

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
2010 Summary Statement and Initiatives
(Dollars in Thousands)

TENANT-BASED RENTAL ASSISTANCE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$16,426,000	\$353,368 ^a	-\$864,869 ^b	\$15,914,499 ^c	\$15,558,120 ^c	\$15,741,108
2009 Appropriation/Request	16,975,000	356,380	-750,000	16,581,380 ^d	16,581,380 ^d	16,152,000
2010 Request	<u>17,836,000</u>	<u>...</u>	<u>...</u>	<u>17,836,000</u>	<u>17,836,000</u>	<u>17,764,000</u>
Program Improvements/Offsets	+861,000	-356,380	+750,000	+1,254,620	+1,254,620	+1,612,000

a/ Includes \$3.094 million recaptured during fiscal year 2008.

b/ Includes a total fiscal year 2008 rescission of \$950 million and \$85 million in supplemental funds.

c/ Includes \$6.494 million transferred and obligated in the Working Capital Fund.

d/ Includes \$7.929 million transferred and obligated in the Working Capital Fund.

NOTE: "Enacted/Requested" amounts are based on fiscal year appropriations. However, this program is administered and typically appropriated on a calendar year basis.

Summary Statement

The Section 8 Tenant-Based Rental Assistance or Housing Choice Voucher (HCV) program is widely recognized as a cost-effective means for delivering decent, safe, and sanitary housing to low-income families in the private market. (See demographics data on page C-4.) The rental assistance is provided on behalf of the family or individual so that participants are able to find and lease privately owned housing. Last year, the Federal government assisted over two million families with this program. Through this Budget, the Department intends to further enhance this program by enabling Public Housing Authorities (PHAs) to maximize the number of families assisted that can be supported by their available funding. The calendar year 2010 request is \$17.8 billion. This request is a \$1.6 billion increase from the enacted 2009 Omnibus Appropriations Act. Of the total amount requested for fiscal year 2010, the Department requires \$16.2 billion to cover the renewal of expiring tenant-based Section 8 contracts in calendar year 2010, \$1.5 billion for administrative fees, \$103 million for tenant protection vouchers and \$50 million for Family Self-Sufficiency.

The increase requested for the HCV account is attributable to increased leasing by PHAs during calendar year 2008, incremental vouchers rolling into the contract renewal base, an inflationary adjustment necessary to maintain the value of a Section 8 voucher, and an increase in associated Administrative Fees to issue new incremental vouchers that have rolled into the contract renewal base.

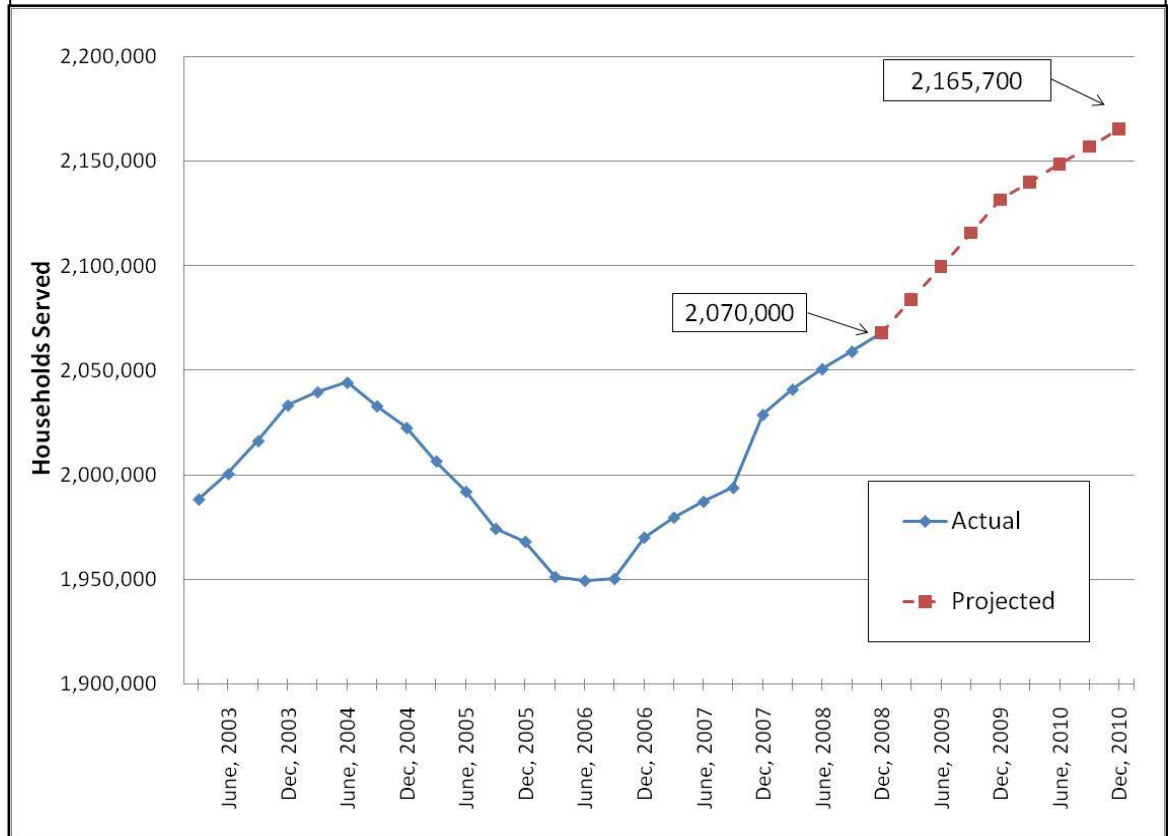
Tenant-Based Rental Assistance

The \$17.8 billion request will allow the Department to assist over 2,165,700 families with this program by the end of 2010. This will be the most families ever assisted by this program. Figure C.1 shows the change in total assisted households from 2003 to 2008 and the projected growth in this program to the end of 2010. From 2008 to 2010, we expect the program to expand by 4.6 percent (95,700 additional families). Much of this expansion is a result of new incremental vouchers funded by the 2008 and 2009 Appropriation Acts. The Department’s request will fully fund the renewal of all these incremental vouchers, in addition to maintaining approximately the same number of families assisted during December 2008.

Moving-to-Work (MTW)

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P. L. 104-134, hereinafter “MTW Statute”) provides that an agency participating in the Moving-to-Work (MTW) demonstration program may combine public housing operating and capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the “1937 Act”) and voucher program funds provided under Section 8 of the 1937 Act “to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve.” In 2008, MTW agencies received 16 percent of the total renewal funding.

Figure C.1 Households Served (2003 – 2010)



The Department believes that the above language is intended to permit the use of appropriated funds beyond Sections 8 and 9 of the United States Housing Act of 1937, provided the agency in the MTW demonstration program uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW Statute and have been proposed in an agency’s Annual MTW Plan and approved by HUD.

Tenant-Based Rental Assistance

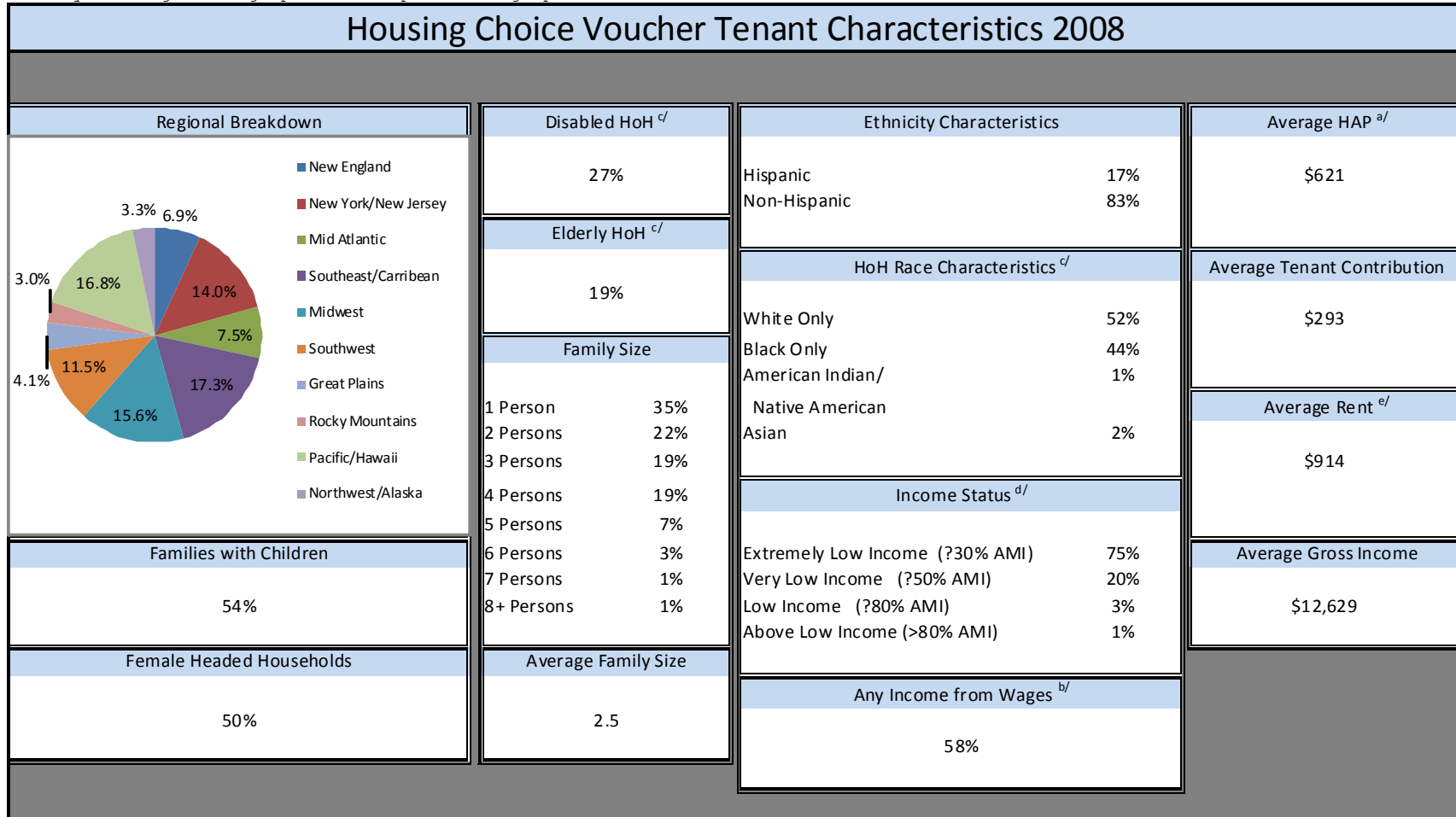
Strategic Goals and Objectives

Through this Budget, the Department reaffirms its commitment to improving the Section 8 Housing Choice Voucher Program by enabling PHAs to maximize the number of families assisted that can be supported by their available funding.

The strategic goals and objective for 2010 include:

- Design a comprehensive systems development strategy that will focus on critical core business functionalities and begin the implementation process. HUD anticipates that the recommended solution phase of the Housing Choice Voucher Program Business Process Reengineering (BPR)/Business Process Improvement (BPI) Project will be complete by the summer of 2010, and the Systems Development for Critical Business needs and implementation of BPI/BPR for identified processes will commence shortly thereafter.
- Continue to study how much it costs a PHA to run an efficient Housing Choice Voucher program and to develop a formula for allocating administrative fees. HUD intends to contract with an academic or other qualified organization to conduct this comprehensive research study on administrative fees. This will be a multiyear contract and HUD anticipates that the contract will be awarded in the fall of 2009.
- Implementing an improved Section 8 Management Assessment Program (SEMAP) that will ensure better oversight and quality control over the HCV program. The current SEMAP evaluates a PHA's HCV program using 13 performance indicators, and PHAs self-certify as to their performance under these indicators. A comprehensive overhaul of the SEMAP regulation is necessary shift the assessment program to a system that is based on independent verification as opposed to self-certification, and that focuses on a limited number of essential core indicators that measure results as opposed to process.
- Revise the Housing Quality Standards (HQS) and develop a new methodology for evaluating the PHA inspection process. HUD will conduct a comprehensive review of the HQS and use the results of that review to develop a new and improved standard by the summer of 2010. Once this task is completed, HUD will develop a quality control review methodology and scoring system to assess PHA performance that includes independent inspections by HUD's Real Estate Assessment Center (REAC) in applying the new standards. The quality control protocol is expected to be completed in the fall of 2010.
- Eliminate the unit cap restriction imposed by the past Appropriations Act. This would allow a PHA that has fully leased its program to assist additional families beyond the baseline number of units provided it has sufficient funding available to do so. This action would not increase the PHA's authorized baseline for purposes of future year renewals, so the PHA would have to take that factor into consideration when determining how many (if any) more families the PHA could serve. However, this change would provide fully leased PHAs that are administering cost-effective programs with the option of serving additional families on its waiting list, as opposed to leaving much needed voucher assistance left unused.

The Housing Choice Voucher program assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing. The graph below depicts demographic information of the families served.



Source: 2008 Public and Indian Housing Information Center (PIC) data

a/ Average monthly Housing Assistance Payment (HAP) of \$621 is from the Voucher Management System (VMS)

b/ Wages from non-elderly non-disabled households

c/ HOH is Head of Household

d/ AMI is Area Median Income

e/ Average rent is an estimate based on data from the VMS and PIC systems

Tenant-Based Rental Assistance

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
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>
Contract Renewals	\$13,805,394	\$171,768	\$13,977,162	\$13,974,861	\$14,456,071	\$2,302	\$14,458,373	\$16,189,200
Administrative Fees ...	1,340,183	44,060	1,384,243	1,316,142	1,436,000	68,101	1,504,101	1,493,800
Section 8 Rental Assistance	150,060	90,014	240,074	139,746	150,000	100,328	250,328	103,000
FSS Coordinators	49,000	47,526	96,526	47,518	50,000	49,008	99,008	50,000
Veterans Affairs Supportive Housing (VASH) Program	75,000	...	75,000	73,359	75,000	1,641	76,641	...
Working Capital Fund (transfer)	6,494	...	6,494	6,494	7,929	...	7,929	...
Non-Elderly Disabled ..	30,000	...	30,000	...	30,000	30,000	60,000	...
Family Unification Program	20,000	...	20,000	...	20,000	20,000	40,000	...
Disaster Displacement Assistance	<u>85,000</u>	<u>...</u>	<u>85,000</u>	<u>...</u>	<u>...</u>	<u>85,000</u>	<u>85,000</u>	<u>...</u>
Total	15,561,131	353,368	15,914,499	15,558,120	16,225,000	356,380	16,581,380	17,836,000

NOTE: "2008 Budget Authority" and "2009 Budget Authority" are net of rescissions. "2007 Carryover Into 2008" includes \$3.094 million in recaptures that were collected and rescinded in 2008.

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	275	260	262
Field	<u>174</u>	<u>194</u>	<u>197</u>
Total	449	454	459

Tenant-Based Rental Assistance

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Contract Renewals	<u>Amount</u>
2008 Appropriation	\$13,805,394
2009 Appropriation/Request	14,456,071
2010 Request	<u>16,189,200</u>
Program Improvements/Offsets	+1,733,129

NOTE: Amounts above are net of rescissions and represent the fiscal year allocation. However, this program is administered on a calendar year basis. The actual calendar year distribution, including the rescission from Net Restricted Assed Balances (NRA), allocations are as follows:

<u>Calendar Year</u>	<u>New Budget Authority</u>	<u>NRA Offset and Rescission</u>	<u>Calendar Year Allocation</u>
2008	\$14,694,506	\$(723,257)	\$13,971,249
2009	15,034,071	(750,000)	14,284,071
2010	16,189,200	-	16,189,200

Proposed Actions

Contract Renewals provide funding to renew expiring Section 8 tenant-based rental assistance contracts on a calendar-year basis. All contracts are proposed for a renewal term of one year. For fiscal year 2010, the Department requests \$16.2 billion in Contract Renewals funding. The increase is primarily attributable to the renewal of first-time expiring tenant protection vouchers; renewal of Veterans Affairs Supportive Housing (VASH) vouchers enacted in fiscal years 2008 and 2009; renewal of Family Unification Program (FUP) vouchers enacted in fiscal year 2008 and 2009; renewal of non-elderly disabled vouchers enacted in fiscal year 2008 and 2009; renewal of PHA project-based voucher assistance enacted in the 2008 Supplemental Appropriations (P.L. 110-252); as well as the renewal of continued assistance in fiscal year 2009 to families impacted by Hurricanes Katrina and Rita whose assistance will otherwise end on March 1, 2009, under the Disaster Housing Assistance Program (DHAP).

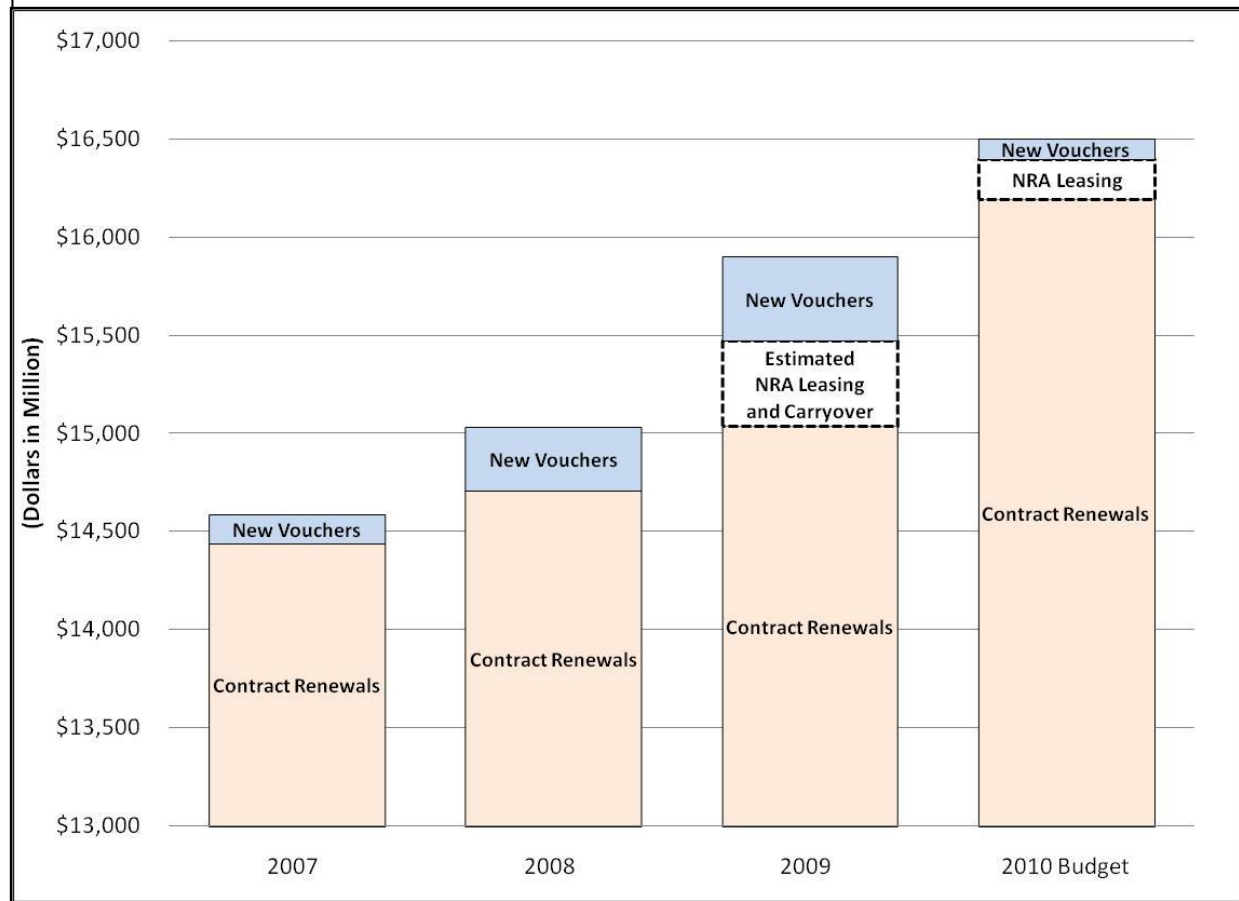
As evident in Figure C.2, new incremental vouchers and inflation from the prior year are the primary drivers of contract renewal cost increases. The 2009 Omnibus Appropriation Act funded approximately 2,015,000 vouchers; however, PHAs were actually assisting about 2,070,000 families at the end of 2008. The 55,000 vouchers that were not funded in the 2009 appropriation accounts for about \$418 million of the increased funding requested for 2010. In order to fund these vouchers in 2009, PHAs will need to utilize additional funds from their Net Restricted Asset Accounts (NRA) and HUD will use carryover funds in order to maintain the current level of assistance. After adjusting for NRA leasing in 2009 and the \$750 million NRA offset/rescission the Department expects that PHAs will have minimal NRA balances remaining by fiscal year 2010.

Tenant-Based Rental Assistance

In addition, about 57,000 incremental vouchers issued in 2008 and 2009 will need to be renewed in 2010. This is also reflected in Figure C.2. The majority of these vouchers are tenant protection vouchers but some of them are "special-purpose" vouchers, designated for a particular population. For example Congress has provided non-elderly disabled vouchers to help people with disabilities live independently, and family unification vouchers to assist families where the lack of adequate housing has caused (or is threatening to cause) a child to be removed from the family. Between 2008 and 2009, Congress appropriated \$755 million for new incremental vouchers that will need to be renewed in 2010.

The Department also requests authority in the 2010 Appropriations Act to offset PHA contract renewal allocations based on NRA balances remaining at the end of 2009. The Department requests the flexibility to offset a PHA's renewal allocation by any amount in the PHA's NRA balance that exceeds 2 weeks of housing assistance payment (contract renewal) costs. This policy will help ensure that all contract renewal appropriations are used to assist the maximum number of families possible. This policy will also improve funding utilization going forward by encouraging PHA's to fully use their annual allocation (see Figure C.3).

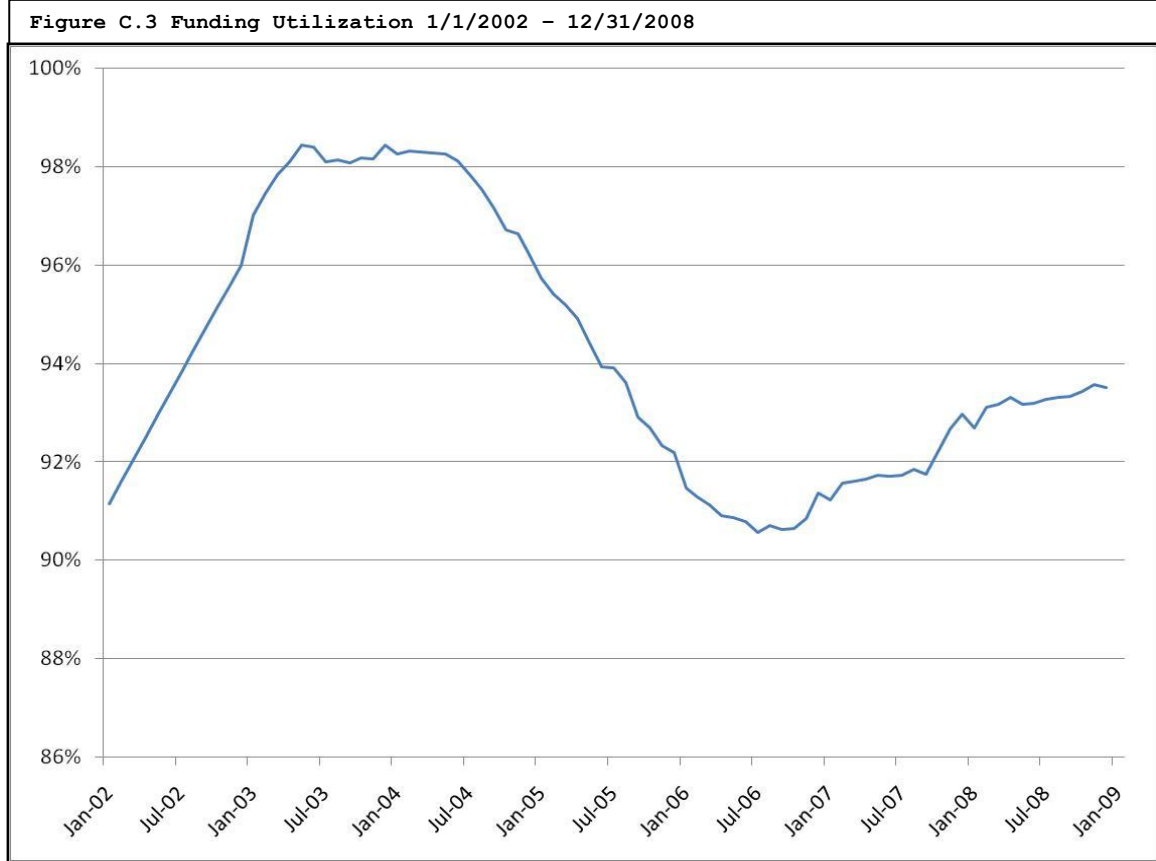
Figure C.2 Total Contract Renewal Funding/Needs (2007-2010)



Furthermore, the Department requests \$150 million as a central reserve set-aside, (within the Contract Renewals allocation) to provide baseline adjustment funding as needed to certain PHAs. This includes PHAs with project-based commitments and increased costs due to portability that were not included in current baseline estimates, as well as adjustments needed for unforeseen circumstances. This amounts to less than 1 percent of the total Contract Renewals request, and provides the Secretary with the essential ability to address inequities resulting from unanticipated events.

Utilization and Leasing

At the beginning of this decade, renewal funds were based on actual per unit costs for 100 percent of expiring Annual Contributions Contract (ACC) units, regardless of whether the units were leased or not. Congress became increasingly concerned with the ever growing increases in housing assistance payment (HAP) renewal costs, and as a result began to impose different renewal calculation formulas each year through the Appropriations Acts each year beginning in 2003. New restrictions on leasing levels, the uncertainty and unpredictability of an ever changing renewal voucher funding formula, and concerns about possible offsets and pro-rated decreases all contributed to a dramatic slide in funding utilization (see Figure C.3) beginning in 2004. Renewal funding instability led to program instability and a decrease in funding utilization. While funding utilization has shown modest improvements in recent years, ensuring that renewal funding in 2010 will be sufficient to renew both new incremental vouchers and the number of families that PHAs were actually assisting at the end of December 2008 is a key component to stabilizing and continued improvement in voucher leasing and utilization rates.



**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Administrative Fees	<u>Amount</u>
2008 Appropriation	\$1,340,183
2009 Appropriation/Request	1,436,000
2010 Request	<u>1,493,800</u>
Program Improvements/Offsets	+57,800

NOTE: Amounts above are net of rescissions and represent the fiscal year allocation. However, this program is administered on a calendar year basis. The actual calendar year distribution allocations are as follows:

<u>Calendar Year</u>	<u>Calendar Year Allocation</u>
2008	\$1,351,000
2009	1,450,000
2010	1,493,800

Proposed Actions

Administrative Fees are a vital component of the HCV program. These funds provide PHAs with the resources necessary to administer Housing Choice (Section 8) vouchers. Approving units, evaluating tenant eligibility, and reviewing applications are personnel intensive processes for PHAs. Administrative Fees are necessary to maintain an effective level of service delivery and ensure that the right benefits are going to the right people.

The Department requests \$1.494 billion for the fiscal year 2010. This is a \$43 million (or 3 percent) increase from the fiscal year 2009 Omnibus Appropriations Act. This is necessary to support the increase in the workload associated with the additional vouchers appropriated by Congress. In fiscal year 2009, the PHAs are projected to issue almost 60,000 incremental vouchers.

The Department initiated a research study on administrative fees related to the HCV program. In the future, this data will be used to determine the distribution of administrative fees based on the number of families assisted by a PHA. In establishing the administrative fee, the Department must determine the minimum program size necessary for an agency to administer the housing voucher program in a cost effective manner. The administrative fee will be reconsidered and updated each year; the bases for these adjustments would be linked to index changes in wage data or other objectively measurable data reflecting the costs of administering the program.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Section 8 Rental Assistance	<u>Amount</u>
2008 Appropriation	\$150,060
2009 Appropriation/Request	150,000
2010 Request	<u>103,000</u>
Program Improvements/Offsets	-47,000

Proposed Actions

The Department proposes \$103 million in new budget authority for Section 8 Rental Assistance (tenant protection vouchers) in 2010. This request is necessary to provide housing for previous HUD-assisted families who are displaced through no fault of their own and is required by law. These funds will provide HCV assistance, for the relocation of residents affected by Property Disposition, Opt-Out/Termination, portfolio re-engineering, preservation prepayment, replacement/relocation vouchers for Section 202 Mandatory Conversion, project-based moderate rehabilitation, project-based moderate rehabilitation Single Room Occupancy (SRO), HOPE VI, and Section 33 of the U.S. Housing Act of 1937, as amended. A portion of the funds may also be used for the Family Unification Program, witness relocation, conversion of Section 23 projects to Section 8 assistance and other types of project-based rental assistance to Section 8 assistance. Since this is a demand-driven requirement, it is difficult to determine the actual needs for 2010. This estimate is based on prior obligations.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

FSS Coordinators	<u>Amount</u>
2008 Appropriation	\$49,000
2009 Appropriation/Request	50,000
2010 Request	<u>50,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Family Self-Sufficiency (FSS) program supports the Department’s strategic goal of helping HUD-assisted renters make progress toward self-sufficiency. This program provides funding for FSS Coordinator positions. The FSS program helps participants achieve employment goals, accumulate assets, and receive training and counseling that will enable them to be self-sufficient without rental assistance. FSS program services may include, but are not limited to: child care, transportation, education, job training and employment counseling, substance/alcohol abuse treatment or counseling, household skill training, and homeownership counseling. In fiscal year 2009, \$50 million was set aside from the Administrative Fee funding to support the FSS Coordinators.

FSS coordinators have been found to be essential to accomplishing these goals since they link program participants to the supportive services, such as counseling, education, and employment assistance. In calendar year 2007, approximately 57 percent of families enrolled in the Housing Choice Voucher FSS program for at least 1 year reported an increase in earned income since their enrollment in the FSS program. According to records in the Department’s Public and Indian Housing Information Center (PIC) data system, between January 1, 1998 and December 31, 2007, an average of 47 percent of families that completed their FSS program contracts no longer needed rental assistance. In calendar year 2007, approximately 21 percent of families that completed their FSS contracts moved to homeownership and, in addition, 859 families that were current HCV/FSS program participants had purchased homes through the voucher homeownership option of the HCV program. With the \$47.5 million awarded in fiscal year 2007, the Department provided coordinators to 645 of the more than 1,000 PHAs currently administering the program. The data for 2008 is not yet available. The Department has awarded, obligated and contracted all carryover funds from fiscal year 2008.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Veterans Affairs Supportive Housing (VASH) Program	<u>Amount</u>
2008 Appropriation	\$75,000
2009 Appropriation/Request	75,000
2010 Request	<u>---</u>
Program Improvements/Offsets	-75,000

Proposed Actions

The VASH program provides HUD rental assistance (Housing Choice) vouchers for use by homeless veterans. Veterans who participate in this program must agree to case management services from Department of Veterans Affairs (VA) staff. Working collaboratively with the VA, HUD implemented the new HUD-VASH program in record time. More than 10,000 HUD-VASH vouchers were awarded to PHAs from fiscal year 2008 Appropriations. Participating PHAs, in partnership with VA medical centers, are helping homeless veterans find housing. The Department is not requesting additional VASH vouchers in the 2010 Budget because the Department continues to focus on fully implementing the 2008 and 2009 VASH appropriations. However, the renewal of the approximately 20,000 VASH vouchers from 2008 and 2009 are included in the tenant-based contract renewal budget request.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Working Capital Fund (transfer)	<u>Amount</u>
2008 Appropriation	\$6,494
2009 Appropriation/Request	7,929
2010 Request	<u>...</u>
Program Improvements/Offsets	-7,929

Proposed Actions

The Department's Transformation Initiative 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 Tenant-Based Rental Assistance 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 projects that could be undertaken with Transformation Initiative funding in respect to the Tenant-Based Rental Assistance account, include: designing a comprehensive system to better manage and administer the HCV Program to have prompt data accessibility and reporting as well as research and demonstration efforts to help enable the HCV program to better adapt to changing market conditions and to examine ways to reduce and/or control the costs of the program. Transformation Initiative efforts can also address other HCV issues such as administrative fee costs, energy costs and energy savings proposals, and success rates and usage patterns for vouchers. More details on the overall Transformation Initiative and how it will improve this program are in the justification for the Transformation Initiative account.

Tenant-Based Rental Assistance

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Disaster Displacement Assistance	<u>Amount</u>
2008 Appropriation	\$85,000
2009 Appropriation/Request .....	...
2010 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department is committed to protecting this population until they are able to fully recover from such a catastrophic disaster such as Hurricanes Katrina and Rita. The Disaster Relief and Recovery Supplemental Appropriations Act, 2008, provided \$85 million during fiscal year 2009 to continue housing assistance to eligible families whose assistance would end upon expiration of the Disaster Housing Assistance Program (DHAP). Although the 2010 Budget does not propose additional funds for this activity, the Department's request for the Contract Renewal set-aside includes resources to renew these vouchers.

PUBLIC AND INDIAN HOUSING
 TENANT-BASED RENTAL ASSISTANCE
 Program Offsets
 (Dollars in Thousands)

Non-Elderly Disabled	<u>Amount</u>
2008 Appropriation	\$30,000
2009 Appropriation/Request	30,000
2010 Request	<u>...</u>
Program Improvements/Offsets	-30,000

Proposed Actions

HUD provides HCV assistance for certain non-elderly disabled families pursuant to the 2008 and 2009 Appropriations Acts. Although the 2010 Budget does not propose additional funds for this activity, the Department's request includes sufficient funds to renew these vouchers as part of the Contract Renewal set-aside for calendar year 2010. The Department continues to focus on fully implementing the 2008 and 2009 Appropriations.

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Program Offsets
(Dollars in Thousands)

Family Unification Program	<u>Amount</u>
2008 Appropriation	\$20,000
2009 Appropriation/Request	20,000
2010 Request	<u>...</u>
Program Improvements/Offsets	-20,000

Proposed Actions

The Family Unification Program provides HCV assistance to families whose lack of adequate housing is a primary cause of the separation, or imminent separation, of a child or children from their families. Although the 2010 Budget does not propose additional funds for this activity, the Department's request includes sufficient funds to renew these vouchers as part of the Contract Renewal set-aside for calendar year 2010. The Department continues to focus its attention on fully implementing the 2008 and 2009 Appropriations.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE**

Program Name: TENANT-BASED RENTAL ASSISTANCE					
Program Mission: Tenant-Based Rental Assistance is the Federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.	The Voucher Management System	Tracking	93%	tracking	Tracking
The proportion of the Housing Choice Voucher program funding administered by troubled housing agencies.	Field Office/Grantee Reporting	NA	2.9%	Tracking	Tracking
The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.	HCV Program Assessment Tool	NA	NA	Tracking	Tracking
The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.	Periodic PD&R, PIH & Housing Reporting	Improper payments will be no more than 4.6% of total payments	3.5%	Improper payments will be no more than 3.2% of total payments	Improper payments will be no more than 3.1% of total payments
The number of homeownership closing under the homeownership option of the Housing Choice Voucher program in fiscal year 2009 is 2,000.	PIH Information Center; Form 50058	1,200	1,200	2,000	2,000

NA = Not Applicable.

Explanation of Indicators

Indicator: Improve the utilization rate of Housing Choice Voucher funding to 97 percent by Calendar Year 2011.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers (Tenant-Based Rental Assistance) is effectively used. The Housing Choice Voucher program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. While most of the Housing Choice Voucher program annual budget authority is currently being used to assist low-income families, some PHAs are not fully using all the budget authority allocated to them. Maximizing the amount of appropriated Housing Choice Voucher funds (Tenant-Based Rental Assistance - Contract Renewals) used by PHAs is a key HUD priority. Until such time as asset management and the new assessment system are implemented, the Department will report the utilization of Housing Choice Voucher funding as a tracking indicator.

At the end of calendar year 2008, PHAs had a utilization rate of 93.5 percent. This is an increase from calendar year 2007 when PHAs used 92.9 percent of their funding. Although this is an improvement, HUD still expects much greater utilization of these funds. To achieve improved utilization, HUD plans to continue outreach to PHAs and to link future administrative fee payments to PHA leasing levels.

Indicator: The proportion of the Housing Choice Voucher program funding administered by troubled housing agencies.

This indicator provides one measure of the quality of administration of the Housing Choice Voucher Program at the PHA level. The Department is proud to report there has been a substantial improvement in this area. For 2008, there were 116 troubled agencies with Housing Assistance Payment funding of \$430 million (2.9 percent of the total Housing Assistance Payment funding). For 2007, there were 152 troubled agencies, with Housing Assistance Payment funding of \$644.6 million (4.5 percent the total Housing Payment funding). This represents a decrease of 33 percent in the funding that those agencies administered and a 24 percent reduction in the number of troubled PHAs.

During fiscal year 2009, HUD will determine the baseline percentage of Housing Choice Voucher Program funding that is administered by PHAs that are determined to be troubled under the new performance assessment system. At that point, the Department will implement Annual Performance Plan goals to manage the performance of PHAs. Until asset management and the new assessment system are implemented, the Department will report this indicator as a tracking indicator.

Indicator: The Department will develop baseline data and future years' targets for the Housing Choice Voucher program assessment tool.

The objective of this goal is to ensure that the funding provided by Congress for Housing Choice Vouchers is effectively used. The Housing Choice Voucher Program provides low-income participants with the ability to seek rental housing of their choice, with certain rent parameters and portability features enabling families to take their vouchers to other rental markets in pursuit of available job and other economic opportunities. Currently, Housing Choice Voucher funding is based on a fixed annual budget, yet the program's underlying law and regulations mandate a restrictive, cumbersome program that makes managing within budget very difficult. The present program monitoring tool, the Section Eight Management Assessment Program, is based on self-reported management indicators.

As envisioned, the new Housing Choice Voucher assessment would be results-oriented. Under the proposed program, PHAs would be measured on four main standards: 1) housing quality; 2) fund utilization; 3) financial condition of the agency; and 4) the accuracy of reports. The Secretary may determine additional indicators. During fiscal year 2007, the program area completed an analysis of the changes needed to the assessment tools. The goal is to implement the changes during fiscal year 2009.

Tenant-Based Rental Assistance

Indicator: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and the Project-Based Rental Assistance programs) constitute HUD's largest appropriated activity, with over \$27 billion in annual expenditures. There are three major sources of error in these complex programs:

Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;

Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and

Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

HUD has surpassed its improper payment goal for the fiscal year 2008 reporting period (based on fiscal year 2007 data) by reducing improper payments to 3.5 percent, or 1.1 percentage point below the goal and an improvement of 2.0 percentage points from the previous year's result of 5.5 percent.

The overall reduction in improper payments for HUD's three major types of rental housing assistance Programs over the past 8 years has been primarily attributed to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. Collectively, these efforts have had a positive impact on the program administrators' ability to reduce their errors in the calculation of income, rent, and subsidies. The Department also has found a direct correlation in the reduction of improper payments to the number of monitoring reviews of public housing agencies (PHAs) and the number of management and occupancy reviews at multifamily housing properties, as well as the increased availability and use of the Enterprise Income Verification system by PHAs, and by owners, management agents, and contract administrators for HUD's Project-Based Assistance programs.

More recently, program structure changes have reduced the opportunities for improper payments in two of HUD's Rental Assistance Programs. In HUD's public housing program, significant program structure changes were implemented to improve the efficient use of funding in the Public Housing Operating Fund. These structure changes effectively eliminated all three previously reported types of improper payments due to Administrator, Income Reporting, and Billing errors. It should be noted that PHAs could still make Administrator errors, and tenants could still under-report or not report their income. However, in the new structure, the effect of these errors would be borne by the PHA and HUD's subsidy payment would remain unchanged. Nonetheless, HUD retains program oversight responsibility to ensure the proper performance and benefits of the program, and will continue to focus on effective measures to reduce performance errors by PHAs.

During fiscal years 2009 and 2010 reporting period, the Department plans to continue this successful trend by reducing program errors and improper payments to 3.2 percent in 2009 (reporting on fiscal year 2008 results) and 3.1 percent in 2010 (reporting on fiscal year 2009 results), respectively. Achieving HUD's aggressive improper payment reduction goals will result in a more efficient use of program funds, either through the availability of additional funds (net overpayment) or giving the right amount to those in need (net underpayment).

Indicator: The number of homeownership closings under the homeownership option of the Housing Choice Voucher program in fiscal year 2010 is 2,000.

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing

Tenant-Based Rental Assistance

plans to assist 9,000 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase. To achieve this goal, the Housing Choice Voucher Program will assist 2,000 in fiscal year 2010.

To achieve this goal, the Housing Choice Voucher Program will conduct 2,000 homeownership closings under the homeownership option in fiscal year 2010. The homeownership helps accomplish this objective by allowing PHAs to provide voucher assistance to low-income first-time homebuyers for monthly homeownership expenses rather than for monthly rental payments--the most typical use of voucher assistance. This indicator tracks the annual number of homeowners assisted with voucher funds.

Since its inception in 2001, this program has grown annually. As of fiscal year 2008, 12,766 households have become homeowners through homeownership vouchers, an increase of 22 percent over last year. However, the actual increase achieved will continue to be affected by several other factors, including PHA capacity, availability of financing for first-time low- and moderate-income homebuyers, market forces, and interest rates.

**PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
Justifications 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, and language proposed for deletion is bracketed.

TENANT-BASED RENTAL ASSISTANCE
(INCLUDING TRANSFER OF FUNDS)

For activities and assistance for the provision of tenant-based rental assistance authorized under the United States Housing Act of 1937, as amended (42 U.S.C. 1437 et seq.) ("the Act" herein), not otherwise provided for, [~~\$16,817,000,000~~] *\$13,836,000,000*, to remain available until expended, [of which ~~\$12,817,000,000~~] shall be available on October 1, [2008] *2009 (in addition to the \$4,000,000,000 previously appropriated under this heading that will become available on October 1, 2009)*, and \$4,000,000,000, to remain available until expended, shall be available on October 1, [2009] *2010: Provided, That of the amounts made available under this heading [are provided as follows:*

[~~(1) \$15,034,071,000~~] *\$16,189,200,000* shall be available for renewals of expiring section 8 tenant-based annual contributions contracts (including renewals of enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act) and including renewal of other [designated housing] *special purpose* vouchers initially funded in fiscal year 2008 and 2009 (such as Family Unification, Veterans Affairs Supportive Housing Vouchers and Non-elderly Disabled Vouchers): *Provided, That notwithstanding any other provision of law, from amounts provided under this paragraph and any carryover, the Secretary for the calendar year [2009] 2010 funding cycle shall provide renewal funding for each public housing agency based on voucher management system (VMS) leasing and cost data for [the most recent Federal fiscal year] calendar year 2009 and by applying [the 2009] the most recent Annual Adjustment Factor as established by the Secretary, and by making any necessary adjustments for the costs associated with deposits to family self-sufficiency program escrow accounts or first-time renewals including tenant protection or HOPE VI vouchers: Provided further, That if VMS data for calendar year 2009 is incomplete, the Secretary may make adjustments as necessary until such data is verifiable and complete: Provided further, [That none of the funds provided under this paragraph may be used to fund a total number of unit months under lease which exceeds a public housing agency's authorized level of units under contract:]That the Secretary may offset public housing agencies' calendar year 2010 allocations based on amounts in public housing agencies' net restricted assets accounts (in accordance with VMS data that is complete and verifiable): Provided further, That in no instance shall amounts offset leave less than two weeks of a public housing agency's 2010 calendar year eligibility amount in the net restricted asset account: Provided further, That amounts from the offset shall be reallocated, notwithstanding section 204 of the General Provisions of this title, to high performing public housing agencies or based on need, as determined by the Secretary: Provided further, That the Secretary shall, to the extent necessary to stay within the amount specified under this paragraph[(except as otherwise modified under this Act)], pro rate each public housing agency's allocation otherwise established pursuant to this paragraph: Provided further, That [except as provided in the last two provisos,]the entire amount specified under this paragraph [(except as otherwise modified under this Act)]shall be obligated to the public housing agencies based on the allocation and pro rata method described above, and the Secretary shall notify public housing agencies of their annual budget not later than 60 days after enactment of this Act: Provided further, That the Secretary may extend the 60-day notification period with [the]prior written [approval of] notice to the House and Senate Committees on Appropriations: Provided further, That public housing agencies participating in the Moving to Work demonstration shall be funded pursuant to their Moving to Work agreements and shall be subject to the same pro rata adjustments under the previous provisos: Provided further, That up to [~~\$100,000,000~~] *\$150,000,000* shall be available only: (1) to adjust the allocations for public housing agencies, after application for an adjustment by a public housing agency that experienced a significant increase, as determined by the Secretary, in renewal costs of tenant-based rental assistance resulting from unforeseen circumstances or from portability under section 8(r) of the Act; (2) [for adjustments for public housing agencies with voucher leasing rates at the end of the calendar*

Tenant-Based Rental Assistance

year that exceed the average leasing for the 12-month period used to establish the allocation; (3)]for adjustments for the costs associated with VASH vouchers; [and]or ([4] 3) for vouchers that were not in use during the 12-month period in order to be available to meet a commitment pursuant to section 8(o)(13) of the Act[.];

[(2) \$150,000,000] *\$103,000,000 shall be* for section 8 rental assistance for relocation and replacement of housing units that are demolished or disposed of pursuant to the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134), conversion of section 23 projects to assistance under section 8, the family unification program under section 8(x) of the Act, relocation of witnesses in connection with efforts to combat crime in public and assisted housing pursuant to a request from a law enforcement or prosecution agency, enhanced vouchers under any provision of law authorizing such assistance under section 8(t) of the Act, HOPE VI vouchers, mandatory and voluntary conversions, and tenant protection assistance including replacement and relocation assistance or for project based assistance to prevent the displacement of unassisted elderly tenants currently residing in section 202 properties financed between 1959 and 1974 that are refinanced pursuant to Public Law 106-569, as amended, or under the authority as provided under this Act: *Provided*, That the Secretary [shall] *may* provide replacement vouchers for all units that were occupied within the previous 24 months that cease to be available as assisted housing, subject [only]to the availability of funds[.];

[(3) Not to exceed \$7,929,000 provided under this heading may be transferred to the Working Capital Fund: *Provided*, That funding made available under this section shall not be transferred to the Working Capital Fund until the voucher management system leasing and cost data is made available to the public on the Department of Housing and Urban Development website.]

[(4) \$1,500,000,000] *\$1,493,800,000 shall be* for administrative and other expenses of public housing agencies in administering the section 8 tenant-based rental assistance program, [and] *of* which up to \$50,000,000 shall be available to the Secretary to allocate to public housing agencies that need additional funds to administer their section 8 programs, including fees associated with section 8 tenant protection rental assistance, the administration of disaster related vouchers, Veterans Affairs Supportive Housing vouchers, and other incremental vouchers: *Provided*, That no less than [\$1,400,000,000] *\$1,443,800,000* of the amount provided in this paragraph shall be allocated to public housing agencies for the calendar year [2009] *2010* funding cycle based on section 8(q) of the Act (and related Appropriation Act provisions) as in effect immediately before the enactment of the Quality Housing and Work Responsibility Act of 1998 (Public Law 105-276): *Provided further*, That if the amounts made available under this paragraph are insufficient to pay the amounts determined under the previous proviso, the Secretary may decrease the amounts allocated to agencies by a uniform percentage applicable to all agencies receiving funding under this paragraph or may, to the extent necessary to provide full payment of amounts determined under the previous proviso, utilize unobligated balances, including recaptures and carryovers, remaining from funds appropriated to the Department of Housing and Urban Development under this heading, for fiscal year [2008] *2009* and prior fiscal years, notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That amounts provided under this paragraph shall be only for activities related to the provision of tenant-based rental assistance authorized under section 8, including related development activities[: *Provided further*, That of the total amount provided under this paragraph, \$50,000,000 shall be made available for family self-sufficiency coordinators under section 23 of the Act.];*and*

[(5) \$20,000,000 for incremental voucher assistance through the Family Unification Program: *Provided*, That the assistance made available under this paragraph shall continue to remain available for family unification upon turnover: *Provided further*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to entities with demonstrated experience and resources for supportive services.

Tenant-Based Rental Assistance

(6) \$75,000,000 for incremental rental voucher assistance for use through a supported housing program administered in conjunction with the Department of Veterans Affairs as authorized under section 8(o)(19) of the United States Housing Act of 1937: *Provided*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to public housing agencies that partner with eligible VA Medical Centers or other entities as designated by the Secretary of the Department of Veterans Affairs, based on geographical need for such assistance as identified by the Secretary of the Department of Veterans Affairs, public housing agency administrative performance, and other factors as specified by the Secretary of Housing and Urban Development in consultation with the Secretary of the Department of Veterans Affairs: *Provided further*, That the Secretary of Housing and Urban Development may waive, or specify alternative requirements for (in consultation with the Secretary of the Department of Veterans Affairs), any provision of any statute or regulation that the Secretary of Housing and Urban Development administers in connection with the use of funds made available under this paragraph (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment), upon a finding by the Secretary that any such waivers or alternative requirements are necessary for the effective delivery and administration of such voucher assistance: *Provided further*, That assistance made available under this paragraph shall continue to remain available for homeless veterans upon turn-over.

(7) \$30,000,000 for incremental vouchers under section 8 of the Act for nonelderly disabled families: *Provided*, That assistance made available under this paragraph shall continue to remain available for the same population upon turnover: *Provided further*, That the Secretary of Housing and Urban Development shall make such funding available, notwithstanding section 204 (competition provision) of this title, to entities with demonstrated experience and resources for supportive services]

\$50,000,000 shall be for family self-sufficiency coordinators under section 23 of the Act.

Tenant-Based Rental Assistance

PUBLIC AND INDIAN HOUSING
TENANT-BASED RENTAL ASSISTANCE
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>
Contract Renewals	\$14,705,323	-\$899,929	...	...	\$171,768 ^a	\$13,977,162
Administrative Fees	1,340,183	...	...	...	44,060	1,384,243
Section 8 Rental Assistance	200,000	-49,940	...	...	90,014	240,074
FSS Coordinators	49,000	...	...	...	47,526	96,526
Veterans Affairs Supportive Housing (VASH) Program	75,000	...	...	...	...	75,000
Working Capital Fund (transfer)	6,494	...	...	...	...	6,494
Non-Elderly Disabled	30,000	...	...	...	...	30,000
Family Unification Program	20,000	...	...	...	...	20,000
Disaster Displacement Assistance .....	...	<u>85,000</u>	...	...	...	<u>85,000</u>
Total	16,426,000	-864,869	...	...	353,368	15,914,499

a/ Includes a fiscal year 2008 recapture of \$3,094,346 that was rescinded.

Tenant-Based Rental Assistance

PUBLIC AND INDIAN HOUSING
 TENANT-BASED RENTAL ASSISTANCE
 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>
Contract Renewals	\$14,319,071	\$15,206,071	-\$750,000	...	\$2,302	\$14,458,373
Administrative Fees	1,400,000	1,436,000	...	...	68,101	1,504,101
Section 8 Rental Assistance	150,000	150,000	...	...	100,328	250,328
FSS Coordinators	48,000	50,000	...	...	49,008	99,008
Veterans Affairs Supportive Housing (VASH) Program	75,000	75,000	...	...	1,641	76,641
Working Capital Fund (transfer)	7,929	7,929	...	...	...	7,929
Non-Elderly Disabled .....	...	30,000	...	...	30,000	60,000
Family Unification Program .....	...	20,000	...	...	20,000	40,000
Disaster Displacement Assistance	<u>39,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>85,000</u>	<u>85,000</u>
Total	16,039,000	16,975,000	-750,000	...	356,380	16,581,380

Tenant-Based Rental Assistance

**Tenant-Based Rental Assistance
Calendar Year 2008 Enacted**

	Estimated <u>Units</u>	Per <u>Unit Cost</u>	Budget <u>Authority</u>
Calendar Year 2008:			
Voucher Contract Renewals	NA	NA	\$14,694,506,000 ^a
Administrative Fee	NA	NA	1,351,000,000
Tenant Protections	28,027	NA	200,000,000
Family Self-Sufficiency Coordinators	NA	NA	49,000,000
Working Capital Fund (transfer)	NA	NA	6,494,000
Veteran Affairs Supportive Housing (VASH) Program	NA	NA	75,000,000
Non-elderly Disabled	NA	NA	30,000,000
Family Unification Program	NA	NA	20,000,000
Disaster Housing Assistance Program (Supplemental)	<u>NA</u>	NA	<u>85,000,000</u>
Total, calendar year 2008 Tenant-Based Rental Assistance	NA	NA	16,511,000,000
Total, including rescission of \$723,257,000			15,787,743,000

a/ Excludes \$723,257,000 rescinded and offset from existing PHA balances (net restricted asset accounts).

NA = Not Applicable.

Tenant-Based Rental Assistance

**Tenant-Based Rental Assistance
Calendar Year 2009 Enacted**

	Estimated <u>Units</u>	Per <u>Unit Cost</u>	Budget <u>Authority</u>
Calendar Year 2009:			
Voucher Contract Renewals	NA	NA	\$15,034,071,000 ^a
Administrative Fee	NA	NA	1,450,000,000
Tenant Protections	20,121	7,455	150,000,000
Family Self-Sufficiency Coordinators	NA	NA	50,000,000
Working Capital Fund (transfer)	NA	NA	7,929,000
Veteran Affairs Supportive Housing (VASH) Program	10,060	7,455	75,000,000
Non-elderly Disabled	4,024	7,455	30,000,000
Family Unification Program	<u>2,683</u>	7,455	<u>20,000,000</u>
Total, calendar year 2009 Tenant-Based Rental Assistance	NA	NA	16,817,000,000
Total, including rescission of \$750,000,000			16,067,000,000

a/ Excludes \$750 million rescinded and offset from existing PHA balances (net restricted asset accounts). Also excludes \$220 million the Department plans to make available from carryover funds.

NA = Not Applicable.

**Tenant-Based Rental Assistance
Calendar Year 2010 Request**

	Estimated <u>Units</u>	Per <u>Unit Cost</u>	Budget <u>Authority</u>
Calendar Year 2010:			
Voucher Contract Renewals	NA	7,679	\$16,189,200,000 ^a
Administrative Fee	NA	NA	1,493,800,000
Tenant Protections	13,413	7,679	103,000,000
Family Self-Sufficiency Coordinators	<u>NA</u>	NA	<u>50,000,000</u>
Total, calendar year 2010 Tenant-Based Rental Assistance	<u>NA</u>		17,836,000,000
Total, calendar year 2010 spending (including funds made available by offset)			18,039,808,267

a/ Excludes \$203,808,267 estimated offset from existing PHA balances (net restricted asset accounts).

NA = Not Applicable.

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

HOUSING CERTIFICATE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$763,240 ^{a/}	-\$300,919 ^{c/}	\$462,321	\$425,072	\$2,646,622
2009 Appropriation/Request	343,249 ^{b/}	...	343,249	343,249	1,536,000
2010 Request	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>1,220,000</u>
Program Improvements/Offsets	-343,249	...	-343,249	-343,249	-316,000

a/ Includes \$296 million from recovered prior obligations collected during fiscal year 2008.

b/ Includes \$306 million in anticipated recoveries from prior obligations collected during fiscal year 2009.

c/ Includes a rescission of \$282 million for the Department's 2008 rescission target, and the cancelation of \$19 million in SY74 funds.

Summary Statement

No new funds are requested for the Housing Certificate Fund in fiscal year 2009. In fiscal year 2005, Congress established two new accounts, Tenant-Based Rental Assistance and Project-Based Rental Assistance, to administer the activities of the Housing Certificate Fund.

In addition, the Department does not request a rescission from this account in fiscal year 2010. During 2007, HUD employed an outside contractor to conduct an extensive analysis and clean-up of all Project-Based Rental Assistance contracts. As a result of this analysis, HUD is confident that the remaining contract balances are required to meet HUD's contract commitments.

The Department estimates that total Section 8 Amendment needs in 2010 will be \$624 million. The Budget assumes that \$164 million of this amount will be funded by recaptures collected in the Housing Certificate Fund account. The remaining amount (\$460 million) will be funded from the Project-Based Rental Assistance account.

Initiatives

No new initiatives are proposed for this account.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
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>
Section 8 Amendments ..	...	\$250,000	\$250,000	\$242,940	...	\$313,060	\$313,060	...
Contract Renewals	-\$300,919	504,809	203,890	174,845	...	29,045	29,045	...
Administrative Fees ...	...	<u>8,431</u>	<u>8,431</u>	<u>7,287</u>	...	<u>1,144</u>	<u>1,144</u>	...
Total	-300,919	763,240	462,321	425,072	...	343,249	343,249	...

NOTE: "2008 Carryover Into 2009" for Section 8 Amendments includes recoveries of \$306 million from prior year obligations.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Program Offsets
(Dollars in Thousands)

Section 8 Amendments	<u>Amount</u>
2008 Appropriation
2009 Appropriation/Request
2010 Request	<u>...</u>
Program Improvements/Offsets

Proposed Actions

Section 8 Amendments are required to support long-term project-based contracts that run out of funds. These long-term contracts were primarily signed in the 1970's and 1980's, for terms of up to 40 years. Estimating funding needs over such a long period of time proved to be problematic, and, as a result, many of these Section 8 contracts were inadequately funded. The current practice of renewing expiring contracts for a 1-year term helps to ensure that the problem of inadequately funded contracts is not repeated. However, older long-term contracts that have not reached their termination dates and have not yet entered the 1-year renewal cycle require amendment funds to remain financially viable and thus maintain the inventory of affordable rental housing.

The Department estimates that total Section 8 Amendment needs in 2010 will be \$624 million. The Budget assumes that \$164 million of this amount will be funded by recaptures collected in the Housing Certificate Fund account. The remaining amount (\$460 million) will be funded from the Project-Based Rental Assistance account.

Housing Certificate Fund

**PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
Justification of Proposed Changes in Appropriation 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, and language proposed for deletion is bracketed.

HOUSING CERTIFICATE FUND

[Of the unobligated] Unobligated balances, including recaptures and carryover, remaining from funds appropriated to the Department of Housing and Urban Development under this heading, the heading "Annual Contributions of Assisted Housing" and the heading "Project-Based Rental Assistance", for fiscal year [2009] 2010 and prior years may be used for renewal of or amendments to section 8 project-based contracts and for performance-based contract administrators, notwithstanding the purposes for which such funds were appropriated: Provided, That any obligated balance of contract authority from fiscal year 1974 and prior that have been terminated shall be permanently cancelled.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
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>
Section 8 Amendments	\$250,000	\$250,000
Contract Renewals	-\$300,919 ^{a/}	...	...	504,809 ^{b/}	203,890
Administrative Fees	<u>8,431</u>	<u>8,431</u>
Total	-300,919	...	...	763,240	462,321

a/ Includes a rescission of \$282 million for the Department's 2008 rescission target, and the cancellation of \$19 million in SY74 funds.

b/ Includes \$296 million from recaptured prior obligations collected during fiscal year 2008.

Housing Certificate Fund

PUBLIC AND INDIAN HOUSING
HOUSING CERTIFICATE FUND
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>
Section 8 Amendments	\$313,060 ^a	\$313,060
Contract Renewals	29,045	29,045
Administrative Fees	1,144	1,144
Total	343,249	343,249

a/ This includes \$306 million in estimated recoveries during fiscal year 2009.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING OPERATING FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$4,200,000	\$56	-\$56	\$4,200,000	\$4,199,763	\$4,112,758
2009 Appropriation/Request	4,455,000	...	...	4,455,000	4,455,000	4,391,000
2010 Request	<u>4,600,000</u>	<u>...</u>	<u>...</u>	<u>4,600,000</u>	<u>4,600,000</u>	<u>4,559,000</u>
Program Improvements/Offsets	+145,000	...	...	+145,000	+145,000	+168,000

Transforming Public Housing

The Public Housing Operating Fund supports the Department's mission to promote safe, decent affordable housing. The Operating Fund provides operating subsidy payments to more than 3,100 Public Housing Authorities (PHAs) who serve over 1.1 million households. For more information about public housing tenants see the table at the end of this section, entitled Public Housing Tenant Characteristics 2008. Operating subsidies are provided to PHAs for the operation and management of public housing. The fiscal year 2010 Budget request seeks to transform public housing by: (1) funding 100 percent of public housing's estimated need for operating subsidies; (2) continuing implementation of public housing's conversion to asset management; and (3) exploring new ideas under the Department's Transformation Initiative.

The budget proposes an appropriation of \$4.6 billion for the Public Housing Operating Fund, which will fully support PHAs transitioning to asset management by providing 100 percent of estimated funding needs under the Operating Fund Formula that was the result of both the Harvard Cost Study and Negotiated Rulemaking. These funds will enable over 3,100 PHAs to provide decent, safe, and affordable housing for lower-income families. This request adjusts and builds upon the Congressional appropriation of \$4.46 billion in fiscal year 2009, which resulted in an estimated proration of 90.5 percent.

The fiscal year 2010 Budget reflects the expiration in 2009 of the frozen formula income provision, pursuant to the Code of Federal Regulations (CFR), Section 990.195. Beginning with fiscal year 2007 under the Operating Fund formula, tenant income was frozen at the fiscal year 2004 level for a 3-year period. Hence, PHAs were permitted to retain 100 percent of the difference between the rent collected in fiscal year 2004 versus the rents actually collected in fiscal years 2007, 2008, and 2009. In 2007, PHAs collected approximately \$264 million in tenant income over frozen formula income. In 2008, PHAs are estimated to have collected approximately \$300 million in tenant income over the frozen formula income. PHAs are projected to earn \$414 million in tenant income over the frozen formula amount in 2009. For fiscal year 2010, the first year that tenant income will be unfrozen, the Department has estimated rental income using 2007 actual amounts (reflected on year-end financial statements), and increased it to the fiscal year 2010 level using an annual growth rate of 1.5 percent, which is half the rate of increase experienced from 2004-2007 (reduced to reflect changes in the economy).

During the past 3 years, both PHAs and the Department have made significant investments in converting to an asset management model. At this stage in the multiyear conversion process, the Department has already implemented project-level funding and project-level financial reporting. In addition, the Department is in the process of implementing project-level management reviews and performance monitoring, with full conversion to asset management in 2011.

Public Housing Operating Fund

The Budget request will assure the continued progress in converting to asset management and, more importantly, the improvement in management and efficiency. Since implementation of asset management, and the focus on project-level reporting, the Department has experienced a decrease in reported allowable vacancies and utility expense levels. Improvements in management operations are also expected with the pending implementation of on-site management reviews.

In addition, the Department's Transformation Initiative 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 Operating Fund 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 projects that could be undertaken with Transformation Initiative funding in respect to the Operating Fund, include: a pilot program in converting public housing to project-based assistance or the development of a public housing portfolio management system. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

Energy Conservation

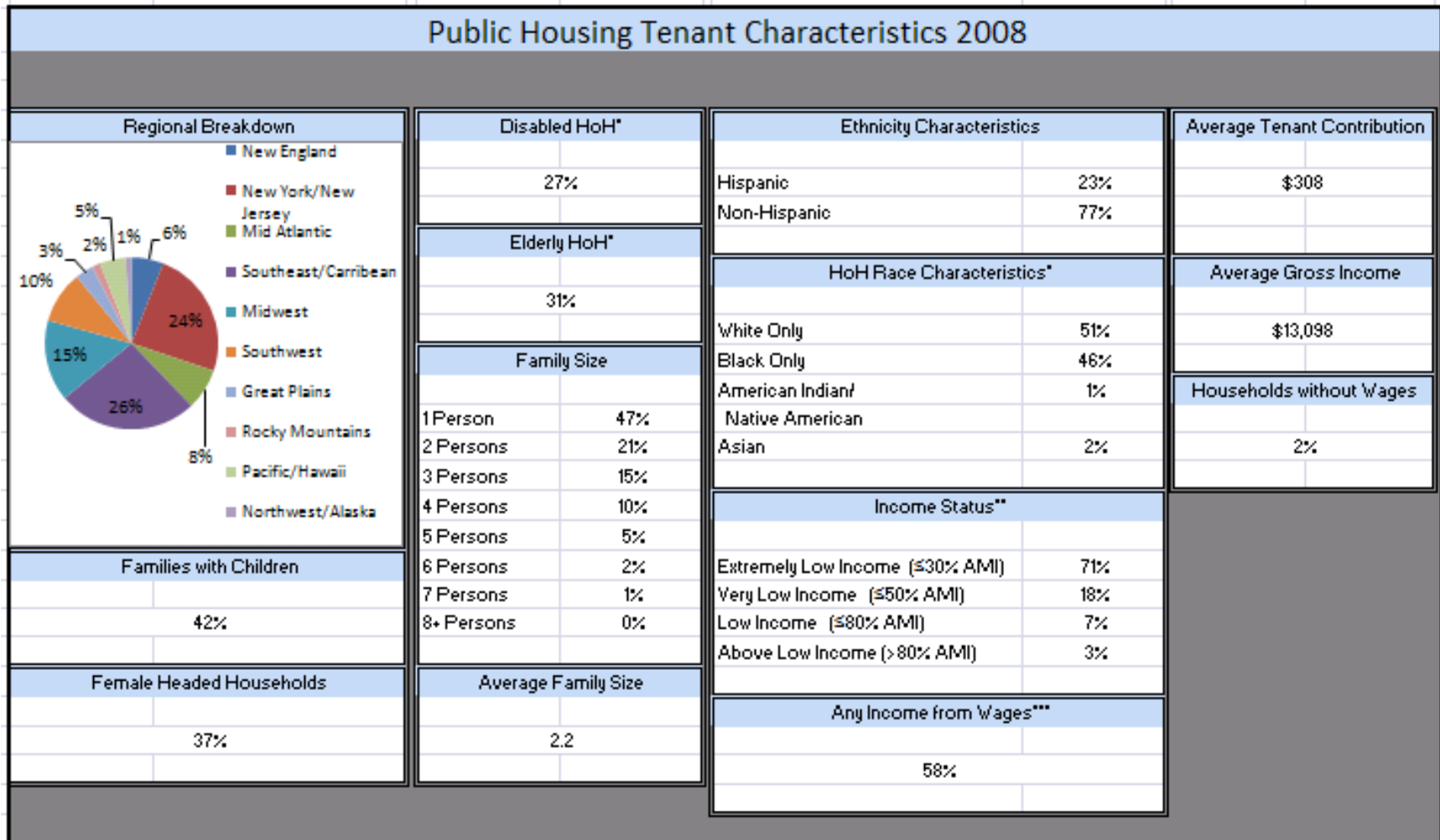
Public and Indian Housing (PIH) was selected for a 2008 Presidential Award for Leadership in Federal Energy Management because of its aggressive outreach effort to promote and improve energy management in public housing developments and reduce energy consumption in the 1.1 million public housing units across America. Since the launch of its energy conservation initiative in 2002, PIH has saved \$102.8 million and has produced \$570.8 million in energy investments at PHAs nationwide.

In addition, on March 31, 2009 PIH received an ENERGY STAR Special Recognition Award for promoting the use of energy efficient appliances in public housing units and encouraging public housing authorities across the country to follow "green" building standards. PIH survey results indicate that more than half of the nation's more than 3,100 public housing PHAs require the use of ENERGY STAR-qualified products as part of their procurement policies. PIH's 46 field offices also played a critical role in the Department's energy outreach efforts. Each conducted two workshops for housing authorities locally to promote ENERGY STAR products. PIH provided brochures and briefing materials to facilitate discussions and training. Other energy conservation outreach efforts included PHA community meetings, state housing conferences, housing industry workshops and direct technical assistance to public housing agencies in support of energy performance contracting.

Strategic Goals and Objectives

The Department is in the process of refining its strategic goals and objectives to better reflect the Administration's priorities and improve performance-based budgeting. The Operating Fund is essential to achieving the current goals of the Department such as Strategic Goal B: Promote decent, affordable housing, and Strategic Goal E: Embrace high standards of ethics, management, and accountability. The Public Housing Operating Fund program in conjunction with the Capital Fund program was jointly reviewed by the Office of Management and Budget (OMB) in 2005. Based on the results, the public housing program was determined to have "Results Not Demonstrated." This budget request addresses some of the concerns raised in that assessment and moves forward to transform public housing.

The Public Housing program assists very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing. The graph below depicts demographic information of the families served.



Source: 2008 Public and Indian Housing Information Center (PIC) data

* HOH is Head of Household

** AMI is Area Median Income

***Wages from non-elderly non-disabled households

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
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>
Operating Subsidy	\$4,194,004	\$56	\$4,194,060	\$4,193,823	\$4,449,060	...	\$4,449,060	\$4,600,000
Transition to Asset Management	<u>5,940</u>	<u>...</u>	<u>5,940</u>	<u>5,940</u>	<u>5,940</u>	<u>...</u>	<u>5,940</u>	<u>...</u>
Total	4,199,944	56	4,200,000	4,199,763	4,455,000	...	4,455,000	4,600,000

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	186	188	189
Field	<u>348</u>	<u>390</u>	<u>392</u>
Total	534	578	581

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Program Offsets
(Dollars in Thousands)

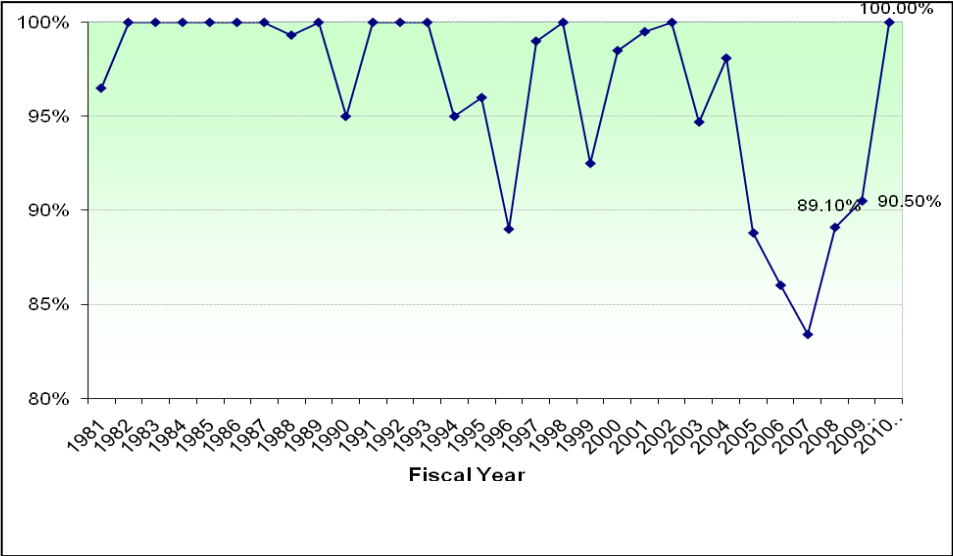
Operating Subsidy	<u>Amount</u>
2008 Appropriation	\$4,194,004
2009 Appropriation/Request	4,449,060
2010 Request	<u>4,600,000</u>
Program Improvements/Offsets	+150,940

NOTE: Up to 1 percent of the 2010 appropriation may be transferred to the new Transformation Initiative account.

Proposed Actions

The Department proposes to use \$4.6 billion for operating subsidies for PHAs in fiscal year 2010, a proration of 100 percent. This budget would be the highest level of funding in 5 years and an increase in proration of 10 percent over 2009. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses, including payments resulting from multiyear bond financing deals, of their owned dwellings in accordance with Section 9 of the United States Housing Act of 1937, as amended. In recent years, funding levels have been well short of eligibility, greatly affecting service levels. 2002 was the last year that operating subsidies were funded at 100 percent of formula estimated need. For a historical view of proration levels see Figure E.1 below.

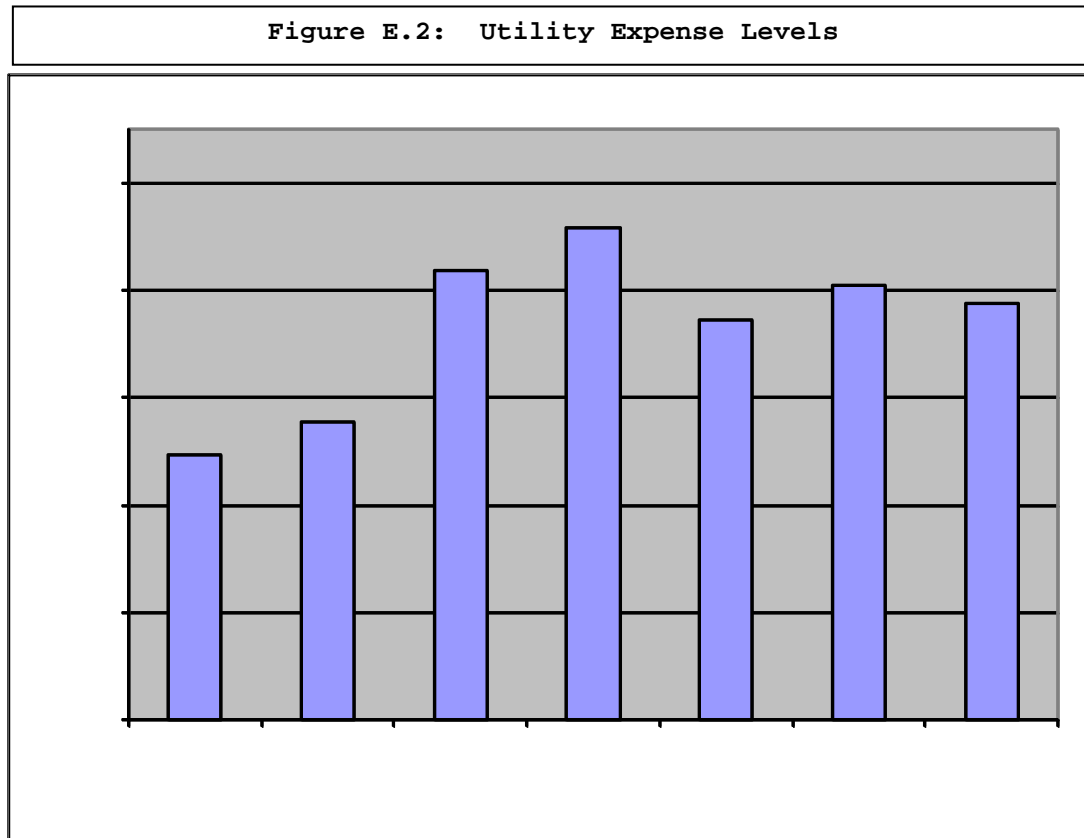
Figure E.1: Historical Proration Levels



Public Housing Operating Fund

In 2010, PHAs with more than 250 units and those PHAs with less than 250 units that have opted-in will continue the transition to asset management and conversion to project-based accounting and project-based management. PHAs were funded via individual asset management projects for the second time in 2009 (prior to 2008, PHAs were funded at the entitywide level, not the project level). The intent of this funding approach is to make the relationship to funding and property management outcomes more transparent. PHAs' performance using asset management begins to be measured under the Public Housing Assessment System in 2008 based on PHAs' fiscal year cycles.

The Department has also seen a \$200 million decrease in anticipated utility costs, resulting in a higher proration in fiscal year 2008. In future fiscal years, the Department estimates modest utility changes, as shown in the Utilities Expense Level graph, Figure E.2.



Public Housing Operating Fund

In the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Public Housing Capital Fund received \$4 billion to rehabilitate and retrofit public housing units. PHAs are using these funds to increase energy efficiency, make critical safety repairs and improve the overall state of the Nation's public housing stock. The Department expects these updates to accelerate the reduction of utility expenses as energy efficiency in public housing increases. In addition, PIH has received a 2008 Presidential Award for Leadership in Federal Energy Management and an ENERGY STAR Special Recognition Award for its work on energy conservation in public housing.

Moving-to-Work (MTW)

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 104-134, hereinafter "MTW Statute") provides that an agency participating in the MTW demonstration program may combine public housing operating and capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve."

The Department believes that the above language is intended to permit the use of appropriated funds beyond Sections 8 and 9 of the United States Housing Act of 1937, provided the agency in the MTW demonstration program uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW Statute and have been proposed in an agency's Annual MTW Plan and approved by HUD. Currently, 30 PHAs participate in the MTW Program.

Public Housing Operating Fund

The following table reflects funding for the primary elements of the 2010 Budget request.

Description	ACTUAL 2008	a/	ESTIMATE 2009	ESTIMATE 2010
			(Dollars in Millions)	
Non Utility Expense Level (PEL)	\$4,523		\$4,631	\$4,766
Utilities	1,545		1,610	1,574
Less: Tenant Income (Formula)	-2,279		-2,256	-2,660
Public Housing Operating Fund Base	3,789		3,985	3,680
MTW Alternative Formula Grant, PHA's not in Base	460		471	483
Public Housing Add-ons				
Elderly/Disabled Coordinators	15		15	16
Resident Participation	25		26	26
Energy-Add On for Loan Amortization	21		22	23
Payments in Lieu of Taxes	95		98	101
Cost of Independent Audit	19		20	21
Asset Management Fee	41		41	40
Information Technology Fee	27		26	26
Asset Repositioning Fee	64		66	68
Mutual Help and Turnkey Units	1		1	1
Estimated Appeals	0		21	22
Transition Funding	155		128	93
Subtotal: Operating Fund Base	4,712		4,920	4,600
Less Rescission	0		0	0
Unfunded Proration	-518		-471	-0
Total Funded	4,194		4,449	4,600
Set-asides Within the Operating Fund:				
Asset-Based Management Transition Fund	6		6	0
Total Budget Year Enacted/Request	4,200		4,455	4,600
Carryover	0		0	0
Total Resources Available	\$4,200		\$4,455	\$4,600
Proration Percentage	89.1%		90.5%	100%

Public Housing Operating Fund

NOTE: A portion of the fiscal year 2010 Operating Subsidies may used for the Department's Transformation Initiative.

a/ Actuals are based on HUD-52723 data as of July 24, 2008 - Operating Fund subsidy request.

Specific factors affecting the fiscal year 2010 operating subsidy estimates follow.

Assumptions and Qualifications

- 1) The Public Housing Operating Fund subsidizes PHAs principally on the status of a PHAs units (i.e., eligible units months). The following table shows the number of units in months upon which subsidy will be paid.

Unit Months	2008	2009	2010
Eligible Unit Months (Non-MTW)	12,679,271	12,552,478	12,410,223
Eligible Unit Months (MTW)	1,004,264	994,221	994,221
Eligible Unit Months (Total)	13,683,534	13,546,699	13,404,444
% Change		-1.0%	-1.0%

- 2) The Public Housing Operating Fund uses two inflation factors. These inflation factors use OMB economic assumptions and are shown below.

Year	2008	2009	2010
Non-Utility Inflation Factor	1.0348	1.0344	1.0350
Utility Inflation Factor	1.2505	1.0526	0.9879

3) Economic Assumptions

- a. The fiscal year 2010 estimate incorporates the most recent economic assumptions about inflation, and presumes an increase in non-utility costs and a decrease in utility rates from the 2009 estimate. The calculation of individual PHA subsidy formula requirements includes the use of a non-utility inflation factor, which is a weighted average percentage increase in local government employee compensation and non-wage expenses.
- b. The fiscal year 2010 Budget reflects the fact that the frozen formula income provision, pursuant to section 990.195, expires in 2009. Under the new Operating Fund formula, tenant income was frozen at the fiscal year 2004 level for a 3-year period beginning with the fiscal year 2007 formula. Hence, PHAs were permitted to retain 100 percent of the difference between the rent collected in fiscal year 2004 versus the rents actually collected in fiscal years 2007, 2008, and 2009. In 2007, PHAs collected approximately \$264 million in tenant income over frozen formula income. In 2008, PHAs are estimated to have collected approximately \$300 million in tenant income over the frozen formula income. PHAs are projected to earn \$414 million in tenant income over the frozen formula amount in 2009. Estimates for 2008 through 2010 use a 1.5 percent factor, which is half the annual rate of change from 2004-2007 (reduced to reflect changes in the economy).
- c. The new formula provides for funding of a limited number of vacant unit months. Both fiscal years 2006 and 2007 tenant income assumes a certain level of units under management. It is estimated that, for fiscal years 2008, 2009, and 2010, there will be about a 1 percent total decrease in the number of eligible unit months.
- d. The Operating Fund Formula, as required by the 1998 Quality Housing and Work Responsibility Act (QHWRA), excludes non-rental income received by PHAs. In 2007, PHAs earned \$486.4 million in "other" income, including interest income and income from vending machines that was not recognized (excluded) as income for purposes of determining subsidy eligibility.

Public Housing Operating Fund

4) Public Housing Add-ons

The fiscal years 2009 and 2010 estimate reflects additional formula expenses that are not included in the Public Housing Operating Fund Base. These add-ons were included in the Negotiated Rulemaking that established the new needs formula that has been used since 2007.

- a. Elderly/Disabled Service Coordinators. The estimate reflects funding for the annual renewal of the public housing elderly and/or disabled service coordinators.
- b. Resident Participation. PHAs are eligible to receive \$25 per occupied unit on an annual basis for this function. These funds will be used to support existing as well as new initiatives associated with resident participation.
- c. Energy Add-On for Loan Amortization. As an incentive toward energy conservation, this add-on covers the loan principal and interest payments of the energy conservation measures incurred by a PHA in accordance with regulations.
- d. Payments in Lieu of Taxes (PILOT). Costs for PILOT were recognized in the Public Housing Non-Utility Expense Level (AEL 2006) for fiscal year 2006. PILOT costs are considered as an add-on under the new Operating Fund formula.
- e. Cost of Independent Audit. PHAs are eligible for funding for the expense of auditing their Operating Fund program in accordance with Generally Accepted Accounting Principles (GAAP). These costs are an add-on under the new rule.
- f. Asset Management Fee. PHAs with at least 250 units are eligible to receive a \$4 Per Unit Month (PUM) asset management fee. PHAs with less than 250 units that elect to transition to project-based management are eligible for a \$2 PUM asset management fee.
- g. Asset Repositioning Fee. PHAs that transition public housing units out of their inventory are eligible for an asset repositioning fee. This fee supplements costs associated with administration and management of demolition or disposition, tenant relocation, and minimum protection and services associated with such efforts.
- h. Information Technology (IT) Fee. PHAs are eligible for a \$2 PUM funding for costs attributable to information technology. This fee supplements higher information technology expenses associated with the management of public housing.
- i. Transition saving/cost. These savings and costs result from the new regulation transition funding that provides for a gradual increased formula share for PHAs that gain funding and gradual decreases for PHAs that receive lower formula share relative to the interim formula.
- j. Estimated Appeals. The new Operating Fund rule provides that HUD will hold-back up to 2 percent of the appropriation to address appeals. The Department estimated appeals of \$15 million.

Public Housing Operating Fund

Fiscal year 2008 marked the first year that PHAs submitted financial information at the project level. This financial information shows a decrease in utility consumption levels in public housing developments, resulting in a higher than projected proration level in fiscal year 2008. The data also indicate that the shift to asset management has resulted in greater efficiency gains as a result of project-level data. The Department continues to analyze project-level data to refine asset management criteria and improve operations in its public housing programs. The following charts provide information on recent operating financials and trends.

Description	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2007 Actual	FY 2008 Actual
Non Utility Formula Expenses	\$ 4,693	\$ 4,821	\$ 4,917	\$ 5,234	\$ 5,289
Utilities	\$ 1,292	\$ 1,354	\$ 1,637	\$ 1,716	\$ 1,545
Less: Tenant Income	\$ (2,346)	\$ (2,351)	\$ (2,406)	\$ (2,275)	\$ (2,279)
Transition Costs	\$ -	\$ -	\$ -	\$ (42)	\$ 155
Total Eligibility	\$ 3,639	\$ 3,824	\$ 4,148	\$ 4,633	\$ 4,712
Funds Available	\$ 3,569	\$ 3,396	\$ 3,564	\$ 3,864	\$ 4,194
Proration Levels	98.1%	88.8%	85.9%	83.4%	89.0%

Description	FY 2005 vs FY 2004	FY 2006 vs FY 2005	FY 2007 vs FY 2006	FY 2008 vs FY 2007
Non Utility Formula Expenses	2.7%	2.0%	6.5%	1.1%
Utilities	4.8%	20.9%	4.8%	-10.0%
Less: Tenant Income	0.2%	2.3%	-5.5%	0.2%
Transition Costs	N/A	N/A	N/A	N/A
Total Eligibility	5.1%	8.5%	11.7%	1.7%
Appropriated Funds	-4.8%	4.9%	8.4%	8.5%

The Department began funding PHAs during fiscal year 2007 under the new operating subsidy formula. In 2010, the Department will implement the fourth year of this formula, which continues public housing's multiyear conversion to asset management. A Congressional Conference Report accompanying the fiscal year 2000 Appropriation Act directed the Department to contract with the Harvard University Graduate School of Design (GSD) to conduct a study of the cost to operate well-run public housing (cost study). The fiscal year 2004 Consolidated Appropriations Act (P.L. 108-99), approved January 23, 2004, required HUD to utilize the results of the cost study to undertake negotiated rulemaking to make changes to the formula governing the Public Housing Operating Fund. In response to this statutory language, the Department established a Negotiated Rulemaking Committee consisting of PHAs, tenant organizations, other interest/policy groups, and representatives of the Department. The Committee held four meetings and reached agreement on a new rule for the Operating Fund formula. The rule included two major provisions: the establishment of a new formula for determining operating subsidy and the introduction of a new private sector business model called asset management. The new Operating Fund rule requires PHAs with 250 or more units to convert to asset management. However, the 2008 Consolidated Appropriation Act provided PHAs with between 250 units and 400 units with the ability to

Public Housing Operating Fund

opt-out of asset management in 2008. This action exempts as many as 85 percent of PHAs from asset management; the 250 unit threshold exempted 74 percent of PHAs from asset management. *Although this exemption is only for 2008, the Department opposes any effort to extend the exemption to agencies with units over the 250 threshold.* Operating Fund rule requires PHAs with 250 or more units to convert to asset management. However, the 2008 Consolidated Appropriation Act provided PHAs with between 250 units and 400 units with the ability to opt-out of asset management in 2008. This action exempts as many as 85 percent of PHAs from asset management; the 250 unit threshold exempted 74 percent of PHAs from asset management. *Although this exemption is only for 2008, the Department opposes any effort to extend the exemption to agencies with units over the 250 threshold.*

Asset management implements the recommendations made by the Harvard Cost Study, which include converting to a development-based subsidy and financing and shifting to a property-based model for public housing budgeting, accounting, and management. In 2010, all PHAs will have completed their transition to project-based budgeting and accounting, aligning PHA management practices with private industry. Based upon their fiscal year cycle, PHAs began implementation of project-based accounting in fiscal year 2007 and are required to fully implement asset management by fiscal year 2011. This dramatic shift is fundamentally changing how public housing is evaluated, monitored and funded. Asset management allows PHAs and the Department to track and monitor all essential operations of each public housing property. This information affects not only the basic operations of public housing, but also establishes an infrastructure to accurately assess the capital and modernization needs of each property. The Office of Public and Indian Housing (PIH) is requesting resources to ensure the implementation of asset management is accomplished in a timely manner and that the proper level of staffing is allocated in the field. The need for additional staffing resources for Field Operations is predicated upon the roles of asset or portfolio managers in the commercial real estate field and in the Office of Multifamily Housing. However, it is common knowledge that the PIH portfolio has more challenges to be addressed, which will increase the workload of PIH asset managers.

The Cost Study recommended a transition to asset management to further PHAs' focus and accountability for each individual public housing property as a valuable affordable housing real estate asset. Since publication, on September 19, 2005, of the Final Rule on the Operating Fund Program (which includes both the new formula and the asset management provisions), the Department has undertaken a number of initiatives in support of implementation, including:

- The review and approval of new "asset management project" (AMP) groupings for the entire public housing inventory;
- The development of AMP-specific Project Expense Levels (PELs) as well as a process for appealing PELs and other formula elements;
- The publication of new financial reporting requirements and standards;
- The establishment of an application process for demonstrating successful conversion to asset management in order to stop losses between the old and new formulas (i.e., stop-loss);
- The development of PHA training (live and web-based) related to financial management;
- The development of a system of electronic submission and award of operating subsidies at a project-level;
- The creation of an Asset Management Web-page, Help Desk and Monthly Newsletter; and
- The distribution of other related guidance materials.

The Department continues its pledge to provide guidance and assistance to PHAs in the transition to asset management, particularly in the area of web-based training and information dissemination. In 2010, the Department will also fully implement a new Public Housing Assessment System (PHAS) under asset management. Through this new assessment system, the Department will evaluate the physical, financial, and management performance of each public housing project. Also for 2010, the Department intends to continue changes in the Public and Indian Housing Information Center (PIC) system, which is what PHAs use to report public housing tenant, building, and unit data to HUD. These changes in PIC will allow for greater automation of subsidy processing and program monitoring.

The final rule provided that, in 2009, the Department will convene a meeting with stakeholders "to review the methodology to evaluate the PEL based on actual cost data." The meeting will be undertaken in accordance with the Federal Advisory Committee Act.

Public Housing Operating Fund

PHA Revenue and Expenditure Pattern

Based on fiscal years 2007 and 2008 actual PHA Financial Statements from FDS data, the table below represents the actual pattern of PHAs expenditures from revenue sources such as rental income, operating subsidy, investment, and other income. Such expenditures may vary substantially for individual authorities.

Public Housing Authorities' Operating Revenues
(Dollars in Millions)

<u>Category</u>	<u>Annual Revenue</u>	<u>Percent of Total</u>
Operating Subsidy	\$3,469	54
Dwelling Rent	2,455	38
Interest Income	196	3
Other Income	<u>290</u>	<u>5</u>
Total Revenue	6,410	100

Public Housing Authorities' Expenditures (Based on Current Formula Requirements)
(Dollars in Millions)

<u>Category</u>	<u>Annual Expenditures</u>	<u>Percent of Total</u>
Utilities	\$1,509	24
Administration	1,752	28
General Expenses	521	8
Maintenance	2,130	34
Tenant Services	210	3
Protective services	<u>160</u>	<u>3</u>
Total Operating Expenses	6,282	100

NOTES:

1. Includes FASS-PH FYE submissions for June 30, 2007 to March 31, 2008.
2. Other Income excludes "Mortgage Interest Income," "Proceeds from Disposition of Asset Held for Sale," "Cost of Sale of Assets," "Other Government Grant Revenue" and "Gain or Loss on Sale of Fixed Assets" totaling approximately \$62.3 million
3. Operating Revenue excludes \$455 million of transfers into the program.

Public Housing Operating Fund

Definitions

Operating Subsidies. Includes operating funds received during the year.

Dwelling Rental. Includes tenant rent.

Investment Income. Includes income from investments.

Other Income. Includes income from other sources, such as, rental income from non-dwelling space or facility, income from vending machines, etc.

Utilities. Includes water, electricity, gas, fuel, and related labor expenses.

Administration. Includes administrative salaries, legal expenses, staff training, travel, accounting fees, auditing fees, sundry and outside management costs.

General Operating Expenses. Includes insurances, payments made to local governments in lieu of taxes, terminal leave payments, employees benefit contributions, collection losses, interest on administrative and sundry notes, and other general expenses.

Ordinary Maintenance and Operations. Consists of expenses for labor, materials, contracts and garbage fees associated with the day-to-day operation of the PHA.

Tenant Services/Resident Participation Activities. Covers salaries of PHA staff that provide tenant services, as well as recreation, publication, contract costs, training, and other expenses.

Protective Services. Includes expenses for labor, materials, and contract costs.

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Program Offsets
(Dollars in Thousands)

Transition to Asset Management	<u>Amount</u>
2008 Appropriation	\$5,940
2009 Appropriation/Request	5,940
2010 Request	<u>...</u>
Program Improvements/Offsets	-5,940

Proposed Actions

In fiscal year 2010, technical assistance activities will be funded through the Department's Transformation Initiatives.

The conversion to asset management will reshape almost all business processes associated with the public housing program. The Transformation Initiative will support technical assistance and training to PHAs as they transition to asset management, particularly in the areas of budgeting, financial reporting, and management.

In this third year of conversion to asset management, PHAs will convert to project-level financial statements but also abide by rules regarding reasonable management fees. In 2010, the Department plans to continue implementation of a new Public Housing Assessment System (PHAS) to better reflect the shift to asset management. Significant changes continue in the field office oversight structure to support the conversion to asset management.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
Performance Measurement Table**

Program Name: OPERATING FUND					
Program Mission: The Public Housing Operating Fund supports the Department's mission to promote safe, decent affordable housing. The Operating Fund provides operating subsidy payments to approximately 3,200 PHAs with a total of over 1.2 million units under management. Operating subsidies are provided to PHAs to assist in funding the operating and maintenance expenses of their owned or managed dwellings.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.	Real Estate Assessment Center reporting	5%	8%	50%	50%
The share of public housing units that meet HUD-established physical standards will be tracked.	Real Estate Assessment Center's (REAC) Physical Assessment Subsystem	85%	84.5%	Tracking	Tracking
The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.	Periodic PD&R, PIH & Housing Reporting	Improper payments will be no more than 4.6% of total payments	3.5%	Improper payments will be no more than 3.2% of total payments	Improper payments will be no more than 3.1% of total payments

Explanation of Indicators

Indicator: The conversion to asset management will be certified for 50 percent of PHAs with 250 or more units who applied for assessment.

The Department is implementing asset management to ensure efficiency in the management of PHAs. Asset management includes project-based budgeting, project-based accounting, and project-based management. Implementation of asset management will lead to better management and oversight of public housing by providing greater information about the operating costs and performance levels of each public housing project. It will also facilitate future investment in public housing and private entities.

The target of 5 percent of PHAs converting to asset management was met. Overall, 258 PHAs, or 8 percent of the approximately 3,200 PHAs that operate public housing, were notified in fiscal year 2008 that they successfully demonstrated that they converted to asset management. The reporting period is the applications that were assessed in fiscal year 2008. There are a total of approximately 800 PHAs that are eligible for stop-loss. Approximately 430 PHAs applied in the first year. We anticipate a smaller number of applications in the second and third years. For fiscal year 2009, we estimate that the cumulative number of successful applications will be 10 percent of all PHAs.

Public Housing Operating Fund

Of the approximately 800 PHAs with 250 or more units, approximately 150 will see their funding level decline under the new formula. For fiscal year 2009, the Department estimates half (75) of the large PHAs that are eligible to be assessed will successfully demonstrate a conversion to asset management. All PHAs that are required to convert to asset management must be certified by fiscal year 2011.

Indicator: The share of public housing units that meet HUD-established physical standards will be tracked.

Despite several years of decreased funding for the maintenance and operation of PHAs, PIH has been very successful in assisting PHAs in the provision of rental housing that is decent, safe, sanitary, and in good condition. For fiscal year 2008, 84.5 percent of the units met Standard Levels, which is 0.5 percent less than the fiscal year 2008 goal of 85.0 percent. Because of the sampling method used this variance is not statistically meaningful and accordingly the Department deems this goal substantially met. Additionally supporting this position, it should be noted that when looking at the results on a property basis, 91.3 percent of PHA properties met or exceeded the established physical inspection standards versus 91.0 percent in fiscal year 2007 (an improvement of 0.3 percent). When the conversion to asset management is completed, PIH intends to revise this goal such that reporting is on a project, and not unit, basis, in keeping with the goals of asset management. In addition, the fiscal year 2010 budget and the Recovery Act increase the Capital Fund resources available to address capital needs, which will help accelerate the Department's progress on this goal.

Indicator: The rate of program errors and improper payments in HUD's rental housing assistance programs will continue to be reduced.

The rental housing assistance programs (public housing, Housing Choice Vouchers, and project-based assistance programs) constitute HUD's largest appropriated activity, with over \$27 billion in annual expenditures. There are three major sources of payment errors in these complex programs:

- Program administrator error: the program administrator's failure to properly apply income exclusions and deductions and correctly determine income, rent, and subsidy levels;
- Tenant income reporting: the tenant beneficiary's failure to properly disclose all income sources; and
- Billing error: errors in the billing and payment of subsidies between third party program administrators and HUD. Billing errors are discrepancies between the proper subsidy level (based on the actual rent charges) and the amount that HUD is actually billed.

HUD has surpassed its improper payment goal for the fiscal year 2008 reporting period (based on fiscal year 2007 data) by reducing improper payments to 3.5 percent, or 1.1 percentage point below the goal and an improvement of 2.0 percentage points from the previous year's result of 5.5 percent.

The overall reduction in improper payments for HUD's three major types of Rental Housing Assistance Programs over the past eight years has been primarily attributed to HUD's efforts to work with its housing industry partners through enhanced program guidance, training, oversight, and enforcement. Collectively, these efforts have had a positive impact on the program administrators' ability to reduce their errors in the calculation of income, rent, and subsidies. The Department also has found a direct correlation in the reduction of improper payments to the number of monitoring reviews of public housing agencies (PHAs) and the number of management and occupancy reviews at multifamily housing properties, as well as the increased availability and use of the Enterprise Income Verification system by PHAs, and by owners, management agents, and contract administrators for HUD's Project-Based Assistance programs.

During the fiscal year 2009 and 2010 reporting periods, the Department plans to continue this successful trend by reducing program errors and improper payments to 3.2 percent in 2009 and 3.1 percent in 2010. Achieving HUD's aggressive improper payment reduction goals will result in a more efficient use of program funds, either through the availability of additional funds (net overpayment) or giving the right amount to those in need (net underpayment).

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING OPERATING FUND
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, and language proposed for deletion is bracketed.

For [2009]2010 payments to public housing agencies for the operation and management of public housing, as authorized by section 9(e) of the United States Housing Act of 1937 (42 U.S.C. 1437g(e)), [~~\$4,455,000,000~~]*\$4,600,000,000*;[of which \$5,940,000 shall be for competitive grants and contracts to third parties for the provision of technical assistance to public housing agencies related to the transition and implementation of asset-based management in public housing:]*Provided, That, in fiscal year [2009]2010 and all fiscal years hereafter, no amounts under this heading in any appropriations Act may be used for payments to public housing agencies for the costs of operation and management of public housing for any year prior to the current year of such Act: Provided further, That no funds may be used under this heading for the purposes specified in section 9(k) of the United States Housing Act of 1937. (Department of Housing and Urban Development Appropriations Act)*

Explanation of Changes

Technical Assistance will be funded through the Secretary's Transformation Initiative.

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
 PUBLIC HOUSING OPERATING FUND
 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>
Operating Subsidy	\$4,194,060	-\$56	...	...	\$56	\$4,194,060
Transition to Asset Management	<u>5,940</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>5,940</u>
Total	4,200,000	-56	...	...	56	4,200,000

Public Housing Operating Fund

PUBLIC AND INDIAN HOUSING
 PUBLIC HOUSING OPERATING FUND
 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>
Operating Subsidy	\$4,294,060	\$4,449,060	...	...	...	\$4,449,060
Transition to Asset Management	<u>5,940</u>	<u>5,940</u>	...	...	...	<u>5,940</u>
Total	4,300,000	4,455,000	...	...	...	4,455,000

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
2010 Summary Statement and Initiatives
(Dollars in Thousands)

PUBLIC HOUSING CAPITAL FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$2,438,964	\$170,618 ^a	\$1,168 ^b	\$2,610,750 ^d	\$2,497,090	\$2,895,004
2009 Appropriation/Request	2,450,000	94,276	4,000,000 ^e	6,544,276 ^e	6,528,276 ^f	3,039,000 ^g
2010 Request	<u>2,244,000</u>	<u>1,423</u>	...	<u>2,245,423</u>	<u>2,244,000</u>	<u>4,251,000^h</u>
Program Improvements/Offsets	-206,000	-92,853	-4,000,000	-4,298,853	-4,284,276	+1,212,000

a/ Includes \$10.6 million in recaptured funds.

b/ Net of \$13.8 million rescission and \$15 million Supplemental Appropriations for Hurricanes Katrina and Rita.

c/ Funds provided by the American Recovery and Reinvestment Act of 2009.

d/ Includes \$16.8 million in Working Capital Fund transfers.

e/ Includes \$14.6 million in Working Capital Fund transfers.

f/ Includes Recovery Act obligations of \$3.98 billion.

g/ Includes Recovery Act outlays of \$525 million.

h/ Includes Recovery Act outlays of \$1.2 billion.

Transforming Public Housing

The Public Housing Capital Fund supports the Department's mission to promote safe, decent affordable housing, through a comprehensive, formula-driven program that supports public housing capital and management improvement activities. For fiscal year 2010, the Department is requesting \$2.244 billion for the Public Housing Capital Fund to address the needs of the public housing portfolio. Of the total amount requested, \$2.2 billion will assist Public Housing Authorities (PHAs) in carrying out rehabilitation and modernization activities. In addition, \$8.8 million is requested to support the cost of administrative and judicial receiverships and \$15.3 million is for the financial and physical assessment support for public housing.

The Public Housing Capital Fund protects and enhances the Nation's public housing stock, a tremendously valuable affordable housing resource, which serves approximately 1.1 million families with limited income. For additional information about public housing tenants see the table at the end of this section, entitled Public Housing Tenant Characteristics 2008.

In the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Public Housing Capital Fund received \$4 billion to rehabilitate and retrofit public housing units. PHAs are using these funds to increase energy efficiency, make critical safety repairs and improve the overall state of the Nation's public housing stock. A total of \$2.985 billion has already been awarded by formula to 3,134 PHAs to enable them to address their backlog of rehabilitation needs. Another \$995 million will be awarded competitively this fiscal year. The formula funding alone represents a total of 127 percent of the 2008 distribution of Capital Funds. When combined with projected 2009 Capital Fund awards, the total to each PHA in 2009, exclusive of any competitive grant awards, more than doubles the funding given in 2008.

The Department's fiscal year 2010 request fully funds the Operating Fund to ensure PHAs have the resources necessary to implement asset management. Currently, PHAs transfer approximately 10 percent from the Capital Fund to the Operating Fund in order to fund on-going agency operations. By fully funding the Operating Fund, the Department eliminates the need for these transfers and increases the Capital Fund resources available to address capital needs. This change in the fiscal year 2010 Budget along with the funds provided by the Recovery Act gives PHAs the necessary resources to make critical investments in public housing.

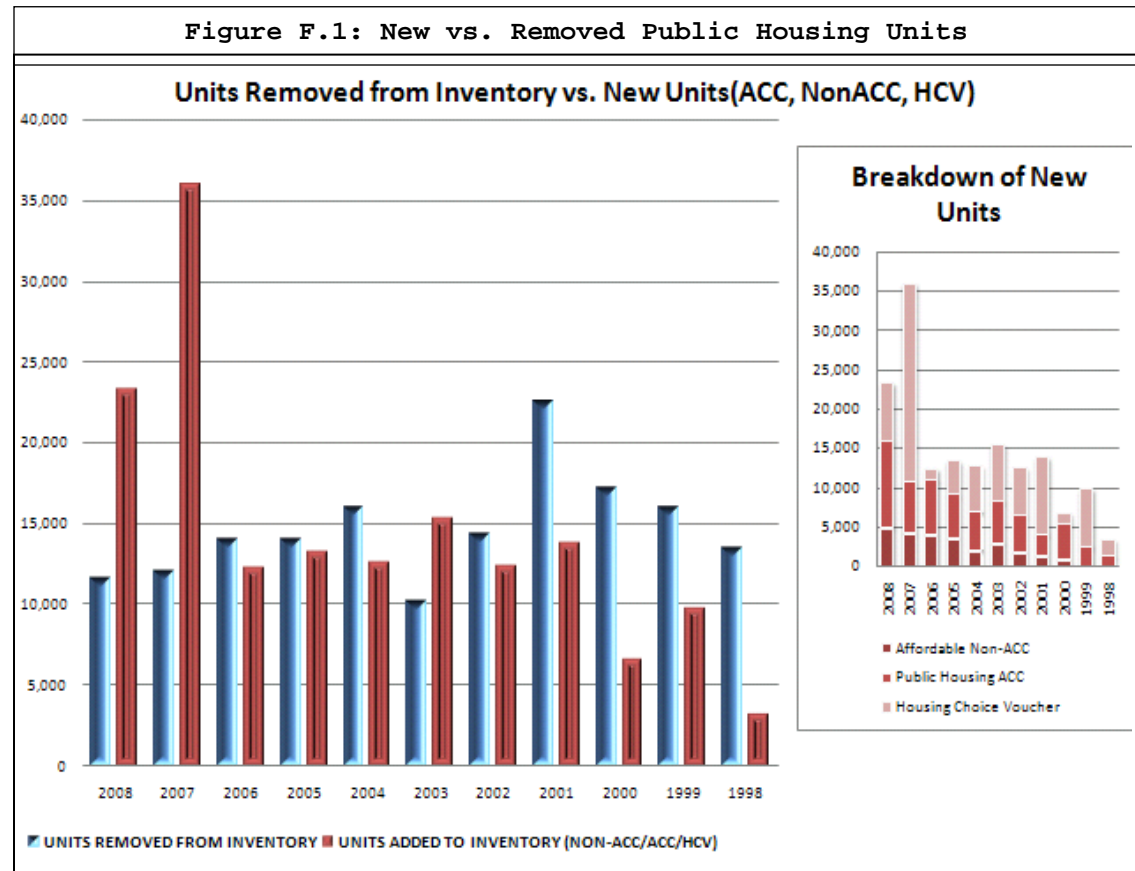
Public Housing Capital Fund

In addition, the Department’s Transformation Initiative allows the Secretary the necessary flexibility to undertake an integrated and balanced effort to improve program performance and test ideas. Up to 1 percent of the funds appropriated for the Capital Fund 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 in respect to the Capital Fund include: a pilot program in converting public housing to project-based assistance or the development of a public housing portfolio management system. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

Summary Statement

The overall level of funding requested for fiscal year 2010 will provide resources to address the \$2 billion annual capital accrual needs of the public housing inventory, estimated from the 1998 modernization needs study conducted by the Department. Since that time, the backlog of capital needs for public housing has been reduced through demolitions of more than 187,000 units of the most distressed public housing stock as well as modernization and redevelopment of thousands of units. In addition, a mandatory conversion rule has been implemented that greatly accelerates the demolition of units beyond repair. Figure F.1 shows the number of Public Housing units removed and new units (Public Housing, Vouchers, affordable non-Public Housing) by year.

In fiscal year 2008, 84.5 percent of public housing units met HUD’s physical standards, as opposed to 82 percent in 2001. More than half of public housing units were constructed prior to 1970 and require investments now to remain viable. Without this inventory, many families would face homelessness or other worst case housing scenarios. Investments in this program are projected to improve the percentage of projects that meet uniform physical condition standards and improve the homes of Public Housing tenants.



Public Housing Capital Fund

During fiscal year 2008, the Department commissioned a new capital needs study to obtain a more recent estimate of the public housing backlog. The Joint Explanatory Statement, which accompanied the 2009 Omnibus Appropriations Act, directed the Department to delay current work on this study until April 1, 2009. PIH is currently re-evaluating the study and taking into consideration the concerns of the House and Senate Committees on Appropriations.

Initiatives

Pursuant to Sections 9 and 30 of the United States Housing Act of 1937, the Department continues to expand the Capital Fund Financing Program (CFFP), which allows PHAs to borrow from banks or issue bonds using their Capital Fund grants as collateral or debt service, subject to annual appropriations. In this way, PHAs are able to leverage the Capital Funds provided by the Department to accelerate improvements that otherwise would be postponed well into the future. As of September 2008, HUD has approved 116 transactions in which a total of almost 200 PHAs are participating (some of these transactions include pools of multiple PHAs). The total amount of loan and bond financing approved through July 2008 is approximately \$3.5 billion. The CFFP has evolved such that PHAs are further leveraging their Capital Fund dollars by combining CFFP with Low-Income Housing Tax Credits (LIHTC).

PHAs are now using LIHTC to support modernization as well as to support new development. In July of 2008, the Department approved a mixed finance modernization transaction designed to modernize 4,302 units of public housing for the Puerto Rico Public Housing Administration (PRPHA). This transaction was the largest in the history of the tax credit program. Standard & Poor's assigned its 'AA-' rating to PRPHA's \$378.8 million capital fund securitization revenue series 2008 bonds with an outlook of stable. The rating reflects the strong security of pledged federal public housing modernization funds (the Capital Fund); anticipated bond debt service coverage of at least 2.7x at issuance and above 1.0x under Standard & Poor's stressed scenarios for the term of the bonds; and demonstrated HUD support for the transaction, limiting the risk of any sanctions that could jeopardize the flow of funds to bondholders.

The Department demonstrates its on-going commitment to public housing by requesting to fully fund the Operating Fund in fiscal year 2010. In addition, \$4 billion in Capital Funds provided by the Recovery Act will be allocated during fiscal year 2009. Through these actions, the Department can help ensure that PHAs have the funds needed to modernize, manage, and maintain their portfolio.

Energy Conservation

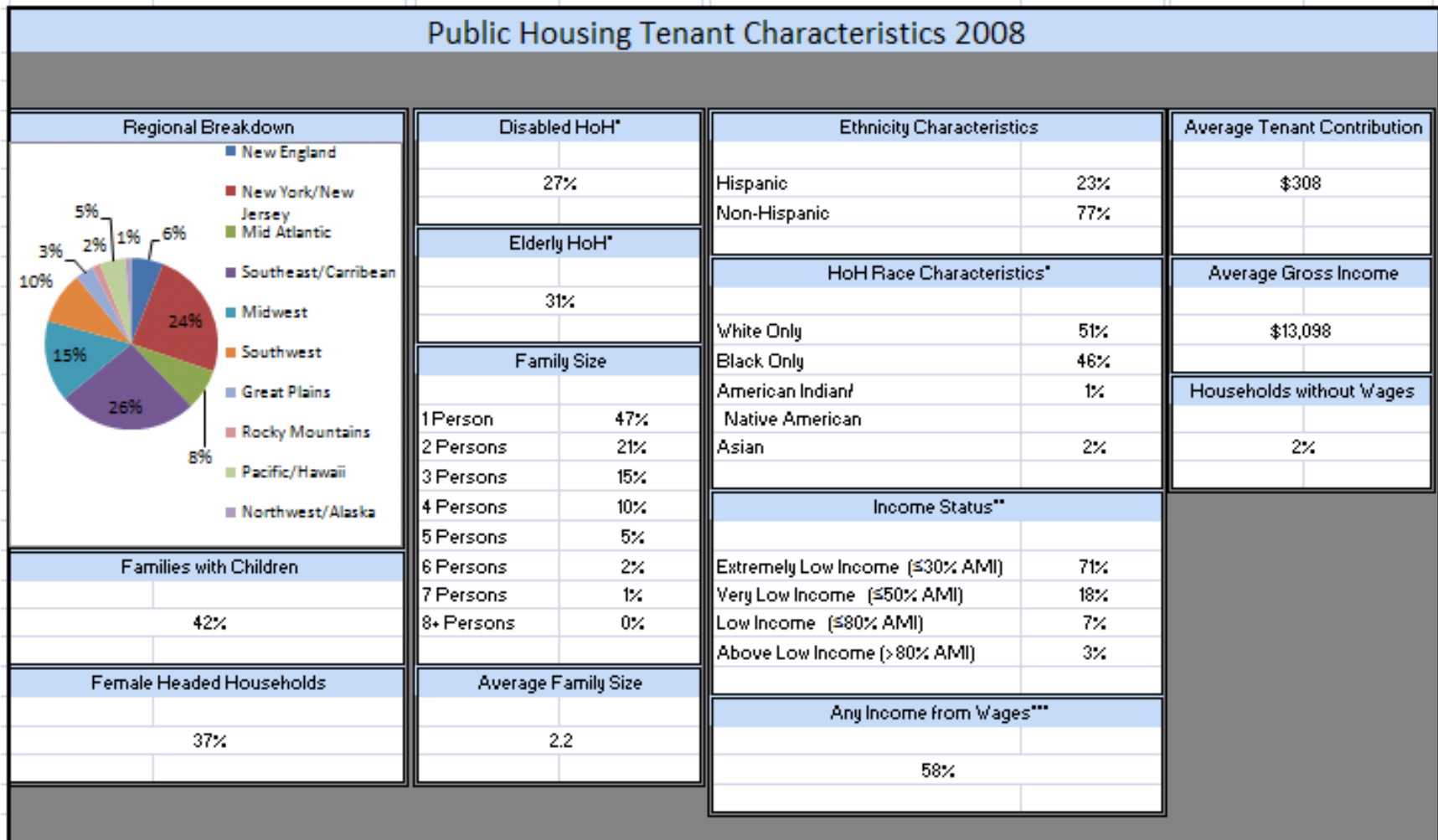
The Office of Public and Indian Housing (PIH) was selected for a 2008 Presidential Award for Leadership in Federal Energy Management because of its aggressive outreach effort to promote and improve energy management in public housing developments and reduce energy consumption in the 1.1 million public housing units across America. Since the launch of its energy conservation initiative in 2002, PIH has saved \$102.8 million and has produced \$570.8 million in energy investments at public housing authorities nationwide.

In addition, on March 31, 2009 PIH received an ENERGY STAR Special Recognition Award for promoting the use of energy efficient appliances in public housing units and encouraging public housing authorities across the country to follow "green" building standards. PIH survey results indicate that more than half of the nation's more than 3,100 public housing PHAs require the use of ENERGY STAR-qualified products as part of their procurement policies. PIH's 46 field offices also played a critical role in the Department's energy outreach efforts. Each conducted two workshops for housing authorities locally to promote ENERGY STAR products. PIH provided brochures and briefing materials to facilitate discussions and training. Other energy conservation outreach efforts included PHA community meetings, state housing conferences, housing industry workshops and direct technical assistance to PHAs in support of energy performance contracting.

Public Housing Capital Fund

Strategic Goals and Objectives

The Department is in the process of refining its strategic goals and objectives to better reflect the administrations priorities and improve performance-based budgeting. The Capital Fund is essential to achieving the current goals of the Department such as Strategic Goal B: Promote decent, affordable housing, and Strategic Goal E: Embrace high standards of ethics, management, and accountability. The Public Housing Operating Fund program in conjunction with the Capital Fund program was jointly reviewed by OMB in 2005. Based on the results, the public housing program was determined to have "Results Not Demonstrated." This budget request addresses some of the concerns raised in that assessment by moving forward to transform public housing.



Source: 2008 Public and Indian Housing Information Center (PIC) data

* HOH is Head of Household

** AMI is Area Median Income

***Wages from non-elderly non-disabled households

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
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>
Formula Grants	\$2,318,486	\$56,825	\$2,375,311	\$2,360,750	\$2,341,258	\$12,258	\$2,353,516	\$2,199,835
Emergency/Disaster								
Reserve	18,445	16,858	35,303	15,430	20,000	19,873	39,873	20,000
Technical Assistance ..	7,296	17,943	25,239	19,629	10,000	5,528	15,528	...
Resident Opportunities and Supportive Services	39,959	62,714	102,673	61,737	40,000	40,846	80,846	...
Administrative Receivership	8,811	4,733	13,544	9,886	8,820	3,658	12,478	8,820
Working Capital Fund (transfer)	16,847	...	16,847	...	14,577	...	14,577	...
Neighborhood Networks .	...	11,338	11,338	9,203	...	2,073	2,073	...
Financial and Physical Assessment Support ...	15,345	...	15,345	5,455	15,345	9,890	25,235	15,345
Tenant Opportunity	-5	155	150	...	...	150	150	...
Public Housing Amendments	-52	52	...	...	...	...	...	...
Hurricanes Katrina and Rita Redevelopment ...	15,000	...	15,000	15,000	...	...	...	...
Recovery Act .....	...	...	...	...	4,000,000	...	4,000,000	...
Total	2,440,132	170,618	2,610,750	2,497,090	6,450,000	94,276	6,544,276	2,244,000

NOTE: "2007 Carryover Into 2008" includes \$10.6 million in recaptured funds.

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	86	89	91
Field	140	155	157
Total	226	244	248

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2008 Appropriation	\$2,318,486
2009 Appropriation/Request	2,341,258
2010 Request	<u>2,199,835</u>
Program Improvements/Offsets	-141,423

Proposed Actions

The Department proposes \$2.2 billion for Public Housing Capital and Management Activities Formula Grants in fiscal year 2010. This amount will assist PHAs in addressing capital needs of the public housing inventory. Given the budgetary challenges of PHAs in modernizing their portfolios and transitioning to asset management, more and more PHAs are transferring Capital Funds towards operations. Since 2000, PHAs have flexed more than \$1.9 billion of capital funds for operations, with an average budgeted amount of \$273 million per year. This means that even fewer dollars are being spent on modernization needs. The fiscal year 2010 Budget will reverse this trend by fully funding the Operating Fund, which will eliminate the need for these transfers and increase the Capital Fund resources available to address capital needs. This change in the fiscal year 2010 Budget along with the \$4 billion provided by the Recovery Act gives PHAs the necessary resources to make critical investments in public housing.

The Department has issued some guidance concerning portions of the Quality Housing and Work Responsibility Act of 1998 (QHWRA). Changes to the Capital Fund program regulations that revised the Capital Fund Formula were published in 2000 and, in 2003 changes related to sanctions for failure to obligate and expend capital funds on time were published. The Department is developing a proposed rule to cover the remaining aspects of the QHWRA revisions not covered in the earlier rules or in the pending Capital Fund Financing Program (CFFP) rule. CFFP, which authorizes PHAs to borrow funds conditioned on a promise to pay the debt service from Capital Fund grants. In 2007, the Department published the proposed comprehensive CFFP rule to formalize the CFFP program. The Department expects to publish the final CFFP rule during the third quarter of fiscal year 2009. The publication of the final rule will provide a clear framework for submitting, reviewing and approving CFFP transactions. The clear framework provided by the rule will increase the confidence level of both PHAs and potential investors thereby increasing the ability of PHAs to attract leveraged investments to address public housing capital needs.

Program Description and Activity

The Capital Fund provides funds annually via a formula to more than 3,100 PHAs across the country. QHWRA authorized the Capital Fund and expanded the scope of predecessor programs by consolidating all public housing capital programs (except the HOPE VI program) into one program and allowing greater local flexibility in decisions on major capital initiatives and management improvements undertaken by PHAs. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those that support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for security and safety, and (10) homeownership. One successful program initiative within the Capital Fund is the CFFP, which authorizes PHAs to borrow funds conditioned on a promise to pay the debt service from Capital Fund grants.

Public Housing Capital Fund

The Department reports to Congress quarterly on PHAs obligations and expenditures of Capital Fund grant amounts and plans to continue monitoring them. The Department will impose sanctions against PHAs that do not obligate in accordance with statutory deadlines, including withholding grant funds and deducting 1/12th of grant allocations for each month the affected PHAs exceed the statutory deadline for obligating their Capital Fund grants. In addition, the Department will recapture funds not expended by the statutory deadline. The vast majority of PHAs comply with both the obligation and expenditure deadlines.

Figures F.2 and F.3 provide aggregate data on Capital Fund obligations and expenditures from the Department's Line of Credit Control System (LOCCS). The data confirms that the aggregate obligation rate of all PHAs for grants older than 2006 (2 years before the snapshot was taken in 2008) exceeded the 90 percent requirement for obligation within 2 years in accordance with Section 9(j) of QHWRRA. Similarly, the data confirms that PHAs expended virtually all of their funding for grants that were older than 2004 (4 years before the snapshot was taken in 2008) in accordance with the QHWRRA Section 9(j) 4-year deadline for expenditures. Funds that are unexpended after the 4-year deadline are either in the process of recapture or alternatively subject to one of the limited exemptions to Section 9(j): primarily Replacement Housing Factor funds that can be accumulated up to 5 years before being subject to the 2 years to obligate and 4 years to expend deadlines.

Figure F.2: Amount Reported Obligated by PHAs (as of 9/30/2008)

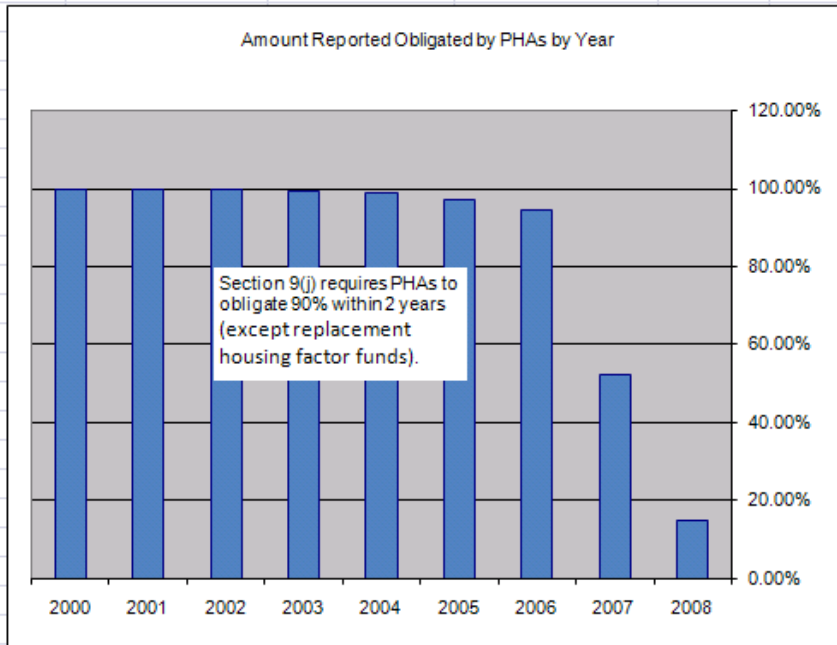
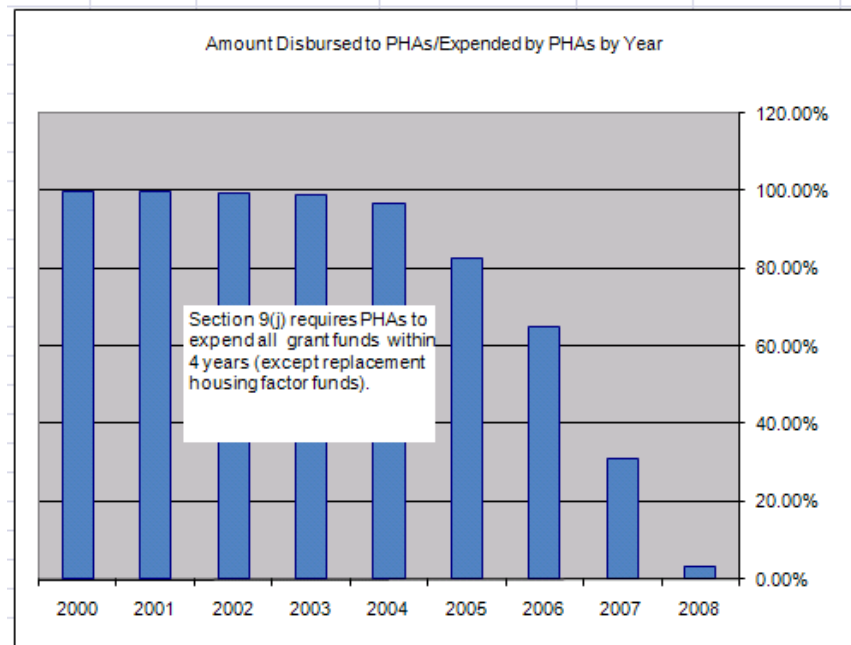


Figure F.3: Amount Disbursed to PHAs/ Expended by PHAs (as of 9/30/2008)



Public Housing Capital Fund

For a number of years, the Department has laid the necessary foundation to expedite the calculation of the Capital Fund formula and subsequent distribution of formula funds. In 2008, the Department was able to capitalize on the previous years' efforts and awarded Capital Funds by April, 3 months earlier than any distribution of funds under the current Capital Fund formula.

Moving-to-Work (MTW)

Section 204(a) of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Pub. L. 104-134, hereinafter "MTW Statute") provides that an agency participating in the MTW demonstration program may combine public housing operating and capital funds provided under Section 9 of the U.S. Housing Act of 1937 (the "1937 Act") and voucher program funds provided under Section 8 of the 1937 Act "to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work on such terms and conditions as the agency may propose and the Secretary may approve."

The Department believes that the above language is intended to permit the use of appropriated funds beyond Sections 8 and 9 of the United States Housing Act of 1937, provided the agency in the MTW demonstration program uses its combined funds to provide housing assistance for low-income families, as defined in section 3(b)(2) of the 1937 Act, and services to facilitate the transition to work, whether or not any such use is authorized by Sections 8 or 9 of the 1937 Act, and provided such uses are consistent with other requirements of the MTW Statute and have been proposed in an agency's Annual MTW Plan and approved by HUD.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Emergency/Disaster Reserve	<u>Amount</u>
2008 Appropriation	\$18,445
2009 Appropriation/Request	20,000
2010 Request	<u>20,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

For fiscal year 2010, the Department requests \$20 million in funding to respond to emergencies and natural disasters excluding Presidentially declared disasters. The Department is not requesting funding set-aside for Presidentially declared disasters. Prior to 2008, the United States Housing Act of 1937 contained Section 9(k) which provided for a set-aside for emergencies and natural disasters. Since 2000, Congress has appropriated funding in the Capital Fund to address emergencies and natural disasters, separate and apart from the Section 9(k) authorization. Section 2804 of H.R. 3221, the Housing and Economic Recovery Act of 2008, repealed Section 9(k) of the United States Housing Act of 1937, thereby eliminating the authorization for this set-aside. Nonetheless, the Department continues to expend prior year disaster funding. As of March of 2009, the Department had awarded two emergency grants in 2008 totaling \$4.5 million and 12 disaster grants totaling \$11.3 million. The exclusion of Presidentially declared disasters in this set aside is based on the Department's recent experience that it is impossible to predict the need for funding for Presidentially declared disasters and that it creates confusion for the Department to request such funding because other agencies within the Federal Government receive separate appropriations to respond to Presidentially declared disasters. In order to avoid potential redundant appropriations, PHAs should not have a potentially inadequate set-aside in the Capital Fund, which makes them ineligible for other funding. Instead PHAs should have access to the same funding that other public entities have to receive disaster funding from the Federal Emergency Management Agency under the Robert T. Stafford Relief Act.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2008 Appropriation	\$7,296
2009 Appropriation/Request	10,000
2010 Request .....	...
Program Improvements/Offsets	-10,000

Proposed Actions

In fiscal year 2010, technical assistance activities will be funded through the Department's Transformation Initiatives. In fiscal year 2008, technical assistance contracts included: 1) Moving-to-Work (MTW) technical assistance; 2) the capital needs study; 3) the Housing Choice Voucher Administrative Fee study; 4) technical assistance and training to troubled housing agencies; and 5) technical assistance for agencies to develop energy performance contracts, and other program-related trainings. These initiatives, among others, are examples of innovative approaches to solving longstanding public housing questions, such as, "What is the backlog of modernization needs in public housing?" In addition, the initiatives supported by technical assistance funding enable expert analysis of public housing programs and guidance and training to PHAs.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Resident Opportunities and Supportive Services	<u>Amount</u>
2008 Appropriation	\$39,959
2009 Appropriation/Request	40,000
2010 Request .....	...
Program Improvements/Offsets	-40,000

Proposed Actions

No funds are requested for this activity in fiscal year 2010. Self-sufficiency activities are an eligible expense under the Operating Fund. The Department has moved towards performance based budgeting, which focuses on evaluating outcomes rather than restricting inputs. Therefore the Department encourages PHAs to use their resources to fund activities that result in the best outcomes for their tenants.

To better align with the Department's priorities and expedite obligation of funds through competition, in 2008 the Department redesigned the ROSS program to no longer provide funding for the direct delivery of services, but instead to fund the salaries of Service Coordinators for family and elderly programs. The Service Coordinators' role is to leverage resources available from local community partners and connect residents to existing services that will help residents move along the spectrum of self-sufficiency from basic skills to homeownership.

The fiscal year 2008 NOFAs were published with the HUD NOFA in May 2008, offering \$12 million for Public Housing Family Self- Sufficiency (PH FSS) and \$28 million for the re-structured ROSS Service Coordinators (ROSS-SC) program. This amounted to the total of \$40 million appropriated in 2008. There were 234 applications requesting \$14.3 million for PH FSS. Award announcements were made on March 5, 2009 for 206 awards utilizing nearly the entire \$12 million allocated. For the ROSS-SC program, 285 applications for a total of \$90.5 million were received. Approximately \$28 million was awarded April 2009 for the fiscal year 2008 ROSS-SC program, utilizing all available funds. Awards were made after the end of the fiscal year because of the nature of the NOFA and the queuing of competitions by the Grants Management Center. PH FSS and ROSS-SC awards fell behind other competitions. In addition, the ROSS-SC program began using a new structure in 2008, so processing took longer than expected.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Administrative Receivership	<u>Amount</u>
2008 Appropriation	\$8,811
2009 Appropriation/Request	8,820
2010 Request	<u>8,820</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department is requesting \$8.8 million to support the costs of administrative and judicial receiverships. These funds will allow the Department to provide contract support and operational expenses related to the administration of Public Housing Agencies that are under receivership.

The Department provides contract support to PHAs in receivership based on the specific needs and circumstances of the PHA, with support ranging from specific programmatic contracts to executive management services. Based on the experience the Department has had with past and current receiverships, the Department anticipates providing contract support in five major areas, Financial, Systems, General Management, Section 8 Voucher program and Asset Management.

- Financial management services are provided through procurement actions to allow the PHA to attain operational and economic recovery that is sustainable. Such services will include but not be limited to, updating and keeping all financial records and reports current, restructuring the financial division of the PHA including recruitment and training, establishing accounting control measures, ensuring compliance with generally accepted accounting principles (GAAP), submitting accurate financial audits and achieving regulatory and Annual Contributions Contract (ACC) compliance.
- Systems support services, through procurement actions, will provide the PHA with assistance in updating and upgrading systems. This support may include implementation services, data conversion and training for end users. Areas of systems support could include all program and operational areas of the PHA.
- General management services are provided in a number of areas through procurement actions. These areas include, but are not limited to, maintenance, administrative and human resources, grant administration, occupancy, and procurement.
- Development services, through procurement actions, will provide the PHA with assistance in all phases of development activity. This will include, but not be limited to, assistance with modernization, oversight and management of development, demolition and disposition, capital improvements and financing.
- Housing Choice Voucher program support, through procurement actions, will assist with the recovery and operations of the program. This support may include tenant file reviews, re-examinations and re-certifications, and housing quality standards and inspections.
- Asset management support, through procurement actions, will assist with the implementation of asset management. This will include but not be limited to, staff restructuring, developing organizational and operating policies and procedures, property management and long term planning.

Public Housing Capital Fund

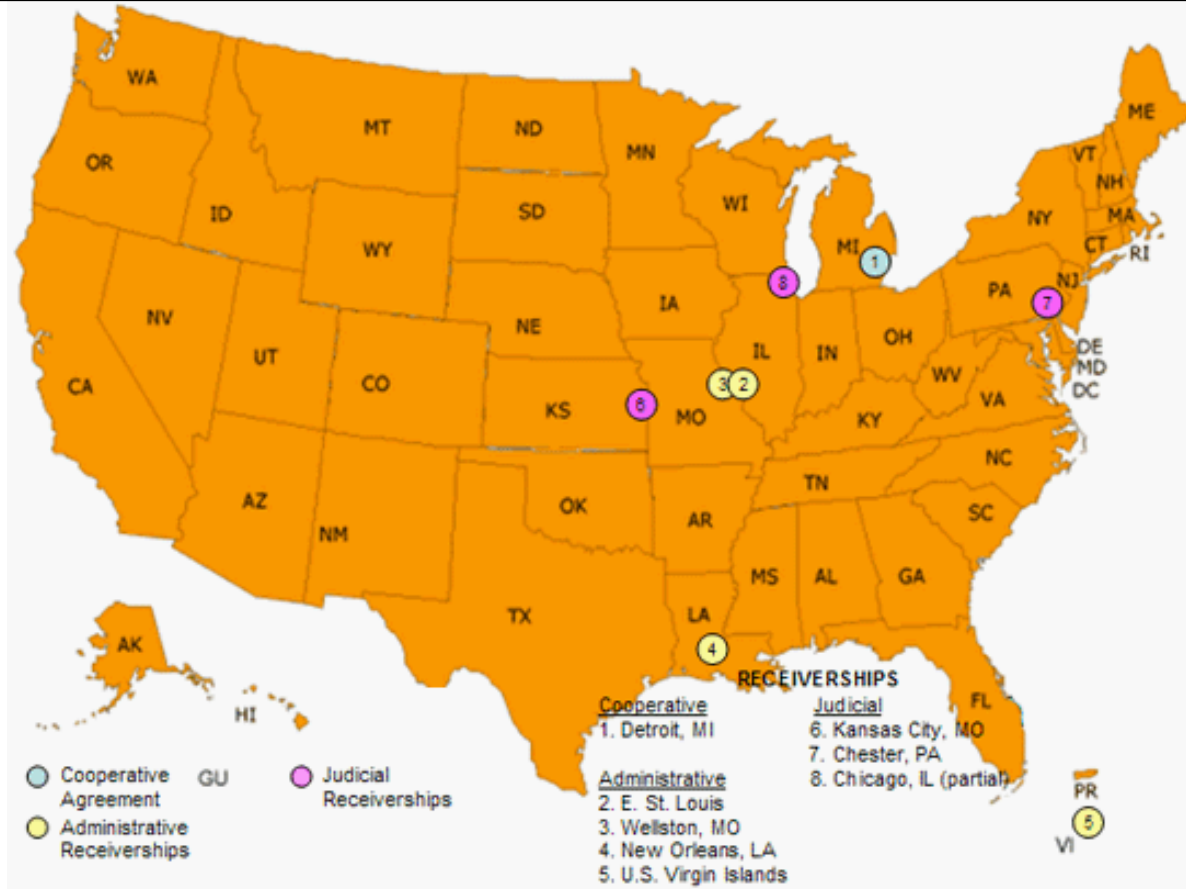
In addition to contract support, the Department invests significant existing resources, including personnel delegated with authority, to oversee and manage the day-to-day operations of the PHA, during the receivership. These resources include salaries and expenses for full-time employees (FTE) that are assigned to work on receiverships for months and years at a time. To that end, a significant number of FTE are invested, along with associated travel and expenses. Due to the size of the PHAs that have been placed in receivership over the last few years and the depth of problems at the PHAs, it has been necessary to invest significant resources into those PHAs in order to make the improvements that are necessary.

Current Status

At the beginning of fiscal year 2009, the Department had six PHAs under administrative receivership and an additional three under judicial receivership. As of January 29, 2009 one PHA has been returned to local control during fiscal year 2009. The Department enters into an administrative receivership when a PHA has systemic, long-standing, severe management, financial, and physical problems. Due to the severity of these problems, extraordinary levels of expertise and resources are necessary in order to improve the quality of life for the PHA's residents. A judicial receivership is entered into when a federal or state court deems it is necessary to intervene in a PHA's management and operations. When the Department places a PHA in an administrative receivership, the Department takes complete control over a PHA's management and operations. Administrative receiverships can be further divided into ordinary administrative receiverships, PHAs under Settlement Agreements, and PHAs under Cooperative Endeavor Agreements. A PHA under a Cooperative Endeavor Agreement operates under a voluntary agreement between HUD and the troubled PHA or the local municipal government that defines the terms, conditions, and duration of the administrative receivership.

Figure F.4: PHAs under Receivership (as of 1/29/09)		
Name	Locale	Start Date
<u>Administrative</u>		
East St. Louis Housing Authority	East St. Louis, IL	October 1985
Wellston Housing Authority	Wellston, MO	July 1996
Housing Authority of New Orleans	New Orleans, LA	February 2002
Virgin Islands Housing Authority	St. Thomas, VI	August 2003
Detroit Housing Commission	Detroit, MI	July 2005
<u>Judicial</u>		
Chicago Housing Authority (Partial)	Chicago, IL	1987
Housing Authority of Kansas City	Kansas City, MO	1993
Chester Housing Authority	Chester, PA	1994

Figure F.5: Receivership Sites



Program Accomplishments

During fiscal year 2008, the Department was able to return both the Riviera Beach Housing Authority and Sarasota Housing Authority back to local control.

- The Riviera Beach Housing Authority (RBHA) entered receivership status in June 2004, resulting from serious deficiencies in its management operations. RBHA was successfully redelivered to local governance in March 2008 after achieving key milestones: (1) demolition of 106 hurricane-damaged and condemned family units; (2) resolution of litigation over title to RBHA properties; and (3) stabilization of the agency's Housing Choice Voucher Program by removing the agency from Section Eight Management Assessment Program (SEMAP) troubled status and transferring the program to the West Palm Beach Housing Authority. From fiscal year 2005 through fiscal year 2008 no HUD funds were spent on contractor support. Successful recovery efforts were a direct result of thousands of hours of technical assistance provided by HUD subject matter experts (SMEs), as well as the diligent efforts of housing authority staff working under HUD's direction.
- HUD assumed possession of the Sarasota Housing Authority (SHA) in April 2005 because of severe management and financial problems, and successfully returned the agency to local control in July 2008. The SHA entered into a Memorandum of Understanding (MOU) with HUD outlining post receivership oversight provisions for an 18-month period. Approximately \$283,000 was spent from fiscal year 2005 through fiscal year 2008 for HUD funded contractor support. Technical Assistance (provided by both HUD staff and HUD funded contractors) aided in removing the agency from SEMAP troubled status for the fiscal year ending in 2008. Additionally, SHA successfully competed and was awarded \$10 million in 9 percent Low-Income Housing Tax Credits (LIHTC) from the state of Florida and an additional \$17 million from the City and County of Sarasota to reconstruct 4 family sites into mixed income communities consisting of 313 units of public housing, 294 units of LIHTC housing and 273 market rate units. In addition, SHA executed a land sale with Habitat for Humanity totaling \$750,000 to construct a mixed-income development consisting of 36 units of low income homeownership units (Section 32 Homeownership Units) on the former public housing site, Cohen Way. Finally, SHA instituted asset management provisions agencywide resulting in marked improvements in the areas of physical and financial performance.

In January 2009, the Department returned the Miami Dade Housing Agency (MDHA), which was taken into receivership in October 2007, to local control. While in receivership, the Department procured the professional services of a major financial audit firm for the Miami Dade Housing Agency (MDHA), tasking the firm to correct and adjust all accounts to enable an accurate fiscal year 2008 financial close-out. In addition, the firm is tasked to train current and new staff on effective accounting procedures, redesign accounting processes, and revamp the financial management system of the Agency. The Department also procured the professional services of a firm, to provide comprehensive technical assistance with MDHA's Section 8 Housing Choice Voucher program. The firm is reconstructing tenant files and recertifying households to verify income and eligibility. The services provided are critical to the operation and financial health of MDHA, as it will ensure that only eligible tenants are receiving a Section 8 Housing Choice Voucher and at correct subsidy amounts. After completing these tasks, in order to ensure that there would be no re-occurrence of the long-standing problems with the agency, the MDHA agreed to contract out the voucher program to a capable and competent third party. MDHA through contract support was also successful in moving forward with a long-stalled development project, successfully selecting a developer, implementing a Master Development Agreement, and moving forward with replacing public housing units.

In addition, through the funding provided, the Department has been able to make significant progress at a number of PHA's under receivership. A few of these accomplishments are as follows:

- The Virgin Islands Housing Authority (VIHA), after entering receivership in August 2003, is working to implement redevelopment strategies, reduce long-term vacancies, and initiate deferred capital improvement actions agency-wide. With leveraged funds, VIHA is continuing to reprioritize its redevelopment options in order to increase affordable housing production. Key accomplishments have included achieving a Standard Performer SEMAP rating for fiscal year 2008 with a Housing Choice Voucher Program funding utilization rate of 93 percent; and successfully collecting \$485,000 in delinquent rental payments during 2006-2008.

Public Housing Capital Fund

- The Wellston Housing Authority (WHA) has implemented site based management and streamlined processes in order to increase revenue and control costs. Significant stabilization and fiscal improvement of WHA has led the agency to successfully achieve and maintain occupancy rates of over 95 percent. Improvement in WHA's fiscal health was demonstrated with a passing Public Housing Assessment System (PHAS) Financial score for its fiscal year ending (FYE) December 31, 2007, which included timely obligations and expenditures for all open grant program funds. The WHA was placed into receivership July 1996 and is poised to return to local control once a new Board of Commissioners is established and trained.
- The Housing Authority of the City of East St. Louis (ESLHA), taken over by HUD in October 1985, has repositioned itself for return to local control. ESLHA was successfully removed from HUD's PHAS Troubled housing authority list for fiscal year 2007. The agency has consistently maintained a "High Performer" SEMAP rating for the past 6 years and a PHAS score of 82 for FYE March 31, 2008 designated ESLHA's overall performance as a "Standard Performer." Currently, the ESLHA has more than \$6 million in reserves and the Housing Choice Voucher Program has increased from 273 to 677 vouchers with a lease up rate of 100 percent.
- The Detroit Housing Commission (DHC) was taken into receivership in July 2005 and has benefited greatly from contract support, and the completion of updated policies, procedures and processes, including implementation of internal controls. Of significant importance was restructuring DHC's books and records to be presented in conformity with Generally Accepted Accounting Principles (GAAP) and in auditable condition. The DHC successfully converted several of its properties to asset management, including partnering with property management professionals to assume management of the properties.
- The Housing Authority of New Orleans (HANO) was placed into receivership status in February 2002 and is aggressively moving forward with public housing redevelopment. Work continues towards the redevelopment of four major public housing communities in New Orleans. When completed in December 2010, these four developments will provide homes for more than 2,000 New Orleans families of varied income levels, and will enable the return of many families displaced by Hurricane Katrina.

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Working Capital Fund (transfer)	<u>Amount</u>
2008 Appropriation	\$16,847
2009 Appropriation/Request	14,577
2010 Request	<u>...</u>
Program Improvements/Offsets	-14,577

Proposed Actions

In fiscal year 2010, information technology related activities will be funded through the Department's Transformation Initiatives. Examples of projects that would be undertaken with Transformation Initiative funding in respect to the Working Capital Fund include the development of a public housing portfolio management system, which would upgrade and restructure existing information systems to bring the many aspects of Public Housing together in one place. More details on the overall transformation initiative and these projects are in the justification for the Transformation Initiative account.

In fiscal year 2008, the Office of Public and Indian Housing accomplished the following:

- Upgraded IT Infrastructure (Enterprise Architecture) for PIH systems (30 percent complete);
- Modernized the Physical Inspection system (25 percent complete); and
- Implemented income verification using the National Directory of new Hires (NDNH) for Multifamily Housing and improved PIH wage matching.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)

Neighborhood Networks	<u>Amount</u>
2008 Appropriation
2009 Appropriation/Request
2010 Request
Program Improvements/Offsets

Proposed Actions

No funds are requested for this activity in fiscal year 2010. Neighborhood Network activities are an eligible expense under the Capital Fund. The Department has moved towards performance-based budgeting, which focuses on evaluating outcomes rather than restricting inputs. Therefore, the Department encourages PHAs to use their resources to fund activities that result in the best outcomes for their tenants.

To date, 304 Neighborhood Network grants have been awarded. In December 2007, a Notice of Funding Availability with an application deadline of March 14, 2008, was published to award the remaining funds in this account. Although the demand for these funds has far exceeded the amount available for award each year, funds remained due to applications not meeting competitive requirements established in prior NOFAs. The Department awarded a significant amount of the carryover funds in September 2008. Remaining carryover of \$2 million was obligated during fiscal year 2009.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Financial and Physical Assessment Support	<u>Amount</u>
2008 Appropriation	\$15,345
2009 Appropriation/Request	15,345
2010 Request	<u>15,345</u>
Program Improvements/Offsets .....	...

Proposed Actions

Funds are requested to support the ongoing activities of the PIH Real Estate Assessment Center (REAC), which include the inspection, assessment, monitoring and recovery of PHAs. The Department proposes \$15.3 million for Financial and Physical Assessment Support in fiscal year 2010. Financial and Physical Assessment Support is necessary to provide to PIH a timely and accurate assessment of the Department's real estate portfolio using physical, financial, management and resident satisfaction assessments.

The assessments performed and data provided renew public confidence in the stewardship of these funds by assuring that the right families get the right benefit level.

This set-aside supports systems that assist HUD and PHAs in the oversight of the public housing program. For example the Enterprise Income Verification (EIV) system permits selected PHA staff to verify the wage and some of the other incomes of public housing residents to ensure that housing subsidies are accurately paid. Another example is the Financial Assessment Subsystem for Public Housing (FASS-PH), one of the subsystems of the Public Housing Assessment System (PHAS), which enables the Department to evaluate the financial health of the public housing portfolio. This system provides various analyses to aid in the improvement of PHA financial condition and guidance in identifying possible instances of waste, fraud, and/or abuse. These functions assist the Department in distinguishing between PHAs that are financially healthy and compliant and those that present a high degree of financial risk.

In fiscal year 2008, funds were spent on several initiatives including the Subsidy and Grant Information System (SAGIS) implementation, which will automate formula-based processes for allocating program funds to PHAs; Physical Inspections--Reverse Auctions, which allowed REAC to conduct physical inspections of both PIH and Multifamily housing; PHAS Business support, which assists the Physical Assessment Subsystem (PASS) staff in designing business support tools in order to process inspections; the Technical Assistance Call Center, which assists the Reverse Auction Program and Public and Indian Housing Information Center (PIC) and handles client inquiries.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)

Tenant Opportunity	<u>Amount</u>
2008 Appropriation	-\$5
2009 Appropriation/Request .....	...
2010 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

No funds are requested for this activity in 2010 reflecting higher priority needs in other programs. Carryover amounts of \$150,000 remain in this account. The Tenant Opportunities Program provided technical assistance for various activities, including but not limited to resident management, for resident councils and resident management corporations as authorized by Section 20 of the U.S. Housing Act of 1937.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)

Public Housing Amendments	<u>Amount</u>
2008 Appropriation	-\$52
2009 Appropriation/Request .....	...
2010 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

No funds are requested for this account in fiscal year 2010. Carryover amounts totaling \$52,000 were rescinded in fiscal 2008. Last appropriated in fiscal year 2004, this Fund provided lease adjustments to Section 32 projects.

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Hurricanes Katrina and Rita Redevelopment	<u>Amount</u>
2008 Appropriation	\$15,000
2009 Appropriation/Request .....	...
2010 Request	<u>...</u>
Program Improvements/Offsets .....	...

Proposed Actions

On September 30, 2008, the Disaster Relief and Recovery Supplemental Appropriations Act, 2008, provided \$15 million for the redevelopment of public housing impacted by Hurricanes Katrina and Rita. The Department aligned its resources and successfully obligated these funds to the Housing Authority of New Orleans (HANO) on September 30, 2008, for this purpose. HANO has 2 years to obligate and 4 years to expend these funds. It plans to use them to help fund the development of two of the "big four" New Orleans redevelopment projects. Two of those projects have closed, but two more have yet to close. One of the projects currently under construction is C.J. Peete, to which \$10 million of the \$15 million is obligated. The remaining \$5 million will be committed to B.W. Cooper, which is scheduled to close this spring. The Department continues to work closely with HANO to ensure these funds will be utilized in a timely manner.

Public Housing Capital Fund

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Program Offsets
(Dollars in Thousands)**

Recovery Act	<u>Amount</u>
2008 Appropriation .....	...
2009 Appropriation/Request	\$4,000,000
2010 Request	<u>...</u>
Program Improvements/Offsets	-4,000,000

Proposed Actions

In the American Recovery and Reinvestment Act of 2009 (Recovery Act), the Public Housing Capital Fund received \$4 billion to rehabilitate and retrofit public housing units. PHAs are using these funds to increase energy efficiency, make critical safety repairs and improve the overall state of the Nation's public housing stock. A total of \$2.985 billion has already been awarded by formula to 3,134 PHAs to enable them to address their backlog of rehabilitation needs. Another \$995 million will be awarded competitively this fiscal year. The formula funding alone represents a total of 127 percent of the 2008 distribution of Capital Funds. When combined with projected 2009 Capital Fund awards, the total to each PHA in 2009, exclusive of any competitive grant awards, more than doubles the funding given in 2008.

**PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
Performance Measurement Table**

Program Name: PUBLIC HOUSING CAPITAL FUND					
Program Mission: The Public Housing Capital Fund supports the Department's mission to promote safe, decent affordable housing. The Quality Housing and Work Responsibility Act of 1998 authorized the Capital Fund and expands the scope of its predecessor program by consolidating all public housing capital programs (except HOPE VI) and allows greater local flexibility in decisions on major capital initiatives and management improvements undertaken by PHAs. Capital Fund grants may be used to support the following activities: (1) development, financing and modernization of public housing projects; (2) vacancy reduction; (3) deferred maintenance; (4) planned code compliance; (5) management improvements, including those which support resident participation; (6) demolition and replacement; (7) resident relocation; (8) capital expenditures for resident empowerment assistance and self-sufficiency; (9) capital expenditures for drug elimination, security and safety, and (10) homeownership.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The share of public housing units that meet HUD-established physical standards will be tracked.	REAC Public Housing Physical Assessment System	85%	84.5%	Tracking	Tracking
The Department will approve and facilitate \$635 million of activity using alternative financing methods (e.g. the HOPE VI program and bonds through the Capital Fund Financing Program).	Field Office/ Grantee Reporting	\$700 million	\$1.453 billion	\$635 million	\$635 million
Key measures under the Public Housing Assessment System will be tracked including: (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.	Field Office/ Grantee Reporting	Tracking	Tracking	Tracking	Tracking
The percent of public housing units under management of troubled housing agencies.	Field Office/Grantee Reporting	Tracking	Tracking	Tracking	Tracking

Explanation of Indicators

Indicator: The share of public housing units that meet HUD-established physical standards will be tracked.

Despite several years of decreased funding for the maintenance of Public Housing Agencies, PIH has been very successful in assisting PHAs in the provision of rental housing that is decent, safe, sanitary, and in good condition. For fiscal year 2008, 84.5 percent of the units met Standard Levels, which is 0.5 percent less than the fiscal year 2008 goal of 85.0 percent. Because of the sampling method used this variance is not statistically meaningful and accordingly the Department deems this goal substantially met. Additionally supporting this position, it should be noted that when looking at the results on a property basis, 91.3 percent of PHA properties met or exceeded the established physical inspection standards versus 91.0 percent in fiscal year 2007 (an improvement of 0.3 percent). When the conversion to asset management is completed, PIH intends to revise this goal such that reporting is on a project, and not unit, basis, in keeping with the goals of asset management. In addition, the fiscal year 2010 Budget and the Recovery Act increase the Capital Fund resources available to address capital needs, which will help accelerate the Department's progress on this goal.

Indicator: The Department will approve and facilitate \$635 million of activity using alternative financing methods (e.g. the HOPE VI program, bonds through the Capital Fund Financing Program (CFFP), energy performance contracts, etc).

This indicator tracks the total amount of leveraging of HUD provided funds through various alternative financing vehicles. As with fiscal year 2009, the Department will approve and facilitate \$635 million of activity using alternative financing methods. The Capital Fund Financing Program is an appropriations-based financing program that makes financing available to PHAs. Proceeds from Capital Fund Financing Program transactions are used for modernization and development of public housing, thus protecting and enhancing the affordable housing stock. The agencies borrow funds from the private markets, pledge their capital funds subject to the availability of appropriations, and then repay the financing as they receive their capital funds in future years. During fiscal year 2008, over \$1.45 billion of other financing was leveraged, substantially exceeding the goal of \$700 million.

Indicator: Key measures under the Public Housing Assessment System will be tracked, including: (a) the unit-weighted average score, (b) observed exigent deficiencies per property among PHAs that are designated as troubled and have five or more deficiencies per property for public housing and (c) the share of units that have functioning smoke detectors.

The Public Housing Assessment System scores provide an indication of the quality of the housing stock and the management conditions within which each public housing resident lives. These three key measures (unit-weighted average score, reductions in exigent health and safety or fire safety deficiencies, and share of unit with functional smoke detection systems) track HUD's progress toward increasing the capability and accountability of PHA partners and increasing the safety and satisfaction of residents. By closely monitoring these indicators, HUD is working to further its commitment in the President's Management Agenda to steadily improve the quality of public housing. These tracking indicators display HUD's overall status for public housing on several key assessment measures. The Department is the midst of significant changes in its assessment systems and a conversion to asset management. Until such time as operations are normalized, the Department will report these key indicators for tracking purposes. Thereafter, the Department will develop and report against new, yet to be developed, performance measures which may or may not include the measures herein.

For fiscal year 2008, unit-weighted average Public Housing Assessment System score was 85.2 percent, the same as in fiscal year 2007. The average exigent health and safety defects per property assessed (for properties with a physical assessment score of less than 60) dropped from 10.6 defects noted in their previous inspection to 5.9 defects noted in their fiscal year 2008 inspection; this was a reduction of 44 percent. For the last sub-goal, 93.2 percent of public housing units had functioning smoke detectors and were in buildings with functioning smoke detection systems, compared to 93.4 percent in fiscal year 2007.

Public Housing Capital Fund

Indicator: The percent of public housing units under management of troubled housing agencies.

The Office of Public and Indian Housing and the Real Estate Assessment Center use the Public Housing Assessment System to evaluate the performance of PHAs based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing agencies with composite scores below 60 percent, or scores below 18 percent in any one component, are classified as "substandard" or "troubled." This indicator tracks the change in the number of units managed by "troubled" agencies at the beginning of the fiscal year that successfully return to "standard" status by the end of the fiscal year due to intervention by the Department.

The number of troubled PHAs as of September 30, 2007, totaled 161, with 55,338 low-rent units. As of September 30, 2008, 66 PHAs from this list were recovered. There were 95 troubled PHAs with 42,649 units remaining as of September 30, 2008, a reduction of 23 percent. This compares to a 43 percent reduction for fiscal year 2007.

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
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 the Public Housing Capital Fund Program to carry out capital and management activities for public housing agencies, as authorized under section 9 of the United States Housing Act of 1937 (42 U.S.C. 1437g) (the ``Act'') [\$2,450,000,000] \$2,244,000,000, to remain available until September 30, [2012] 2013: Provided, That notwithstanding any other provision of law or regulation, during fiscal year [2009] 2010 the Secretary of Housing and Urban Development may not delegate to any Department official other than the Deputy Secretary and the Assistant Secretary for Public and Indian Housing any authority under paragraph (2) of section 9(j) regarding the extension of the time periods under such section: Provided further, That for purposes of such section 9(j), the term ``obligate'' means, with respect to amounts, that the amounts are subject to a binding agreement that will result in outlays, immediately or in the future: Provided further, That [of the total amount provided under this heading, up to \$10,000,000 shall be for carrying out activities under section 9(h) of such Act; not to exceed \$14,577,000 may be transferred to the Working Capital Fund; and] up to \$15,345,000 shall be to support the ongoing Public Housing Financial and Physical Assessment activities of the Real Estate Assessment Center (REAC): [Provided further, That no funds may be used under this heading for the purposes specified in section 9(k) of the Act:] Provided further, That of the total amount provided under this heading, not to exceed \$20,000,000 shall be available for the Secretary to make grants, notwithstanding section 204 of this Act, to public housing agencies for emergency capital needs including safety and security measures necessary to address crime and drug-related activity as well as needs resulting from unforeseen or unpreventable emergencies and natural disasters excluding Presidentially declared emergencies and natural disasters under the Robert T. Stafford Disaster Relief and Emergency Act (42 U.S.C. 5121 et seq.) occurring in fiscal year [2009: Provided further, That of the total amount provided under this heading, \$40,000,000 shall be for supportive services, service coordinators and congregate services as authorized by section 34 of the Act (42 U.S.C. 1437z-6) and the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4101 et seq.)] 2010: Provided further, That of the total amount provided under this heading up to \$8,820,000 is to support the costs of administrative and judicial receiverships: Provided further, That from the funds made available under this heading, the Secretary shall provide bonus awards in fiscal year [2009] 2010 to public housing agencies that are designated high performers. (Department of Housing and Urban Development Appropriations Act, 2009.)

Explanation of Changes

Eliminates Technical Assistance set-aside.

Eliminates Working Capital Fund transfer.

Eliminates the Resident Opportunities for Self-Sufficiency set-aside.

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
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>
Formula Grants	\$2,327,452	-\$8,966	...	...	\$56,825	\$2,375,311
Emergency/Disaster Reserve	18,500	-55	...	...	16,858	35,303
Technical Assistance	12,000	-4,704	...	...	17,943	25,239
Resident Opportunities and Supportive Services	40,000	-41	...	...	62,714	102,673
Administrative Receivership	8,820	-9	...	...	4,733	13,544
Working Capital Fund (transfer)	16,847	...	...	...	...	16,847
Neighborhood Networks .....	...	...	...	...	11,338	11,338
Financial and Physical Assessment Support	15,345	...	...	...	...	15,345
Tenant Opportunity .....	...	-5	...	...	155	150
Public Housing Amendments .....	...	-52	...	...	52	...
Hurricanes Katrina and Rita Redevelopment .....	...	15,000	...	...	...	15,000
Recovery Act	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>
Total	2,438,964	1,168	...	...	170,618	2,610,750

Public Housing Capital Fund

PUBLIC AND INDIAN HOUSING
PUBLIC HOUSING CAPITAL FUND
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>
Formula Grants	\$1,939,038	\$2,341,258	...	...	\$12,258	\$2,353,516
Emergency/Disaster Reserve .....	...	20,000	...	...	19,873	39,873
Technical Assistance	7,420	10,000	...	...	5,528	15,528
Resident Opportunities and Supportive Services	37,620	40,000	...	...	40,846	80,846
Administrative Receivership	10,000	8,820	...	...	3,658	12,478
Working Capital Fund (transfer)	14,577	14,577	...	...	...	14,577
Neighborhood Networks .....	...	...	...	...	2,073	2,073
Financial and Physical Assessment Support	15,345	15,345	...	...	9,890	25,235
Tenant Opportunity .....	...	...	...	...	150	150
Public Housing Amendments .....	...	...	...	...	...	...
Hurricanes Katrina and Rita Redevelopment .....	...	...	...	...	...	...
Recovery Act .....	...	...	\$4,000,000	...	...	4,000,000
Total	2,024,000	2,450,000	4,000,000	...	94,276	6,544,276

PUBLIC AND INDIAN HOUSING
 NATIVE AMERICAN HOUSING BLOCK GRANTS
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

NATIVE AMERICAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$630,000	\$58,769 ^{a/}	-\$5,919	\$682,850	\$556,427	\$572,140
2009 Appropriation/Request	645,000	126,423 ^{b/}	510,000 ^{c/}	1,281,423	1,278,816 ^{d/}	678,304 ^{e/}
2010 Request	<u>645,000</u>	<u>2,607</u>	<u>...</u>	<u>647,607</u>	<u>645,000</u>	<u>785,068</u>
Program Improvements/Offsets .....	...	-123,816	-510,000	-633,816	-633,816	+106,764

- a/ Includes \$3.9 million in recaptures.
- b/ Excludes permanent indefinite authority of \$393 thousand for Title VI Loan Guarantee upward re-estimate.
- c/ Includes supplemental funds in the amount of \$510 million for the American Recovery and Reinvestment Act, 2009 (ARRA).
- d/ Includes obligations of ARRA funds in the amount of \$507 million.
- e/ Includes outlays of ARRA funds in the amount of \$43 million.

Summary Statement

For fiscal year 2010, the budget proposes an appropriation of \$645 million for the Native American Housing Block Grant (NAHBG), also known as the Indian Housing Block Grant (IHBG) program. This 2010 request funds the program at the 2009 enacted level. The funding level recognizes the low-income housing needs that exist in Indian Country. This program provides a formula grant, based on need and the number of HUD-funded units developed under the U.S. Housing Act of 1937, for housing and housing-related assistance. Funds are provided either directly to eligible Indian tribes or through their Tribally Designated Housing Entities (TDHEs). In fiscal year 2008, NAHBG assisted 4,192 homeowners by either building, acquiring, or substantially rehabilitating their homes. This program also assisted renters including 1,841 families by either building, acquiring, or substantially rehabilitating rental homes. It built 2,174 new units (rental and homeownership units) to relieve overcrowding in tribal communities.

In accordance with the American Recovery and Reinvestment Act of 2009, \$510 million was appropriated for NAHBG for formula and competitive grants to be used for new construction, acquisition, rehabilitation including energy efficiency and conservation, and infrastructure development. The program expects to have all funds obligated by the end of fiscal year 2010.

Also funded under this account is the Title VI Loan Guarantee program, which promotes homeownership opportunities via a public/private partnership. As of September 30, 2008, 2,096 affordable housing units or the supporting infrastructure has been financed with Title VI funding. This request includes \$2 million for credit subsidy to support loan guarantee authority of \$18,000,000 based on a subsidy rate of 11.18 percent for the Title VI Tribal Housing Activities Loan Guarantee program. Title VI loan activity is expected to increase due to expanded marketing and outreach efforts aimed at potential borrowers and lenders.

Native American Housing Block Grants

Strategic Goals and Objectives

The programs administered by the Office of Native American Programs (ONAP) support several of the Department's strategic goals. For example, NAHBG program activities contribute to increasing minority homeownership; they expand access to and availability of decent, affordable rental housing; they foster suitable living environments in communities by improving physical conditions and quality of life; and, assist tribes and TDHEs working to end chronic homelessness and move homeless families and individuals to permanent housing. Progress toward achieving these strategic goals is measured by annual and long-term performance indicators. Although each tribe sets its own annual housing goals based on local needs, measurements over the last few years have established some comparative benchmarks for levels of various housing activities. For example, each year since 2004 has seen the construction of approximately 2,000 new NAHBG-assisted units. Levels of other housing activities tend to fluctuate from year-to-year as tribes and TDHEs respond to their constituents' short- and long-term housing needs.

ONAP began to revise the NAHBG planning and reporting instruments in 2005, in close consultation with tribal officials and tribal housing experts. Plans are to implement a single, streamlined form that will replace and combine the old Indian Housing Plan and Annual Performance Report forms. The new form is expected to simplify reporting, while improving the quality and relevance of the data collected. An independent, comprehensive evaluation of the Title VI program was completed in May 2008, and a similar evaluation of the NAHBG program is expected to be completed in the fall of 2009.

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE AMERICAN HOUSING BLOCK GRANTS
 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>
Formula Grants	\$619,591	\$47,425	\$667,016	\$550,044	\$1,145,250	\$116,972	\$1,262,222	\$643,000
Loan Guarantee - Title								
VI (Credit Subsidy) ..	541	3,791	4,332	1,618	2,000	2,714	4,714	2,000
Technical Assistance ..	1,949	7,553	9,502	2,765	4,250	6,737	10,987	...
National American Indian Housing								
Council	<u>2,000</u>	<u>...</u>	<u>2,000</u>	<u>2,000</u>	<u>3,500</u>	<u>...</u>	<u>3,500</u>	<u>...</u>
Total	624,081	58,769	682,850	556,427	1,155,000	126,423	1,281,423	645,000

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	28	27	28
Field	<u>124</u>	<u>122</u>	<u>123</u>
Total	152	149	151

Native American Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)**

Formula Grants	<u>Amount</u>
2008 Appropriation	\$619,591
2009 Appropriation/Request	1,145,250
2010 Request	<u>643,000</u>
Program Improvements/Offsets	-502,250

Proposed Actions

The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA, 25 U.S.C. 4101 *et seq.*) was enacted by Congress in 1996 to recognize the unique nature and needs of the American Indians and Alaska Natives and better assist Native American people and their communities. The Native American Housing Block Grant (NAHBG), also known as the Indian Housing Block Grant, or IHBG program, provides funds to tribes or their Tribally Designated Housing Entities (TDHE), to meet their critical housing needs through block grants designed to maintain existing units previously developed with HUD funding, to develop, acquire, and rehabilitate units, and for other affordable housing activities, such as interest rate buy-downs, down payment assistance, loans, and housing services, as defined in Section 202 of the Act.

A study conducted by HUD and the Urban Institute in 1996 found that there was a need for more than 90,000 affordable housing units in Indian Country. HUD has also determined, using 2000 Census data, that 273,658 American Indian/Alaska Native households, out of 965,684, have "severe housing needs." This is defined as a lack of basic plumbing or kitchen facilities, having more than 1.01 persons per room, or having a housing cost burden of over 50 percent of income. On tribal lands, 28 percent of Indian households were found to be overcrowded or to lack adequate plumbing and kitchen facilities, compared to 5.4 percent of national households. A 2003 U.S. Commission on Civil Rights study, "A Quiet Crisis: Federal Funding and Unmet Needs in Indian Country," estimated nearly 200,000 housing units are immediately needed to provide adequate housing in tribal areas.

The fiscal year 2010 budget request not only reflects the need for more units, but recognizes the pressures of rising management and construction costs. Inflation has driven up the cost of construction materials and labor. The rising cost of gasoline is a particularly onerous burden for tribes in remote locations. Rising utility costs affect everyone, but especially tribes in Alaska and in the northern continental border states. General economic inflation, especially the rising costs of building materials, air travel, fuel costs, and other transportation costs, necessitates an increase in the amounts made available for formula grants, for supporting the inspection of Indian housing units, contract expertise, and training and technical assistance, including related travel expenses. Many recipients of this program are located in remote rural areas, far from common transportation hubs. This limits transportation options and escalates their costs. Transportation costs in rural Alaska are especially onerous, where more than 200 Native Villages are recipients of the program. For example, during the summer of 2008, gasoline prices in rural Alaska ran as high as \$7.98 per gallon, and fuel oil prices ranged as high as \$8.77 per gallon. The concurrent inflation of utility costs, building materials, and professional services has substantially driven up the routine operating and maintenance costs of providing affordable housing.

The NAHBG allows grant recipients to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities:

Native American Housing Block Grants

Development. Grant funds may be used to support acquisition, new construction, reconstruction, and the moderate or substantial rehabilitation of affordable housing, and may include real property acquisition, site improvement, development of utilities and utility services, conversion of a project to homeownership, demolition, financing, administration and planning, improvements to achieve greater energy efficiency, and other related activities. "Development" refers to building, acquiring, and substantially rehabilitating affordable housing units that were developed with NAHASDA funds.

- From fiscal years 2004 through 2007, IHBG recipients expended approximately \$976.3 million on activities in this category, or an average of \$244 million each year.
- This activity averaged almost 39 percent of total expenditures.
- During this time, more than 8,300 affordable homes were built, more than 2,700 were acquired, and almost 21,000 were substantially rehabilitated.

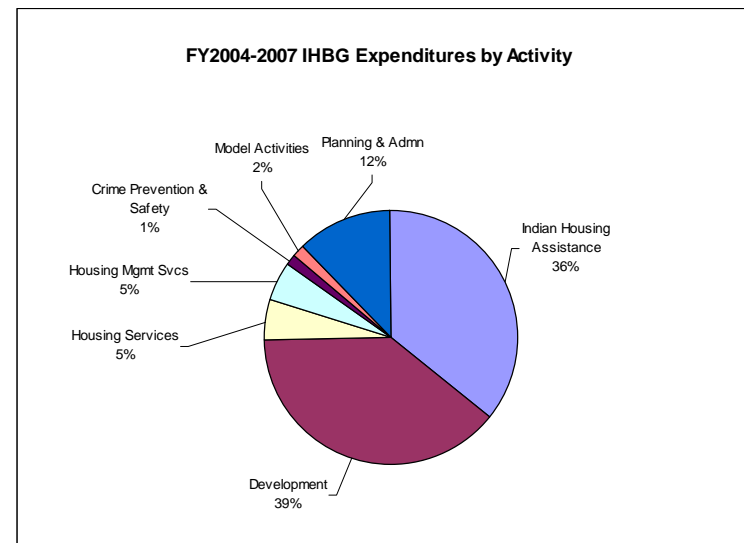
Indian Housing Assistance. Indian housing assistance provides for modernization and operating assistance for housing previously developed or operated under a contract between the Department and an Indian Housing Authority, currently the tribe or TDHE. Indian Housing Assistance" refers to the operation and maintenance of "pre-NAHASDA" HUD units.

- From fiscal years 2004 through 2007, IHBG recipients expended approximately \$912.3 million on activities in this category, or an average of \$228 million each year.
- This activity averaged about 36 percent of total expenditures.
- Recipients continue to maintain a substantial inventory of "HUD units" that were constructed before NAHASDA's programs were implemented in 1998. In fiscal year 2008, this included more than 57,500 units built under the Low Rent, Mutual Help, and Turnkey programs; and another 3,600 units managed in a manner similar to the Section 8 program.

Housing Services. Funds may be used to provide housing counseling for rental or homeownership assistance, establishment and support of resident management organizations, energy auditing, supportive and self-sufficiency services, and other related services assisting owners, residents, contractors and other entities, participating or seeking to participate in eligible housing activities.

- From fiscal years 2004 through 2007, IHBG recipients expended approximately \$138.9 million on activities in this category, or an average of \$34.7 million each year.
- This activity averaged slightly more than 5 percent of total expenditures.

Housing Management Services. Grant funds may be used to provide management services for affordable housing, such as preparation of work specifications, loan processing, inspections, tenant selection, management of tenant-based rental assistance, and management of affordable housing projects.



Native American Housing Block Grants

- From fiscal years 2004 through 2007, IHBG recipients expended approximately \$121.9 million on activities in this category, or an average of \$30.5 million each year.
- This activity averaged almost 5 percent of total expenditures.

Crime Prevention and Safety Activities. Funding may be provided for safety, security, and law enforcement measures with activities appropriate to protect residents of affordable housing from crime.

- From fiscal years 2004 through 2007, IHBG recipients expended approximately \$36.5 million on activities in this category, or an average of \$9.1 million each year.
- This activity averaged only slightly more than 1 percent of total expenditures.

Model Activities. The Department may approve housing activities under model programs that are designed to develop and support affordable housing. This complies with the mandate that new housing opportunities be developed using a variety of creative approaches. This ensures long-term viability by implementing ideas that supplement limited Federal grant funds with other sources of capital, loans, buy-downs, and other financing mechanisms.

- From fiscal year 2004 through fiscal year 2007, IHBG recipients expended approximately \$45.6 million on activities in this category, or an average of \$11.4 million each year.
- This activity averaged less than 2 percent of total expenditures each year.
- Examples of model activities include: renovating a homeless facility in the community, providing rental subsidy for units developed under the low income housing tax credits program, and developing a neighborhood park to be used primarily by low-income residents.

In addition, recipients may expend funds for planning and administration. Over the 4 years, fiscal years 2004 through 2007, \$310 million was expended for this category, or an average of \$77.5 million per year. Planning and administrative expenses averaged slightly more than 12 percent of total expenditures each year. [24 CFR § 1000.236 defines eligible administrative and planning expenses under NAHASDA.] They are activities such as administrative management, evaluation and monitoring, preparation of the Indian Housing Plan and Annual Performance Report, staff and overhead costs directly related to carrying out affordable housing activities. [24 CFR § 1000.238 limits recipients to 20 percent of their grant for planning and administrative purposes.]

During fiscal year 2008, the IHBG recipients made significant accomplishments, some of which are highlighted below:

In August 2008, the Wichita Housing Authority (WHA) officially opened its Iscani Community Center in Anadarko, Oklahoma, funded, in part, with NAHBG funds. The WHA is the entity designated by the Wichita and Affiliated Indian Tribes to provide housing services to more than 1,400 low-income American Indians living in the area. The Community Center complements the new Iscani Subdivision consisting of 25 single-family homes. This development was made possible by leveraging the Tribe's NAHBG to obtain a combination of funding sources. The Community Center will be used for a variety of activities, including the provision of family counseling, homebuyer education, financial literacy training, and credit counseling for housing applicants, residents, tribal members, and the community at large. This is a good example of an NAHBG recipient developing low-income housing and improving the community, using the NAHBG.



Native American Housing Block Grants



The Cheyenne-Arapaho Independent Living Center opened in April 2008, in Clinton, Oklahoma. The Cheyenne-Arapaho Housing Authority, which serves low-income Indian families, used IHBG program funds to design and build the 26-unit facility. It is accessible to persons with disabilities and includes a community living area. This project provides decent, affordable housing, and is an asset to the community as a whole. More than 2,000 Indian families living in the Clinton area are low-income; the Cheyenne-Arapaho Housing Authority received an IHBG in fiscal year 2007 of almost \$2.5 million.

In addition, the Ho-Chunk Housing and Community Development Agency (HCHCDA) developed a housing project known as the *Potch-Chee-Nunk Community* in Wittenberg, Wisconsin. The *Community* was financed using Indian Housing Block Grant (IHBG) funds and Section 184 loans through the Chippewa Valley Bank. The project consists of four, modular three-bedroom, two-bath, single family residences with attached one-car garages. The units average 2,000 square feet each, and are accessible to persons with disabilities. The units are being leased to Ho-Chunk families on a lease-to-own basis. The houses were dedicated in May 2008. The HCHCDA serves a community with more than 3,000 low-income Indian families. In fiscal year 2007, its IHBG was approximately \$4.16 million.



Native American Housing Block Grants

Program Metrics: Demographics of residents/people served

In fiscal year 2008, 582 tribes or tribal organizations were eligible to participate in the IHBG program. In addition to federally recognized tribes, several non-Federally recognized Indian tribes with Indian housing authorities are eligible to participate in NAHASDA programs because they entered into a contract and received funding from HUD pursuant to the U. S. Housing Act of 1937, prior to the passage of NAHASDA. In addition, tribally designated housing entities, such as Alaska’s 14 Regional Housing Authorities that administer IHBG funds on behalf of tribes, are also eligible. However, not all eligible tribes actually participate in the IHBG program. A few tribes choose not to participate or do not qualify for various reasons. In fiscal year 2008, 358 compliant Indian Housing Plans were submitted, representing 543 tribes. Funds were reserved as follows:

Indian Housing Block Grant Program

Area	Number of Recipients 2008	Amounts Reserved 2008
Alaska, Anchorage	62	\$96,395,871
Eastern/Woodlands, Chicago	55	\$85,775,972
Northern Plains, Denver	32	\$92,289,531
Northwest, Seattle	42	\$51,051,070
Southern Plains, Oklahoma City	45	\$93,049,305
Southwest, Phoenix	122	\$184,846,136
Totals	358	\$603,407,885

Fiscal year	Number of tribes in formula	Number of compliant IHPs	Number of tribes represented in IHPs received
2004	580	373	529
2005	581	372	550
2006	535	359	530
2007	558	365	525
2008	582	358	543

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

Loan Guarantee - Title VI (Credit Subsidy)	<u>Amount</u>
2008 Appropriation	\$541
2009 Appropriation/Request	2,000
2010 Request	<u>2,000</u>
Program Improvements/Offsets .....	...

Title VI Housing Loan Guarantee - Summary of Loan Activity	<u>Actual</u> <u>2008</u>	<u>Estimate</u> <u>2009</u>	<u>Estimate</u> <u>2010</u>
Number of Loan Commitments.....	16	18	18
Number of Loans Endorsed	8	10	10
Average Loan Size of Endorsed Loans	\$1,687	\$1,400	\$1,400
Number of Loans in Delinquent Status at end of fiscal year	0	0	0
Number of Loans that Defaulted in fiscal year	0	0	0
Total Number of Loans in Default	1	1	1
Loan Guarantee Commitment Limitation	\$13,351 ^a	\$17,000	\$18,000
Subsidy Rate	12.12	12.34	11.18

a/ This is the amount of guaranteed loan commitments made; fiscal year 2008 loan guarantee commitment limitation is \$17 million.

Proposed Actions

Title VI, Tribal Housing Activities Loan Guarantee. The Budget includes a set-aside of \$2 million in credit subsidy for the continuation of the Title VI Loan Guarantee program. The loan guarantees made under this program guarantee repayment of 95 percent of the unpaid principal and interest due on the obligations guaranteed. The Title VI program is authorized by Public Law 104-330, as amended, and the regulations are found in 24 CFR PART 1000, Subpart E. This request will support loan guarantee authority of \$18,000,000 based on a subsidy rate of 11.18 percent for the Title VI program. The program provides loan guarantees for NAHBG recipients (Indian tribes and TDHEs) in need of additional funds to engage in NAHASDA-eligible affordable housing activities. The program provides a mechanism for grant recipients to leverage funds by pledging future block grants, along with additional security as required, to collateralize notes and other obligations.

Native American Housing Block Grants

The program began with two Title VI loan guarantees issued for approximately \$7 million in fiscal year 2000. As of September 30, 2008, cumulative loan guarantees of approximately \$122.8 million have been issued, and 2,096 affordable housing units or the supporting infrastructure has been financed with Title VI funding. In fiscal year 2008, 8 loans totaling \$13.5 million were guaranteed.

More aggressive marketing and outreach efforts to potential borrowers and lenders by the six Area Offices of Native American Programs and the Office of Loan Guarantee have resulted in tribes becoming more familiar with the program and its usefulness, as well as increases in inquiries.

ONAP requests funding of \$350,000 in the fiscal year 2010 Budget to improve the efficiency of the Title VI loan guarantee program by reducing the credit subsidy rate. ONAP will require ongoing contractor support to maintain the Title VI credit subsidy model.

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE AMERICAN HOUSING BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2008 Appropriation	\$1,949
2009 Appropriation/Request	4,250
2010 Request .....	...
Program Improvements/Offsets	-4,250

Proposed Actions

In fiscal year 2010, technical assistance activities will be funded through the Department’s Transformational Initiatives.

The Transformation Initiative 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 Native American Housing Block Grant (NAHBG) 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 projects that could be undertaken with Transformation Initiative funding in respect to the NAHBG account, include: (1) support of tribal consultation, technical assistance and training to tribes and tribally designated housing entities (TDHEs) on programmatic/functional requirements and formula maintenance as well as support inspection of Indian housing units, or (2) improve efficiency of the Title VI program within NAHBG, by developing a program-specific credit subsidy modeling program to addresses Title VI’s unique characteristics.

In fiscal year 2008, IHBG training and technical assistance funds were used to train and consult with program participants, as well as provide technical support for the program. At least 25 training sessions for program participants were held throughout the country. Training course titles included NAHASDA Essentials, Title VI Loan Guarantee Training, Environmental Review, Finance and Leveraging, Self-Monitoring, Procurement, and Mold Prevention. To promote crime prevention and safety activities, two youth leadership training camps were also supported by these funds. A series of six regional summits was held throughout Indian Country in fiscal year 2008, to provide forums for additional training, consultation, and issues formulation for a subsequent national summit. Two independent, comprehensive program evaluations are being conducted, at the request of Office of Management and Budget. Maintaining the performance measures database, and maintaining and processing the IHBG formula are also essential program operations that are supported by training and technical assistance funds.

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)

National American Indian Housing Council	<u>Amount</u>
2008 Appropriation	\$2,000
2009 Appropriation/Request	3,500
2010 Request	<u>...</u>
Program Improvements/Offsets	-3,500

Proposed Actions

The Department does not request a set-aside for a National organization providing technical assistance in fiscal year 2010.

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING BLOCK GRANTS
Performance Measurement Table**

Program Name: NATIVE AMERICAN HOUSING BLOCK GRANTS (NAHBG)					
Program Mission: In 1996, in order to recognize the unique nature and needs of American Indian and Alaska Native areas, Congress enacted the Native American Housing Assistance and Self-Determination Act (NAHASDA, P.L. 104-330) to better assist Native American people and their communities. The NAHBG program provides funds to tribes or their tribally designated housing entities (TDHE) to meet their critical housing needs through housing block grants designed to maintain existing units previously developed with HUD funding and to develop new units. NAHASDA stipulates that each eligible Indian tribe or its TDHE receive annually a single block grant to meet the housing and housing-related needs within their community.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH Office of Native American Programs Administrative Data derived from Access Database and LOCCS System	4,349	4,192	4,415	4,415
Through the Indian Housing Block Grant program, tribes or tribally designated housing entities will assist 1,380 families by building, acquiring, or rehabilitating rental units.	PIH Office of Native American Programs Administrative Data derived from Access Database and LOCCS System	1,380	1,841	1,380	1,380
Overcrowded households in Indian country shall be reduced by 3 percent.	Administrative Reports	1400	2,174	1400	1500

Explanation of Indicators

The Native American (or Indian) Housing Block Grant (NAHBG) program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. As part of its responsibility to provide public accountability, the Office of Native American Programs (ONAP) has developed performance goals and a performance measurement database. This database enhances ONAP's ability to evaluate the impact of ONAP programs and facilitates strategic planning within the organization.

Housing conditions in Indian Country were improved and many families have better living conditions due to the activities funded through the NAHBG and Title VI. ONAP will regularly monitor grantees and provide specialized training and technical assistance to the grantees to ensure that performance goals will be achieved.

Indicator: The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

Native American Housing Block Grants

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing plans to assist 8,920 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase. To achieve this goal, in fiscal year 2010, the NAHBG program will assist 4,415 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

In fiscal year 2008, NAHBG assisted 4,192 families with homeownership activities. The program did not meet its intended target for fiscal year 2008. The Indian Housing Block Grant program is designed to provide local decision-makers with the flexibility to allocate funds from among a number of eligible activities. Changing market conditions can cause funds to be shifted from one activity to another, making it difficult for HUD to accurately set targets. These outputs that demonstrate the program's accomplishments are continuously updated as grantees report to ONAP and the performance tracking database is adjusted. Experience has shown that figures from the database that are collected each year in October for the Annual Performance Report are incomplete. This is generally due to grantees reporting late. As more trend data becomes available, ONAP will continue to evaluate more appropriate target levels for these goals.

Indicator: Through the Indian Housing Block Grant program, tribes or tribally designated housing entities will assist 1,380 families by building, acquiring, or rehabilitating rental units.

This indicator is part of a cross-departmental goal, (B.1) to assist affordable rental households and rental units. This indicator tracks rental housing assistance—including rehabilitation of rental housing units—provided through a number of formula block grants and other programs. Because of shortages of affordable rental housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including through rental housing production. To achieve this goal, the Indian Housing Block Grant Program, through tribes or tribally designated housing entities, will assist 1,380 families by building, acquiring, or rehabilitating rental units in fiscal year 2010.

This indicator tracks the number of new households that received affordable rental housing assistance in fiscal year 2008. Rental housing assistance includes families who have received a newly built home, a newly acquired home, or have had their home rehabilitated. The goal to build, acquire, or rehabilitate 1,380 rental units was met. The actual accomplishment, 1,841 exceeded the goal by 33 percent. It was also a 17 percent increase over the 1,569 units built, rehabilitated, or acquired in fiscal year 2007. The number of units built, rehabilitated, and acquired each year under the Indian Housing Block Grant program can vary because local grantees have the flexibility to determine which of the eligible activities they will carry out based on need and changing circumstances. Rising construction costs and relatively constant appropriations in recent years have limited increases each year in the number of units built, rehabilitated, or acquired with Indian Housing Block Grant funds.

The long-term desired outcome under this Strategic Objective is an adequate number of decent, safe and affordable homeownership units made available to American Indian and Alaska Native families.

Native American Housing Block Grants

Indicator: Overcrowded households in Indian Country shall be reduced by 3 percent.

One of ONAP's most important long-term goals is to reduce overcrowded American Indian and Alaska Native (AIAN) households. ONAP and tribal representatives established a baseline in fiscal year 2003 of 47,169 overcrowded AIAN households. The Department's goal for the past several years had been to reduce the number of overcrowded households by 1 percent of that baseline, each year. Because of better than expected performance, the target was raised to 3 percent in fiscal year 2008 and onward. In fiscal year 2008, the target was met. The Indian Housing Block Grant program funded the construction of 2,174 new affordable housing units, which significantly exceeds the target of 3 percent (1,400 units) of the 2003 baseline. Since HUD's Performance and Accountability Reports were published in fiscal years 2006 and 2007, updated information has been aggregated in HUD's database. As of October 2008, the revised accomplishment for fiscal year 2005 is 1,960; for fiscal year 2006, 2,002; and for fiscal year 2007, 2,176. Since fiscal year 2003, the original baseline of 47,169 overcrowded households has been reduced by 13,749 households (29 percent) to 33,420 overcrowded households. The annual target for this goal has been consistently exceeded, and ONAP is evaluating alternate methods that might better measure overcrowding and the impact that the NAHBG program has on it.

ONAP's target for fiscal years 2009 and 2010 is to reduce overcrowding by 3 percent (1500 units). The measure to assess interim progress is an annual reduction in overcrowding for 1,400 families in fiscal year 2009 and 1,500 families in fiscal year 2010. HUD is seeking a more valid and accurate methodology to measure overcrowding. Currently, progress is measured by simply subtracting the number of new units built each year from the baseline. A consultant has recommended that, to realistically measure overcrowding, HUD should use extracts of American Community Survey (ACS) data from the Census Bureau, inspect and survey households, or use a combination of these two methods. HUD is assessing the relative validity, feasibility, and cost effectiveness of the two methods, and plans to consult with OMB before deciding on an improved measurement strategy.

Native American Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE AMERICAN HOUSING 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, and language proposed for deletion is bracketed.

For the Native American Housing Block Grants program, as authorized under title I of the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) (25 U.S.C. 4111 et seq.), [~~\$627,000,000~~] \$645,000,000, to remain available until expended: Provided, That, notwithstanding the Native American Housing Assistance and Self-Determination Act of 1996, to determine the amount of the allocation under title I of such Act for each Indian tribe, the Secretary shall apply the formula under section 302 of such Act with the need component based on single-race Census data and with the need component based on multi-race Census data, and the amount of the allocation for each Indian tribe shall be the greater of the two resulting allocation amounts: [Provided further, That of the amounts made available under this heading, \$3,500,000 shall be contracted for assistance for a national organization representing Native American housing interest for providing training and technical assistance to Indian housing authorities and tribally designated housing entities as authorized under NAHASDA; and \$4,250,000 shall be to support the inspection of Indian housing units, contract expertise, training and technical assistance in the training, oversight, and management of such Indian housing and tenant-based assistance, including up to \$300,000 for related travel:]Provided further, That of the amount provided under this heading, \$2,000,000 shall be made available for the cost of guaranteed notes and other obligations, as authorized by title VI of NAHASDA: Provided further, That such costs, including the costs of modifying such notes and other obligations, shall be as defined in section 502 of the Congressional Budget Act of 1974, as amended: Provided further, That these funds are available to subsidize the total principal amount of any notes and other obligations, any part of which is to be guaranteed, not to exceed \$18,000,000.

Explanation of Changes

Technical assistance will be funded through the Transformation Initiative.

Native American Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE AMERICAN HOUSING BLOCK GRANTS
 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>
Formula Grants	\$621,770	-\$2,179	...	...	\$47,425	\$667,016
Loan Guarantee - Title VI (Credit Subsidy)	1,980	-1,439	...	...	3,791	4,332
Technical Assistance	4,250	-2,301	...	...	7,553	9,502
National American Indian Housing Council	<u>2,000</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>2,000</u>
Total	630,000	-5,919	...	...	58,769	682,850

PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
2010 Summary Statement and Initiatives
(Dollars in Thousands)

INDIAN HOUSING LOAN GUARANTEE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$7,450	\$5,230 ^a	...	\$12,680	\$7,440	\$6,430 ^a
2009 Appropriation/Request	9,000	5,240	...	14,240	12,240	10,000
2010 Request	<u>7,000</u>	<u>2,000</u>	<u>...</u>	<u>9,000</u>	<u>7,000</u>	<u>9,000</u>
Program Improvements/Offsets	-2,000	-3,240	...	-5,240	-5,240	-1,000

a/ Excludes permanent indefinite authority of \$37 thousand for upward re-estimates of loan authority.

Transforming Indian Housing Loan Guarantee Fund

The Department is committed to fulfilling its mission of increasing homeownership, supporting innovative and sustainable community development, and ensuring access to affordable housing free from discrimination. This budget provides funding for HUD programs to achieve these important goals and provides funding for new initiatives. These initiatives will help to transform the Department in the 21st century. The Department's budget includes funding for transformational initiatives which would include program studies, transformational technology investments, program demonstrations, research and evaluations and technical assistance.

Summary Statement

The fiscal year 2010 Budget proposes an appropriation of \$7 million, of which \$6.25 million in credit subsidy is to support loan guarantee authority of \$919 million, based on a subsidy rate of .68 percent. The Department, in conjunction with the Office of Management and Budget (OMB), conducted an analysis of historical program activity and performed a better credit subsidy analysis that resulted in a significantly lower credit subsidy rate. This lower rate in turn will support increased loan activity while reducing credit subsidy needs. This will allow HUD to meet projected demand for this program, which has grown significantly since 2002. In addition, \$750 thousand is requested for administrative contract expenses to carry out the loan guarantee program. These funds will support efficient management systems and analyses made necessary by the success of this program in reaching larger populations of borrowers and help the program to remain well run. Automating some manual functions will enable HUD to process more loan guarantees. When an underwriter can receive lending documents electronically from the lender, the process is greatly streamlined, benefiting the lender, the borrower, and the Government. The program will not be able to sustain its exemplary level of growth without upgrading to these automated processes.

Homeownership rates on reservations are low and housing needs are great. According to 2004 Census data, the homeownership rate for persons who self-identified as American Indian, Alaska Native alone, or in combination with another race, is 56.4 percent, 17.5 percent below the rate of white non-Hispanics. The Section 184 Indian Housing Loan Guarantee Fund provides credit subsidies that support loan guarantees up to 100 percent to meet this need. The guaranteed loans can be used to purchase, construct, refinance, and/or rehabilitate single family homes on Indian trust or restricted land and in designated Indian areas. Because of the unique legal status of these lands, lenders previously had been hesitant to assume the risk of providing mortgage financing where legal title to the property could not be used as collateral. Other important constraints that limit the ability of tribes to take advantage of guaranteed loans include weak local economies, a lack of infrastructure, high building costs in rural areas, and a shortage of service providers such as appraisers and realtors.

Indian Housing Loan Guarantee Fund

The Section 184 loan guarantee program addresses the special needs of Native Americans, thus making it possible to achieve homeownership with market-rate financing. This request is based on substantial increased use of commitment authority and loan guarantees in recent years. As of September 30, 2008, a total of 6,627 (cumulative over the life of the program) loans had been guaranteed with guarantee loan authority of \$940 million. During fiscal year 2008, the program guaranteed \$274.7 million for 1,576 loans, exceeding the target of \$247.5 million by almost 11 percent. It maintained a foreclosure (claim rate) of less than 1 percent of the loans guaranteed, far below the target of 4 percent. HUD staff worked with counseling agencies affiliated with NeighborWorks America and with lenders to assist 50 families with delinquent loans to avoid foreclosure by accessing federal foreclosure prevention dollars.

In fiscal year 2010, HUD expects this growth trend to continue as key secondary market participants return to asset-based lending with an emphasis on government insured and guaranteed products. The Section 184 loan portfolio was not directly impacted by subprime lending, but the program did experience some retrenching by lenders with exposure in the subprime arena. As quality lenders return to government lending, the number of mortgage companies underwriting Section 184 loans will increase. Significant progress has been made in working with Ginnie Mae and the Federal Home Loan Bank of Chicago in opening their portfolios to purchase Section 184 loans. Secondary markets for these products are essential to getting more retail bank participation.

Credit Subsidy Modeling Indian Housing Loan Guarantee Fund. The Section 184 Indian Housing Loan Guarantee Fund (Section 184) is a loan guarantee program that is subject to the Federal Credit Reform Act of 1990 (Credit Reform). Under Credit Reform, the Office of Management and Budget (OMB) is required to establish credit subsidy rates for the purpose of estimating future losses resulting from the administration of federal programs and activities that place public funds at risk. The previous credit subsidy model used high default or proxy assumptions rates to project losses and did not incorporate program-specific data. The credit subsidy rate established for Section 184 in 2010 more accurately reflects the low historic rate of loss for the program.

The Office of Native American Programs (ONAP) proposes to add a module to the Computerized Homes Underwriting Management System (CHUMS) presently used by the Office of Single Family Housing. This is a system that is in common use by many government lenders.

The benefits will be further improvement to credit subsidy modeling tool and compliance with credit reform quality standards, and ONAP risk analysis. Integration to CHUMS will enhance data collection, which improves the modeling and profiling capabilities of the program.

ONAP requests funding of \$750,000 in the fiscal year 2010 budget to improve the efficiency of the loan guarantee program by reducing the credit subsidy rate and enhancing the data collection and modeling capabilities of the program. ONAP will require ongoing contractor support to make the necessary adaptations to the CHUMS and the credit subsidy model. After the initial integration into CHUMS, ONAP will seek access to the FHA servicing platform to streamline the early intervention/loss mitigation measures, while increasing the transparency of the property disposition process.

Strategic Goals and Objectives

The Section 184 Indian Housing Loan Guarantee Fund supports the President's goal and the Department's Strategic Goal A: Increase homeownership opportunities. In fiscal year 2010, PIH will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase; of this total, at least 1,700 units will result from this program.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 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>
Loan Guarantee Credit								
Subsidy	\$7,450	\$5,230	\$12,680	\$7,440	\$8,250	\$5,240	\$13,490	\$6,250
Loan Guarantee								
Contracts .....	...	...	...	...	750	...	750	750
Total	7,450	5,230	12,680	7,440	9,000	5,240	14,240	7,000

NOTE: Fiscal years 2008 and 2009 carryover includes \$99 thousand for Land Title Report Commission.

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	6	6	6
Field	22	22	22
Total	28	28	28

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2008 Appropriation	\$7,450
2009 Appropriation/Request	8,250
2010 Request	<u>6,250</u>
Program Improvements/Offsets	-2,000

Indian Housing Loan Guarantee - Summary of Loan Activity	<u>Actual</u> <u>2008</u>	<u>Estimate</u> <u>2009</u>	<u>Estimate</u> <u>2010</u>
	(Dollars in Thousands)		
Number of Loan Commitments	1,600	1,800	1,800
Number of Loans Endorsed	1,576	1,700	1,700
Average Loan Size of Endorsed Loans	\$175	\$165	\$165
Number of Loans in Delinquent Status at End of Fiscal Year	336	432	451
Number of Loans that Defaulted in Fiscal Year	17	20	24
Total Number of Loans in Default	52	76	92
Loan Guarantee Commitment Limitation	\$307,456 ^{a/}	\$420,000	\$919,000
Subsidy Rate	2.42	2.52	.68

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2008 loan guarantee commitment limitation is \$367 million.

Proposed Actions

This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. The fiscal year 2010 Budget proposes an appropriation of \$7 million, of which \$6.25 million in credit subsidy is to support loan guarantee authority of \$919 million, based on a subsidy rate of .68 percent.

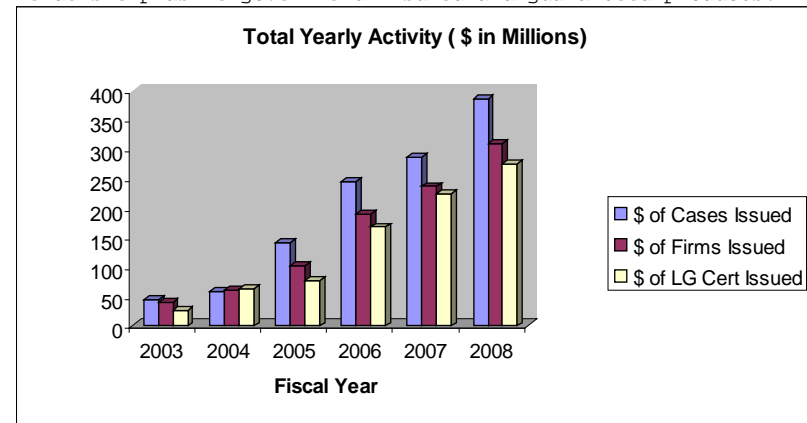
The loan guarantees made under this program shall guarantee repayment of 100 percent of the unpaid principal and interest due on the obligations guaranteed. Funding for this program provides loan guarantees for Native American families, Indian tribes, and Tribally Designated Housing Entities (TDHEs) to purchase, construct, refinance, and/or rehabilitate single family homes on trust or restricted land and in tribal areas of operation. The Section 184 loan guarantee has made possible private financing of home mortgages by private financial institutions based on individual borrower's qualifications, regardless of land status.

Indian Housing Loan Guarantee Fund

The trend toward greater utilization of the Section 184 Indian Housing Loan Guarantee can be traced to the Department's shift from a broad-based national outreach campaign to a more localized grassroots marketing approach. To achieve the desired result HUD identified and targeted lenders, tribes, and markets that offered the greatest opportunity for immediate success. The Office of Loan Guarantee (OLG) effectively implemented the same types of approach wholesale mortgage lenders use to increase individual market share. The outreach campaigns established specific production goals for each ONAP Area Office.

In fiscal year 2010, HUD expects the growth trend to continue as mortgage lenders emphasize government insured and guaranteed products. Over the past 4 years (fiscal years 2005-08), the dollar volume associated with new Section 184 loan applications has increased from \$140.5 million to \$385.88 million. The corresponding loan guarantee activity over the same period has increased from \$77 million to \$274.7 million. The chart illustrates the relationship between the issuance of a case number on a new application and the issuance of a loan guarantee certificate to the lender. The dollar volume of loan guarantees is generally 90 percent of the case number issued totals from the prior fiscal year.

As of the end of fiscal year 2008, there were 640 Section 184 loan cases in process totaling \$107.6 million and 748 loans with firm commitments totaling \$107.9 million outstanding. These totals represent \$215 million of loans in process before the first new application was taken in fiscal year 2009. We expect loan guarantee activity continue to grow and demonstrate stellar performance in the future.



This program is intended for tribes, tribally designated housing entities, and individual members of tribes that participate in the program. There is not an income limit or minimum required to participate.

The term "Federally recognized tribe" means any Indian tribe, band, nation, or other organized group or community of Indians, including any Alaska Native village or regional or village corporation as defined in or established pursuant to the Alaska Native Claims Settlement Act, that is recognized as eligible for the special programs and services provided by the United States to Indians because of their status as Indians pursuant to the Indian Self-Determination and Education Assistance Act of 1975. Indian tribes themselves determine their membership criteria.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 Program Offsets
 (Dollars in Thousands)

Loan Guarantee Contracts	<u>Amount</u>
2008 Appropriation .....	...
2009 Appropriation/Request	\$750
2010 Request	<u>750</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$750 thousand in fiscal year 2010 for Administrative Contract expenses including management processes and systems necessary to carry out the guaranteed loan program. This funding will continue the transition to contractual services to meet the growing demands placed on the program by increased loan activity. The contractor will be responsible for servicing functions, which includes capturing pertinent payment information from lender data, producing timely reports, and tracking performance trends. Other duties will include efforts to increase the data elements collected during the mortgage process. This data will enhance the development of performance measures; create risk modeling for credit reform estimates; and forecast growth, payment performance, and default risk projections for the loan guarantee program.

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
Performance Measurement Table**

Program Name: INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)					
Program Mission: This program is authorized by Section 184 of the Housing and Community Development Act of 1992, Public Law 102-550, enacted October 28, 1992, as amended. Funding for this program provides loan guarantees of up to 100 percent for Native American families, Indian tribes, and tribally designated housing entities to purchase, construct, and/or rehabilitate single family homes on trust or restricted land and in designated Indian areas. It has made possible the private financing of home mortgages by private financial institutions, which would otherwise not have been possible because of the unique legal status of Indian lands.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH ONAP administrative data	\$247.5 million/ 1500 loans	\$274.7 million/ 1576 loans	\$280.5 million/ 1700 loans	\$280.5 million/ 1700 loans

Explanation of Indicators

Indicator: The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing plans to assist 8,920 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. To achieve this goal, in fiscal year 2010, the Section 184 program will assist 1,700 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

The Office of Native American Programs (ONAP) tracks the annual number of Native Americans homeownership loans guaranteed under Section 184. During fiscal year 2008, the program guaranteed \$274.7 million for 1,576 loans, exceeding the target of \$247.5 million by almost 11 percent. This increase was due to the aggressive marketing and robust program activity. In addition, the program has successfully used a team approach to educate tribes and individual Native Americans about the benefits of homeownership. HUD relies on a network of approved lenders to finance mortgage transactions through a public/private partnership. HUD underwrites most of the files, accounting for the consistent performance of the loan portfolio. The target for fiscal years 2009 and 2010 is \$280.5 million. This represents 1,700 loans, with an estimated average loan amount of \$165,000. The program's long-term goal is to ensure an adequate supply of safe, decent, affordable housing by guaranteeing 2,000 loans annually, by fiscal year 2011. The Office of Loan Guarantee continues to collaborate with the National Council of State Housing Agencies to increase participation of State housing finance agencies (HFA) in the Section 184 program. The emphasis on HFA involvement will provide low-cost home financing to Native Americans while reducing the risks associated with trust land transactions for the HFAs.

Indian Housing Loan Guarantee Fund

**PUBLIC AND INDIAN HOUSING
INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
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, and language proposed for deletion is bracketed.

For the cost of guaranteed loans, as authorized by section 184 of the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13a), [~~\$9,000,000~~] \$7,000,000, to remain available until expended: Provided, That such costs, including the costs of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That these funds are available to subsidize total loan principal, any part of which is to be guaranteed, up to [~~\$420,000,000~~] \$919,000,000: Provide further, That up to \$750,000 shall be for administrative contract expenses including management processes and systems necessary to carry out the loan guarantee program.

Explanation of Changes

No change in language.

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 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>
Loan Guarantee Credit Subsidy	\$7,450	...	...	...	\$5,230 ^a	\$12,680
Loan Guarantee Contracts .....	...	...	...	...	...	...
Total	7,450	...	...	...	5,230	12,680

Indian Housing Loan Guarantee Fund

PUBLIC AND INDIAN HOUSING
 INDIAN HOUSING LOAN GUARANTEE FUND (SECTION 184)
 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>
Loan Guarantee Credit Subsidy	\$8,250	\$8,250	...	...	\$5,240	\$13,490
Loan Guarantee Contracts	<u>750</u>	<u>750</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>750</u>
Total	9,000	9,000	...	...	5,240	14,240

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN HOUSING BLOCK GRANTS
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

NATIVE HAWAIIAN HOUSING BLOCK GRANTS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$9,000	\$8,994	...	\$17,994	\$17,078	\$8,378
2009 Appropriation/Request	10,000	916	...	10,916	10,916	7,000
2010 Request	<u>10,000</u>	<u>...</u>	<u>...</u>	<u>10,000</u>	<u>10,000</u>	<u>7,000</u>
Program Improvements/Offsets .....	...	-916	...	-916	-916	...

Summary Statement

The Department requests \$10 million for the Native Hawaiian Housing Block Grants (NHHBG) account for fiscal year 2010. This request is sufficient to meet the anticipated performance target. This program provides grants for housing and housing-related assistance to its only grant recipient, the Department of Hawaiian Home Lands (DHHL). Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the Nation. This program provides grants for housing and housing-related assistance to the DHHL to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands. A full-time Native Hawaiian program specialist is stationed in the Hawaii State Office to assist DHHL.

Through the NHHBG program, in fiscal year 2008, the grant recipient assisted 95 homeowners by either building, acquiring, or substantially rehabilitating their homes. The grant recipient assisted 131 families through homebuyer education and counseling to prepare families for homeownership and to build capacity for homeownership maintenance. The grant recipient is developing several master-planned communities on Hawaiian Home Land areas throughout the State of Hawaii. These efforts are addressing the high demand for affordable housing in an area with extremely high construction costs.

The NHHBG program's performance goal projected for fiscal years 2009 and 2010 is that the grant recipient will assist 65 families each year who are eligible to reside on Hawaiian Home Lands, by building, acquiring, or substantially rehabilitating their homes, the same as in fiscal year 2009.

Strategic Goals and Objectives

The Native Hawaiian Housing Block Grant program supports the President's goal and the Department's Goal A: Increase homeownership opportunities. In fiscal year 2010, the Office of Public and Indian Housing (PIH) will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase, of which 65 are projected to be from this program.

Native Hawaiian Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN HOUSING BLOCK GRANTS
 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>
Grants	\$8,700	\$8,378	\$17,078	\$17,078	\$9,701	...	\$9,701	\$10,000
Technical Assistance ..	<u>300</u>	<u>616</u>	<u>916</u>	<u>...</u>	<u>299</u>	<u>\$916</u>	<u>1,215</u>	<u>...</u>
Total	9,000	8,994	17,994	17,078	10,000	916	10,916	10,000

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	1	1	1
Field	<u>...</u>	<u>...</u>	<u>...</u>
Total	1	1	1

Native Hawaiian Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Program Offsets
(Dollars in Thousands)**

Grants	<u>Amount</u>
2008 Appropriation	\$8,700
2009 Appropriation/Request	9,701
2010 Request	<u>10,000</u>
Program Improvements/Offsets	+299

Proposed Actions

The Department proposes \$10 million for NHHBG in fiscal year 2010 to provide grants for housing and housing-related assistance to eligible Native Hawaiian families through DHHL. The authorizing legislation for this program, the Hawaiian Homelands Homeownership Act of 2000 (25 U.S.C. 4221 *et seq.*), was signed on December 27, 2000. Numerous studies have documented the housing needs of Native Hawaiians who are either eligible to reside on, or now live on, the Hawaiian Home Lands. Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. HUD issued a 1995 report, which cited evidence that Native Hawaiians have the highest percentage of housing problems (49 percent) in the United States. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the Nation. This housing block grant program provides an allocation of funds to assist and promote affordable housing activities to develop, maintain and operate affordable housing for eligible low-income Native Hawaiian families.

The Office of Native American Programs (ONAP), under the jurisdiction of the Assistant Secretary for Public and Indian Housing, is tasked with the responsibility to administer all programs for American Indians, Alaska Natives and Native Hawaiians. All current programs, including the Native Hawaiian Housing Block Grant program, are managed by ONAP.

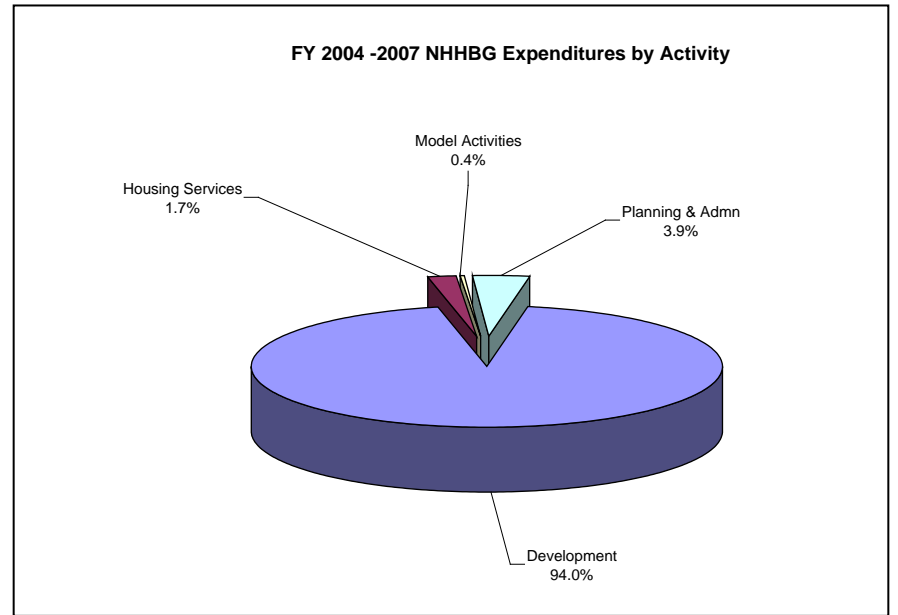
The NHHBG program provides annual grants to DHHL for housing and housing-related assistance, pursuant to an annual housing plan, within the area in which DHHL is authorized to provide that assistance. DHHL uses performance measures and benchmarks that are consistent with the national goals of the program, but it can base these measures on the needs and priorities that it establishes in its 5- and 1-year housing plans. ONAP staff monitor the DHHL to ensure compliance with the objectives of the housing plan.

The NHHBG allows the DHHL to develop and support affordable rental and homeownership housing and provide housing services through the following eligible activities, as authorized in Section 810 of the Native American Housing Assistance and Self-Determination Act of 1996, as amended (NAHASDA):

Development. Grant funds may be used to support acquisition, new construction, reconstruction or moderate or substantial rehabilitation of affordable housing, which may include real property acquisition, site improvement, development of utilities and utility services, conversion, demolition, financing, administration and planning, and other housing-related activities.

- From fiscal year 2004 through fiscal year 2007, the NHHBG recipient expended approximately \$22.8 million on activities in this category, or an average of \$5.7 million each year.
- Over 4 years, this activity averaged 94 percent of total expenditures.

Native Hawaiian Housing Block Grants



Native Hawaiian Housing Block Grants

In addition, the recipient may expend funds for planning and administration. Approximately \$940,000 in NHHBG funds was expended over fiscal years, 2004-2007, or an average of \$235,000 each year for planning and administration. Planning and administrative expenses averaged 3.9 percent of total expenditures each year.

Native Hawaiian Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN HOUSING BLOCK GRANTS
 Program Offsets
 (Dollars in Thousands)

Technical Assistance	<u>Amount</u>
2008 Appropriation	\$300
2009 Appropriation/Request	299
2010 Request	<u>...</u>
Program Improvements/Offsets	-299

Proposed Actions

In fiscal year 2010, technical assistance activities will be funded through the Department’s Transformational 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. Up to 1 percent of the funds appropriated for the Native Hawaiian Block Grant program 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 projects that could be undertaken with Transformation Initiative funding in respect to the Native Hawaiian Block Grant program include: training and technical assistance to support management and oversight of eligible affordable housing activities in the Hawaiian Homelands and sub-recipients on the management and responsibilities of the grant program.

In fiscal year 2008, NHHBG training and technical assistance funds were used to conduct a series of training sessions for program participants, including the Department of Hawaiian Home Lands, sub-recipients, potential program beneficiaries, and members of the Native Hawaiian community. Training sessions covered topics such as Environmental Review; Labor Standards and Compliance; Self-Monitoring; and Monitoring of Recipients. In addition, several classes were held in various locations to provide a general overview of the program - its purpose, eligible activities, program requirements, and how entities can apply to become a grant sub-recipient. More than 100 people attended these training sessions.

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING BLOCK GRANTS
Performance Measurement Table**

Program Name: NATIVE HAWAIIAN HOUSING BLOCK GRANT FUND					
<p>Program Mission: The Hawaiian Homelands Homeownership Act of 2000 (25 U.S.C. 4221 et seq.) was signed on December 27, 2000. Numerous studies have documented the housing needs of Native Hawaiians who are either eligible to reside on, or now live on, the Hawaiian Home Lands. Native Hawaiians experience the worst housing conditions in the State of Hawaii and constitute approximately 30 percent of its homeless population. The Department issued a 1995 report, which cited evidence that Native Hawaiians have the highest percentage of housing problems (49 percent) in the United States. Overcrowding in these households exceeds 36 percent, as compared to 3 percent of households throughout the nation. This housing block grant program provides an allocation of funds to assist and promote affordable housing activities to develop, maintain and operate affordable housing for eligible low-income Native Hawaiian families.</p>					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH ONAP administrative data	101	95	65	65

Explanation of Indicators

Indicator: The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing plans to assist 8,920 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. To achieve this goal, the NHHBG program will assist 65 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase in fiscal year 2010.

In October 2007, approximately 200 units started construction or rehabilitation, of which 110 were projected for completion in fiscal year 2008, compared to 101 in fiscal year 2007. In fiscal year 2008, the program assisted 95 families and fell short of meeting its intended target of assisting 101 families. Several factors, such as building permit delays, lack of availability of rehabilitation contractors, necessary extensive homebuyer counseling, and unanticipated environmental review delays contributed to the shortfall.

The Native Hawaiian Housing Block Grant program is modeled after the Native American Housing Block Grant. This program provides block grant funding to the Department of Hawaiian Home Lands to carry out affordable housing activities for Native Hawaiian families who are eligible to reside on the Hawaiian Home Lands.

Native Hawaiian Housing Block Grants

The NHHBG program has one grantee, the Department of Hawaiian Home Lands (DHHL), which provides services to eligible Native Hawaiian families. The NHHBG program is a relatively new program; the initial grant agreement between HUD and the grant recipient was executed in August 2002. Most of the programmatic activity by the grant recipient consists of infrastructure and site development, which is essential to support and facilitate future home construction. Activities also include housing construction and rehabilitation, and other housing-related activities. Rehabilitation activities began to show progress in fiscal year 2006. DHHL has the discretion, within the statutory confines of the program, to decide what types of housing assistance to provide with program funds. The revised targets for fiscal years 2009 and 2010 are realistic and attainable, and upon achievement, will indicate a thriving program and steady progress toward long-term goals. More experience with the program should result in more refined production forecasts. As the program matures, it is anticipated that the program activity will increase.

Native Hawaiian Housing Block Grants

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN HOUSING 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, and language proposed for deletion is bracketed.

For the Native Hawaiian Housing Block Grant program, as authorized under title VIII of the Native American Housing Assistance and Self-Determination Act of 1996 (25 U.S.C. 4111 et seq.), \$10,000,000 to be available until expended, [of which \$299,000 shall be for training and technical assistance activities including up to \$100,000 for related travel].

Explanation of Changes

No technical assistance is requested. That funding will be provided under the Transformation Initiative discussed in a separate justification.

Native Hawaiian Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN HOUSING BLOCK GRANTS
 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>
Grants	\$8,700	...	...	...	\$8,378	\$17,078
Technical Assistance	<u>300</u>	<u>...</u>	<u>...</u>	<u>...</u>	<u>616</u>	<u>916</u>
Total	9,000	...	...	...	8,994	17,994

Native Hawaiian Housing Block Grants

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN HOUSING BLOCK GRANTS
 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>
Grants	\$9,701	\$9,701	...	...	...	\$9,701
Technical Assistance	<u>299</u>	<u>299</u>	...	...	<u>\$916</u>	<u>1,215</u>
Total	10,000	10,000	...	...	916	10,916

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

NATIVE HAWAIIAN LOAN GUARANTEE	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$1,044	\$5,579	-\$2,952	\$3,671	\$105	\$101
2009 Appropriation/Request	1,044	3,566	...	4,610	679	688
2010 Request	<u>1,044</u>	<u>3,931</u>	<u>...</u>	<u>4,975</u>	<u>679</u>	<u>688</u>
Program Improvements/Offsets .....	...	+365	...	+365	...	...

Summary Statement

The Department is requesting \$1.04 million for Native Hawaiian Loan Guarantee Fund (Section 184A) to support loan guarantee authority of \$41.5 million based on a subsidy rate of 2.52 percent; the same amount as fiscal year 2009 enacted. The Section 184A program has experienced a slow start-up during its early years of implementation. There is still a continued need for housing assistance on Hawaiian Home Lands. As of September 30, 2008, 17 loans have been guaranteed for homes on Hawaiian Home Lands, with HUD guaranteeing approximately \$4.3 million in financing. In fiscal year 2008, outreach was done to educate and encourage lenders to participate in the program. As a result, two mortgage lenders requested and were approved to participate.

With the current baseline funding the Section 184a Loan Guarantee Program has guaranteed 28 loans from fiscal year 2005 through September 2008. During that time, \$5.84 million was issued in loan guarantee authority. Due to the expanded marketing and outreach efforts, training has been provided to potential lenders and borrowers. For fiscal year 2010, the program plans to guarantee 100 loans by issuing \$19 million of Section 184A loan guarantee authority.

Initiatives

No new initiatives are proposed in this program.

Strategic Goals and Objectives

The Native Hawaiian Loan Guarantee Fund supports the President's goal and the Department's Goal A: Increase homeownership opportunities. In fiscal year 2010, the Office of Public and Indian Housing will assist 9,000 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase, of which 100 will be from this program.

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 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>
Loan Guarantee Credit								
Subsidy	<u>-\$1,908</u>	<u>\$5,579</u>	<u>\$3,671</u>	<u>\$105</u>	<u>\$1,044</u>	<u>\$3,566</u>	<u>\$4,610</u>	<u>\$1,044</u>
Total	-1,908	5,579	3,671	105	1,044	3,566	4,610	1,044

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	1	1	1
Field .....	...	...	...
Total	1	1	1

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Program Offsets
(Dollars in Thousands)**

Loan Guarantee Credit Subsidy	<u>Amount</u>
2008 Appropriation	-\$1,908
2009 Appropriation/Request	1,044
2010 Request	<u>1,044</u>
Program Improvements/Offsets .....	...

	<u>Actual 2008</u>	<u>Estimate 2009</u>	<u>Estimate 2010</u>
	(Dollars in Thousands)		
Native Hawaiian Loan Guarantee - Summary of Loan Activity			
Number of Loans Endorsed	17	100	100
Average Loan Size of Endorsed Loans	245	\$190	\$190
Number of Loans in Delinquent Status at End of Fiscal Year	0	0	0
Number of Loans that Defaulted in Fiscal Year	0	0	0
Total Number of Loans in Default	0	0	0
Loan Guarantee Commitment Limitation	\$4,328 a/	\$41,504	\$41,504
Subsidy Rate	2.42	2.52	2.52

a/ This is the amount of guaranteed loan commitments made; the fiscal year 2008 loan guarantee commitment limitation is \$41.5 million.

Proposed Actions

The Department proposes \$1.04 million for loan guarantees for Native Hawaiian housing to support loan guarantee authority of \$41.5 million based on subsidy rate of 2.52 percent. The loan guarantee program, known as Section 184A, was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private, non-profit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be feasible because of the unique legal status of Hawaiian Home Lands.

Native Hawaiian Loan Guarantee Fund (Section 184A)

Lenders are hesitant to provide home mortgage financing when legal title to the real property cannot be used as collateral. This program provides access to sources of private financing for eligible Native Hawaiian families who wish to reside on Hawaiian Home Lands and who could not otherwise acquire private financing. Through this program, private financing will be used to cover construction or acquisition costs while federal dollars are used only to guarantee payment in the event of a default.

The final regulations implementing the Native Hawaiian Loan Guarantee program became effective on December 29, 2003. The initial focus of the program had been on institutional transactions, with the DHHL serving as the borrower. In fiscal year 2006, HUD entered into an agreement with the DHHL to expand the program to include individual Native Hawaiians. Additional marketing and outreach to Native Hawaiians who are eligible to reside in the Hawaiian Home Lands will be required, and is underway, to make the program more effective. The Office of Native American Programs has been working with the DHHL and lenders to increase program activity. In fiscal year 2008, DHHL suffered an unexpected setback when one of its contractors went bankrupt. This resulted in delays that reduced the number of new homes made available for delivery in fiscal year 2008. As of July 2008, the projects are back on track, and HUD is projecting increased loan activity in future years.

DHHL is progressing with its 5-year strategic plan (2004-2008) to shift from small pocket developments to master-planned community developments. This plan lays the foundation to provide housing opportunities to Hawaiian Home Lands beneficiaries where in the long run approximately 4,800 individual lots will be leased as improved lots, either for the lessee to construct a home, complete with a turnkey home, or arrange for the construction of a self-help home. As of DHHL's 2008 fiscal year end, 18 new housing developments are at various stages of development from design to infrastructure construction to home construction, representing over 4,700 lots. Approximately 360 homes have been completed, 250 are under construction, and another 400 units are anticipated to start house construction in the next year. In each instance, the lessee will seek financing to construct or purchase the home. The Section 184A Loan Guarantee Program will provide a perfect complement to the limited amount of financing options available for properties on Hawaiian Home Lands.

**PUBLIC AND INDIAN HOUSING
NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
Performance Measurement Table**

Program Name: NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)					
Program Mission: The loan guarantee program known as Section 184A was established by Section 514 of the American Homeownership and Economic Opportunity Act of 2000 (P.L. 106-569, approved December 27, 2000), which amended the Housing and Community Development Act of 1992 (12 U.S.C. 1715z-13b). Funding for this program provides loan guarantees for Native Hawaiian individuals and families, the Department of Hawaiian Home Lands (DHHL), the Office of Hawaiian Affairs, and private nonprofit organizations experienced in the planning and development of affordable housing for Native Hawaiians. The loans may be used to purchase, construct, and/or rehabilitate single family homes on Hawaiian Home Lands. It makes possible the private financing of home mortgages by private financial institutions, which would otherwise not be possible because of the unique legal status of Hawaiian Home Lands.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.	PIH Office Of Native American Programs Administrative Data	50 loans	17 loans	17 loans	20 loans

EXPLANATION OF PERFORMANCE

Indicator: The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase.

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing plans to assist 8,920 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase. To achieve this goal, the Section 184A program plans to assist 20 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase in fiscal year 2010 and projecting increased numbers over time.

The Section 184A program was in a development phase in fiscal year 2007. The program did not guarantee any loans in fiscal year 2007; however, several necessary steps were taken to implement the program for the desired outcome: program guidelines for loans to individual native Hawaiians were developed; lender approval and quality control mechanisms were established; and underwriting and lending criteria that met the requirements of the Hawaiian Home Commission Act and Homestead policies were finalized in August 2007.

Native Hawaiian Loan Guarantee Fund (Section 184A)

For fiscal year 2008, the Department's goal to assist 50 families was not met; however, the Department made strides to guarantee 17 loans. The targets for fiscal years 2008 and 2009 were revised to reflect a realistic expectation for starting up this new initiative. HUD invested a great deal of time and energy on education and outreach to support initiatives by lenders and the DHHL. As a result of the homeownership and credit counseling programs sponsored by the DHHL, the Section 184A program will benefit from a larger pool of qualified borrowers. HUD experienced similar conditions during the early days of the Section 184 program (Section 184 is the similar loan guarantee program for American Indians and Alaska Natives). HUD anticipates the growth rate of the Section 184A program to begin mirroring the performance of the Section 184 program. More experience with the program should result in more refined production forecasts. As the program matures, it is anticipated that the program activity will increase.

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 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>
Loan Guarantee Credit Subsidy	\$1,044	-\$2,952	...	...	\$5,579	\$3,671
Total	1,044	-2,952	...	...	5,579	3,671

Native Hawaiian Loan Guarantee Fund (Section 184A)

PUBLIC AND INDIAN HOUSING
 NATIVE HAWAIIAN LOAN GUARANTEE FUND (SECTION 184A)
 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>
Loan Guarantee Credit Subsidy	\$1,044	...	...	\$3,566	\$4,610
Total	1,044	...	...	3,566	4,610

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$100,000	\$98,991	-\$649	\$198,342	\$197,173	\$526,200
2009 Appropriation/Request	120,000	1,169	...	121,169	121,169	428,645
2010 Request .....	...	...	...	...	...	<u>278,000</u>
Program Improvements/Offsets	-120,000	-1,169	...	-121,169	-121,169	-150,645

Summary Statement

No additional funds are requested for the Revitalization of Severely Distressed Public Housing (HOPE VI) program in fiscal year 2010. Instead, the Department proposes to build on the success of the HOPE VI program and implement its Choice Neighborhoods Initiative. This initiative would support a range of interventions in neighborhoods of extreme poverty; particularly those neighborhoods characterized by a substantial presence of HUD public and assisted housing. The initiative would challenge public, private and nonprofit partners to identify the intervention (public or assisted housing transformation, bulk purchase and renovation of vacant privately owned stock, provision of vouchers, support for neighborhood retail and business expansion) that would have the largest return on Federal investment in what are essentially Federal enclaves of concentrated poverty. The initiative would build on the successes and lessons learned in the HOPE VI, Homeownership Zone and Empowerment Zone programs, combined with such private sector models as the Harlem Children's Zone.

In 2009, the Department will conduct a competition to award 2009 funds to New HOPE VI grants. The Department will revamp the NOFA process to transition to the Choice Neighborhoods Initiative. Rating factors will be revised to emphasize: the location of projects in neighborhoods of opportunity, the creation of mixed-income communities, the creation of partnerships with educational institutions, particularly those that deal with early childhood education and green building techniques. The funds appropriated in fiscal year 2009 have the traditional 2-year obligation timeframe. The fiscal year 2008 appropriation was "1-year" money with a Departmental obligation deadline of September 30, 2008. This reduced the Department's timeframe for executing funds and assisting PHAs with their Revitalization Plans. Nonetheless, shortly after receiving the fiscal year 2008 appropriation, the Department issued the fiscal year 2008 NOFA for Revitalization and Main Street grants and awarded these funds by September 30, 2008.

The fiscal year 2002 HOPE VI appropriation was the first year impacted by expenditure deadline requirements. As a result, fiscal year 2002 funds were required to be expended by September 30, 2008. The Department worked closely with all fiscal year 2002 HOPE VI grantees to meet the expenditure deadline. Of the \$494 million awarded as HOPE VI Revitalization grants less than one percent was cancelled by the Treasury. The Department awarded expediter contracts and provided technical assistance to HOPE VI grantees that were facing significant challenges in implementing their Revitalization Plans. In addition, the Department reinstated and enhanced the HOPE VI Quarterly Progress Reporting system, re-enabling the Department to provide detailed status reports for each of the HOPE VI grantees.

The Omnibus Appropriations Act, 2009 reauthorized the HOPE VI program through the end of fiscal year 2009. The Department requests re-authorization of the program through fiscal year 2010. In addition, the Joint Explanatory Statement accompanying the bill directs the Department to use a substantial portion of the technical assistance funding provided to concentrate on the 2003 grantees with the goal of completing these projects and reducing the backlog of unspent funds.

Initiatives

No new initiatives are requested for this program in fiscal year 2010.

Revitalization of Severely Distressed Public Housing

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 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>
Revitalization Grants .	\$97,106	\$96,346	\$193,452	\$193,034	\$117,600	\$418	\$118,018	...
Technical Assistance ..	<u>2,245</u>	<u>2,645</u>	<u>4,890</u>	<u>4,139</u>	<u>2,400</u>	<u>751</u>	<u>3,151</u>	...
Total	99,351	98,991	198,342	197,173	120,000	1,169	121,169	...

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	46	43	21
Field	<u>35</u>	<u>37</u>	<u>20</u>
Total	81	80	41

Revitalization of Severely Distressed Public Housing

**PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Program Offsets
(Dollars in Thousands)**

Revitalization Grants	<u>Amount</u>
2008 Appropriation	\$97,106
2009 Appropriation/Request	117,600
2010 Request	<u>...</u>
Program Improvements/Offsets	-117,600

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2010. The fiscal year 2010 goals for this program are to be accomplished with previously awarded grants that are in the implementation stage. Though the Department is not requesting additional funds for this program, it is focused on continuing the progress of current projects and maximizing the effective use of program resources. For example, fiscal year 2003 funding has a PHA expenditure deadline of September 30, 2009. Thus, the Department will work closely with affected grantees to ensure they meet the expenditure deadline. The Department will also continue to provide technical assistance to grantees facing significant obstacles in implementing their Revitalization Plan.

As a result of this program and other initiatives, the Department's goals for demolition of the worst public housing have been met. As of December 31, 2008, the balance of unexpended HOPE VI grant funds was approximately \$825 million; 100 projects had completed all construction under the HOPE VI Revitalization Plan; and 149 projects are still in progress. In addition, HOPE VI grantees had relocated 72,346 households; demolished 91,910 public housing units; completed 75,363 units and occupied 72,874 units as of December 31, 2008.

The following chart provides information on the average amount of grants awarded to PHAs from fiscal years 2004 to 2008.

Average HOPE VI Grants Awarded		
Fiscal Year	No. of Grants	Amount
FY 2004	7	\$126,884,932
FY 2005	8	\$156,895,528
FY 2006	4	\$71,900,000
FY 2007	5	\$88,855,000
FY 2008	6	\$97,246,691
Total awarded	30	\$541,782,151
Average award		\$18,059,405

*** This chart excludes Main Street Grant awards.*

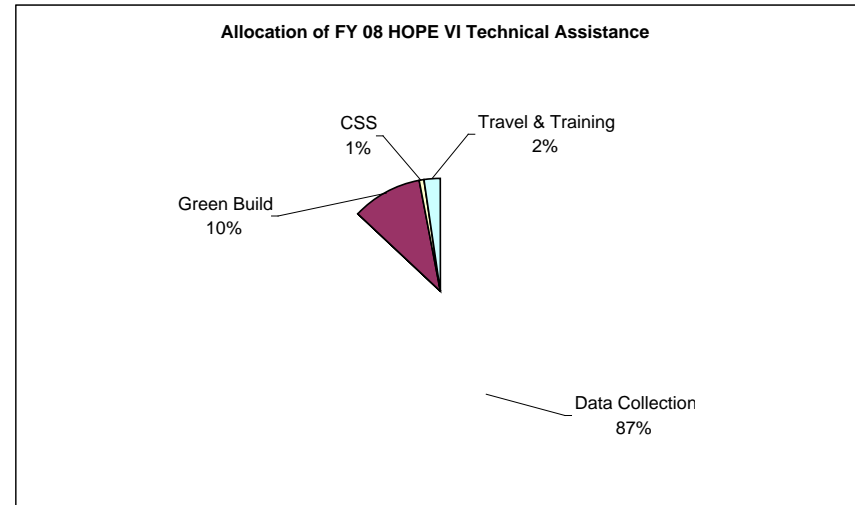
**PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Program Offsets
(Dollars in Thousands)**

Technical Assistance	<u>Amount</u>
2008 Appropriation	\$2,245
2009 Appropriation/Request	2,400
2010 Request .....	...
Program Improvements/Offsets	-2,400

Proposed Actions

No budget authority is requested for the HOPE VI program for fiscal year 2010. Instead, HOPE VI program goals will be accomplished through the utilization of the Department's Salaries and Expenses account and Capital Fund technical assistance funds. Technical assistance activities include the acquisition of contract expertise, training, oversight, monitoring, and travel. The following chart summarizes technical assistance uses for the past 4 years.

HOPE VI technical activities have included Data Collection and Quarterly Reporting; Troubled Grantees and Program Support (Expediter); funds for Community and Supportive Services (CSS) activities; and Green Building and Energy Efficient Development. Data Collection and Quarterly Reporting assistance is used to create and maintain a reporting process whereby HOPE VI grantees can submit performance data on a quarterly basis for review and analysis by HUD staff of possible troubled grantees. Identifying troubled grantees and providing program support aids in bringing grantees into full compliance with their grant agreements and could also include assistance in accounting and financial management; construction management; reporting; procurement; and information systems. Funds have been used for CSS activities such as CSS Plan development and implementation, sustainability conferences, and CSS budgeting and accounting. Green Building and Energy Efficient Development assistance consists of the development of a Green Building Guidebook; training sessions; data collection and reporting; and assistance to enable HOPE VI grantees to implement the principles of green building and energy efficient development.



The Joint Explanatory Statement accompanying the Omnibus Appropriations Act, 2009 directs the Department to use a substantial portion of the technical assistance funding provided to concentrate on the 2003 grantees. In fiscal year 2009, the Department will utilize expeditors to help concentrate on pre-2002 grantees, paying special attention to 2003 grantees, with the goal of completing these projects and reducing the backlog of unspent funds in fiscal year 2009.

Revitalization of Severely Distressed Public Housing

PUBLIC AND INDIAN HOUSING
Revitalization of Severely Distressed Public Housing (HOPE VI)
Performance Measurement Table

Program Name: REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)					
Program Mission: Eliminate the worst public housing by demolishing unsustainable developments and rebuilding communities in accordance with community-sensitive principles.					
Performance Indicators	Data Sources	Performance Report		Performance Plan	
		2008 Plan	2008 Actual	2009 Plan	2010 Plan
The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase with 720 units projected from the HOPE VI program.	HOPE VI Quarterly Progress Reporting System	1,600 of 8,000 total Public and Indian Housing units	2,234 of 9,314 total Public and Indian Housing units	720	720
The HOPE VI Revitalization Development program for public housing demolishes 680 units and completes 8,000 units in fiscal year 2010.	HOPE VI Quarterly Progress Reporting System; fiscal year 2005 Performance & Accountability Report; fiscal year 2007 Annual Performance Plan	4,000 demolished; 9,000 new & rehabilitated units	4,374 demolished; 9,978 new & rehabilitated units	2,500 units demolished; 6,000 new & rehabilitated units	680 units demolished; 8,000 new & rehabilitated units.
Ensure that unit production is completed for 117 HOPE VI grants awarded from fiscal years 1993 through 2004.	HOPE VI Reporting	89 grants completed	92 grants completed	103 grants completed	117 grants completed
The Department will approve and facilitate \$635 million of activity using alternative financing methods (i.e., the HOPE VI program and bonds through the Capital Fund Financing Program).	HOPE VI Reporting	\$700 million	\$1.453 billion	\$635 million	\$635 million

Explanation of Indicators

Indicator: The Office of Public and Indian Housing will assist 8,920 families by building, acquiring, or rehabilitating homeownership units or assisting families in their purchase with 720 units projected from the HOPE VI program.

This indicator is part of a cross-departmental goal, (A.1), to promote affordable homeownership opportunities. Increasing homeownership among low-income and minority households is one of the Department's most important initiatives and a number of HUD programs help increase the number of individuals and families that achieve homeownership. The Office of Public and Indian Housing plans to assist 8,920 families in fiscal year 2010 by building, acquiring, or rehabilitating homeownership units or assisting their families in their purchase. To achieve this goal, the HOPE VI program will assist by creating 720 new homeownership units in fiscal year 2010.

Revitalization of Severely Distressed Public Housing

Indicator: The HOPE VI Revitalization Development program for public housing demolishes 680 units and completes 8,000 units in fiscal year 2010.

HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. However, because of the extensive planning and partnering involved, PHAs have been slower in implementing HOPE VI revitalization plans than was anticipated. The Department established this annual indicator to track the number of HOPE VI revitalization plans that are being implemented in terms of two key outputs: units demolished and new and rehabilitated units completed. These targets are based on HOPE VI plans submitted by PHAs.

Indicator: The Department will approve and facilitate \$635 million of activity using alternative financing methods (i.e., the HOPE VI program and bonds through the Capital Fund Financing Program).

This indicator tracks the total amount of leveraging of HUD provided funds through various alternative financing vehicles. As with fiscal year 2009, the Department will approve and facilitate \$635 million of activity using alternative financing methods. HOPE VI is HUD's primary program for eliminating distressed public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. The mixed-financing approach to replacement public housing development is the single most important development tool currently available to PHAs implementing HOPE VI revitalization projects. It emphasizes the formation of public and private partnerships to ensure long-term sustainability of public housing developments and the leveraging of public and private resources to transform the isolated communities in which many public housing residents live into vibrant and sustainable mixed-income communities with a wide range of family incomes.

Indicator: Ensure that unit production is completed for 117 HOPE VI grants awarded from fiscal years 1993 through 2004.

Through its Strategic Plan, the Department continues to emphasize the importance of timeliness and accountability in its programs, including HOPE VI. The more quickly projects are completed the more quickly homeownership and affordable housing opportunities will become available. However, because of the extensive planning and partnering involved, as well as extenuating circumstances, grantees have been implementing their HOPE VI redevelopment plans more slowly than was anticipated. Nevertheless, HUD has worked diligently with grantees to shorten the time they need to finish projects, and to increase the total number of projects completed, as measured by completion of all units (whether public housing, tax credit, market-rate, or homeownership) proposed in the revitalization plan.

Of the 225 total HOPE VI grants awarded between fiscal years 1993 and 2004, 117 grants will have completed all unit production by the end of fiscal year 2010. These goals are based on HOPE VI plans submitted by grantees.

Revitalization of Severely Distressed Public Housing

**PUBLIC AND INDIAN HOUSING
REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
Justification of Proposed Changes in Appropriations Language**

The 2010 President's budget does not request additional funds. Therefore, no language is proposed.

Revitalization of Severely Distressed Public Housing

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 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>
Revitalization Grants	\$97,600	-\$494	...	...	\$96,346	\$193,452
Technical Assistance	<u>2,400</u>	<u>-155</u>	<u>...</u>	<u>...</u>	<u>2,645</u>	<u>4,890</u>
Total	100,000	-649	...	...	98,991	198,342

Revitalization of Severely Distressed Public Housing

PUBLIC AND INDIAN HOUSING
 REVITALIZATION OF SEVERELY DISTRESSED PUBLIC HOUSING (HOPE VI)
 Crosswalk of 2009 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	<u>Total 2009 Resources</u>
Revitalization Grants	\$117,600	...	...	\$418	\$118,018
Technical Assistance	<u>...</u>	<u>2,400</u>	<u>...</u>	<u>...</u>	<u>751</u>	<u>3,151</u>
Total	120,000	...	...	1,169	121,169

PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS
2010 Summary Statement and Initiatives
(Dollars in Thousands)

CHOICE NEIGHBORHOODS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation .....	...	...	...	...	...	...
2009 Appropriation/Request .....	...	...	...	...	...	...
2010 Request	<u>\$250,000</u>	...	...	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$7,000</u>
Program Improvements/Offsets	+250,000	...	...	+250,000	+250,000	+7,000

Summary Statement

The Department requests \$250 million for a new Choice Neighborhoods Initiative. This initiative will fund competitive grants to transform neighborhoods of extreme poverty into functioning, sustainable mixed-income neighborhoods with well-functioning services, schools, public assets, transportation and access to jobs. Choice Neighborhoods builds on the successes and lessons learned in the HOPE VI program. Grantees will include local governments, nonprofits and for-profit developers as well as public housing authorities (PHAs). Grants will primarily fund the transformation, rehabilitation and replacement of HUD public and assisted housing that cannot be funded through current annual formula or contract payments. The program will also support affordable housing and community development activities in surrounding communities and improve the lives of area residents by creating job opportunities, improving schools and providing work and rent incentives that promote family self-sufficiency.

The Department requests that this funding be drawn from a new account. The request, a net increase of \$130 million over the HOPE VI baseline, is an appropriate size for the launch of this program. The average grant size will be in the range of \$25-\$35 million, which is necessary to fund a reasonable pool of neighborhoods (e.g., 7-10) and make a transformational impact on the ground. Up to ten percent of the appropriation will be used for Planning Grants, which will assist local partnerships to develop strong proposals for future fiscal year grant competitions.

The Department will work with all appropriate Committees, including the Appropriations Committees, the House Committee on Financial Services, the Senate Committee on Banking, Housing and Urban Affairs and their respective subcommittees to achieve enactment of this new program.

Background and Program Objectives

The spatial concentration of poverty remains a serious and often unrecognized challenge to the ability of poor families and children to access opportunity and move up the economic ladder. Where a poor family lives dramatically affects their life opportunities. For example, concentrated poverty exacerbates the housing-jobs imbalance through which residents of poor neighborhoods are isolated from opportunities for employment and advancement because of distance or poor access to transportation.

The 2000 census (the last accurate accounting for neighborhood-based poverty) showed that some 7.9 million poor people live in "extreme poverty" census tracts, where the poverty rate exceeded 40 percent. Neighborhoods of extreme poverty differ dramatically across multiple factors, including the economic health and vitality of the broader metropolitan economy; the proximity of the community to areas of employment (e.g., downtowns) or transportation infrastructure; and the scale and condition of subsidized housing.

Choice Neighborhoods

The goal of the Choice Neighborhoods initiative is to demonstrate that concentrated and coordinated neighborhood investments from multiple funding sources can transform a distressed neighborhood and the quality of life of current and future residents. The HOPE VI, Homeownership Zone, and Empowerment Zone programs, along with the Harlem Children's Zone, tell us that coordinated areawide employment of Federal resources with local planning and decision making can transform and improve entire neighborhoods and communities. Choice Neighborhoods builds on the successes of these programs. It will preserve affordable housing and create safe streets, high quality schools and other amenities expected from neighborhoods of choice.

Eligible Neighborhoods, Grantees, and Activities

Choice Neighborhoods will support a range of transformative interventions in neighborhoods of concentrated poverty. It will be targeted to neighborhoods with: 1) concentrations of poverty; 2) concentrations of public or assisted housing; and 3) potential for long-term sustainability once key problems are addressed.

The pool of eligible neighborhoods will include neighborhoods of extreme poverty using 2000 census data. Applicants will also be required to provide more current data showing that they have targeted a neighborhood that really needs and can benefit from this kind of intervention. Examples include evidence of property distress, concentration of Temporary Assistance for Needy Families (TANF) recipients, percentage of children eligible for free and reduced cost lunch and crime rates. Applicants will also be required to demonstrate that the neighborhoods have the potential for long-term sustainability. Examples include proximity to economically strong neighborhoods, proximity to amenities such as grocery stores and parks, and accessibility to job opportunities for residents.

In general, grant applicants will include local governments, PHAs with local government support, designated non-profit Community Development Corporations (CDCs) or for-profit developers. These applicants will work with key participants, including assisted project owners, developers, and local agencies or non-profits administering grant components, services or other key programs. Applicants will be required to identify local strengths and challenges, propose solutions and establish strong collaborative partnerships to address affordable housing, employment, education, safety, transportation and other key areas.

Grant funds will primarily fund the transformation of public and assisted housing developments through preservation, rehabilitation, and management improvements as well as demolition and new construction in cases where the housing is severely distressed. In addition to improvements to the public and assisted rental stock, these funds can be used (and combined with other program funding) for improvements to the surrounding community, including the single-family housing stock (with improved disposition of FHA-foreclosed properties), privately owned rental stock, public services, facilities and assets.

Education in particular will be a key focus of the program, with local communities required to include an education component that could include the provision of early childhood initiatives, health education, resources for parents, school improvements and other education-related services. Local reform aimed at producing good quality, full service community schools would provide a particularly significant opportunity to capitalize on additional neighborhood investments, and would be at the center of the development model. Where possible, the program will be coordinated with the Department of Education's Promise Neighborhoods proposal, a program that will implement innovative strategies to improve academic achievement and life outcomes in high-poverty areas.

Eligible activities will also include:

- Supportive services for residents, primarily focused on case management, service coordination and technical assistance to access programs from other key agencies and local service providers, with two goals in mind: 1) moving affected residents along the spectrum of self-sufficiency; and 2) creating a community with accessible supports for building more stable families;
- Targeted use of rent incentives for public and assisted housing residents and other self-sufficiency and asset-building activities based on the experience of the successful Jobs Plus Demonstration;
- Relocation assistance costs, including mobility/relocation counseling over multiple years, reasonable moving costs, and security deposits. Previous efforts have shown that families relocating from high poverty neighborhoods need well-designed relocation plans with mobility counseling and relocation costs to maximize their relocation opportunities;

Choice Neighborhoods

- Acquisition and rehabilitation of foreclosed properties (including FHA single family or multifamily disposition) as affordable housing, including activities coordinated with FHA Asset Control Area disposition activities and the Neighborhood Stabilization Program;
- Rehabilitation of privately owned low-income rental housing;
- Associated critical community improvements including construction or rehabilitation of parks and community gardens, environmental improvements or site remediation at affected sites, start-up costs of community credit unions, and other community resources;
- Endowments or revolving loan funds for operating reserves, ongoing capital needs and resident services;
- Land assembly, land banking and other area renewal activities;

Leveraging and Coordination

The program will require matching funds from state, local or private sources. It will also leverage funds from other HUD programs, including the Low Income Housing Tax Credit (LIHTC) program, HOME Investment Partnerships (HOME) program, Community Development Block Grant (CDBG) program, and the Housing Trust Fund. Where appropriate, HUD will seek to streamline regulatory and statutory barriers to coordinating these programs. HUD may also access existing authority under project-based programs (e.g. with existing authority to decouple Section 236 IRP payments for rehab grants) and public housing (e.g. the Capital Fund Finance, Operating Fund Finance, and Mixed-Financing Programs, Section 9(m) capital-only and operating-only grants, Section 30 mortgage authority, Section 8 project-based vouchers) to leverage further housing improvement activities.

The Department will place a strong emphasis on coordination with other Federal agencies, notably the Departments of Education, Labor, Transportation, Health and Human Services and the Environmental Protection Agency, to leverage additional resources. Inter-agency coordination of various Federal programs may be aided by additional legislative authority to unify grants and streamline provision of housing and service dollars, for instance to provide for a single agency to administer multiple grants from different programs.

Planning Grants

HUD would set aside up to 10 percent of appropriated funds for planning grants. In the early HOPE VI program, the planning grants helped some grantees develop projects that were later funded. These grants are particularly useful for providing an otherwise low-capacity jurisdiction an opportunity to compete for an implementation grant. Planning grants will require local agencies to involve local residents in the planning process.

HUD would create and draw upon its own extensive database on public and assisted housing property distress (consisting of REAC scores, PIC building and voucher data, the Census and USPS vacancy data) to inform its selection of both planning and implementation grantees. HUD expects this to be an ongoing process, with targeted investments in areas poised for redevelopment that can draw upon existing partnerships and implement transformational efforts.

Local decision making will be a key program element. Any planning or decision-making involving public housing or assisted properties will involve the PHA or owners affected, the residents of the properties (and any representative resident organizations) and members of the community. Decisions about the future of such properties must go through the PHA Plan or a Multifamily Assisted Housing Reform and Affordability Act (MAHRA)-type plan.

Successful models will emphasize housing construction or rehabilitation efforts that make the best use of blighted or vacant properties; transportation systems that connect neighborhoods to human and commercial services along with job opportunities; tax incentives that promote investment and protect long-term residents from property tax spikes; economic and human development; public safety; and would incorporate rent incentives into subsidized housing initiatives.

Choice Neighborhoods

Administration and Evaluation

The Assistant Secretary for Public and Indian Housing will administer the Choice Neighborhoods program with a team drawn from other HUD offices including Housing, Community Planning and Development, Fair Housing and Equal Opportunity and Policy Development and Research. This would help build a more unified approach to using housing as a vehicle for neighborhood revitalization and urban and metropolitan prosperity.

As part of the Transformation Initiative, HUD would fund baseline research and evaluation of the Choice Neighborhoods Initiative. It is expected that this will inform a broad range of housing programs, as well as other Federal interventions. Each grantee for the program would be required to budget a reasonable amount of funds as part of their program to ensure they could provide the appropriate data needed to inform this larger research effort. The rigorous national evaluation would include impacts on the original residents, the target neighborhoods, and the larger communities within which they are located.

Choice Neighborhoods

PUBLIC AND INDIAN HOUSING
 CHOICE NEIGHBORHOODS
 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>
Choice Neighborhoods								
Grants	\$250,000
Total	250,000

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters	23
Field	20
Total	43

Choice Neighborhoods

Performance Indicators

Program Name: Choice Neighborhoods Initiative	
Program Mission: To transform high poverty neighborhoods into vibrant communities, to transform and preserve public and assisted housing, and to address a range of affordable housing and community development needs for the benefit of local residents.	
Performance Indicators	Data Sources
Planning grants awarded on a timely basis and with effective implementation requirements for coordinating with a broad array of state and local organizations.	Not Applicable
Increase in the project level REAC inspection scores on unit quality and financial management for public and assisted projects; Increase in occupancy rates for projects relative to baseline.	REAC; public housing and assisted housing vacancy data; other local data (if available)
Reduction in neighborhood long-term vacancy rates; increased neighborhood income distribution, including a reduction in neighborhood poverty rate relative to baseline.	Census Tract vacancy data from USPS and annual neighborhood change using 5-year ACS data
Improvement in destination (or Choice) neighborhood characteristics for original HUD residents as compared to characteristics of Choice Neighborhood at baseline. Measures include lower neighborhood long-term vacancy rates; higher neighborhood income distribution; lower neighborhood poverty rate.	ACS 5-year data; USPS Vacancy Data; Crime data (if available)
Increase in average earnings for non-elderly/non-disabled Relative to average earnings metrowide for HUD-assisted non-elderly/non-disabled.	PIC and TRACS data

Explanation of Indicators

For the initial implementation years of the program, HUD will track program effectiveness with both implementation and outcome measures. Outcome measures will track both the program effect on the neighborhood itself as well as the original residents of the public and assisted housing developments in the Choice Neighborhood.

Performance Indicator: Planning Grants awarded on a timely basis and with effective implementation of requirements for coordinating with a broad array of state and local organizations.

Performance Indicator: Improvement of housing conditions in HUD-assisted stock. As measured by Real Estate Assessment Center (REAC) data and vacancy rates, conditions in the HUD-assisted stock improve based on key data factors.

Performance Indicator: Improvement in housing conditions in neighborhood private housing in the area covered by the grant. Both grant funds, and leveraged funds will be used to address key housing issues in the area, including single family and multifamily properties. Vacancy data and 5-year ACS data will be used to track conditions to show improvement based on key data factors.

Performance Indicator: Residents of HUD-assisted housing live in neighborhoods with better than baseline conditions, as measured with ACS data. This measure applies to both the residents that remain in the neighborhood covered by grant activities as well as those relocated with tenant-based Section 8 Housing Choice Vouchers or moving to another assisted property outside of the neighborhood.

Performance Indicator: Non-elderly/non-disabled residents of HUD-assisted housing show increase in average earnings from wages relative to metrowide HUD-assisted non-elderly/non-disabled residents (as a control for local economic effects).

**PUBLIC AND INDIAN HOUSING
CHOICE NEIGHBORHOODS**

Justification of Proposed Changes in Appropriations Language

For competitive grants under the Choice Neighborhoods Initiative for transformation, rehabilitation and replacement housing needs of both public and HUD-assisted housing and to transform neighborhoods of extreme poverty into functioning, sustainable mixed income neighborhoods with appropriate services, schools, public assets, transportation and access to jobs, \$250,000,000, to remain available until expended: Provided, That grant funds may be used for resident and community services, community development and affordable housing needs in the community, and for conversion of vacant or foreclosed properties to affordable housing: Provided further, That grantees shall undertake comprehensive local planning with input from residents and the community, and that grantees shall provide a match in state, local, other Federal or private funds: Provided further, That grantees may include local governments, public housing authorities, nonprofits and for-profit developers, and that such grantees shall create partnerships with other local organizations including assisted housing owners, service agencies and resident organizations: Provided further, That the Secretary shall consult with the Secretaries of Education, Labor, Transportation, Health and Human Services, Agriculture, and Commerce and the Administrator of the Environmental Protection Agency to coordinate and leverage other appropriate federal resources: Provided further, That no more than ten percent of funds made available under this heading may be provided for planning grants to assist communities in developing comprehensive strategies for implementing this program in conjunction with community notice and input: Provided further, That the Secretary shall develop and publish guidelines for the use of such competitive funds, including but not limited to eligible activities, program requirements, and performance metrics.

Choice Neighborhoods

PUBLIC AND INDIAN HOUSING
 CHOICE NEIGHBORHOODS
 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>
Choice Neighborhoods Grants
Total

PUBLIC AND INDIAN HOUSING
 CHOICE NEIGHBORHOODS
 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>
Choice Neighborhoods Grants
Total

PUBLIC AND INDIAN HOUSING
 LOW-RENT PUBLIC HOUSING ASSISTANCE
 2010 Summary Statement and Initiatives
 (Dollars in Thousands)

LOW-RENT PUBLIC HOUSING ASSISTANCE TO PHAS	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2008 Appropriation	\$1,000	...	...	\$1,000	\$99	\$46,835
2009 Appropriation/Request	1,000	...	...	1,000	1,000	1,000
2010 Request	<u>1,000</u>	<u>...</u>	<u>...</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Program Improvements/Offsets .....	...	...	...	...	...	...

Summary Statement

The fiscal year 2010 Budget assumes that \$1 million of permanent indefinite authority will be used to provide funding for remaining Public Housing development and modernization activities in the pipeline that were reserved under the "Annual Contributions for Assisted Housing" (ACAH) appropriations through 1986. No discretionary appropriation is required. The budget authority and outlay estimates for fiscal year 2010 are projected to be \$1 million.

Initiatives

This is a liquidating account reflecting pre-1992 loan activity. Therefore, there are no initiatives proposed for fiscal year 2010.

Low-Rent Public Housing Assistance

PUBLIC AND INDIAN HOUSING
 LOW-RENT PUBLIC HOUSING ASSISTANCE
 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>
Low-Rent Public Housing Assistance (mandatory)	\$1,000	...	\$1,000	\$1,000	\$1,000	...	\$1,000	\$1,000
Total	1,000	...	1,000	1,000	1,000	...	1,000	1,000

<u>FTE</u>	<u>2008 Actual</u>	<u>2009 Estimate</u>	<u>2010 Estimate</u>
Headquarters
Field
Total

Low-Rent Public Housing Assistance

**PUBLIC AND INDIAN HOUSING
LOW-RENT PUBLIC HOUSING ASSISTANCE
Program Offsets
(Dollars in Thousands)**

Low-Rent Public Housing Assistance (mandatory)	<u>Amount</u>
2008 Appropriation	\$1,000
2009 Appropriation/Request	1,000
2010 Request	<u>1,000</u>
Program Improvements/Offsets .....	...

Proposed Actions

The Department proposes \$1 million of mandatory budget authority for the Low-Rent Public Housing Assistance Fund program for fiscal year 2010. This program has not received new appropriations since fiscal year 1986. The program is now in a liquidating status with permanent indefinite borrowing authority and is classified as mandatory. The Department borrows from Treasury each year to close pipeline loan commitments. Once the commitment is closed, both the Department and the Treasury forgive the loan.

Historically, the Department has been using borrowing authority to finance the obligations and expenditures of the Low-Rent Public Housing program. In order to finance project construction, housing authorities issued bonds to private investors. In addition to bonds, the Department made loans to the housing authorities that were later sold to the Federal Financing Bank (FFB). HUD assumed responsibility for the repayment of both the loans and private investor bonds. In 1986, Public Law 99-272 was passed to forgive this debt from the housing authorities and converted the program to a grant program.

The program was established for three reasons. First, the program was to provide direct Federal loans (capital funds) to support the completion of Public and Indian Housing construction, acquisition, and modernization activities. Second, the Fund was also used as a repository of appropriations provided in prior years to make interest differential payments to the Federal Financing Bank (FFB). Budget authority was obligated in the Loan Fund to provide payments to the FFB to fund the difference in interest payments between what would have been charged if tax-exempt bonds had been sold to the public and the interest that actually was charged when instruments were sold to the FFB at a Federally taxable interest rate. A third purpose of the account, as a Corporate Fund, was closed during the first quarter of 1997 pursuant to Section 507 of the Congressional Budget Act of 1974.

Low-Rent Public Housing Assistance

PUBLIC AND INDIAN HOUSING
 LOW-RENT PUBLIC HOUSING ASSISTANCE
 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>
Low-Rent Public Housing Assistance (mandatory)	\$1,000	...	...	...	...	\$1,000
Total	1,000	...	...	...	...	1,000

Low-Rent Public Housing Assistance

PUBLIC AND INDIAN HOUSING
 LOW-RENT PUBLIC HOUSING ASSISTANCE
 Crosswalk of 2009 Changes
 (Dollars in Thousands)

<u>Budget Activity</u>	2009 President's Budget Request	Congressional Appropriations Action on 2009 Request	2009 Supplemental/ Rescission	<u>Reprogrammings</u>	<u>Carryover</u>	Total 2009 <u>Resources</u>
Low-Rent Public Housing Assistance						
(mandatory)	\$1,000	\$1,000	...	...	...	\$1,000
Total	1,000	1,000	...	...	...	1,000