

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2010 Summary Statement and Initiatives
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$51,440	\$3,595 ^a	-\$670 ^c	\$54,365	\$52,283	\$39,722
2009 Appropriation/Request	58,000	2,877 ^b	...	60,877	59,000	62,000
2010 Request	<u>50,000</u>	<u>1,977^b</u>	<u>...</u>	<u>51,977</u>	<u>51,977</u>	<u>64,000</u>
Program Improvements/Offsets	-8,000	-900	...	-8,900	-7,023	+2,000

- a/ Fiscal year 2008 carryover includes \$636 thousand in FEMA funds provided to the Office of Policy Development and Research (PD&R) via a 2007 Interagency Agreement for the evaluation of the Alternative Housing Pilot Program (AHPP). Also included in the carryover column is \$200 thousand in actual recoveries.
- b/ The carryover and obligations in fiscal year 2009 includes \$699 thousand in actual recoveries and 2009 and 2010 include \$100 thousand in anticipated recoveries. Fiscal year 2009 excludes \$4,000 in expired funds.
- c/ Includes rescissions of \$569 thousand and \$101 thousand in the Office of University Partnerships.

Summary Statement

The Office of Policy Development and Research (PD&R) supports the mission of the Department and the policy agenda of the Secretary. PD&R performs policy analysis, research, surveys, studies and evaluations, both short- and long-term, to assist the Secretary and other HUD principal staff to make informed decisions on HUD policies, programs, and budget and legislative proposals.

The Budget requests \$50 million for the Research and Technology (R&T) account. This is an increase of \$18 million, or 56 percent (see details on page N-3 compared to the fiscal year 2008 Research and Technology appropriation, and without funding University programs and miscellaneous set-asides which are now funds as a new initiative in Community Development Block Grants. This R&T budget request will focus on funding the American Housing Survey and other critical housing data infrastructure requirements, while the separate Transformation Initiative will provide funding for research, program evaluations and program demonstrations. PD&R will continue to perform the research in these areas funded by the Transformation Initiative. Past appropriations did not provide PD&R the funds to conduct thorough program evaluations or to fully fund the housing surveys. The Research and Technology account as proposed provides a dedicated funding stream for restoring the housing surveys. The Transformation Initiative also provides a dedicated funding stream to complete program evaluations and other key research. There is a separate justification describing the Transformation Initiative and cross references are included in this justification.

PD&R is playing a key role in current and proposed HUD initiatives including research and evaluation work related to the fiscal year 2010 HUD Transformation Initiative, implementation of the American Recovery and Reinvestment Act (ARRA) of 2009 and the Housing and Economic Recovery Act (HERA) of 2008, disaster response and recovery research, as well as, restoration of capabilities and enhancement of the housing surveys and the national data infrastructure.

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The National Academy of Sciences (NAS) released a study of PD&R in September 2008, in which it states "PD&R is in a unique position to provide professional leadership in the development of integrated research on the social, economic and technical problems facing housing and cities." The NAS report also states, "PD&R needs additional financial and intellectual resources to allow it to continue and expand its current role in analyzing existing and proposed HUD programs, and it requires resources to play a larger role in the national research community on a wider range of housing and urban development policy issues." This budget requests funding sufficient to allow PD&R would become the hub, as envisioned by NAS, for housing policy formulation, HUD program evaluations, increased housing data and information resources, new program demonstrations and other initiatives in the housing and urban development arena.

National Academy of Sciences Evaluation of PD&R

In November 2006, Congress mandated that the National Academy of Sciences (NAS) convene a committee to evaluate PD&R and the research it conducts and funds. The NAS' National Research Council conducted the evaluation and issued the report on September 24, 2008, titled "Rebuilding the Research Capacity at HUD." The Department agrees with and is moving forward to implement the NAS recommendations and findings. A summary of the key recommendations follow:

"Today, the nation faces an array of housing and urban policy challenges. No Federal department other than HUD focuses explicitly on the well-being of urban places or on the spatial relationships among people and economic activities in urban areas. If HUD, Congress, mayors, and other policy makers are to respond effectively to urban issues, they need a much more robust and effective Office of Policy Development and Research.

With adequate resources, PD&R could lead the nation's ongoing process of learning, debate, and experimentation about critical housing and urban development challenges. In order to achieve PD&R's potential, the committee makes seven major recommendations about its resources and responsibilities.

- 1. PD&R should regularly conduct rigorous evaluations of all of HUD's major programs.*
- 2. PD&R should actively engage with policy makers, practitioners, urban leaders, scholars to frame and implement a forward-looking research agenda that includes both housing and an expanded focus on sustainable urban development.*
- 3. PD&R should treat the development of the in-house research agenda more systemically and on a par with the external research agenda.*
- 4. Formalizing what has been an informal practice over most administrations, the Secretary should give PD&R's independent, research-based expertise a formal role in HUD's processes for preparing and reviewing budgets, legislative proposals, and regulations.*
- 5. PD&R should strengthen its surveys and administrative data sets and make them all publicly available on a set schedule.*
- 6. PD&R should develop a strategically focused, aggressive communication plan to more effectively disseminate its data, research, and policy development products to policy makers, advocates, practitioners, and other researchers.*
- 7. In order to effectively implement the above six recommendations, the Secretary should refocus PD&R's responsibilities on its core mission of policy development.*

Perhaps most critically, the committee concludes that the current level of funding for the Office of Policy Development and Research is inadequate. Although the committee was directed not to offer budget recommendations, it is evident to the committee that many of PD&R's problems stem from the erosion of its budget, and that the office cannot accomplish the recommendations presented here without resources for additional well-trained research staff, data collection, and external research."

In addition to these major recommendations, the committee provides more detailed recommendations in the report to enable PD&R to achieve its potential further described in the report.

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Increases/Decreases

The table below compares the current budget request with the enacted levels in fiscal year 2009:

\$000	FY 2009 (enacted)	FY 2010 Budget	Increase/ Decrease
Core Research and Technology (R&T)	\$32.0	\$50.0	+\$18.0
Voucher Administrative Fee Study Set-Aside	1.0	...	-1.0
Disaster Prone Areas Research Set-Aside	2.0	...	-2.0
Subtotal R&T Funds	35.0	50.0	+15.0
University Partnerships/University Community Fund	23.0	[\$25.0]	-23.0
Total R&T	\$58.0	\$50.0	-\$8.0

The fiscal year 2010 Budget request for core R&T is \$18.0 million more than the fiscal year 2009 enacted level of \$32 million. This increase will be targeted toward fully funding the housing surveys and data infrastructure, such as the American Housing Survey, and other housing critical surveys. The surveys have been significantly reduced in past years as detailed later in this justification. The funding for the program evaluations, housing technology research, housing finance research and other traditional research will be funded from the Transformation Initiative. This \$18.0 million increase is offset by a decrease of \$23 million due to the proposed funding of the University Community Fund from the separate Community Planning Development account, and a decrease of \$3 million from set-aside accounts (Study of Administrative Costs for the Housing Choice Voucher Program and Disaster Prone Areas Research) that are not requested in the fiscal year 2010 Budget.

Transformative Research

In fiscal year 2010 HUD seeks to establish the Transformation Initiative, providing an up to 1 percent set-aside of HUD program funds for research, evaluation, demonstrations, technical assistance and working capital improvements, with the goal of reducing the cost and improving the efficiency of HUD programs. PD&R will play a vital role in this initiative by conducting the transformative research and evaluation on HUD's programs utilizing a portion of the set-aside. These Transformation Initiative funds are detailed in a separate justification, and they are independent from the R&T funds requested in this budget for \$50 million.

The transformation of the Department depends on quality research and forward thinking demonstrations. Recent examples of the benefits of PD&R's research include the "Quality Control" study that identified a very high rate of improper payments for rental assistance leading to implementation of new controls and a resulting reduction of overpayments from \$2.2 billion in 2001 to \$783 million in 2007 (there is a one year reporting lag). Beyond this cost savings, past demonstrations have been the key building blocks for HUD's largest program, the \$17.8 billion Housing Choice Voucher program, which has at its roots the Experimental Housing Allowance Program demonstration and later the Freestanding Housing Voucher Demonstration that provided the building blocks for its design and amount of subsidy. PD&R's research on HOPE VI, Homeownership Zones, Moving To Opportunity, and Jobs Plus demonstration have informed the policy recommendations in this budget for the new Choice Neighborhoods initiative. Thinking forward, the Transformation Initiative will also avoid the pitfalls of lost opportunities, including the lost opportunity of the last decade to determine the effectiveness of different rent models being tried by different Moving-To-Work sites.

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A summary of the proposed transformative research under consideration follows:

- Housing Choice Voucher Administrative Fee Study;
- Study of voucher program regional administration initiative;
- Success rates for voucher tenants;
- Study of reducing energy use in the voucher program;
- Experiment to promote better access to opportunity neighborhoods by Voucher holders;
- HOPE VI after 15 years: lessons for Choice Neighborhoods;
- Baseline study and early implementation of Choice Neighborhoods Initiative;
- Studies of Moving-to-Work innovations;
- Sustainable building technology innovation;
- Pre-purchase housing counseling experiment (required by the Housing and Economic Recovery Act);
- On-going funding to track Gulf Coast Recovery;
- Panel study of the effects of mixed income developments in HOPE VI and HOME (base year);
- Aging in Place Demonstration (with HHS);
- Family Self-Sufficiency Experiment;
- Sustainable Communities Research (Joint HUD/DOT research effort to advance transportation and housing linkages);
- Evaluation of Public Housing Asset Management;
- Prime, sub-prime, and secondary mortgage market trends;
- FHA programs and other affordable lending and homeownership programs;
- Financing risks in single family and multifamily mortgage lending;
- Mortgage default, loss, and risk-based pricing;
- Credit scoring and FHA's mortgage scorecard technology for automated underwriting and risk rating FHA mortgages;
- General housing technology research aimed at improving the safety, soundness and energy efficiency of the Nation's housing stock, while maintaining affordability; and
- Removing regulatory barriers research.

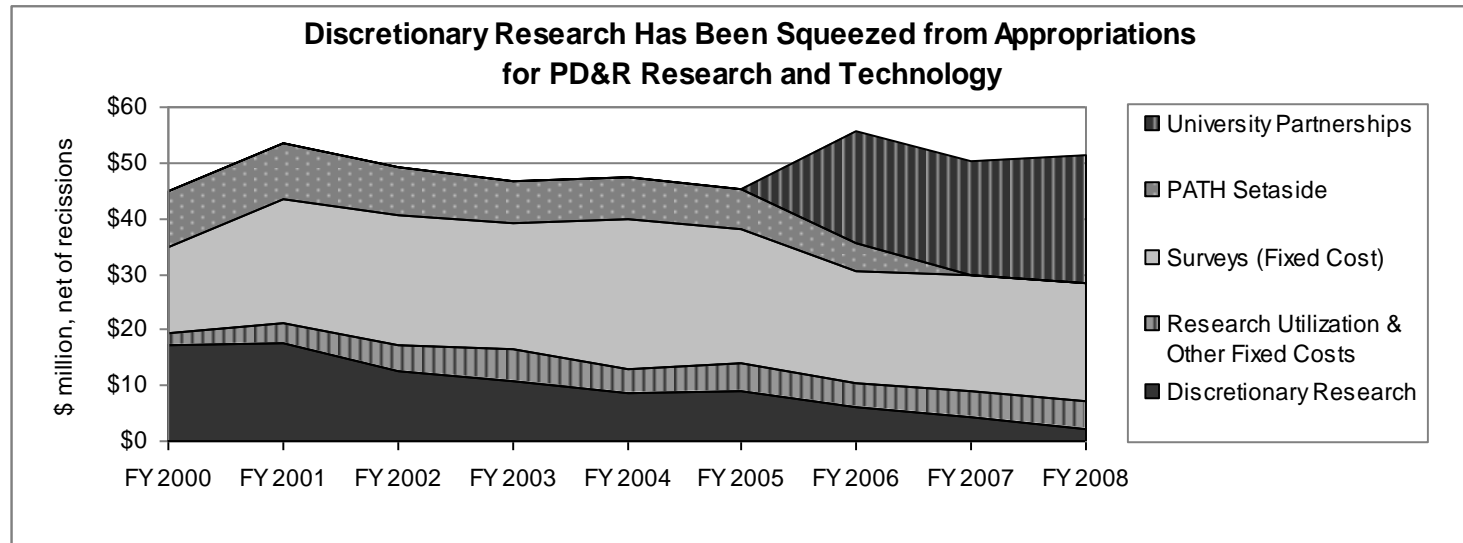
Research Funding History

The following graph shows that in recent years (through fiscal year 2008), funding for discretionary research has been squeezed by four competing activities that have been funded through R&T: housing surveys, the University Partnership programs, research dissemination and other fixed costs, and set-asides for the Partnership for Advancing Technology in Housing. The fiscal year 2009 enacted funding level for R&T does increase over the fiscal year 2008 level. These increased funds will be targeted to the housing surveys and program evaluations which have been significantly under funded in past years. As referenced earlier, the fiscal year 2010 Budget will provide a devoted source of funding from the Transformation Initiative for traditional research and program evaluations, while the R&T funds will be targeted to the housing surveys and the housing data infrastructure.

Inadequate R&T funding compromises HUD's mission because PD&R is less able to evaluate program results or study key policy issues. Congressionally mandated housing surveys that collect the nation's housing statistics are a major component of R&T spending, and the costs increase annually. A second large component, University Partnerships, was added from the CDBG account in fiscal year 2006 without an appropriate funding increase. The remaining funds have supported very few discretionary research priorities of HUD's program offices in the past 2 years. The budget constraint affects HUD's ability to demonstrate program results under various performance initiatives, and invites questions of adequate accountability for HUD's disproportionately larger program budget.

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The benefits of the increased funding in fiscal year 2009 include the ability to perform a previously unscheduled 2009 metropolitan American Housing Survey (AHS) in the New Orleans metropolitan area, to follow up on the 2004 metro American Housing Survey conducted there, and to provide comprehensive documentation of the changes in the New Orleans housing market caused by Hurricane Katrina and recovery efforts. In addition, two initiatives were funded, the \$1 million Housing Choice Voucher Administrative fee Study and the \$2 million Technology Related to Disaster Prone Areas research program.



Core Research and Technology Program: The 2010 request of \$50 million for the Core R&T area is focused on housing surveys, research dissemination, policy analysis, and housing market data. Specifically, \$44 million of this fixed activity is for housing surveys, including the American Housing Survey, the Survey of New Home Sales and Completions, the Survey of Market Absorption of Multifamily Units, the Survey of New Manufactured Housing Placements and the proposed new Multifamily Residential Finance Survey. Other fixed activities include \$5.5 million for research dissemination and clearinghouse activities. The balance of \$500 thousand is proposed for urban data systems acquisition (\$100 thousand) and for the doctoral and early doctoral research programs (\$400 thousand). These research funds are administered by the Assistant Secretary for Policy Development and Research under the R&T account.

University Partnership Grants Program/University Community Fund . In fiscal year 2010, the University Partnership Grants program will be refocused into the University Community Fund and the new program will be funded from the Office of Community Planning and Development's Community Development Fund account. As with the former University Partnership Grant program, this new program will be managed by PD&R. The amount proposed for the University Community Fund is \$25 million. Under the University Community Fund, PD&R will 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 previously served by the 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)].

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PD&R Projected Accomplishments for 2010. The fiscal year 2010 budget focuses on funding for the housing market surveys, and the housing data infrastructure. PD&R's research is essential to the Nation because it provides critical information that improves the efficiency and the delivery of housing and community development programs to Americans. PD&R's projected accomplishments in fiscal year 2010 follow:

- Conduct transformative research and evaluation of HUD programs as part of the HUD Transformation Initiative (one percent program set-aside);
- Accomplish policy work in support of the Housing and Economic Recovery Act (HERA) of 2008; such as developing the allocation formula for Neighborhood Stability grants;
- Complete disaster and other HERA formula calculations and allocations,
- Continue studies and research in the Elimination of Improper Payments Initiative. Recent studies show that efforts since fiscal year 2001 to reduce HUD's level of improper rental housing assistance have increased the amount of HUD's annual program funding available to serve low-income families in need by \$1.4 billion in fiscal year 2007;
- Improvements in the Fair Market Rents (FMRs) and Median Family Income Estimates through incorporation of 2nd wave of 3-year American Community Survey (ACS) data;
- Energy Action Plan will be completed and submitted to Congress;
- Assume CPD formula allocations, such as CDBG, HOME, HOPWA, and ESG Continuum of Care programs;
- Successfully complete the 2010 grant selection and awards for the new University Community Fund;
- Conduct key activities in support of Government Performance Reporting and Accounting, including the FY 2010 and 2011 Annual Performance Plan and the fiscal years 2010 and 2011 Performance and Accountability Report;
- Increase funding for improved coverage of the housing stock in the American Housing Survey;
- Accomplish research and policy work related to the American Recovery and Reinvestment Act of 2009;
- Continued analytic and policy support for the RESPA rule;
- Release of the Moving to Opportunity final report,
- Reporting on residents of the Low Income Housing Tax Credit (LIHTC) developments;
- Completion of the Housing Counseling Outcome report;
- Completion of the Congressional report on Transit-Oriented Development;
- Completion of the in-house Study of Analysis of Impediments to fair housing; and
- Completion of the Affordable Housing Needs Report;

Legislative Authority. Title V of the Housing and Urban Development Act of 1970, as amended, authorizes and directs the Secretary to undertake programs of research, studies, testing and approved demonstrations relating to the missions and programs of the Department. Work under this authority is a principal source for Departmental program and policy changes. In order to ensure effective use of the results of these activities, the Secretary is authorized to disseminate significant reports, data, and information to Departments and agencies of Federal, State and local governments, Congress, industry, and the general public. The authority for the University programs is provided by authorizing and appropriations statutes, including the Housing and Community Development Act of 1992 (Public Law 102-550) and the Housing and Community Development Act of 1974. The grants are awarded competitively to colleges and universities.

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

<u>Budget Activity</u>	<u>2008 Budget Authority</u>	<u>2007 Carryover Into 2008</u>	<u>2008 Total Resources</u>	<u>2008 Obligations</u>	<u>2009 Budget Authority/ Request</u>	<u>2008 Carryover Into 2009</u>	<u>2009 Total Resources</u>	<u>2010 Request</u>
Core R&T	\$28,440	\$2,339	\$30,779	\$28,846	\$35,000	\$2,727	\$37,727	\$50,000
University Partnership								
Grants	<u>22,330</u>	<u>1,256</u>	<u>23,586</u>	<u>23,436</u>	<u>23,000</u>	<u>150</u>	<u>23,150</u>	<u>[25,000]</u>
Total	50,770	3,595	54,365	52,282	58,000	2,877	60,877	50,000

The fiscal year 2007 carryover balance into 2008 of \$1.056 million for the University Partnership Grants was reduced by a rescission of \$.669 million. Also a recapture of \$.200 million for the University Partnership Grants was reduced by a rescission of \$.101 million. The 2007 carryover of \$.586 million shown above is net of the above rescission.

The 2008 core R&T carryover into 2009 includes \$.177 million of FEMA funds provided to PD&R in a 2007 Interagency Agreement and actual recoveries of \$699 thousand in fiscal year 2009.

The University Partnership program is changed to the University Community Fund in fiscal year 2010 and will be funded from the CDBG program.

PD&R requests funding for 158 FTE for fiscal year 2010 as detailed in the PD&R Salaries and Expenses Justification. A summary of the staffing request follows:

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	105	109	116
Field	<u>31</u>	<u>33</u>	<u>42</u>
Total	136	142	158

PD&R requests funding for 158 FTE for fiscal year 2010. A total of 16 additional FTE are requested for PD&R, 7 of these FTE are in headquarters and would be performing research and evaluation work associated with the Transformation Initiative and 9 FTE would be assigned to the Field Economists area to correct staff shortages in key field locations.

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**RESEARCH AND TECHNOLOGY
Program Offsets
(Dollars in Thousands)**

Core R&T	<u>Amount</u>
2008 Appropriation	\$28,440
2009 Appropriation/Request	35,000
2010 Request	<u>50,000</u>
Program Improvements/Offsets	+15,000

Proposed Actions and Summary of Obligations by Budget Category:

The Department proposes \$50 million for core Research and Technology. This is \$15 million more than the fiscal year 2009 funded level and \$21.56 million more than the fiscal year 2008 funded level. PD&R is proposing that fiscal year 2010 funds be devoted to the housing surveys and research dissemination, which would be an \$18 million increase (reflecting the elimination of four fiscal year set-asides) for these purposes. Traditional research will be funded from the new Transformation Initiative set-aside. Information pertaining to recent and estimated obligations for fiscal years 2008, 2009 and 2010 follow:

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<u>Budget Activity</u>	<u>2008 Obligations a/</u>	<u>2009 Current Estimate b/</u>	<u>2009 Enacted</u>	<u>2010 Estimate b/</u>	<u>Increase + Decrease - 2010 vs 2009</u>
(Dollars in Thousands)					
Core Research and Technology (R&T) :					
I. Market Surveys (Fixed)	\$20,306	\$21,600	\$21,600	\$44,100	+22,500
II. Other Fixed Activities	5,075	5,730	5,113	5,500	+387
Subtotal Fixed Activities	25,381	27,330	26,713	49,600	+22,887
III. Program Evaluations	1,196	4,916	3,858	...	-3,858
IV. Homeownership/Housing Finance Studies	730	975	600	...	-600
V. Housing Technology/ Regulatory Studies	50	160	160	...	-160
VI. Urban Data Systems Acquisition	320	78	78	100	+ 22
VII. Doctoral Research Program	400	200	200	400	+200
VIII. Removal of Regulatory Barriers to Affordable Housing	...	275	275	...	-275
IX. Other Housing/Community Development/Urban Research	311	116	116	...	-116
Subtotal Variable R&T	3,000	6,720	5,287	500	-4,787
Total Core R&T	28,831	34,050	32,000	50,100	+18,100
Set-Asides:					
X. FEMA Funded Evaluation of AHPP c/	459	177	...	...	...
XI. HUD-Federal Transit Authority Set-Aside d/	...	500	...	...	...
XII. Housing Choice Voucher Admin Study	...	1,000	1,000	...	-1,000
XIII. Technology Related to Disaster Prone Areas	...	2,000	2,000	...	-2,000
Total R&T (with Set-Asides)	28,847	37,727	35,000	50,100	+15,100

a/ Fiscal year 2008 obligations include 2007 carryover (\$1.703 million for Core R&T).

b/ Fiscal years 2009 and 2010 estimates include \$100 thousand in recoveries and \$2.727 thousand carryover funds)

c/ FEMA funds provided via IAA for PD&R'S evaluation of Alternative Housing Pilot Program (AHPP). FEMA funds of \$177 thousand are part of the carry over to fiscal year 2009.

d/ This set-aside was not obligated in fiscal year 2008 and is part of the carry over to fiscal year 2009.

NOTE: There was an actual recovery of \$699 thousand in fiscal year 2009 which is reflected above in the obligations for evaluations.

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Budget Activity

University Partnership Grants/University Community Programs	2008 <u>Obligation</u> e/	2009 Current <u>Estimate</u>	2009 <u>Enacted</u>	2010 <u>Request</u>	Increase+ Decrease- <u>2009 vs 2008</u>
(Dollars in Thousands)					
I. University Community Fund	...	...	...	[\$25,000] f/	[+\$25,000]
II. Historically Black Colleges and Universities (HBCU)	9,481	\$9,105	\$9,000	...	-\$9,000
III. Hispanic Serving Institutions (HSIAC)	5,955	6,045	6,000	...	-6,000
IV. Alaska & Hawaiian Serving Inst (AN/NHIAC)	3,000	3,000	3,000	...	-3,000
Tribal Colleges and Universities Program (TCUP)	5,000	5,000	5,000	...	-5,000
Total University Partnership Grants	23,436	23,150	23,000	...	-23,000
Grand Total R&T	\$52,283	\$60,877	\$58,000	\$50,100	-\$7,900

e/ Fiscal year 2008 obligation includes fiscal year 2007 carryover balance of \$1.056 million reduced by a rescission of .569 million (detail of carryover balances follow: HBCU - \$1.0 million reduced by a rescission of .513 million and HSIAC - \$.056 million which was rescinded) and a recapture of \$.200 million for HBCU reduced by a rescission of \$.101 million.

f/ The University Community Fund will be funded from CPD's Community Development Fund account in fiscal year 2010.

FIXED ACTIVITIES:

I. Housing Market Surveys

Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes and understand their importance for financial risk, credit, affordability of rental and owner-occupied housing, residential construction and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders. These major housing market surveys include the American Housing Survey (AHS), the Survey of New Home Sales and Completions, the Survey of Market Absorption, the Survey of New Manufactured Homes Placements and the new Multifamily Housing Finance Survey. These studies are described below:

The American Housing Survey (AHS) is the richest source of information about the nation's housing stock and the characteristics of its occupants, and conducts an important role in assessing the performance of government housing programs. By providing a base of facts about the conditions of housing in the United States, the AHS moves policy debates beyond questions of "what is" to "what should be done." HUD makes extensive use of the AHS in reports such as the Affordable Housing Needs Reports on the availability, affordability and adequacy of the U.S. housing stock, which use many of the variables and special features of the AHS. Other major HUD uses include the Components of Inventory Change (CINCH) reports that use longitudinal features of AHS to Track changes in housing stock from one survey to the next, and the Housing Affordability Data System (HADS) that allows analysts to make consistent comparisons of housing affordability measures and issues over time. The AHS is also used to inform HUD on a wide array of issues including: trends in housing costs, home mortgage finance, incidence of overcrowding in housing, characteristics of units and their occupants associated with changes in tenure status, commuting patterns and the housing stock, effects of changes in ownership on repair and remodeling behavior in owner-occupied housing, the housing situation of the elderly, market dynamics of how housing gets allocated over

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time through market filtering and reuse, the characteristics of HUD-assisted renters and their units, and HUD reporting under GPR.

Congress is also a major user of the AHS to inform the legislative process through the Congressional Budget Office, Congressional Research Service (Library of Congress), and Government Accountability Office, as well as through Congressionally appointed special commissions such as *Meeting Our Nation's Housing Challenges: Report of the Bipartisan Millennial Housing Commission*.

AHS has broad usefulness beyond the needs of HUD, or, the Federal government. Groups such as the National Association of Realtors, National Association of Home Builders, National Multi Housing Association, Mortgage Bankers Association of America, and the Manufactured Housing Institute regularly use the AHS as a factual basis for advocacy. Major independent reports that are produced using AHS data include National Low Income Housing Coalition's *Rental Housing Production Need Estimates; Perspectives on Renter Income and Affordable Units*; and *Low Income Housing Profile*; the Joint Center for Housing Studies at Harvard's *State of the Nation's Housing Annual Report Series*; *America's Rental Housing: The Key to a Balanced National Policy*; and *Borrowing to Live: Consumer and Mortgage Credit Revisited*.

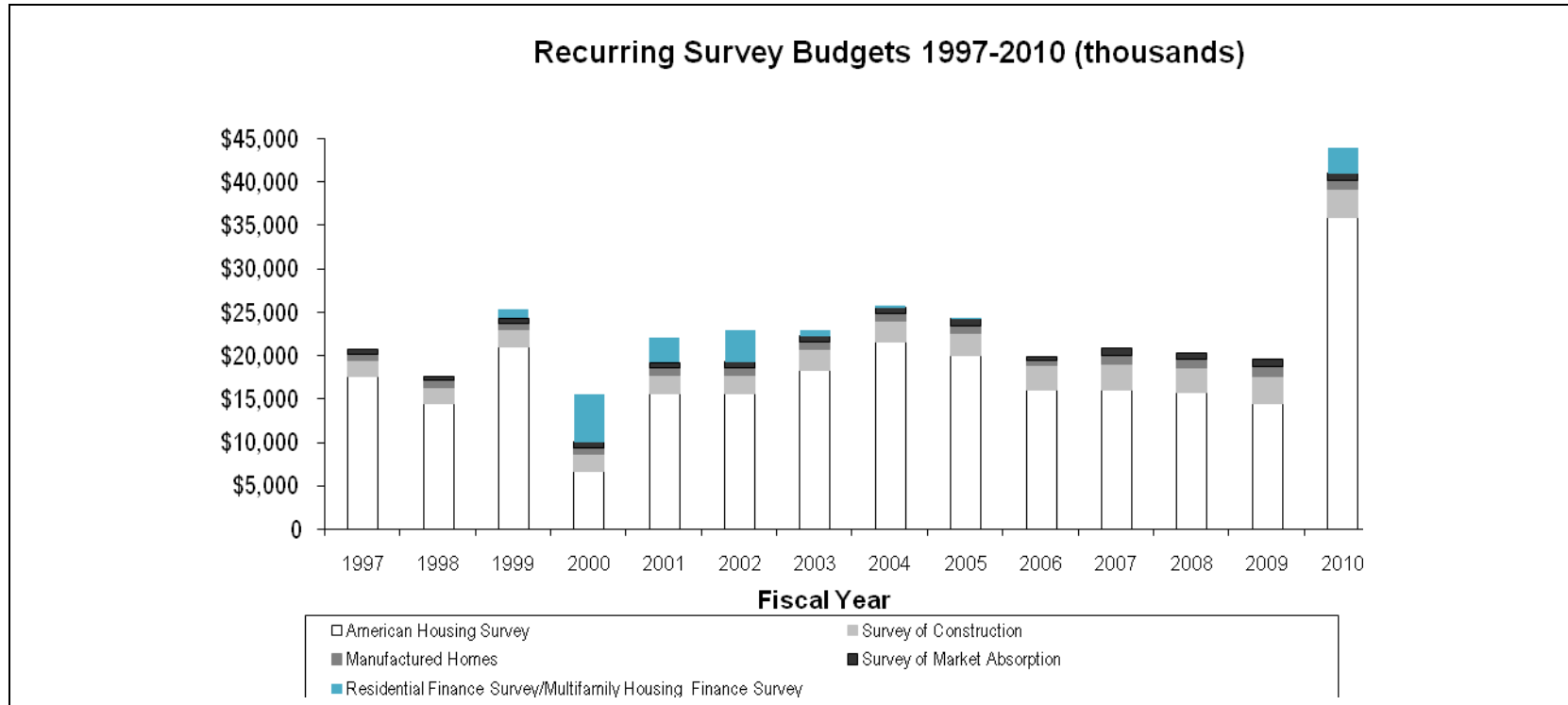
In fiscal year 2010, \$35.8 million is requested for the AHS. The AHS began in 1973 as part of the response to urban unrest in the 1960s, and Congress has mandated that HUD conduct an AHS similar to the one conducted in 1981. At that time, the national AHS, with a sample size of over 60,000 housing units, was conducted biennially, and 60 metropolitan surveys, with an average sample size of over 5,000 units, were conducted every four years. A recent estimate provided by the U.S. Census Bureau was that a survey performed in the same way and meeting such criteria today would cost approximately \$79.6 million over a 2-year cycle. Over the years, budget cuts and increasing costs have resulted in reductions in both sample size and the number of metropolitan areas surveyed. In the early 1990s, the number of metropolitan surveys was reduced to 47. Beginning in 1996, the number of metropolitan surveys was further reduced to 39 on a 6-year cycle. At the same time, the sample size of the National AHS was reduced to about 55,000 units and the metropolitan surveys were reduced to about 3500 units. Budget cuts since 2004 have caused further retrenchment to the metropolitan surveys. No metropolitan surveys were conducted in 2005, 7 were conducted in 2007, and 7 are to be conducted in 2009 (where 5 are of the largest metro areas accomplished by supplementing the national sample). In addition, the metro sample sizes were reduced to 3000 units in 2007 and 2500 units in 2009.

Without the proposed funding in fiscal year 2010, the AHS will be in a perilous state and all of these important uses described above will be jeopardized. Sample sizes and metropolitan areas have been cut to the point that we are in serious violation of our Congressional mandate and further reductions will seriously degrade the usefulness of the data. Reductions in sample size inhibit the ability to state whether a change is statistically significant or whether research results can be stated with confidence. A return to even the reduced program of 2007 will require substantial increases in spending. By 2013, when the 2010 decennial census data will be available, the survey will need to be substantially redesigned to make use of a new sample based on the new population counts. Planning and research needs to be done to prepare for this. A budget of \$35.8 million for the AHS in fiscal year 2010 will restore the surveys to their previous levels. As cost saving measures, panels of metropolitan areas will be rotated within the national survey and the sample size of the metropolitan areas will be a function of their size. This will enable us to produce a combined national and 30 metropolitan area surveys biennially with a total sample size of 184,750 housing units and an average metropolitan sample size of 4500 units.

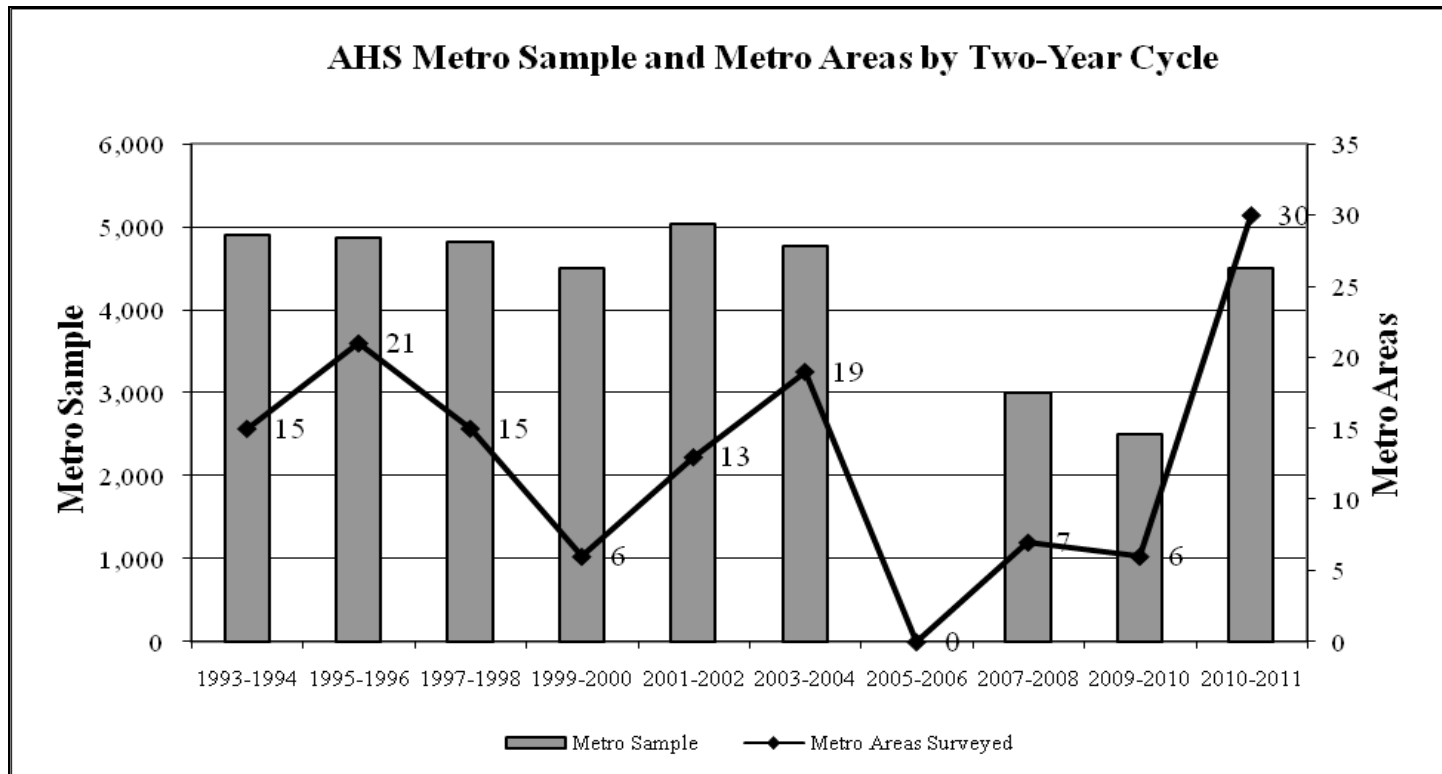
The enhanced samples will allow for many improvements to the kinds of analyses and reports cited above. The increased sample size will enable: the publication of tables with unprecedented geographic detail including Census Divisions, and state-level data for most states; more oversampling of HUD-assisted units to enable analysis of more detailed characteristics of HUD-assisted tenants and their units; and an overall ability to examine characteristics of narrow population segments, such as elderly renters, with greater detail and increased confidence in the results.

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Charts depicting the funding of the surveys, including the proposed fiscal years 2009 and 2010 funding as well as a depiction of the metro surveys follow:



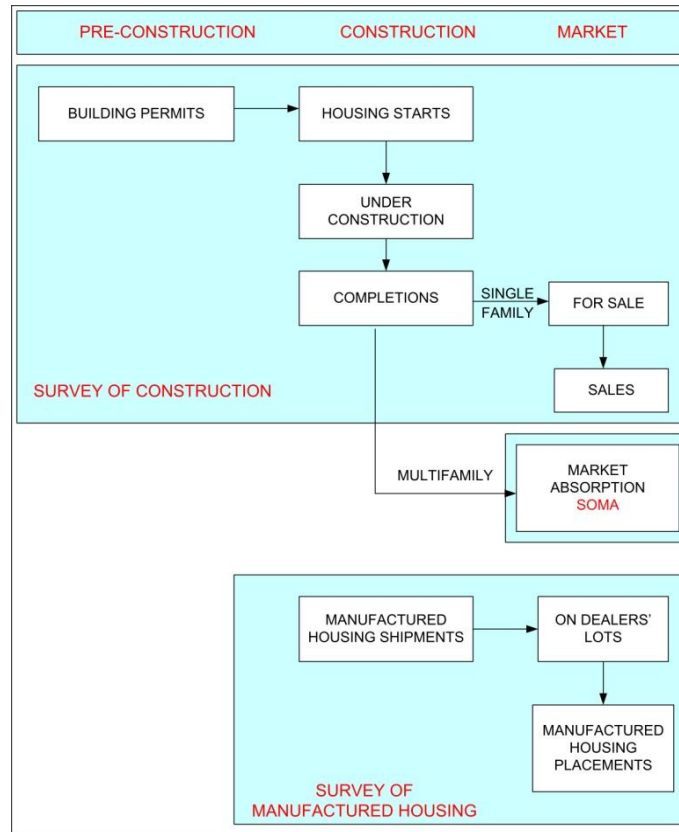
Evidence of the reduced metro samples and areas surveys since fiscal year 2005 follows:



- The Survey of New Home Sales and Housing Completions provides monthly, quarterly and annual data on sales, completions, and prices of new homes. Information on other characteristics of new homes is also collected. This survey provides the data for two leading national economic indicators every month. In addition, this survey is being upgraded with new software. In fiscal year 2010, \$3.2 million is budgeted for this survey.
- The Survey of Market Absorption of New Multifamily Units provides quarterly data on how quickly new multifamily units are rented, by rent level and number of bedrooms. The survey also provides information on other characteristics of new multifamily housing units. As a result of the fiscal year 2006 appropriation, this survey was proposed to be eliminated. However, HUD received strong letters and expressions of support for this survey so it was continued. In fiscal year 2010, \$900 thousand is budgeted for this survey.

- **The Survey of New Manufactured (Mobile) Housing Placements**, a mandated survey, compiles monthly and annual data on the number of new manufactured housing units sold or leased and placed on site by manufactured housing dealers for residential use. Information on other characteristics of newly placed manufactured homes are collected through this survey. In fiscal year 2010, \$1 million is budgeted for this survey.

These three PD&R-sponsored surveys provide an integrated picture of the path that new housing takes from the planning stage, through construction to use (see figure):



Funds for these three surveys are critical since they are used to inform the nation of the pipeline production of the housing stock.

Multifamily Housing Finance Survey: Funding is requested in fiscal year 2010 for the Multifamily (MF) Housing Finance Survey. The previous Residential Finance Survey (RFS) was conducted in 2001 and the data are old and the survey has been criticized for some sampling issues. However, the RFS remains the best available source for certain MF financing information. To address these shortcomings, HUD, Freddie Mac, Fannie Mae, and the Census Bureau (Housing and Household Economic Statistics Division) began an effort in 2007 to develop a modified, scaled-back survey called the Multifamily Housing Finance Survey (MHFS). The data to be collected with such a survey would provide the only recent nationally representative data on MF rental project mortgage origination volume and rental affordability--both critical for development of MF housing goals for the GSEs under HERA, as well as numerous other potential uses in developing housing policy. The MHFS would be biannual accounting of the stock of multifamily housing finance instruments. The sample design is comprised of subsamples from two existing housing surveys: the American Housing Survey (national), which will cover existing properties, and the Survey of Market Absorption, which will cover newly-built properties (those constructed since the last AHS). In fiscal year 2010, \$3 million is budgeted for this survey.

II. Other Fixed Activities: Research Dissemination, Support Services, Regulatory Barriers Clearinghouse, and University Programs Clearinghouse

To ensure optimal use of the research and analysis conducted by PD&R, it is essential that these materials be made available to policy makers, researchers and policy analysts. In fiscal year 2010, \$5.5 million is budgeted for these activities. PD&R's research information clearinghouse, HUDUSER, and PD&R's website www.huduser.org, will continue to serve an impressive number of researchers, including policy analysts at all levels of government, the private sector, nonprofit housing advocates, and educators. It is projected that 6.2 million files will be downloaded by these users in fiscal year 2010. During the same period, it is projected that HUDUSER will distribute over 190 thousand copies of PD&R products. In fiscal year 2005, PD&R conducted a survey of HUDUSER customers about their satisfaction with the products and the website. Among the fiscal year 2005 survey respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUDUSER, exceeding the goal of 80 percent finding the information "valuable." This highly-structured survey of a sample of PD&R customers shows a sustained high level of satisfaction. Satisfaction with the quality of information was even higher among the key users groups, reaching 94 percent. PD&R plans to obtain updated evidence of performance outcomes through comparable survey research in fiscal year 2009. Through its support services contract, PD&R will continue to have access to technical reviewers for reports and papers, writers, editors, conference planners and graphic designers. Experts in these areas will assist PD&R staff in the development and marketing of written products; organizing and implementing conferences, workshops and meetings; designing and staffing PD&R exhibits at national conferences; and providing dissemination and distribution support for PD&R publications.

This funding category also includes a clearinghouse required by statute. The American Homeownership and Economic Opportunity Act of 2000 required PD&R to establish a Regulatory Barriers Clearinghouse to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing.

VARIABLE ACTIVITIES:

III. Program Evaluations, Homeownership/Housing Finance Studies and V. Housing Technology and Regulatory Studies

As referenced earlier in this justification, in fiscal year 2010, these categories of research and evaluation will be completed under the Transformation Initiative.

IV. Urban Data Systems Research

PD&R requests \$100 thousand for Urban Data Systems research. PD&R will continue to collect and make available basic data on the economic and social conditions of cities and to update the State of the Cities Database. Research for fiscal year 2010 will include adding additional standard and special tabulations from the American Community Survey (ACS) to the database, and examining the spatial patterns of housing and economic development. Together, these projects will provide insight into the causes and impacts of urban growth and change and produce information relevant to cooperation among

various levels of government (Federal, state, and local). Further data collection and analysis projects include analyses of crime data, business establishment and jobs data, residential building permits, the incidence and influence of regulatory barriers, government spending patterns, and current labor force statistics for metropolitan areas and principal cities.

V. **Doctoral Research Program**

PD&R seeks to enhance HUD's overall capacity and knowledge base by encouraging more scholars to focus on research questions relevant to HUD goals. To help build broader attention to policy-relevant research on housing, urban development, and economic issues, PD&R offers support to promising researchers during the doctoral process. The Doctoral Research Grant Program enables doctoral students to cultivate their research skills through the preparation of manuscripts and dissertations, and the opportunity to present and publish their work. In fiscal year 2010, PD&R is requesting \$400 thousand for the Doctoral Dissertation Research Grant Program and the Early Doctoral Grant program. Since Fiscal Year 2003, 87 students have received funding under this program. These students attend a variety of institutions throughout the United States, i.e., Loyola University of Chicago, New York University, University of Ohio, University of Pennsylvania, University of Southern California and the list continues. Without this funding many students would not be able to complete their research.

VI. **Removal of Barriers to Affordable Housing**

As referenced earlier in this justification, in fiscal year 2010, these categories of research and evaluation will be completed under the Transformation Initiative.

VII. **Other Housing, Community Development and Urban Research**

As referenced earlier in this justification, in fiscal year 2010, these categories of research and evaluation will be completed under the Transformation Initiative.

VIII. **Evaluation of Alternative Housing Pilot Program Carryover** - this program was funded by FEMA in 2007; funding is not requested in fiscal year 2010.

IX. **HUD-Federal Transit Authority Set-Aside** - these funds were set aside in the fiscal year 2008 appropriation, the work will be completed in fiscal year 2009; no funds are requested in fiscal year 2010.

X. **Housing Choice Voucher Administrative Study**. This study will identify Public Housing Authority's (PHAs) that are administering the voucher program well. This is a multi-year study that is being initiated in fiscal year 2009. This initial phase will include the study design, PHA site selection and a research paper describing what it means to run the program well and why these sites are exemplary. The additional funding on fiscal years 2009 and 2010 will include data collection on what it costs the exemplary sites to run their programs and there will be a report on the project and on recommendations for allocating the Section 8 administrative fees.

XI. **Technology Related to Disaster Prone Areas** - funding of \$2 million was set-aside in PD&R's fiscal year 2009 appropriation for this initiative. Of this funding, \$1 million will carryover into fiscal year 2010.

Research and Technology

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Program Offsets
(Dollars in Thousands)**

University Partnership Grants	<u>Amount</u>
2008 Appropriation	\$22,330
2009 Appropriation/Request	23,000
2010 Request	<u>[25,000]</u>
Program Improvements/Offsets	+2,000

Proposed Actions

University Community Fund. The University Partnership Program will be refocused and revitalized in fiscal year 2010 and changed to the University Community Fund. The funding request of \$25 million for the University Community Fund will come from the Office of Community Planning and Development's (CPD's) Community Development Block Grant (CDBG) program. CDBG was the funding source for the University Partnership program prior to fiscal year 2006. The new University Community Fund will continue to be managed by PD&R.

A description of the University Community Fund can be found in CPD's CDBG Budget Justification.

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

One facet of PD&R's work involves providing quality research products to outside researchers and policy makers which is captured by objective E.3 Improve accountability, service delivery and customer service of HUD and its partners, with the research-related performance indicator "At least 85 percent of key users (including researchers, state and local governments and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products." PD&R conducted a survey and evaluation in 2001 to determine whether customers found PD&R research products relevant, useful and well prepared. HUD research was rated highly and cited frequently in academic literature. PD&R attained the performance goal in 2001 and exceeded it in the results of a similar survey to reassess our research products in fiscal year 2005. The magnitude of PD&R's influence is reflected by another performance goal, that the number of files downloaded from the HUD USER website has reached 7.2 million in fiscal year 2008 exceeding the established goal by \$1 million downloads.

Finally, PD&R's work under this goal supports expanding eGovernment, streamlining the consolidated plan, reducing overpaid rent subsidies and improving FHA Risk Management.

Program Name: RESEARCH AND TECHNOLOGY					
Program Mission: The mission of the Office of PD&R is to provide reliable facts and analysis to inform the policy decisions of HUD, Congress, and State and local governments. Research and Technology (R&T) funds enable PD&R to fulfill this mission by maintaining and expanding information on housing needs and market conditions, evaluating current HUD programs and proposed policy changes, and conducting research on a wide range of housing and community and economic development issues, including advances in housing technology.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
At least 85 percent of key users (including researchers, state and local governments, and private industry) will be satisfied with the quality and usefulness of the Office of Policy Development and Research work products.	Key User Surveys - periodic	NA	NA	NA	85%
More than 7.2 million files related to housing and community development topics will be downloaded from PD&R's website.	Files Downloaded	6.2 million files	7.2 million files	7.0 million files	7.2 million files

NA = Not Available

Explanation of Performance Indicators

Funds are included to support the American Housing Survey and related housing surveys, which are the largest activity in PD&R's budget and are key to assessing critical outcomes in the Nation's housing markets. In fiscal year 2010, PD&R will conduct or initiate work that supports HUD's six strategic goals:

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- Strategic Goal A: Increase Homeownership Opportunities;
- Strategic Goal B: Promote Decent Affordable Housing;
- Strategic Goal C: Strengthen Communities;
- Strategic Goal D: Ensure Equal Opportunity in Housing;
- Strategic Goal E: Embrace High Standards of Ethics, Management and Accountability; and
- Strategic Goal F: Promote Participation of Faith-Based and Community Organizations.

RESEARCH AND TECHNOLOGY
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 contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary under section 1(a)(1)(i) of Reorganization Plan No. 2 of 1968 [\$58,000,000] *\$50,000,000*, to remain available until September 30, [2010: Provided, That of the total amount provided under this heading, \$23,000,000 is for grants pursuant to Section 107 of the Housing and Community Development Act of 1974 (42 U.S.C. 5307): Provided further, That at least \$1,000,000 shall be available for the Secretary to conduct a comprehensive study to be managed by the Office of Policy Development and Research, to analyze the administrative costs necessary to carry-out the tenant-based voucher program: Provided further, That of the total amount made available, \$2,000,000 may be made available for technology directly related to disaster prone areas.] 2011 (Department of housing and Urban Development Appropriations Act, 2009.)

Explanation of Changes

The University Partnership Program is transformed into the new University Community Fund initiative. The budget request for the University Community Fund, which will be funded from the Community Development Fund account, is \$25 million.

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POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Crosswalk of 2008 Availability
(Dollars in Thousands)

<u>Budget Activity</u>	<u>2008 Enacted</u>	<u>Supplemental/ Rescission</u>	<u>Approved Reprogrammings</u>	<u>Transfers</u>	<u>Carryover</u>	<u>Total 2008 Resources</u>
Core R&T	\$28,440	...	...	...	\$2,339	\$30,779
University Partnership Grants	<u>23,000</u>	<u>-\$670^c</u>	...	...	<u>1,256</u>	<u>23,586</u>
Total	51,440	-670	...	...	3,595	54,365

University Community Fund. The University Partnership Program will be refocused and revitalized in fiscal year 2010 and changed to the University Community Fund. The funding request of \$25 million for the University Community Fund will come from the Office of Community Planning and Development's (CPD's) account. CPD was the funding source for the University Partnership program prior to fiscal year 2006. The new University Community Fund will continue to be managed by PD&R.

A description of the University Community Fund can be found in CPD's CDBG Budget Justification.

Research and Technology

POLICY DEVELOPMENT AND RESEARCH
 RESEARCH AND TECHNOLOGY
 Crosswalk of 2009 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	<u>2009 President's Budget Request</u>	<u>Congressional Appropriations Action on 2009 Request</u>	<u>2009 Supplemental/ Rescission</u>	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Core R&T	\$41,200	\$35,000	...	...	\$2,727	\$37,727
University Partnership Grants	<u>13,500</u>	<u>23,000</u>	<u>...</u>	<u>...</u>	<u>150</u>	<u>23,150</u>
Total	54,700	58,000	...	...	2,877	60,877

The 2008 core R&T carryover forwarded to 2009 includes \$.177 million of FEMA funds provided to PD&R in a 2007 Interagency Agreement.