

**POLICY DEVELOPMENT AND RESEARCH  
RESEARCH AND TECHNOLOGY  
2011 Summary Statement and Initiatives  
(Dollars in Thousands)**

| <b>RESEARCH AND TECHNOLOGY</b>     | <b><u>Enacted/<br/>Request</u></b> | <b><u>Carryover</u></b> | <b><u>Supplemental/<br/>Rescission</u></b> | <b><u>Total<br/>Resources</u></b> | <b><u>Obligations</u></b> | <b><u>Outlays</u></b> |
|------------------------------------|------------------------------------|-------------------------|--|-----------------------------------|---------------------------|-----------------------|
| 2009 Appropriation .....           | \$58,000                           | \$2,777 <sup>a/</sup>   | ...  | \$60,777                          | \$54,361                  | \$49,407              |
| 2010 Appropriation/Request .....   | 48,000                             | 6,400 <sup>b/</sup>     | ...  | 54,400                            | 54,400                    | 63,000                |
| 2011 Request .....                 | <u>87,000</u>                      | <u>...</u>              | <u>...</u>                                 | <u>87,000</u>                     | <u>87,000</u>             | <u>73,000</u>         |
| Program Improvements/Offsets ..... | +39,000                            | -6,400                  | ...  | +32,600                           | +32,600                   | +10,000               |

a/ The carryover and obligations in fiscal year 2009 includes \$699 thousand in recoveries.

b/ Fiscal year 2010 carryover includes set-aside funds of \$2 million for the Technology Related to Disaster Prone Areas program, \$1 million for the Housing Choice Voucher Administrative Study and \$2.008 million in core research and technology funds, all of which will be obligated in fiscal year 2010. It also includes \$1.224 million for the Office of University Partnerships and \$169 for the FEMA transfer carryover. Finally, there was a lapsing of \$16 thousand of fiscal year 2009 funds at the end of fiscal year 2009.

**Summary Statement**

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

PD&R requests \$87 million for the Research and Technology (R&T) account for fiscal year 2011. This is an increase of \$39 million, as compared to the fiscal year 2010 R&T appropriation of \$48 million. Included in the increase is \$32 million for governmentwide proposals, of which \$25 million is for the research and development initiative that is tied to the President's national goals of energy, health and sustainability, and \$7 million as part of the Administration's government-wide initiative to strengthen program evaluation. The remaining \$7 million of the increase would fully fund the housing surveys, including the American Housing Survey (AHS), enhance research dissemination functions and fund a Young Scholars research program. The goal for this increased investment is to continue the transformation of PD&R into the nation's leading housing research organization, and to provide the resources so PD&R can address policy issues pertaining to the wide array of America's housing and urban development challenges. These new investments will provide PD&R with the resources and foundation to become the nation's knowledge hub for housing research. As in fiscal year 2010, PD&R proposes that the University Community Fund be funded within the Office of Community Planning and Development's (CPD) Community Development Block Grant (CDBG).

## Research and Technology

As requested and enacted in fiscal year 2010, the fiscal year 2011 R&T Budget request focuses on funding the surveys, and other critical housing data infrastructure requirements, while the separate Departmental Transformation Initiative provides funding for research, program evaluations and program demonstrations. PD&R will continue to perform the research in these areas funded by the Transformation Initiative. Past appropriations did not provide PD&R

the funds to conduct thorough program evaluations or to fully fund the housing surveys. The R&T account as proposed provides a dedicated funding stream for restoring the housing surveys, increasing the data infrastructure and enhancing the research dissemination requirements. The Transformation Initiative also provides a dedicated funding stream to complete program evaluations and other key research. There is a separate justification describing the Transformation Initiative and cross references are included in this justification.

PD&R is playing a key role in current and proposed HUD initiatives including planning research and evaluation work related to the HUD Transformation Initiative, disaster response and recovery research, as well as, restoration of capabilities and enhancement of the housing surveys and the national data infrastructure.

### **Evaluation of PD&R's Programs**

The National Academy of Sciences (NAS) released a study of PD&R in September 2008, in which it states "PD&R is in a unique position to provide professional leadership in the development of integrated research on the social, economic and technical problems facing housing and cities." The NAS report also states, "PD&R needs additional financial and intellectual resources to allow it to continue and expand its current role in analyzing existing and proposed HUD programs, and it requires resources to play a larger role in the national research community on a wider range of housing and urban development policy issues." The Department agrees with and is moving forward to implement the NAS recommendations and findings. The fiscal year 2011 Budget request for the Research and Technology account combined with the Department's continued proposal of the Transformation Initiative will provide funds to address key initiatives in the NAS report. This Budget requests funding to allow PD&R to become the hub, as envisioned by NAS, for housing policy formulation, HUD program evaluations, increased housing data and information resources, new program demonstrations and other initiatives in the housing and urban development arena.

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### Increases/Decreases

The table below compares the current budget request with the fiscal year 2010 appropriation, in millions of dollars:

| <b>Activity</b>                                | <b><u>FY 2010<br/>Appropriation</u></b> | <b><u>FY 2011<br/>Budget</u></b> | <b><u>Increase/<br/>Decrease</u></b> |
|--|---|----------------------------------|--------------------------------------|
| <b>Core Research and Technology (R&amp;T)</b>  | <b>\$48.0</b>                           | <b>\$55.0</b>                    | <b>+\$7.0</b>                        |
| <b>Research and Development Initiative</b>     | <b>.....</b>                            | <b>\$25.0</b>                    | <b>+\$25.0</b>                       |
| <b>Governmentwide Evaluation Initiative</b>    | <b>.....</b>                            | <b>\$7.0</b>                     | <b>+\$7.0</b>                        |
| <b>University Community Fund [CDBG funded]</b> | <b>[\$25.0]</b>                         | <b>[\$25.0]</b>                  | <b>...</b>                           |
| <b>Total R&amp;T</b>                           | <b>\$48.0</b>                           | <b>\$87.0</b>                    | <b>+\$39.0</b>                       |

The fiscal year 2011 Budget request of \$87 million for core R&T is \$39 million more than the fiscal year 2010 enacted level of \$48 million. Seven million of the this increase will be targeted toward the Core R&T program, enhancing the housing surveys and data infrastructure, such as the American Housing Survey, for improvements to the dissemination of PD&R's research and creation of the Young Scholars Post Doctoral research program. In addition, \$25 million is requested for the Presidential R&D Initiative and \$7 million is for the President's Evaluation Initiative. Specific details on these increases commence on page 7. The fiscal year 2011 Budget builds on the base of the fiscal year 2010 program in which full funding of the surveys was proposed. This contrasts to past years in which the surveys had to be significantly reduced given the inadequate funding levels appropriated. The funding for the program evaluations, housing technology research, housing finance research and other traditional research, previously funded from the R&T account, are again proposed for funding in fiscal year 2011 from the Transformation Initiative. Funding for the University Community Fund is requested at \$25 million, the same level as in fiscal year 2010. The University Community Fund is budgeted under CPD's Community Development Block Grant account.

### Transformative Research

The fiscal year 2011 Budget includes the Department's Transformation Initiative that was established in the fiscal year 2010 appropriation. The Transformation Initiative provides a set-aside of HUD program funds for research, evaluation, demonstrations, technical assistance and working capital improvements, with the goal of reducing the cost and improving the efficiency of HUD programs. PD&R will play a vital role in this initiative by conducting the transformative research and evaluation on HUD's programs utilizing a portion of the set-aside. These Transformation Initiative funds are detailed in a separate justification, and they are independent from the R&T funds requested in this budget for \$87 million.

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

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

| <b><u>Budget Activity</u></b>       | <b><u>2009 Budget Authority</u></b> | <b><u>2008 Carryover Into 2009</u></b> | <b><u>2009 Total Resources</u></b> | <b><u>2009 obligations</u></b> | <b><u>2010 Budget Authority/ Request</u></b> | <b><u>2009 Carryover Into 2010</u></b> | <b><u>2010 Total Resources</u></b> | <b><u>2011 Request</u></b> |
|-------------------------------------|-------------------------------------|--|------------------------------------|--------------------------------|--|--|------------------------------------|----------------------------|
| Core R&T .....                      | \$35,000                            | \$2,627                                | \$37,627                           | \$32,435                       | \$48,000                                     | \$5,176                                | \$53,176                           | \$87,000                   |
| University Partnership Grants ..... | <u>23,000</u>                       | <u>150</u>                             | <u>23,150</u>                      | <u>21,926</u>                  | <u>[25,000]</u>                              | <u>1,224</u>                           | <u>1,224</u>                       | <u>[25,000]</u>            |
| Total .....                         | 58,000                              | 2,777                                  | 60,777                             | 54,361                         | 48,000                                       | 6,400                                  | 54,400                             | 87,000                     |

The carryover and obligations in fiscal year 2009 includes \$699 thousand in actual recoveries.

NOTE: The University Partnership program is known as the University Community Fund in fiscal years 2010 and 2011 and funded from the Community Development Block Grants program. Also, in fiscal year 2010, the Core Research and Technology budget authority includes up to \$480 thousand that may be used for the Transformation Initiative..

| <b><u>FTE</u></b>  | <b><u>2009 Actual</u></b> | <b><u>2010 Estimate</u></b> | <b><u>2011 Estimate</u></b> |
|--------------------|---------------------------|-----------------------------|-----------------------------|
| Headquarters ..... | 97                        | 119                         | 127                         |
| Field .....        | <u>33</u>                 | <u>39</u>                   | <u>50</u>                   |
| Total .....        | 130                       | 158                         | 177                         |

PD&R requests 177.0 FTE in fiscal year 2011. This is an increase of 19 FTE as compared to the 158 FTE enacted in fiscal year 2010. The FTE level for the Office of the Assistant Secretary for PD&R remains at 7.0 FTE, the same as the enacted level in fiscal year 2010. Of the additional 19 FTE requested in fiscal year 2011, 8 FTE are for the headquarters research staff and 11 FTE are for the field economist function. Justification for the additional staff follows:

Headquarters staff +8 FTE. The on-going implementation of rental assistance reforms such as the Transforming Rental Assistance Initiative will require two levels of support from PD&R: data analysis and modeling and program monitoring. One additional analyst in the Economic Market Analysis Division will support efforts to design and implement new rent policies, and assess the impact of these rent policies on program expenditures. Two additional analysts in the Program Evaluation Division will carry out efforts to evaluate and monitor program implementation, including but not limited to full scale evaluations and demonstrations related to transforming rental assistance programs. In addition, 5 FTE, split between the Office of Economic Affairs and the Office of Research, Evaluation and

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Monitoring, are requested for the increased workload related to the research and demonstration projects in the Transformation Initiative and enhanced housing survey work as proposed in the core Research and Technology account.

Field Economists + 11 FTE. The 11 additional FTE for the field economists in fiscal year 2011 increases the proposed staffing level to 50 FTE. This proposed staffing level consists of cadres averaging 5 FTE in the ten Regional Offices. PD&R plans to expand the role of the field economists to include being a resource to local governments and community-based organizations. This FTE level for the field economists would permit providing the full range of services related to monitoring and analyzing local market housing conditions and coverage to all HUD field offices. The field economists review new construction and sub rehabilitation applications submitted to FHA Multifamily mortgage insurance. This is a critical and complex function given the disarray of rental markets in the country. In addition, the field economists are required to complete Comprehensive Market Analyses (Comps) that enable them to stay on top of their market areas. The field economists also conduct data analysis for disaster areas and they also participate in evaluations of FMRs (Fair Market Rents) due to the declining effectiveness of random digit dialing surveys.

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

| <b>Core R&amp;T</b>                | <b><u>Amount</u></b> |
|------------------------------------|----------------------|
| 2009 Appropriation .....           | \$35,000             |
| 2010 Appropriation/Request .....   | 48,000               |
| 2011 Request .....                 | <u>87,000</u>        |
| Program Improvements/Offsets ..... | +39,000              |

#### Proposed Actions and Summary of Obligations by Budget Category

The Department proposes \$87 million for Research and Technology. This is \$39 million more than the fiscal year 2010 funding level of \$48 million. Funding for two governmentwide initiatives to increase Federal spending in research and evaluations, totaling \$32 million are included in the increase. The remaining \$7 million is devoted to traditional PD&R core research activities. As in fiscal year 2010, PD&R proposes that fiscal year 2011 funds be devoted to the housing surveys and research dissemination. New initiatives include enhancements to the American Housing Survey (AHS), improvements to research dissemination and the funding of the Young Scholars Post Doctoral research program. The traditional research will be funded from the Department's Transformation Initiative set-aside. Twenty-five million dollars is provided Research and Development focused on the linkages between housing and issues of energy, health, and sustainability and \$7 million is for governmentwide Evaluation Initiative.

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Information pertaining to current and estimated obligations for fiscal years 2009, 2010 and 2011 follows:

| <b><u>R&amp;T Budget Activity</u></b>                       | <b>2009<br/><u>Obligations a/</u></b> | <b>2010<br/><u>Enacted b/</u></b> | <b>2011<br/><u>Estimate</u></b> | <b>Increase+<br/>Decrease -<br/><u>2011 v 2010</u></b> |
|---|---------------------------------------|-----------------------------------|---------------------------------|--|
|   | <b>(Dollars in Thousands)</b>         |                                   |                                 |  |
| <b>Core Research and Technology (R&amp;T):</b>              |                                       |                                   |                                 |  |
| I. Market Surveys (Fixed)                                   | \$21,316                              | \$41,600                          | \$47,000                        | +\$5,400   |
| II. Dissemination/Research Support                          | 5,845                                 | 5,900                             | 7,000                           | +1,100   |
| <b>Subtotal Fixed Activities</b>                            | <b>27,161</b>                         | <b>47,500</b>                     | <b>54,000</b>                   | <b>+6,500</b>  |
| III. Program Evaluations                                    | 3,066                                 | 1,432                             | ...                             | -1,432   |
| IV. Homeownership/Housing<br>Finance Studies                | 929                                   | 575                               | ...                             | -575   |
| V. Housing Technology/<br>Regulatory Studies                | 184                                   | ...                               | ...                             | ...  |
| VI. Urban Data Systems Acquisition                          | 0                                     | 100                               | ...                             | -100   |
| VII. Doctoral/Post Doctoral Research Program                | 200                                   | 400                               | 1,000                           | +600   |
| VIII. Other Housing/Community<br>Development/Urban Research | 402                                   | ...                               | ...                             | ...  |
| <b>Subtotal Variable R&amp;T</b>                            | <b>4,781</b>                          | <b>2,507</b>                      | <b>1,000</b>                    | <b>-1,507</b>  |
| <b>Total Core R&amp;T</b>                                   | <b>31,942</b>                         | <b>50,007</b>                     | <b>55,000</b>                   | <b>+4,993</b>  |



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|   | 2009<br><u>Obligations a/</u> | 2010<br><u>Enacted b/</u><br>(Dollars in Thousands) | 2011<br><u>Estimate</u> | Increase+<br>Decrease -<br><u>2011 v 2010</u> |
|---|-------------------------------|---|-------------------------|---|
| <b>Set-Asides:</b>                                    |                               |   |                         |   |
| IX. Research and Development                          | ....                          | ...   | 25,000                  | +25,000                                       |
| X. Evaluation Initiative                              | .....                         | ...   | 7,000                   | +7,000  |
| XI. FEMA Funded Evaluation of AHPP a/                 | 8                             | 168   | ...                     | -168  |
| XII. HUD-Federal Transit Authority<br>Set-Aside a/    | 484                           | ...   | ...                     | ...   |
| XIII. Housing Choice Voucher Admin<br>Study b/        | ...                           | 1,000   | ...                     | -1,000  |
| XIV. Technology Related to Disaster<br>Prone Areas b/ | ...                           | 2,000   | ...                     | -2,000  |
| <b>Total R&amp;T (with Set-Asides)</b>                | <b>32,435</b>                 | <b>53,175</b>                                       | <b>87,000</b>           | <b>+33,825</b>                                |

a/ FEMA funds of \$177 thousand provided via IAA for PD&R's evaluation of Alternative Housing Pilot Program (AHPP) and \$500 thousand for the HUD-Federal Transit Authority set-aside funds are part of the carryover to fiscal year 2009.

b/ Fiscal year 2010 enacted includes carryover of \$2.008 million in Core research funds, \$1 million of the Housing Choice Voucher Admin Study funds and \$2 million in Technology Related to Disaster Prone Areas set-asides.

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### Budget Activity

| <b>University Partnership Grants/University Community Programs</b> | <b>2009<br/><u>Obligation c/</u></b> | <b>2010<br/><u>Enacted c/</u></b> | <b>2011<br/><u>Estimate d/</u></b> | <b>Increase+<br/>Decrease-<br/><u>2011 v 2010</u></b> |
|--|--------------------------------------|-----------------------------------|------------------------------------|---|
|  | (Dollars in Thousands)               |                                   |                                    |   |
| I. University Community Fund                                       | ...                                  | [\$25,000]                        | [\$25,000]                         | ...   |
| II. Historically Black Colleges and Universities (HBCU)            | \$9,000                              | [9,780]                           | ...                                | ...   |
| III. Hispanic Serving Institutions (HSIAC)                         | 5,927                                | [6,520]                           | ...                                | ...   |
| IV. Alaska & Hawaiian Serving Inst (AN/NHIAC)                      | 3,000                                | [3,265]                           | ...                                | ...   |
| V. Tribal Colleges and Universities Program (TCUP)                 | 3,999                                | [5,435]                           | ...                                | ...   |
| <b>Total University Partnership Grants</b>                         | <b>21,926</b>                        | <b>[25,000]</b>                   | <b>[\$25,000]</b>                  | ...   |
| <b>OUP Carryover into FY 2010</b>                                  |                                      | <b>1,224</b>                      |                                    | <b>-1,224</b>   |
| <b>Grand Total R&amp;T</b>   | <b>\$54,361</b>                      | <b>\$54,400</b>                   | <b>\$87,000</b>                    | <b>+\$32,600</b>                                      |

c/ The fiscal year 2009 obligation includes the fiscal year 2008 carryover balance of \$105 thousand for the HBCU program and \$45 thousand for the Hispanic Serving Institutions Assisting Communities (HSIAC) program. The fiscal year 2010 enacted excludes fiscal year 2009 carryover balance of \$1.224 million of which \$118 thousand is HSIAC, \$105 thousand is HBCU and \$1.001 million is Tribal university program funds.

d/ The University Community Fund will be funded from CPD's Community Development Block Grant Fund account in fiscal years 2010 and 2011.

### New Initiatives

#### **Research and Development - \$25 million**

HUD proposes \$25 million to support research and development tied to the President's national goals of energy, health and sustainability. Partnering with other agencies, HUD will invest in R&D focused on the linkages between the built environment and health, hazard risk reduction and resilience, and the development of innovative building technologies and building processes. Specifically, the two activities HUD proposes to fund follow:

- (1) Innovation in building technology to promote more efficient products and processes.

Key Research Question: How can we facilitate buildings becoming more energy efficient, more durable, more affordable, and safer?

This research focuses on the development of technologies that increase the efficiency of building construction processes and building performance. Improvements along both dimensions offer the potential for major impacts. In the United States, labor accounts for about 30 percent of the cost to build a typical structure (National Association of Home Builders, 2007 and others). In addition, the built environment (homes and buildings) accounts for approximately 40 percent of all energy consumption (Department of Energy, 2007). Despite this cost structure and the industry's large scale, the

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technology used to build most structures has remained relatively static since the early 1900s and, despite some progress, considerable advances are possible.

This program would allow HUD to partner with other agencies and sponsor basic research that would focus on building technologies and processes, with a focus on building systems (heat, water, etc.) and building materials.

The products resulting from this funding would be materials and processes that make improvements along the four dimensions of affordability, durability, energy efficiency, and safety. Successful innovations will reduce some combination of construction, on-going operational, or lifecycle costs, and should translate into benefits for builders and consumers alike. Examples of recent successes developed with “seed money” from the Federal Government include structural insulated panels, offering affordability, durability, and energy efficiency benefits, and insulated concrete forms, the application of which improved buildings along all four dimensions.

If truly effective in improving process or performance, innovation should find broad appeal within the building community and have a reasonable likelihood of attracting private capital. However, experience has shown that passive approaches to the adoption of new technologies often do not result in successful diffusion of the technology into industry standards. We therefore propose devoting resources to promote the use of new technology within this highly fractured and diffuse industry.

### (2) Basic research to better understand linkages between the built environment and health outcomes.

Key research questions: What are the real costs of poor indoor air quality? What ventilation standard would mitigate these costs while simultaneously maintaining energy efficiency? How does the built environment impact an individual's health outcomes?

It is widely recognized that one's health outcomes are driven by several factors, including genetics, diet, lifestyle choices (i.e., behavior), and environment. This R&D initiative would focus on environmental factors associated with the built environment, with an emphasis on two dimensions for which more basic knowledge is needed. There is a large body of evidence suggesting significant health risks associated with indoor air quality issues, as the presence of dust mites, mold spores, and other allergens, toxins such as formaldehyde, carcinogens such as radon, and combustion products such as carbon monoxide and nitrogen oxides has been documented in many instances (Centers for Disease Control and Prevention, 2008; Environmental Protection Agency, 2008). Adequate ventilation is key to achieving adequate indoor air quality; however, there has been insufficient research to support the development of a ventilation standard that is protective of health without simultaneously incurring significant increases in energy costs. Regarding indoor air quality, the research would involve conducting a large scale study designed to precisely estimate health risks associated with varying indoor air quality levels. The desired ultimate product would be a better understanding of the health risks posed by indoor air contaminants and a sound basis for developing a ventilation standard that is protective of health at a reasonable cost.

For the broader built environment, the goal would be to identify those planning features that enhance or degrade health and to quantify the effects. Given the dramatic cost benefits associated with preventing chronic illness, we anticipate that an important focus of these studies would be on the relationship between the built environment and health outcomes such as obesity and related conditions such as diabetes and cardiovascular disease.

### Evaluation Initiative - \$7 million

PD&R is proposing \$7 million as part of the Administration's governmentwide initiative to strengthen program evaluation. These funds will *supplement* funding from the Transformation Initiative to support extremely rigorous evaluations of the Family Self-Sufficiency Program, Rent Reform options, and the Choice Neighborhoods Initiative. These three studies are part of the 23 evaluation proposals specifically approved by the Office of Management and Budget for 2011 to strengthen the quality and rigor of Federal program evaluation. To ensure the studies are well designed and implemented, HUD will work with evaluation experts at OMB and the Council of Economic Advisers during the planning, design and implementation of the studies. HUD is committed to promoting strong, independent evaluations that can inform policy and program management decisions and will post the status of these and other important evaluations publicly available online. A description of the evaluations follow:

#### (1) Family Self-Sufficiency Experiment

Key Research questions: Does the provision of service coordinators and rent set-asides for tenants of assisted units result in better family outcomes, particularly increased self-sufficiency? What are the total benefits to the program, including private benefits that accrue to program participants? How do these benefits compare to relative costs of the program? Are families enrolled in FSS more likely to be working than similar non-enrolled families? Are FSS participants more likely to be steadily employed? Are their incomes higher?

The purpose of this **random-assignment study** would be to evaluate the effectiveness of the Family Self-Sufficiency (FSS) program that has operated since 1992 in public housing and with vouchers. The FSS model is essentially case management plus an escrow account. FSS case managers create a plan for families to help achieve goals and connect them with services that will enhance their employment opportunities. Successful completion of the plan represents graduation from FSS. The savings component of FSS is funded by increases in earnings and leverages the way rent is calculated for vouchers holders (at roughly 30 percent of adjusted income). When an FSS participant increases their income, the difference between the new rent and the rent at enrollment in FSS is deposited in an FSS savings account, which the PHA manages. The savings are not directly available to program participants until after graduation, but interim withdrawals are allowed at the PHA's discretion.

Participant self-selection into FSS limits the ability to know whether program features contribute to tenant income gains. We seek to introduce random assignment to remove the potential that selection bias is driving any observed results. HUD sees great value in expanding the application of FSS random assignment to obtain a deeper understanding of how the FSS features translate into changes in tenant behavior and enhanced economic stability.

#### (2) Rent Reform Demonstration

Key Research questions: How do certain flexibilities in requirements for expenditures on rental housing influence family outcomes; place/project/condition outcomes; PHA finances; and tenant turnover? Is self-sufficiency more likely to be achieved with particular rent rule flexibilities? What are the cost implications of introducing rent rule flexibilities on overall program costs? Is there a way to more fairly and simply verify income? How would rent reform impact rent burden? For vouchers, can rent burden be reduced? For public housing, how do we implement a system that doesn't greatly increase rent burden? Is there a way to reach more of the eligible population via changing the rent system?

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This rent reform demonstration would identify and test a set of rent-reform strategies that have been initiated at a handful of public housing sites across the country, but which have not been systematically observed. The demonstration would be undertaken at selected Moving-To-Work (MTW) sites, because these sites provide a natural laboratory for experimentation and observation of rent reform strategies. Rent reform may impact assisted housing residents in terms of the rents they pay, the amounts they save and earn, as well as the condition of the properties in which they reside.

The purpose of the rent reform demonstration is to evaluate the impact of different rent models on the following goals: create incentives for residents to increase earnings, minimize the impact on tenants, e.g. no severe rent burdens as a result of reform, and increase administrative efficiencies for the PHA and improve the financial status of the PHA. Implicit in rent reform is the desire to remove any disincentive for work that may come with rents that are tied to earnings. Successful rent reform might give rise to increased head of household earnings, the addition of new household wage earners, increased financial stability, and the desire to improve household income through increased education. The latter might be observed in better school attendance and graduation rates.

Changes to rents can reduce or increase a PHA's income stream, especially if a goal is to increase work incentives and the costs are to be borne by the PHA. Additional funds may be needed to ensure that PHAs are held harmless for any revenue losses, while revenue gains could also be used to offset losses. Possible rent models that will be considered include: Income banding with flat rents/tiered rents, Stepped rents and Flat rents. Modification of the current model will also be considered. Part of the "percent of income" system is a number of deductions. These deductions could be eliminated or simplified to reduce administrative burden.

### (3) Choice Neighborhoods Demonstration

Key Research questions: Is the Choice Neighborhoods intervention strategy effective in creating higher quality neighborhoods and significantly improved circumstances for local residents? To what extent does the approach contribute to lasting reductions in poverty concentration and racial segregation, both at the metropolitan and neighborhood level? How do Choice Neighborhood investments influence housing, job opportunities, education, physical and mental health, and personal and neighborhood safety?

The Choice Neighborhoods proposal represents an opportunity to revisit the premise of the Penn-Abt study, conducted over 20 years ago, by implementing a multi-dimensional intervention in a community designed to produce enduring neighborhood change. If authorized, Choice Neighborhoods will result in a set of sites that vary in the mix of interventions applied. With this variation, we anticipate being able to craft a rigorous research design that yields meaningful results and lasting insights. The Administration has selected the Choice Neighborhoods program to be the centerpiece of its neighborhood revitalization strategy in cooperation with other agencies such as the Department of Justice, Department of Education and the Department of Health and Human Services. It is natural to develop a demonstration to evaluate the success of this strategy and understand the levers that can be replicated in communities across the country.

This evaluation also will build upon privately funded evaluations of comprehensive community development that demonstrate how challenging it can be to "move the needle" on many of the outcomes Choice Neighborhoods is intended to impact, e.g. education, crime and safety, and economic development. Drawing from those studies, there are several key approaches that would build collective knowledge about neighborhood revitalization strategies and test hypotheses about the impact of concentrated investment in distressed communities.

### **Housing Market Surveys -\$47 million**

Given the continuing changes in housing and housing finance markets, it is essential for policy makers to keep abreast of institutional and economic changes and understand their importance for financial risk, credit, affordability of rental and owner-occupied housing, residential construction and home purchases. By sponsoring major housing market surveys and conducting research and analysis on housing market finance issues, PD&R provides this essential information to a wide range of policy makers and stakeholders. These major housing market surveys include the American Housing Survey (AHS), the Survey of New Home Sales and Completions, the Survey of Market Absorption, the Survey of New Manufactured Homes Placements and the new, in fiscal year 2010, Multifamily Housing Finance Survey. These studies are described below:

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

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

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

In fiscal year 2011, \$37.8 million is requested for the AHS. Of this amount, \$2.9 million is for further enhancements to the AHS. The AHS began in 1973 as part of the response to urban unrest in the 1960s, and Congress has mandated that HUD conduct an AHS similar to the one conducted in 1981. At that time, the national AHS, with a sample size of over 60,000 housing units, was conducted biennially, and 60 metropolitan surveys, with an average sample size of over 5,000 units, were conducted every 4 years. A recent estimate provided by the U.S. Census Bureau was that a survey performed in the same way and meeting such criteria today would cost approximately \$79.6 million over a 2-year cycle. Over the years, budget cuts and increasing costs have resulted in reductions in both sample

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size and the number of metropolitan areas surveyed. In the early 1990s, the number of metropolitan surveys was reduced to 47. Beginning in 1996, the number of metropolitan surveys was further reduced to 39 on a 6-year cycle. At the same time, the sample size of the National AHS was reduced to about 55,000 units and the metropolitan surveys were reduced to about 3,500 units. Budget cuts since 2004 have caused further retrenchment to the metropolitan surveys. No metropolitan surveys were conducted in 2005, 7 were conducted in 2007, and 7 are to be conducted in 2009 (where 5 are of the largest metro areas accomplished by supplementing the national sample). In addition, the metro sample sizes were reduced to 3,000 units in 2007 and 2,500 units in 2009.

Without the proposed funding in fiscal year 2011, to complete the funding cycle begun in 2010, the AHS will have to be reduced and redesigned yet again and all of these important uses described above will be jeopardized. Sample sizes and metropolitan areas will be cut relative to the fiscal year 2010 proposal, again to the point that we are in serious violation of our Congressional mandate and seriously degrading the usefulness of the data. Reductions in sample size inhibit the ability to state whether a change is statistically significant or whether research results can be stated with confidence. By 2013, when the 2010 decennial census data will be available, the survey will need to be substantially redesigned to make use of a new sample based on the new population counts. Planning and research needs to be done to prepare for this. A budget of \$37.8 million for the AHS in fiscal year 2011 will restore the surveys to their previous levels and provide needed enhancements. As cost saving measures, panels of metropolitan areas will be rotated within the national survey and the sample size of the metropolitan areas will be a function of their population. This will enable us to produce a combined national and 30 metropolitan area surveys biennially with a total sample size of 184,750 housing units and an average metropolitan sample size of 4,500 units. Included in the fiscal year 2011 request is funding to complete the survey in New Orleans that was initiated in fiscal year 2009. This survey will provide housing information on post-Katrina New Orleans.

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

Enhancements to the AHS that are under consideration in fiscal year 2011 follow:

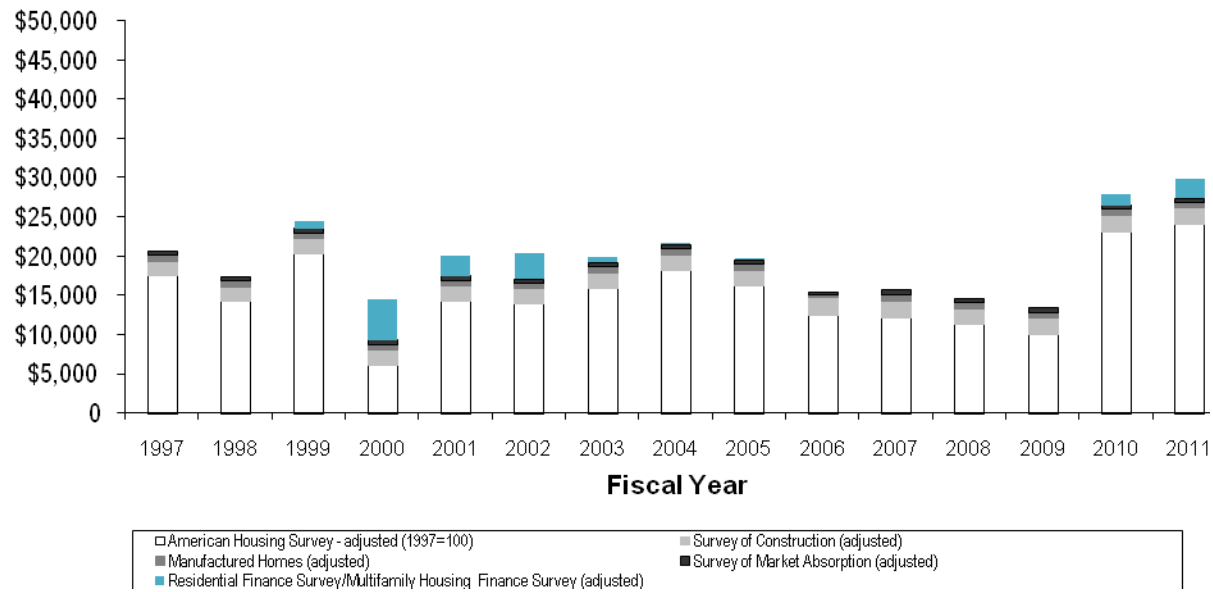
- better measures of special populations including the elderly and persons with disabilities including the measure of unit accessibility and reasonable accommodations;
- information on hazard and flood insurance to help with disaster planning;
- capture of the energy efficiency of residential dwellings including the E scale recently developed by the Department of Energy; and
- also under consideration would be enhancements to the AHS as recommended by the National Academy of Sciences (NAS) report. These recommendations include collecting more information related to transportation and walkability of neighborhoods, and disaster planning. The mortgage and utility modules require updating and improvements and the NAS recommended the addition of rotating modules to the survey to capture such items as child development, lead-based paint and mold in homes, second homes, and accessibility of units. This type of work requires research, survey and instrument redesign, and cognitive testing which adds to the cost of the survey. PD&R also receives many requests for state estimates.

Charts depicting the funding of the surveys, including the proposed fiscal year 2011 funding as well as a depiction of the metro surveys follow:

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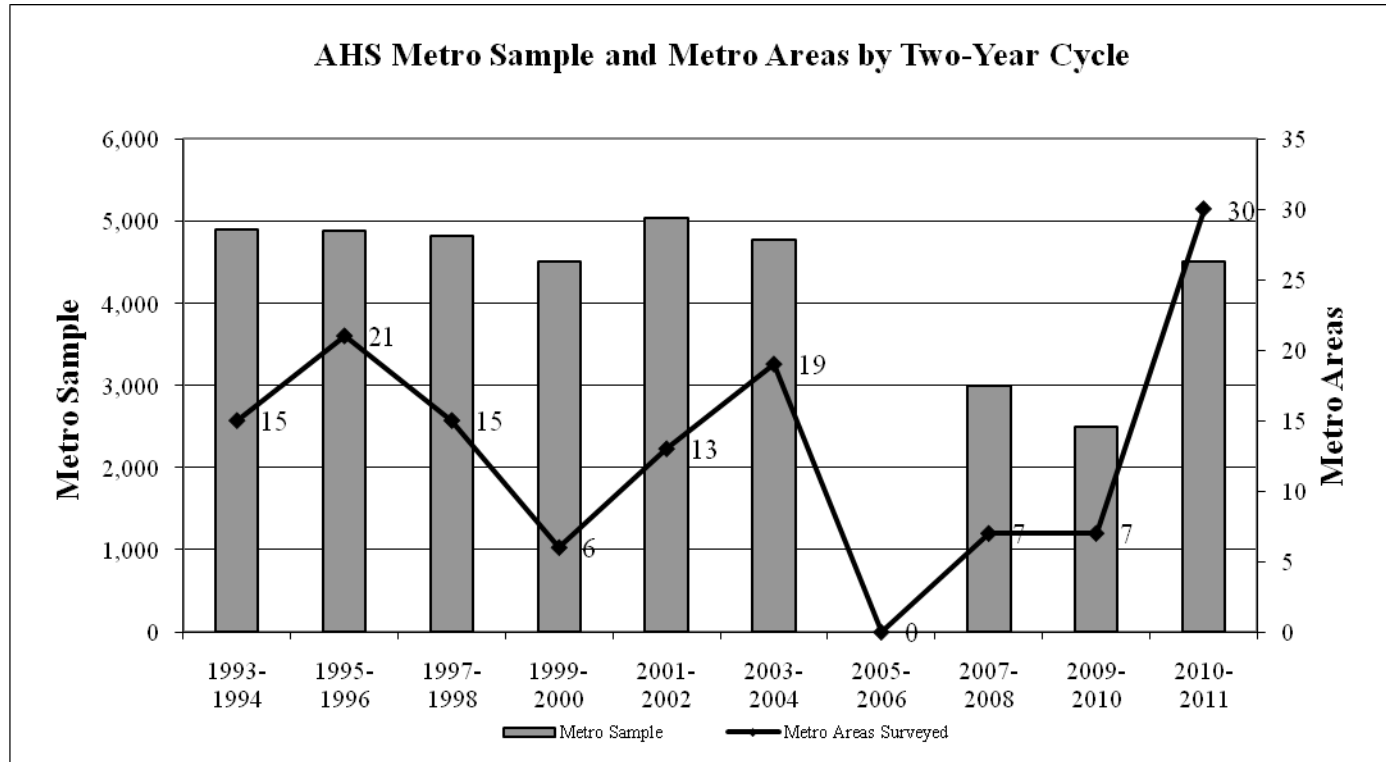
This chart depicts the cost of the surveys in constant 1997 dollars:

**Recurring Survey Budgets 1997-2011 (thousands)**



Evidence of the reduced metro samples and areas surveys since fiscal year 1993 follows:

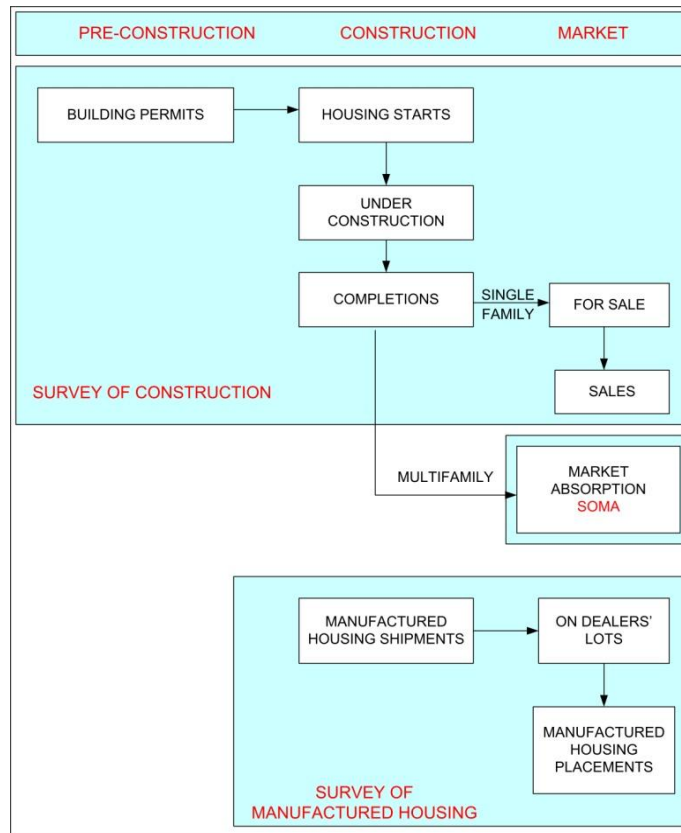




- **The Survey of New Home Sales and Housing Completions** provides monthly, quarterly and annual data on sales, completions, and prices of new homes. Information on other characteristics of new homes is also collected. This survey provides the data for two leading national economic indicators every month. In addition, this survey is being upgraded with new software. In fiscal year 2011, \$3.343 million is budgeted for this survey.
- **The Survey of Market Absorption** of New Multifamily Units provides quarterly data on how quickly new multifamily units are rented, by rent level and number of bedrooms. The survey also provides information on other characteristics of new multifamily housing units. In fiscal year 2011, \$874 thousand is budgeted for this survey.
- **The Survey of New Manufactured (Mobile) Housing Placements**, a mandated survey, compiles monthly and annual data on the number of new manufactured housing units sold or leased and placed on site by manufactured housing dealers for residential use. Information on other characteristics of newly placed manufactured homes are collected through this survey. In fiscal year 2011, \$1 million is budgeted for this survey.

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



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

- Multifamily Housing Finance Survey Funding is requested in fiscal year 2011 for the Multifamily (MF) Housing Finance Survey. The previous Residential Finance Survey (RFS) was conducted in 2001 and the data are old and the survey has been criticized for some sampling issues. However, the RFS remains the best available source for certain MF financing information. To address these shortcomings, HUD, Freddie Mac, Fannie Mae, and the Census Bureau (Housing and Household Economic Statistics Division) began an effort in 2007 to develop a modified, scaled-back survey called the Multifamily Housing Finance Survey (MHFS). The data to be collected with such a survey would provide the only recent nationally representative data on MF rental project

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mortgage origination volume and rental affordability—both critical for development of MF housing goals for the GSEs under HERA, as well as numerous other potential uses in developing housing policy. The MHFS would be biannual accounting of the stock of multifamily housing finance instruments. The sample design is comprised of subsamples from two existing housing surveys: the American Housing Survey (national), which will cover existing properties, and the Survey of Market Absorption, which will cover newly built properties (those constructed since the last AHS). In fiscal year 2011, \$4 million is budgeted for this survey.

### **Dissemination/Research Support - \$7 million**

To ensure optimal use of the research and analysis conducted by PD&R, it is essential that these materials be made available to policy makers, researchers and policy analysts. In fiscal year 2011, PD&R requests \$7 million for these activities, this is an increase of \$900 thousand from the fiscal year 2010 funded level.

PD&R's research information clearinghouse, HUDUSER, and PD&R's websites [www.huduser.org](http://www.huduser.org) and [www.regbarriers.org](http://www.regbarriers.org) will continue to serve housing researchers and practitioners, including policy analysts at all levels of government, the private sector, non-profit housing advocates, social scientists, demographers, builders, developers, realtors, students, and educators. It is projected that 7.2 million files will be downloaded by these users in fiscal year 2010. During the same period, it is projected that HUDUSER will distribute over 190 thousand copies of PD&R products.

PD&R seeks an additional \$900 thousand for research dissemination in fiscal year 2011. The costs of the current HUDUSER, Regulatory Barriers and University Partnership Clearinghouses and support services areas will increase in fiscal year 2011. The additional funds will also support the transformation of PD&R for dissemination initiatives including a new PD&R research periodical, the addition of four research conferences each year, the upgrading of the research library, new subscriptions to housing industry data sets and periodicals and the establishment of bibliographic access to research and other related enhancements.

In fiscal year 2005, PD&R conducted a survey of HUDUSER customers about their satisfaction with the products and the website. Among the fiscal year 2005 survey respondents, 87 percent were highly satisfied or moderately satisfied with the quality of the information available on HUDUSER, exceeding the goal of 80 percent finding the information "valuable." This highly structured survey of a sample of PD&R customers shows a sustained high level of satisfaction. Satisfaction with the quality of information was even higher among the key users groups, reaching 94 percent. PD&R plans to obtain updated evidence of performance outcomes through comparable survey research in fiscal year 2009.

Through its support services contract, PD&R will continue to have access to technical reviewers for reports and papers, writers, editors, conference planners and graphic designers. Experts in these areas will assist PD&R staff in the development and marketing of research and analytical content; organizing and implementing conferences, workshops and meetings; designing and staffing PD&R exhibits at national conferences; and providing dissemination and distribution support for PD&R publications. This funding category also includes a clearinghouse required by statute. The American Homeownership and Economic Opportunity Act of 2000 required that PD&R establish a Regulatory Barriers Clearinghouse to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing. This clearinghouse has now been in operation for more than 6 years, hosts an average of 15,000 unique visitors per month, informs more than 9,500 listserv subscribers monthly, and contains a database of more than 5,000 affordable

housing strategies and solutions. Also included in this line item is funding for the Office of University Partnerships Clearinghouse, which provides assistance to current and prospective grantees, coordinated peer reviews of grant applications and other critical services.

PD&R also plans for an expanded role in the areas of international and philanthropic outreach to identify and better understand innovation in housing and urban policy originating from those sources.

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### **Doctoral/Post Doctoral Research Program - \$ 1 million**

PD&R places considerable value in expanding the pool of researchers that focus on housing and urban development topics and policy issues. A larger community of research produces more knowledge and more rapidly, with the result being better and more timely policy. PD&R seeks to contribute to this expansion through the following programs:

**Young Scholars Post Doctoral Program**. This new program will provide encouragement to new scholars to undertake research now, and throughout their careers, on research topics of interest to HUD. The purposes of this program is to fund research relevant to HUD's priorities and housing issues in the United States and have an impact on the academic context in which these scholars work so that this kind of research becomes highly valued. The Young Scholars program will allow Ph.D. recipients who have an academic appointment at an institution of higher education and have received their Ph.D. degrees to focus on research designed to inform Federal problem-solving and policy-making relating to HUD's strategic goals for this year. In fiscal year 2011, PD&R is requesting \$500,000 for this program.

**Doctoral Research Grant Program**. PD&R seeks to enhance HUD's overall capacity and knowledge base by encouraging more scholars to focus on research questions relevant to HUD goals. To help build broader attention to policy-relevant research on housing, urban development, and economic issues, PD&R offers support to promising researchers during the doctoral process. The Doctoral Research Grant Program enables doctoral students to cultivate their research skills through the preparation of dissertations, and the opportunity to present and publish their work. In fiscal year, 2011, PD&R requests \$500,000 for the Doctoral Dissertation Research Grant Program. Since fiscal year 2003, 96 students have received funding under this program. These students attend a variety of institutions throughout the United States, i.e., Loyola University of Chicago, New York University, University of Ohio, University of Pennsylvania, University of Southern California and the list continues. Without this funding many students would not be able to complete their research. Previous recipients of these grants are now leaders in the field and are contributing in important ways to policy development and evaluation.

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

| <b>University Partnership Grants</b> | <b><u>Amount</u></b> |
|--------------------------------------|----------------------|
| 2009 Appropriation .....             | \$23,000             |
| 2010 Appropriation/Request .....     | [25,000]             |
| 2011 Request .....                   | <u>[25,000]</u>      |
| Program Improvements/Offsets .....   | ...                  |

**Proposed Actions**

**University Community Fund.** The University Community Fund Partnership Program is funded from the Office of Community Planning and Development's (CPD's) Community Development Block Grant (CDBG) program. CDBG was the funding source for the University Partnership program prior to fiscal year 2006. The University Community Fund will continue to be managed by PD&R.

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

**RESEARCH AND TECHNOLOGY**  
**Justification of Proposed Changes in Appropriations Language**

The fiscal year 2011 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 contracts, grants, and necessary expenses of programs of research and studies relating to housing and urban problems, not otherwise provided for, as authorized by title V of the Housing and Urban Development Act of 1970 (12 U.S.C. 1701z-1 et seq.), including carrying out the functions of the Secretary of Housing and Urban Development under section 1(a)(1)([I] i) of Reorganization Plan No. 2 of 1968, [\$48,000,000] *\$87,000,000*, to remain available until September 30, [2011] *2012*. (Department of Housing and Urban Development Appropriations Act, 2010.)

The language is updated for the amount of the appropriation and the date the funds expire.

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

| <b><u>Budget Activity</u></b>       | <b><u>2009 Enacted</u></b> | <b><u>Supplemental/<br/>Rescission</u></b> | <b><u>Approved<br/>Reprogrammings</u></b> | <b><u>Transfers</u></b> | <b><u>Carryover</u></b> | <b><u>Total<br/>2009<br/>Resources</u></b> |
|-------------------------------------|----------------------------|--|---|-------------------------|-------------------------|--|
| Core R&T .....                      | \$35,000                   | ...  | ...                                       | ...                     | \$2,627                 | \$37,627                                   |
| University Partnership Grants ..... | <u>23,000</u>              | <u>...</u>                                 | <u>...</u>                                | <u>...</u>              | <u>150</u>              | <u>23,150</u>                              |
| Total .....                         | 58,000                     | ...  | ...                                       | ...                     | 2,777                   | 60,777                                     |

**University Community Fund.** The University Partnership Program is now known as the University Community Fund and it is funded from the Office of Community Planning and Development's (CPD's) Community Development Block Grant (CDBG) account in fiscal year 2010 and is proposed for funding from CPD in fiscal year 2011. CPD was the funding source for the University Partnership program prior to fiscal year 2006. The new University Community Fund will continue to be managed by PD&R.

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

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**POLICY DEVELOPMENT AND RESEARCH  
RESEARCH AND TECHNOLOGY  
Crosswalk of 2010 Changes  
(Dollars in Thousands)**

| <u>Budget Activity</u>              | <u>2010<br/>President's<br/>Budget<br/>Request</u> | <u>Congressional<br/>Appropriations<br/>Action on 2010<br/>Request</u> | <u>2010<br/>Supplemental/<br/>Rescission</u> | <u>Reprogrammings</u> | <u>Carryover</u> | <u>Total 2010<br/>Resources</u> |
|-------------------------------------|--|--|--|-----------------------|------------------|---------------------------------|
| Core R&T .....                      | \$50,000   | \$48,000   | ...  | ...                   | \$5,176          | \$53,176                        |
| University Partnership Grants ..... | <u>[25,000]</u>                                    | <u>[25,000]</u>  | <u>...</u>                                   | <u>...</u>            | <u>1,224</u>     | <u>1,224</u>                    |
| Total .....                         | 50,000   | 48,000   | ...  | ...                   | 6,400            | 54,400                          |