents HOPWA's average rental assistance costs per household ($4,416) assisted versus costs per household assisted in Housing Choice Voucher program ($6,780). In fiscal year 2008, after accounting for differences in household size, rental assistance costs under the HOPWA program per unit reflects 96 percent of the cost of a Housing Choice Voucher unit, showing four percent efficiency under the HOPWA program. As shown in an annual cost comparison, 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 2010 Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

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.), $310,000,000, to remain available until September 30, [2010]*2011*, except that amounts allocated pursuant to section 854(c)(3) of such Act shall remain available until September 30, [2011]*2012*: *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; and not to exceed $1,750,000 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]*2010* 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]*2010* 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]*2010* 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]*2010*, 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]*2010* 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.

(d) Notwithstanding any other provision of law, the amount allocated for fiscal year [2009]*2010* 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. [210]*206*. (a) Notwithstanding any other provision of law, the amount allocated for fiscal year [2009]*2010* 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]*2010* 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]*2010* 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.

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Formula Grants	$267,417	-$2	...	...	$83,739[a]	$351,154
Competitive Grants	29,713	-11	...	...	29,452[b]	59,154
Technical Assistance	1,485	...	...	...	1,493	2,978
Working Capital Fund	1,485	...	...	...	...	1,485
Total	300,100	-13	...	...	114,684	414,771

a/ Carryover includes $11 thousand of recaptured funds.
b/ Carryover includes $1 thousand of recaptured funds.

COMMUNITY PLANNING AND DEVELOPMENT
HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Formula Grants	$267,179	$276,089	...	...	$73,423	$349,512
Competitive Grants	29,686	30,676	...	...	28,339	59,015
Technical Assistance	1,485	1,485	...	...	1,485	2,970
Working Capital Fund	1,750	1,750	...	...	...	1,750
Total	300,100	310,000	...	...	103,247	413,247

COMMUNITY PLANNING AND DEVELOPMENT
EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
2010 Summary Statement and Initiatives
(Dollars in Thousands)

EMPOWERMENT ZONES	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	...	$110	-$110	...	...	$17,424
2009 Appropriation/Request	...	...	...[a]	...	...	17,000
2010 Request	...	...	...	...	...	17,000
Program Improvements/Offsets	...	...	...	...	...	...

Summary Statement

No new appropriation is requested for the Empowerment Zone (EZ) and Renewal Community (RC) programs in fiscal year 2010. HUD requests continuing funding of EZs and RCs solely through the use of tax incentives.

Unless extended by Congress, all current EZ and RC communities will lose access to the Federal tax incentives when their designations expire on the scheduled sunset date of December 31, 2009. Bipartisan legislation in the 111th Congress (H.R. 1677) is currently under review that would extend the designations to December 31, 2015. **HUD supports immediately extending the Federal Community Renewal tax incentives from December 31, 2009 to December 31, 2010** so that the EZs' and RCs' ongoing efforts to encourage and support business investment, economic revitalization, and expansion of job opportunities for residents in the designated high poverty, high unemployment census tracts may continue.

The current economy's growing jobless rate and the diminishing number of small business investments make a strong case for supporting a continuing Federal commitment to extending the HUD-administered Empowerment Zone (EZ) and Renewal Community (RC) Initiatives for an additional year. Unequivocally, extending the EZ/RC designations allows for continued opportunities for job growth and business expansion in some of the most economically distressed communities in the nation. According to the most current (2000) Census data, an EZ's average poverty rate is 38.28 percent and average unemployment rate is 16.61 percent. For an RC, its average poverty rate is 34.59 percent and average unemployment rate is 15.20 percent. Given the severity of the economic crisis, there is a high probability that the 2010 Census data for the 30 EZs and 40 RCs will show even higher unemployment and poverty rates.

Working with Internal Revenue Service (IRS) data for 2006, HUD determined that 240,000 jobs for EZ and RC residents generated approximately $511 million in employment credits for eligible businesses in distressed neighborhoods. To date, IRS data shows that businesses in the EZs/RCs have claimed more than $3.5 billion in EZ/RC employment credits.

The surge in businesses seizing the opportunity to utilize the $11 billion tax package is reflected in the current data available showing that RC businesses have benefited from the $1.7 billion in Commercial Revitalization Deduction (CRD) Allocations (2002-2008) to establish, expand or substantially renovate commercial properties and generate new jobs in the RCs. As the promotion of the $11 billion tax package and outreach to eligible EZ/RC businesses intensified, the use of the tax incentives showed a steady upward progression, particularly over the later years of the EZ/RC designation, leading to substantial increases in business development and job creation. Despite this surge, only an estimated $6 billion of the estimated $11 billion of tax incentives has been utilized.

Extending the designations would allow tax relief to remain available to 300,000 businesses located in distressed EZ/RC areas, thereby helping create or retain jobs in high poverty areas, in an environment where the unemployment rate is the highest it has been in 25 years. It is critically important to extend the provisions immediately rather than to let the EZ and RC designations and the related tax incentives lapse and extend them retroactively. Tax incentive programs to stimulate job creation and investment work best if business owners can plan on their availability and the tax professionals and economic development officials who understand the details and perform outreach can be secure in their jobs.

Program Overview

HUD-designated EZ and RC communities encompass 5.3 million residents living in over two thousand high poverty, high unemployment Census tracts. The EZ and RC tax incentives reduce the cost of capital for area businesses and provide strong incentives to business owners to hire and retain residents from the designated areas, purchase new equipment, renovate and expand operations, and otherwise invest in the revitalization of distressed neighborhoods. The incentives include employment credits for hiring and retaining local residents, tax deductions for purchasing equipment, accelerated depreciation for investing in commercial construction and rehabilitation, low-cost loans through the issuance of tax-exempt bonds, and other incentives. New business development supported by EZ and RC tax credits includes projects financed with $643 million in tax-exempt enterprise facilities bonds, issued to finance new or substantial rehabilitation projects in the EZs, and $1.7 billion in Commercial Revitalization Deduction allocations (2002-2008), awarded to RC area businesses to help close the financing gap on new office buildings, retail plazas, expanded manufacturing and R&D facilities, historic property reuse, and commercial developments that have returned thousands of square feet of vacant property to productive economic use.

The most widely utilized of the Community Renewal tax incentives is the employment credit, which provides Federal tax benefits to local businesses that hire and retain workers from EZ and RC Census tracts. Data from the Internal Revenue Service (IRS) indicates that since 1999, individuals have claimed nearly $1.1 billion in EZ and RC employment credits for employing residents from the designated areas. Recent years have shown a steady upward trend in utilization of this incentive. This has led to substantial increases in business development and job creation. Based on IRS data, HUD found that approximately 240,000 jobs for EZ and RC residents generated over $500 million worth of employment credits for eligible employers throughout the country in 2006. In addition, businesses have utilized a related incentive for hiring high risk youth and providing summer jobs to teens residing in EZ and RC communities, which are two categories tied to the EZ and RC designations under the Work Opportunity Tax Credit (WOTC). During the 2007 reporting period, States issued certifications for WOTCs for more than 50,000 EZ and RC hires. As with the EZ and RC employment credit, utilization of the WOTC incentive for EZ and RC youth employment has also followed an increasing trend; from 2006 to 2007, there was a 58 percent increase in WOTC certifications issued for EZ and RC youth hires. However, WOTC utilization declined from 2005-2006, due to the tax incentive lapsing and being extended retroactively.

In addition to tax incentives, 15 Empowerment Zone designees received a total of $385 million in appropriations between fiscal year 1999 and fiscal year 2005. EZ grantees have utilized the funds to undertake a range of community revitalization and economic development activities, consistent with a locally developed ten-year strategic plan. HUD performance data for grant funded projects indicate successful leveraging of grant dollars with other sources: for 426 EZ projects completed to date, EZs have leveraged $103 million in HUD grant funds to attract $515 million in funds from other public and private sources. The 15 EZ grantees will continue to complete grant funded activities through the remainder of fiscal year 2010.

	Renewal Community and Empowerment Zone Economic Activity		
EZ Activity	EZ Bonds Issued	$643,291,594	
	EZ Grant Leveraging for completed projects	HUD EZ Grant Invested	Total Other Funds Invested
		$102,964,943	$514,615,170
RC Activity	Annual RC Outreach and Assistance to Area Businesses	66,000 businesses	
	Commercial Revitalization Deduction Allocations to RC Businesses	$1,732,478,992	
EZs and RCs Combined	Employment Credits Claimed or Allowed(1999-2008)	$3,532,666,699	

Departmental Goals

The Community Renewal program, with emphasis on HUD-designated Empowerment Zones and Renewal Communities, addresses the Department's goals in the following ways:

1. The Community Renewal program works daily with the directors of the EZs and RCs to help enhance sustainability and expand economic opportunities in designated revitalization areas that qualified on the basis of their high poverty, low employment and characteristics of general distress at the outset of the program. The Federal government has made $11 billion in tax incentives available to eligible businesses in these communities, and Community Renewal personnel work with the EZ and RC directors to help them to fully understand these incentives and market them to local business owners, business groups, and local tax practitioners. These incentives include employment credits that encourage employers to hire local residents, increased Section 179 deductions that help business owners finance purchases of equipment, Commercial Revitalization Deductions that help business owners in RC areas finance the purchase and rehabilitation of commercial properties, and Enterprise Zone Facility bonds, which provide low-cost financing to support economic development projects in EZs. Projects financed with the Enterprise Zone Facilities bonds must maintain a workforce comprised of at least 35 percent EZ residents to retain their tax exempt status.

2. The Community Renewal program also works daily with the leaders of the 30 EZs and 40 RCs 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 social services and facilities listed on the following page:

a. services for RC residents to help them become self-sufficient, which can include services for Temporary Assistance for Needy Families (TANF) 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;

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.

3. The Empowerment Zones and Renewal Communities 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 EZs and RCs to determine if they should retain their designations. This is HUD’s obligation under the statutory provisions enacted by Congress.

4. The initiative promotes participation by community organizations through **extensive collaboration-building efforts**, as required under the statutory provisions for the EZ strategic plan and the RC course of action.

5. The program has assisted economic recovery in the Gulf Coast region by providing technical assistance on tax incentives for eligible businesses in 12 communities with EZ and RC designations in Louisiana, Texas, Mississippi, and Alabama.

Program Evaluation and Performance Reporting

HUD has invested in performance review systems that are unique to the EZ and RC program and is a significant consideration for extending the designations for an additional year, without substantial new investment in program management and performance evaluation of the EZ and RC efforts. Adapting these in-place systems will accommodate the Administration’s objective for greater consistency and transparency in the management of Federal programs. A year extension would fully leverage initial investments in HUD’s on-line Performance Measurement System (PERMS), the Geographic Information System (GIS) based EZ/RC Locator, and unique data points provided through the HUD-IRS Partnership.

HUD collects information that the Empowerment Zones and Renewal Communities report annually using HUD’s on-line Performance Measurement System (PERMS). The data for each community is publically available on HUD’s website at www.ezec.hud.gov. The program office reviews each annual report to evaluate progress and determine continued eligibility for each designee. CPD field office representatives contribute to the assessment of annual reports for EZ designees, and use information on timely implementation of grant funded projects as a basis for risk analysis and monitoring for the 15 EZs that received HUD EZ grant funding. With $25.6 million for each Round II EZ and hundreds of projects still active, the need for continued oversight of the 15 EZ grantees is a priority until the grants are closed.

Annual performance reports provide both narrative and quantitative data regarding activities underway in EZ and RC communities. RC communities provide data efforts to utilize a standard set of tax incentives to encourage economic investment and revitalization in the designated area, and report on progress made toward other state and local commitments made to build partnerships, reduce crime, enhance business conditions and otherwise improve economic opportunities for residents of their communities.

Recent successes reported by EZ/RC designees include:

1. **Nobis Environmental Engineering**: used a $3.8 million Commercial Revitalization Deduction (CRD) allocation to transform a vacant mill building in **Lowell, MA** into a state of the art, LEED Gold Certified green office building that serves as their regional headquarter. Another CRD investment in the Lowell, MA RC was used to remediate a former gas station site to build a **CVS convenience store and pharmacy** in the **Lowell, MA RC community**, which created 30 new jobs for local residents.

Nobis Engineering LEED Certified; Lowell, MA

CVS Convenience Store & Pharmacy; Lowell, MA

2. In 2008, the **New Balance Athletic Shoe Company** in **Lawrence, MA**, received a $2.1 million commercial revitalization deduction allocation through HUD's Renewal Community program to open a 3,000 square foot research and development facility in Lawrence. The new facility will include a 120-foot running track and a "smash lab" filled with biomechanics technology to measure runner and sneaker performance.

3. **United States Steel Corporation,** a leading manufacturer of steel products in North America and Europe, filed an application (2008) to invest in **Port of Epes, AL**, in the **Greene-Sumter, AL Renewal Community**. Total capital investment for the initial phase of the projects is expected to exceed $150 million and represents the largest investment of its kind in the Greene-Sumter RC. The investment will create approximately 75 full-time jobs and 250 temporary construction jobs through the initial phase and generate economic opportunities for local businesses, service providers and their employees.

4. **Two separate successes in Buffalo-Lackawanna, NY RC.** 1) A 2008 Commercial Revitalization Deduction (CRD) total allocation of $5.7 million helped finance **RiverWright** and a **$214 million ethanol plant** there and 2) additional allocations were awarded to two firms developing commercial property. A restaurateur and developer will use his allocation to renovate the **Curtiss Building** into a **seventy-two room boutique hotel**.

5. **Boston, MA EZ's** $14 million EZ tax exempt bond financed project for renovation of a 63,000 square foot facility in South Boston that will house the new research and development laboratories for **Paratek Pharmaceuticals**. Another $43 million in tax exempt bond financing was used to develop the **Crosstown Center Hotel and Office complex**; **68 percent of the hotel employees are zone residents**. [EZ designees have access to $130 million per site in tax-exempt bond authority]

Crosstown Center; Boston, MA EZ

6. **Pullman Square Town Center, Huntington/Ironton, WV EZ.** EZ funded redevelopment of a vacant site into a retail/entertainment complex that has added 650 new jobs to the Zone.

Pullman Square Town Center; Huntington/Ironton, WV EZ

These projects are just a few of the more than 2,000 active and completed implementation plans and projects underway in the designated areas. Many more are featured on the Community Renewal webpage on HUD's website at www.hud.gov/cr and in the HUD publication, *Spotlight on Results: Capturing Successes in Renewal Community and Empowerment Zones*.

Measuring the overall impact of the tax incentives and other benefits of the EZ and RC program on the designated areas has proved challenging. Neither HUD nor the EZ or RC designees have statutory authority to require taxpayers to provide information to them regarding the utilization of various tax incentives available to businesses as a result of the designation. Taxpayers claim deductions and/or credits directly on their tax returns filed with the Internal Revenue Service (IRS). Since the level of tax incentive utilization is important to HUD's understanding of the economic development outcomes associated with Community Renewal initiative, HUD established a productive partnership with the IRS to obtain summary utilization data. The partnership was established in a memorandum of agreement effective October 2006. Data provided by the IRS constitutes a reliable and accurate source for the program's single performance indicator: the annual dollar amount of EZ and RC employment credits claimed by sole proprietors. The utilization of employment credits in EZ and RC communities has shown a steady upward trend since program inception and increased at the rate of 5.6 percent for the most recent reporting year over the prior year data. IRS data for utilization rates from returns processed in 2008, 2009 and 2010, will be available in future years and is needed to provide a full history of tax incentives until the December 31, 2009 designation deadline is reached.

The 1-year extension of the sunset provisions for the EZ and RC designations and the related tax incentives is of crucial importance to continue generating jobs and stimulating business investment in these highly distressed communities which successfully competed for the EZ & RC designations awarded by HUD. However, this does not exonerate HUD from its responsibility to issue closeout procedures for the remaining Round II grant funds in order to accommodate the provisions of the appropriations laws enacted in 2003, 2004, and 2005. Under the extended sunset date of December 31, 2010, the Federal tax incentives would be available for the extended one year period for the 15 Round II EZs as well as the Round III EZs and RCs. These Federal tax incentives, which are available in the $11 billion package now available until December 31, 2009, are critical to the achievement of all 70 of the designees performance goals, particularly for the Round III EZs and the RCs, which received no Federal appropriations for program administration or projects.

Performance Review and Monitoring		
	2002-2006	2007-2009
Annual Report Reviews Completed	199	175
Grant Monitoring Round II EZ	20	11
Technical Assistance Visits	N/A	10
Technical Assistance Conference Calls	35	19
Guidance Issued	N/A	2

Data collection and identification of appropriate performance indicators is not the only challenge. The comprehensive nature of the EZ program and indirect benefits conferred by EZ and RC tax incentives also pose a challenge to program evaluation. HUD published one interim assessment of the Round I Empowerment Zones in 2001, and the Secretary's Advisory Council on Community Renewal conducted public hearings in 2003. The authorizing legislation mandates external review of the EZ and RC programs by the Government Accountability Office. GAO's report on initial implementation of first round of Federal EZ designations issued in 2004 (GAO-04-306), and subsequent report in 2006 (GAO 06-727), indicated that while it found conditions in the communities were improving, its methodology could not establish a correlation between the statistical changes in poverty, unemployment and distress and the Federal designations. A GAO review of Round II and later designees is expected to commence in the third quarter of fiscal year 2009.

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

STATUS OF ROUND II EZ GRANTEE ACTIVITY
(AS OF 3/09)

Grantee	Obligated	Disbursed	Percent Disbursed
Boston	25,615,299.00	24,138,984.66	94.2%
Cincinnati	25,615,299.00	20,930,848.33	81.7%
Columbia/Sumter	25,615,299.00	21,377,380.60	83.5%
Columbus	25,615,300.00	24,670,282.04	96.3%
Cumberland County	25,615,300.00	23,035,135.85	89.9%
El Paso	25,615,300.00	21,943,451.95	85.7%
Gary/Hammond/East Chicago	25,615,300.00	22,659,415.61	88.5%
Huntington/Ironton	25,615,300.00	23,349,439.07	91.2%
Knoxville	25,615,300.00	16,294,977.90	63.6%
Miami	25,615,300.00	21,685,370.00	84.7%
Minneapolis	25,615,299.00	24,627,887.57	96.1%
New Haven	25,615,300.00	24,889,529.25	97.2%
Norfolk/Portsmouth	25,615,299.00	25,591,500.11	99.9%
Santa Ana	25,615,300.00	22,009,900.95	85.9%
St. Louis/East St. Louis	25,615,300.00	22,387,879.00	87.4%
TOTAL	$384,229,495.00	$339,591,982.89	88.4%

By March 2009, 88.4 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, 97 percent of all obligated funds are formally committed to projects and programs through approval by the EZ governance boards.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Empowerment Zones/Enterprise Community/Renewal Communities	-$110	$110	...	...	...	...	...	...
Total	-110	110	...	...	...	...	...	...

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	16	17	17
Field	2	3	3
Total	18	20	20

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

Empowerment Zones/Enterprise Community/Renewal Communities	**Amount**
2008 Appropriation	-$110
2009 Appropriation/Request	...
2010 Request	...
Program Improvements/Offsets	...

NOTE: An unobligated balance of $110,000 was rescinded in 2008.

The Omnibus Budget Reconciliation Act of 1993 authorized the Secretary of HUD to designate six urban EZs (one EZ in this round is no longer designated as such) 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 eight Round III Empowerment Zones, as well as tax incentive provisions to support community revitalization efforts.

The goal of the Empowerment Zones (EZ) and Renewal Communities (RC) programs is to create sustainable, long-term economic development in distressed areas by using a strategic plan (for EZs) or a "Course of Action," and economic growth promotion requirements (for RCs) 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

HUD supports immediately extending the tax incentive package through December 31, 2010. Under current law, the EZ and RC designations and the related tax incentives expire on December 31, 2009. Legislative action is needed to extend the existing EZ and RC designations beyond December 31, 2009. Bipartisan legislation consisting of House bill H.R. 1677 would extend the designations to December 31, 2015 and enhance the $11 billion tax incentive package available to 300,000 businesses located in the 71 designated areas. The rationale for extending the tax incentive eligibility period is based on the **positive increasing trend of utilization during the period from 2005 to present,** thus, the probability of sustaining or increasing job opportunities during the extended designation period is high. The preliminary IRS data on tax incentive utilization **for tax years 2007 and 2008 shows dramatic increases in jobs generating employment credits**. Data shows, despite recent increases in utilization of the EZ and RC tax incentives, overall utilization to date is well below estimated levels. Only 15 percent of the available bond cap for tax-exempt Enterprise Facilities bonds available to EZ designees has been issued to date.

As in recent years since fiscal year 2005, no grant funding is proposed for Round II Empowerment Zones (EZs) in fiscal year 2010. The program will continue to focus on maximizing the use of tax incentives, disbursing unexpended grant balances, and tracking the use of program income.

Program Description

The Community Renewal initiative consists of two types of designations, Empowerment Zones and Renewal Communities. There are currently **30 urban Empowerment Zones**, which HUD designated in three competitions held in 1994 (Round I), 1998 (Round II) and 2001 (Round III). All EZs are eligible for the same set of Federal tax incentives, which are effective through December 31, 2009. HUD also designated **40 Renewal Communities** in 2000, which include both urban and rural areas. The RCs designations confer a slightly different set of tax incentives, which are also effective through December 31, 2009. The total package of tax incentives made available to EZ and RC designees in the Community Renewal and Tax Relief Act of 2000 is estimated at $11 billion, which can be claimed by businesses investing in and employing residents of the designated areas. The program has not received an appropriation since fiscal year 2005, which was the final award of HUD grant funds to 15 Round II EZ designees. None of the Round III EZs nor any of the RCs received appropriations for funding to support program implementation or projects.

Claims for Community Renewal tax incentives since 1999 represent approximately $4 billion in tax savings. These tax savings are available to approximately 300,000 businesses located in distressed EZ and RC areas. Businesses claiming these credits range from large corporations such as Toyota, Ameritech, Dell Computer and Marriott Corporation to small manufacturers, grocery stores, pharmacies, restaurants and other retailers that provide both job opportunities and needed services in underserved areas. HUD has worked aggressively since 2001 with the local leaders of the EZ and RC communities to promote utilization of the tax incentives – particularly among small- and medium-sized businesses.

The extension of the sunset from December 31, 2009 to December 31, 2010, will allow HUD’s EZ and RC designees to continue carrying out a full set of economic development activities for residents and businesses in their local communities. During the most recent reporting year, RC directors and their community partners contacted over 66,000 local businesses to provide information and assistance in utilizing the Federal tax incentives to achieve their business investment, expansion and resident employment goals. In addition to their own tax incentive utilization efforts, the EZs reported progress on approximately 2,000 ongoing strategic plan activities to revitalize the designated areas. **With nearly one-third of the projects initiated by EZs since program inception still underway, and tax incentives for all RC and EZ communities extended until 12/31/10, HUD will continue to receive inquiries, provide technical assistance and monitor eligibility and performance of designees through fiscal year 2010.**

Area Characteristics			
	RC	EZ	Total
Designated Areas	40	30	70
EZRC Census Tracts	1,127	728	1,855
Businesses in EZRCs (2006)	167,954	127,763	295,717
Residents in EZRC (2000)	3,423,256	1,859,535	5,282,791
Average Poverty (2000)	34.59%	38.28%	N/A
Average Unemployment (2000)	15.20%	16.61%	N/A

Distinctions among the EZ and RC designations are as follows:

URBAN 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;
- 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 $650 million in tax exempt bonds to help finance projects in the Empowerment Zones. Projects financed with these bonds must draw 35 percent of their workforce from the designated area.
- Non-recognition of Gain on Sale of EZ Assets; and
- Partial Recognition of Gain on Sale of EZ Stock.

RENEWAL COMMUNITIES

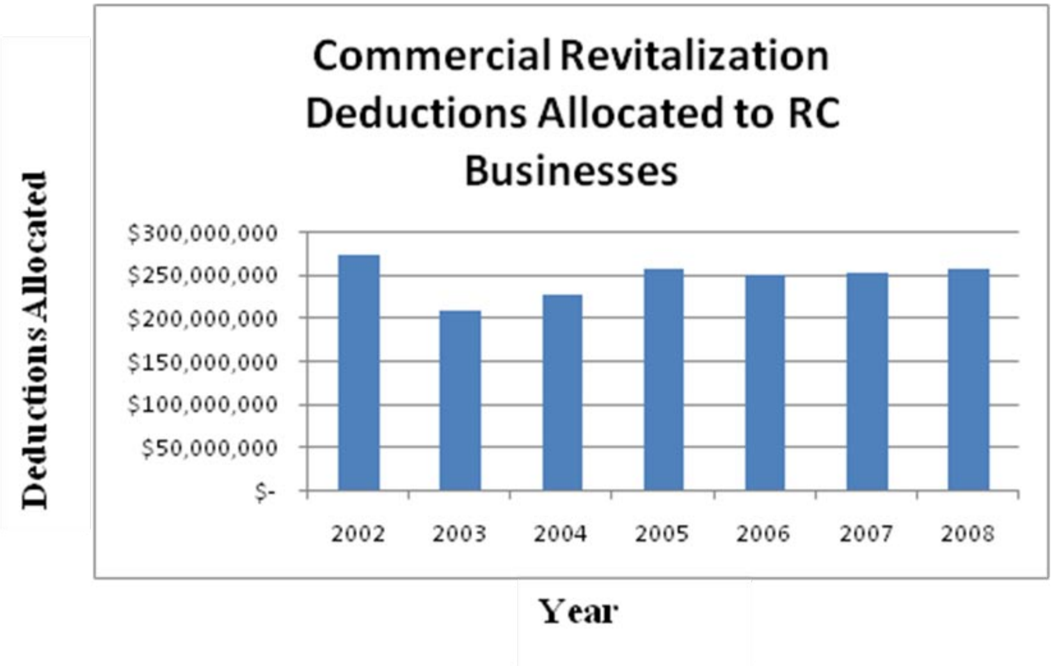
The 40 Renewal Communities (RCs) foster efforts to encourage economic development through the use of Federal tax incentives. As well, the State and local governments and community-based organizations must adopt a “course of action” including at least four of six required goals and actions. These include 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 contributions. 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, reduce or not enforce 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 not 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:

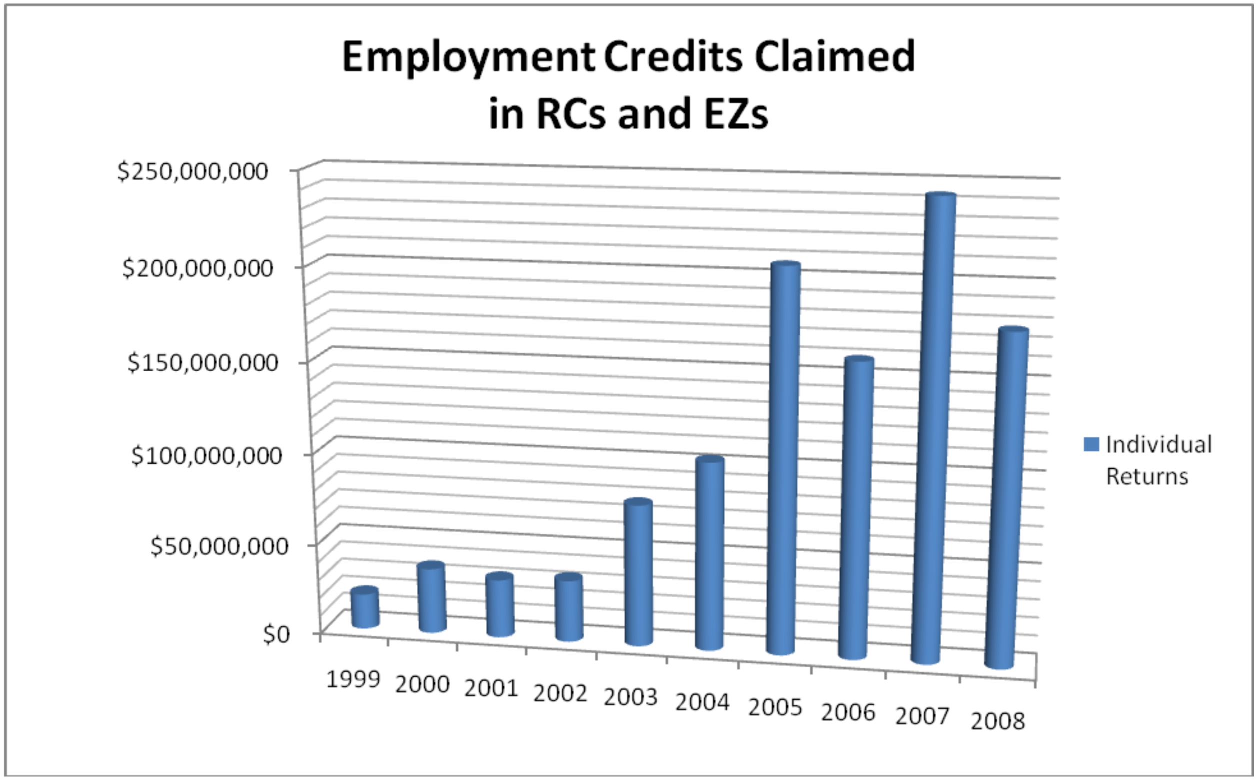
1) Commercial Revitalization Deduction (CRD), which allows an eligible business owner to depreciate either one-half of his or her property construction or substantial rehabilitation cost in the first year the property is placed in service or all the cost on a ratable basis over 10 years. The business 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 $1.7 billion in CRD allocations to businesses in the RCs from 2002 through 2008; and



2) Zero Percent Capital Gains Rate for the sale or transfer of RC Assets.

Tax incentives Common to both EZs and RCs include:

- IRS estimates that 251,000 tax returns have claimed $3.5 billion in EZ and RC employment credits from 1999 to 2006. HUD used IRS data to determine 240,000 jobs in 2006 generated slightly over $500 million in EZ/RC employment credits. The following chart shows the increase in utilization of employment credits by business owners that use the individual tax return (IRS Form 1040).



- Work Opportunity Tax Credit for businesses that hire 18- to 39-year old EZ and RC 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 strategic plan (for EZs), and a Course of Action and economic growth promotion requirements (for RCs). HUD's Round II 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**	
		2008 Plan	**2008 Actual**	**2009 Plan**	**2010 Plan**
Empowerment Zone and Renewal Community Employment Credits Claimed by Sole Proprietors	Third party data (IRS)	$167 million	$121 million	$133 million	$146 million

<u>Explanation of Indicators</u>

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

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

There was no appropriation in fiscal year 2009 and no new funding is proposed for 2010.

EMPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Crosswalk of 2008 Availability
(Dollars in Thousands)

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Empowerment Zones/Enterprise Community/Renewal Communities	...	-$110	...	...	$110	...
Total	...	-110	...	...	110	...

COMMUNITY PLANNING AND DEVELOPMENT
ENPOWERMENT ZONES/ENTERPRISE COMMUNITIES/RENEWAL COMMUNITIES
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Empowerment Zones/Enterprise Community/Renewal Communities	...	...	...	...	...	...
Total	...	...	...	...	...	...

C0MMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND AND ECONOMIC DEVELOPMENT
2010 Summary Statement and Initiatives
(Dollars in Thousands)

RURAL HOUSING AND ECONOMIC DEVELOPMENT PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$17,000	$22,532[a]	-$4,087	$35,445	$17,103	$16,678
2009 Appropriation/Request	26,000	18,342	...	44,342	18,342	24,000
2010 Request	...	26,000	...	26,000	26,000	26,000
Program Improvements/Offsets	-26,000	+7,658	...	-18,342	+7,658	+2,000

a/ Includes $1.162 million in fiscal year 2008 recaptures.

Summary Statement

No fiscal year 2010 direct appropriations are requested for the Rural Housing and Economic Development (RHED) program. Instead, the 2010 budget proposes a $25 million Rural Innovations Fund initiative in the Community Development Fund account. The new initiative focuses on communities with populations less than 2,500. The funding will go to states who will work with both local governments and non-profit partners to establish successful efforts focused on particular housing needs, including energy efficiency, and which will serve as models for the Nation.

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

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Rural Housing and Economic Development .	$12,913	$22,532	$35,445	$17,103	$21,000	$18,342	$39,342	...
Economic Development Assistance for Federally Recognized Indian Tribes	...	...	...	...	5,000	...	5,000	...
Total	12,913	22,532	35,445	17,103	26,000	18,342	44,342	...

NOTE: 2008 Budget Authority is net $4.087 million rescission.
2007 Carryover into 2008 includes $1.162 million of recoveries.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	7	7	6
Field	7	8	8
Total	14	15	14

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

Economic Development Assistance for Federally Recognized Indian Tribes	Amount
2008 Appropriation	...
2009 Appropriation/Request	$5,000
2010 Request	...
Program Improvements/Offsets	-5,000

Proposed Actions

The 2010 Budget proposes to eliminate Rural Housing and Economic Development program as a separate program. Instead, a $25 million set-aside in CDBG for rural housing is proposed.

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

Rural Housing and Economic Development	Amount
2008 Appropriation	$12,913
2009 Appropriation/Request	21,000
2010 Request	...
Program Improvements/Offsets	-21,000

NOTE: 2008 Appropriation is net $4.087 million rescission.

Proposed Actions

The 2010 Budget proposes to eliminate Rural Housing and Economic Development program as a separate program. Instead, a $25 million set-aside in CDBG for rural housing is proposed.

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	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Number of Jobs Created		2,600	1,710	214	107
Number of Housing Units Created		1,000	1,210	196	98

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Rural Housing and Economic Development	$17,000	-$4,087	...	...	$22,532[a]	$35,445
Economic Development Assistance for Federally Recognized Indian Tribes .	...	...	...	...	...	...
Total	17,000	-4,087	...	...	22,532	35,445

a/ Includes $1.162 million in fiscal year 2008 recaptures.

COMMUNITY PLANNING AND DEVELOPMENT
RURAL HOUSING AND ECONOMIC DEVELOPMENT
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Rural Housing and Economic Development	...	$21,000	...	...	$18,342	$39,342
Economic Development Assistance for Federally Recognized Indian Tribes	...	5,000	...	...	...	5,000
Total	...	26,000	...	...	18,342	44,342

COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
2010 Summary Statement and Initiatives
(Dollars in Thousands)

BROWNFIELDS REDEVELOPMENT PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2008 Appropriation	$10,000	$34,414[a]	-$11,374	$33,040	$23,040	$18,847
2009 Appropriation/Request	10,000	10,000	...	20,000	10,500	27,400
2010 Request	...	9,500	...	9,500	9,500	32,000
Program Improvements/Offsets	-10,000	-500	...	-10,500	-1,000	+4,600

a/ Includes $1.750 million of funds recaptured in fiscal year 2008.

Summary Statement

No funding is requested for the Brownfields Economic Development Initiative (BEDI) in fiscal year 2010. For the first 8 years of the program, annual appropriations were $25 million; since 2006, BEDI received $10 million in annual appropriations. The Brownfields program will not be retained as a separate program, but the program’s activities do remain eligible under the Community Development Block Grant program. The elimination of Brownfields as a separate program in large part reflects performance issues that include slow expenditure of funding and lengthy time frames to produce tangible results.

COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
Summary of Resources by Program
(Dollars in Thousands)

Budget Activity	2008 Budget Authority	2007 Carryover Into 2008	2008 Total Resources	2008 Obligations	2009 Budget Authority/ Request	2008 Carryover Into 2009	2009 Total Resources	2010 Request
Competitive Grants	-$1,374	$34,414	$33,040	$23,040	$10,000	$10,000	$20,000	...
Total	-1,374	34,414	33,040	23,040	10,000	10,000	20,000	...

NOTE: 2008 Budget Authority is net $11.374 million rescission.
2007 Carryover Into 2008 includes $1.750 million of funds recaptured in fiscal year 2008.

FTE	2008 Actual	2009 Estimate	2010 Estimate
Headquarters	5	5	5
Field	2	3	3
Total	7	8	8

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

Competitive Grants	**Amount**
2008 Appropriation	-$1,374
2009 Appropriation/Request	10,000
2010 Request	...
Program Improvements/Offsets	-10,000

NOTE: 2008 Appropriation is net new appropriation of $10 million and total $11.374 million rescission.

Proposed Actions

No funding is requested for the Brownfields Economic Development Initiative (BEDI) in fiscal year 2010. The program's activities will remain eligible under the 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 fiscal years 1998 and 2008, HUD awarded 188 BEDI grants to 134 public entities, representing just under half of all applications submitted. Of these, 177 went to CDBG entitlement cities or counties, with the remaining 11 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. For all grants awarded in fiscal year 2008 with fiscal year 2007 funding, 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 cannot be disbursed until construction is completed and the project is open for business--a process that typically takes in excess of 5 years.

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**	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Support Creation of Jobs (estimate)	Grant Applications	3,000	1,980	909	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 2010, no jobs are projected in the Performance Plan.

COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
Justification of Proposed Changes in Appropriations Language

The 2010 President's Budget does not include appropriations language.

<u>Explanation of Changes</u>

Deletes language providing funds for competitive grants because no new funding is requested for fiscal year 2010.

[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.]

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

Budget Activity	2008 Enacted	Supplemental/ Rescission	Approved Reprogrammings	Transfers	Carryover	Total 2008 Resources
Competitive Grants	$10,000	-$11,374	...	...	$34,414	$33,040
Total	10,000	-11,374	...	...	34,414	33,040

COMMUNITY PLANNING AND DEVELOPMENT
BROWNFIELDS REDEVELOPMENT PROGRAM
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	Reprogrammings	Carryover	Total 2009 Resources
Competitive Grants	...	$10,000	...	...	$10,000	$20,000
Total	...	10,000	...	...	10,000	20,000

COMMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND (LIQUIDATING PROGRAMS)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

REVOLVING FUND (LIQUIDATING PROGRAMS)	Appropriation	Receipts and Repayments	Repayments to Treasury-In Year Dividend	Repayments to Treasury- Cumulative	Book Value of Assets, EOY	Outlays
2008 Appropriation...........	$1,170	$298	$560	$2,291,859	$3,000	-$118
2009 Request.................	1,270	500	1,000	2,292,859	2,000	2,500
2010 Request.................	1,170	500	500	2,293,359	1,000	2,500
Program Improvements/Offsets	-100	...	-500	+500	-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 of $1.17 million 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 satisfactions, 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 2010.

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.

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. In fiscal year 2009, there is a one time additional $100 thousand in appropriations for a contract to research an amount of $45 million which is due to the Revolving Fund from a bank in the Boston area. The contract is in the preliminary stages of being awarded.

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

Budget Activity	2008 Receipts and Repayments	2008 In year Dividend	2008 Cumulative	2009 Receipts and Repayments	2009 In year Dividend	2009 Cumulative	2010 Receipts and Repayments	2010 In year Dividend
Liquidating Programs..	$298	$560	$2,291,859	$500	$1,000	$2,292,859	$500	$500
Total Revolving Fund (Liquidating Programs)	298	560	2,291,859	500	1,000	2,292,859	500	500

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

Liquidating Programs	Amount
2008 Receipts and Repayments	$298
2009 Receipts and Repayments	500
2010 Receipts and Repayments	500
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 2010.

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

Budget Activity	2008 Receipts and Repayments	2008 Repayments to Treasury-In Year Dividend	2008 Repayments to Treasury-Cumulative	2008 Book Value of Assets, EOY
Liquidating Programs.............	$298	$560	$2,291,859	$3,000
Total Changes..................	298	560	2,291,859	3,000

COMMUNITY PLANNING AND DEVELOPMENT
REVOLVING FUND (LIQUIDATING PROGRAMS)
Crosswalk of 2009 Changes
(Dollars in Thousands)

Budget Activity	2009 Receipts and Repaments	2009 Repayments to Treasury-In Year Dividend	2009 Repayments to Treasury-Cumulative	2009 Book Value of Assets
Liquidating Programs.................	$500	$1,000	$2,292,859	$2,000
Total Changes......................	500	1,000	2,292,859	2,000