

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
2013 Summary Statement and Initiatives
(Dollars in Thousands)**

RESEARCH AND TECHNOLOGY	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2011 Appropriation	\$48,000	\$2,070 ^a	-\$96	\$49,974	\$47,150	\$62,157
2012 Appropriation/Request	46,000	2,824	...	48,824	45,668	56,900
2013 Request	<u>52,000</u>	<u>3,156</u>	...	<u>55,156</u>	<u>52,000</u>	<u>58,600</u>
Program Improvements/Offsets	+6,000	+332	...	+6,332	+6,332	+1,700

a/ The carryover into fiscal year 2011 includes \$611 thousand in recaptures.

1. What is this request?

The Department requests \$52 million for the Research and Technology (R&T) account for fiscal year 2013. The fiscal year 2013 budget request of \$52 million is \$6 million more than the fiscal year 2012 enacted level of \$46 million.

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 Congress, the Secretary, and other HUD principal staff to make informed decisions on HUD policies, programs, budget, and legislative proposals. In addition, PD&R provides data and information to support program operations.

The fiscal year 2013 request will continue the transformation of PD&R into the nation’s leading housing research organization and provide the resources so PD&R can address policy issues pertaining to the wide array of America’s housing and urban development challenges. The National Research Council, required by Congress to evaluate PD&R, found that PD&R’s work was important – to evaluate existing programs, address important policy questions, and provide high-quality data sets for public use. However, the NRC noted that, “with limited financial and human resources, PD&R cannot achieve its potential, leaving policy makers and the public uninformed – or misinformed – about . . . critical policy questions” (p. 2)¹.

This request will fully fund PD&R’s housing surveys, including the American Housing Survey (AHS) and continue research dissemination functions. The National Research Council specifically noted that previous funding limitations had reduced “the scale

¹ The report was requested by Congress, National Research Council, “Rebuilding the Research Capacity at HUD”, 2008.

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and frequency of the AHS and other major surveys, compromising their usefulness for understanding market conditions and trends” (p. 2)². The current need for data to evaluate policy options, particularly related to the housing market, requires that R&T be adequately funded. Also included for fiscal year 2013 is funding for additional project areas that were also requested in the fiscal year 2012 budget, specifically \$500 thousand for housing finance/homeownership studies and \$100 thousand for urban data acquisition.

How Does The R&T Budget Request Differ From The Transformation Initiative Budget Request?

The Research and Technology (R&T) appropriations for PD&R complement the Transformation Initiative (TI) research, evaluation, and demonstration funds. The Transformation Initiative undertakes larger-scale studies and demonstrations that span several years, whereas R&T provides PD&R’s basic data gathering and dissemination functions on an annual basis. This complementary funding approach aligns with the American Evaluation Association’s recommendation that for evaluation to fulfill its role as a “staple of good government,” it should be funded separately from large cross-cutting surveys and performance monitoring data.³

TI provides critical funding for evaluating the implementation, cost effectiveness, and outcomes of HUD’s programs. TI-funded demonstrations provide greater value for taxpayers by testing the efficacy of program innovations in the field with real clients, along with strategies to document implementation and measure impacts. The Transformation Initiative provides a predictable stream of funding for this high quality research and evaluation of HUD’s programs on an on-going, rotating basis to inform sound policymaking, as required by the GPRA Modernization Act.

The R&T account establishes the nation’s basic infrastructure of housing data, through regular surveys, and data compilation, as well as basic research and dissemination in the areas of housing and community development. Not only do TI projects and other program analyses within and beyond HUD rely on the data supported by the R&T account, but HUD relies on the dissemination funded through R&T to publish its findings, including TI projects. Without these complementary efforts to publish and publicize the results of TI projects, the important policy findings would reach few audiences outside of HUD. Consultation with independent experts to improve research needs will lead to more efficient and effective programs. On-going applied research focusing upon implementing metric development, cross cutting in house research, and data-based program support activities which include geospatially enhanced analytics are mean to increase efficiency and effectiveness and all are funded by salaries and expenses resources.

Much of this activity occurs in PD&R, but also in other offices across the agency. This balanced approach to creating and marshaling policy-relevant information is consistent with the recommendations of the National Research Council, in “Rebuilding the Research Capacity at HUD.”⁴

² Refer to footnote 1.

³ American Evaluation Association. “Evaluation Roadmap for More Effective Government.” 2009. <http://www.eval.org/EPTF/aea10.roadmap.101910.pdf>

⁴ The report was requested by Congress. National Research Council. “Rebuilding the Research Capacity at HUD.” 2008. http://www.nap.edu/catalog.php?record_id=12468

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A summary of R&T funding for fiscal years 2011, 2012 and 2013 follows:

	<u>2011</u> <u>Appropriation</u>	<u>2012</u> <u>Appropriation</u>	<u>2013</u> <u>Request</u>	<u>Increase/</u> <u>Decrease</u> <u>2013 v 2012</u>
	(Dollars in Thousands)			
Core Research and Technology (R &T):				
I. Market Surveys (Fixed)	\$41,404	\$37,000	\$44,500	+\$7,500
II. Dissemination/Research Support	6,000	6,900	6,900	...
Subtotal Fixed Activities	47,404	43,900	\$51,400	+\$7,500
III. Program Metrics/Urban Data	...	600	100	-500
IV. Housing Finance Studies	...	500	500	...
V. Urban Data Systems Acquisition	100	a/	a/	...
VI. Research Partnership	...	800	...	-800
VII. Housing Technology	...	200	...	-200
VIII. Dissertation Programs	400
Subtotal Variable Activities	500	2,100	600	-1,500
Total Core R&T	47,904	46,000	52,000	+6,000

a/ Transferred to line item III, Program Metrics/Urban Data.

2. What is this program?

The largest component – 87 percent of the R&T program - is requested for Housing Market Surveys. Descriptions of the surveys follow:

Housing Market Surveys - \$44.5 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 by understanding the impact of 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 Rental Housing Finance Survey. These surveys are described below:

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American Housing Survey (AHS)

In fiscal year 2013, \$36.5 million is requested for the AHS. The AHS began in 1973 as part of the response to urban unrest in the 1960s, and Congress has mandated that HUD conduct an AHS similar to the one conducted in 1981. Since then, the national AHS, with a sample size of over 60,000 housing units, has been conducted biennially. In addition, 60 metropolitan surveys, with an average sample size of over 5,000 units, have been conducted every 4 years. However, several years of low funding resulted in smaller than desired sample sizes and low numbers of metros sampled. As a consequence, 8 of the top 50 most populated metro areas have not been surveyed since the late-90's. The metro areas of Orlando and Las Vegas have not been surveyed in over 30 years.

In 2010, HUD established the goal of producing an AHS with a biennial sample size of 184,750 housing units, including a national AHS with a sample size of 64,750 housing units and 60 metropolitan area surveys every 4 years (30 every 2 years), with an average metropolitan sample size of 4,000 units. This goal was nearly achieved for the 2011 AHS.

A budget of \$36.5 million for the AHS in fiscal year 2013 funds the surveys at their previous levels, provides needed enhancements and provides funding for the 2015 redesign efforts. This will enable HUD to maintain the goal of a biennial sample size of 184,750 housing units. This funding request will also allow HUD to develop and implement improvements to the 2013 AHS. The 2011 AHS featured special supplements on healthy homes and housing modifications to accommodate elderly persons and persons with disabilities⁵. In 2013, the Department plans to introduce supplements on neighborhood quality, public transportation and pedestrian accessibility, energy efficiency, disaster preparedness and home office use, as well as an oversample of HUD-assisted renters that will provide information for HUD programs on resident-reported housing and neighborhood conditions, a recommendation of the National Academy Report. Looking forward to 2015, the AHS will draw a new sample based on the 2010 decennial census. This will be only the second time the full sample has been redrawn, and the first time since 1985.

⁵ The report was requested by Congress, National Research Council, "Rebuilding the Research Capacity at HUD." 2008. <http://www.nap.edu/catalog.php?recordid=12468>

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List of Metros for 2011 and 2013 AHS

Metro Included in 2011 AHS (29)	Metros Planned for 2013 AHS (31)
Anaheim-Santa Ana (LA metro area)	Baltimore-Towson, MD Metro Area
Atlanta-Sandy Springs-Marietta, GA Metro Area	Boston-Cambridge-Quincy, MA-NH Metro Area
Birmingham-Hoover, AL Metro Area	Chicago-Naperville-Joliet, IL + Lake County-Kenosha County, IL-WI
Buffalo-Niagara Falls, NY Metro Area	Gary, IN
Cincinnati-Middletown, OH-KY-IN Metro Area	Detroit-Warren-Livonia, MI Metro Area
Cleveland-Elyria-Mentor, OH Metro Area	Hartford-West Hartford-East Hartford, CT Metro Area
Columbus, OH Metro Area	Houston-Sugar Land-Baytown, TX Metro Area
Dallas-Plano-Irving, TX	Fort Lauderdale-Pompano Beach -Deerfield Beach, FL
Denver-Aurora, CO Metro Area	Miami-Miami Beach -Kendall, FL
Fort Worth-Arlington, TX	West Palm Beach-Boca Raton -Boynton Beach, FL
Indianapolis-Carmel, IN Metro Area	Minneapolis-St. Paul-Bloomington, MN-WI Metro Area
Kansas City, MO-KS Metro Area	Edison-New Brunswick, NJ + Newark-Union, NJ-PA + Wayne, NJ
Los Angeles-Long Beach-Santa Ana, CA Metro Area	Nassau-Suffolk, NY
Memphis, TN-MS-AR Metro Area	NY-White Plains NY
Milwaukee-Waukesha-West Allis, WI Metro Area	Oklahoma City, OK Metro Area
New Orleans-Metairie-Kenner, LA Metro Area	Camden, NJ
Virginia Beach-Norfolk-Newport News, VA-NC Metro Area	Philadelphia, PA
Phoenix-Mesa-Scottsdale, AZ Metro Area	Wilmington, DE
Pittsburgh, PA Metro Area	Rochester, NY Metro Area
Portland-Vancouver-Beaverton, OR-WA Metro Area	San Antonio, TX Metro Area
Providence-New Bedford-Fall River, RI-MA Metro Area	Seattle-Tacoma-Bellevue, WA Metro Area
Riverside-San Bernardino-Ontario, CA Metro Area	Tampa-St. Petersburg-Clearwater, FL Metro Area
San Diego-Carlsbad-San Marcos, CA Metro Area	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area
San Francisco-Oakland CA	Orlando-Kissimmee, FL Metro Area
San Jose-Sunnyvale-Santa Clara, CA Metro Area	Las Vegas-Paradise, NV Metro Area
St. Louis, MO-IL Metro Area	Nashville-Davidson--Murfreesboro--Franklin, TN Metro Area
Charlotte-Gastonia-Concord, NC-SC Metro Area	Austin-Round Rock, TX Metro Area
Oakland-Fremont-Hayward, CA	Jacksonville, FL Metro Area
Sacramento--Arden-Arcade--Roseville, CA Metro Area	Louisville-Jefferson County, KY-IN Metro Area
	Richmond, VA Metro Area
	Tucson, AZ Metro Area

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AHS has broad usefulness beyond the needs of HUD, the Federal Government, and academia. 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.

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 principal national economic indicators every month. This survey is being upgraded with new software. In fiscal year 2013, \$3.18 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 2013, \$1 million is budgeted for this survey.

The Survey of New Manufactured (Mobile) Housing Placements is a congressionally mandated survey. The statutory mandate for HUD to conduct the manufactured housing placement survey is found at 12 USC 1703 Notes Section 308(e) of P.L. 96-399.

This 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 is collected through this survey. In fiscal year 2013, \$900 thousand is budgeted for this survey.

Rental Housing Finance Survey. Funding was requested in fiscal years 2010 and 2011 for the new Rental Housing Finance Survey (RHFS). 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 version of the very expensive decennial Rental Finance Survey⁶ to cover rental housing only. The result of these efforts is that data collected with such a survey would provide the only recent nationally representative data on rental project mortgage origination volume and rental affordability—critical for numerous potential uses in developing housing policy. The RHFS would be biennial accounting of the stock of multifamily housing finance instruments. The sample design is based on the 2010 Decennial Census. Additions to the sample will come from the Census Master Address File for properties constructed since the last Census. In fiscal year 2013, \$2.9 million is estimated for this survey.

⁶ The Residential Finance Survey (RFS), historically conducted after each Decennial Census from 1960 to 2000, covered owner-occupied and rental housing, and surveyed both borrowers and lenders. Replicating the 2001 RFS in 2011 was estimated to have cost more than \$20 million.

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Dissemination/Research Support - \$6.9 million

Dissemination and research support ensure that research and analysis conducted by PD&R provide the greatest possible value by reaching a broad audience of policymakers, researchers, practitioners, policy analysts, and the American public. PD&R has employed a number of strategies to make these connections, and will build further upon them in fiscal year 2013.

The hub of PD&R's dissemination remains HUDUSER.ORG (www.hud.gov/policy), a rich resource containing copies of research spanning back more than 30 years as well as key data for researchers and program implementation. PD&R will continue to transform its dissemination process through several new initiatives to reduce costs and maximize use of dissemination and research support funding. This increased effort to reach broad audiences includes *Evidence Matters*, a quarterly publication highlighting policy-relevant research on major housing and community development topics in a clear and accessible manner for a wide audience of policymakers, researchers, advocates, and industry members. In addition, a new online magazine, *The Edge*, was created in 2011. It consolidates and enhances the PD&R publications Research Works and Breakthroughs into a single website, adds in additional content and includes commentaries from the Assistant Secretary that provide HUD's thoughts on the implications and importance of recent research findings.

The content for the magazine provides a place to find concise summaries and key findings on research performed both by PD&R staff and contractors as well as other academics and others in the philanthropic and non-profit sectors. In fiscal year 2013, PDR will continue to improve the quality of the content on *The Edge* as well as expand partner and public awareness of its utility as a source of good ideas to improve programs and policy. PD&R will continue to produce Policy Translation Papers, short pieces detailing and providing context for major research performed or contracted by PD&R.

These pieces focus on key takeaway points and best practices for maximum usefulness to policymakers and practitioners at all levels. Enhancements to the websites will include additional mapping capabilities, information sharing via wikis and other Web 2.0 social network additions.

When the HUD library was closed, HUD staff quickly realized that it had been serving a critical role as a central repository of information cataloging the history of HUD and housing and community development efforts; as a place to find the latest and best publications to inform staff of research and ideas from the US and around the world, much of it not accessible on the internet; and as place where trained and professional staff can locate needed information and publications quickly. In response to the need for those activities to again be available to HUD staff, PD&R reopened the HUD library in 2011 and hired a professional librarian to staff it.

In addition, PD&R is developing an External Research Dissemination system. This system, through which HUD staff will monitor and compile significant new research from a variety of external sources—from think tanks, foundations and universities to local government and other Federal agencies—will keep decision makers abreast of up-to-date research and thus connect the research to policies under development.

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The conference support contract will continue to be used to provide support for PD&R information gathering and information exchange efforts in the form of conferences, meetings, exhibiting at conferences and other events. Events held in fiscal year 2011 included the "American Housing Survey User," "Neighborhoods of Choice and Opportunity: Lessons from the HOPE VI Experience and Research," co-sponsored with the Council of Large Public Housing Agencies, a conference inviting outside stakeholders an opportunity to provide their ideas to inform HUD's long-term research agenda, and a conference in partnership with the MacArthur Foundation to discuss a number of recently completed research studies on how housing matters, including the release of the final evaluation of the Moving To Opportunity(MTO) research (the MTO findings were also featured in the October 18, 2011 New England Journal of Medicine for the study's landmark findings on the connection between neighborhood environment and long-term health).

Through its support services contracts, 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.

The Regulatory Barriers Clearinghouse, established to serve as a national repository to receive, collect, process, assemble, and disseminate information to eliminate barriers to affordable housing, now hosts an average of 25,500 unique visitors per month, reaches more than 15,200 eList subscribers monthly, and contains a database of more than 6,239 affordable housing strategies and solutions. The Clearinghouse will continue to expand the scope of its efforts by collecting and disseminating appropriate material to reach the growing number of states and communities establishing and implementing broad sustainability efforts.

Urban Data Systems - \$100 thousand - PD&R requests \$100,000 for Urban Data Systems Research. PD&R will continue to collect and make available basic data on the economic and social conditions of cities and to update the State of the Cities database. Further data collection and analysis includes projects analyses of crime data, vacant housing, business establishment and jobs data, residential building permits, the influence of regulatory barriers, government spending patterns, and current labor force statistics for metropolitan areas and principal cities.

Housing Finance Studies - \$500 thousand – PD&R is responsible for providing research on housing finance topics that inform the sound operations of FHA and HUD's rental programs that supports the Department's goal of promoting sustainable homeownership. The recent housing crisis has made clear how changes in housing finance alter the risk profile for segments of the ownership market and place pressures on rental markets, and highlights the importance of basic research in single family and multifamily housing finance, which these funds would support. This research would supplement work conducted using program funds (such as the Mutual Mortgage Insurance Funds for studies related to single family FHA) or the Transformation Initiative.

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Staffing

<u>FTE</u>	<u>2011 Actual</u>	<u>2012 Estimate</u>	<u>2013 Estimate</u>
Headquarters	115	112	107
Field	<u>40</u>	<u>39</u>	<u>38</u>
Total	155	151	145

In fiscal year 2013 PD&R seeks funding for 145.4 FTE (107.4 FTE in headquarters and 38 FTE in the field) which is 5.8 FTE less than the fiscal year 2012 level and 9.9 FTE less than the fiscal year 2011 level utilized of 155.3 FTE. Further detail is provided in the Office of Policy Development and Research Salaries and Expenses Justification.

HEADQUARTERS – 107 FTE

The Assistant Secretary for Policy Development and Research is responsible to the Secretary for overall Departmental policy, program evaluation and program monitoring, economic analysis, and research. This responsibility includes: analyzing and recommending new and revised policies and programs; developing and administering a program evaluation and program monitoring system; providing economic information and analyses for HUD; developing and implementing research; directing and administering technical studies; and serving as the focal point within the Department for coordination of research and program evaluation activities with other Departments and agencies, public and private organizations and the housing industry. On behalf of the Secretary, the Assistant Secretary supports and encourages bilateral relations with other countries.

Office of Economic Affairs (OEA):

OEA is responsible for providing economic information and analyses and policy recommendations to the Secretary, Deputy Secretary, Assistant Secretaries, and the principal staff within the Department. The Office analyzes the economic impact of Departmental and other Federal regulatory and legislative proposals, directs the surveys of national housing conditions, analyzes private sector data on mortgage markets, supports FHA operations, develops program operating parameters for HUD rental assistance programs and government programs and provides data on the socioeconomic conditions of cities. OEA also oversees and edits the regional summaries and local housing market profiles prepared by the field economists for HUD's quarterly publication, *U.S. Housing Market Conditions*.

Office of Research Evaluation and Monitoring (OREM):

The Office of Research, Evaluation and Monitoring conducts HUD research, evaluation, and monitoring efforts for a wide variety of HUD programs and activities. As of January 2012, open contracts were worth \$55 million, and open grants were worth \$2 million.

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The workload of this office includes research and development services, evaluation services, monitoring of contracts and grants, analysis, technical and analytical support and support for key data products and services.

Among OREM's major projects were:

- Assessment of Native American, Alaska Native, and Native Hawaiian Housing Needs,
- Evaluation of Choice Neighborhoods program,
- Evaluation of rapid Re-housing for families demonstration,
- Evaluation of the Homeless Veterans prevention demonstration
- Homeless Prevention study,
- Foreclosure Mitigation Counseling outcomes study, and
- Assessment of Neighborhood Stabilization Program.

Office of Policy Development (OPD)

The Office of Policy Development (OPD), drawing on its research and extensive program knowledge, advises the Secretary, the Deputy Secretary, and principal staff on program policy issues arising from the formulation of legislative and budget proposals, from regulatory responsibilities, and from other proposed major actions of the Department. To ensure that research and analysis conducted by the Department is being used effectively and reaching a broad audience, OPD employs a number of strategies to connect these materials to policy makers, researchers, practitioners, and policy analysts and will build further upon them in fiscal year 2013. In addition, policy staff provides technical support, data, maps and other materials to assist program offices and HUD's partners and stakeholders.

The workload of this office is varied as evidenced by the activities performed by this office. The workload includes formulation of legislative and budget proposals, technical support, publications, support for PD&R information gathering and information exchange efforts, policy analysis, policy development, policy-related research and data analysis and dissemination support. Activities of this office include:

Dissemination/Research Support

- Evidence Matters -- reach broad audiences through Evidence Matters, a quarterly publication highlighting policy-relevant research on major housing and community development topics.
- The Edge -- Publish the Edge, an online magazine that includes various PD&R dissemination products and commentaries from the Assistant Secretary.
- HUDUSER -- Enhancements to the PD&R website to include additional mapping capabilities, information sharing via wikis and other Web 2.0 social network additions, and portals for various special program areas within PD&R.

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- HUD Library - Operate the HUD library as a central information resource for all HUD employees. The library will integrate printed and web resources to serve as a go-to location for HUD research, both current and historical, and outside sources that informs HUD programs.

Policy Analysis, Development and Technical Support

- Worst Case Needs Report for 2011 – Using the latest data from the American Housing Survey, complete this report on the basic housing needs of low-income renters and develop a supplemental report on housing needs among persons with disabilities.
- Disaster Analysis and Support -- Unmet Housing Needs Analysis for 2011 and anticipated 2012 FEMA Disaster Declarations. This work includes providing preliminary CDBG Disaster Allocations based on these need estimates.
- Implementation and Management of the Transformation Initiative – The Office of Policy Development’s management of the TI portfolio including research and demonstrations as well as technical assistance.
- Integrated Housing and Education Data – Finishing pilot and analyzing results of linking children in assisted housing to longitudinal student-level education data and potentially health, human services, and other administrative datasets. Administration of the Multidisciplinary Research Team will build on this pilot to launch other data sharing agreements linking HUD’s data with administrative data from other agencies and provide short turnaround research projects.
- Affirmatively Furthering Fair Housing – Continue to develop guidance, including providing potential benchmarks and thresholds, to assist jurisdictions in assessing fair housing issues in their communities.
- Policy Analysis – Continue to provide guidance and support in the development of various policy initiatives including Choice Neighborhoods, Moving-to-Work, Rent Reform, Rental Assistance Demonstration, etc.
- Strong Cities, Strong Communities (SC2) – In addition to providing ongoing support for the oversight of the SC2 community solutions teams, OPD has primary responsibility for two key parts of this important initiative – The Fellowship Placement Pilot Program and the National Resource Network (NRN). Through a competitive process, the German Marshall Fund was selected to administer the \$2.5 million grant program that will deploy fellows into six pilot cities to assist in local capacity building efforts. The NRN pilot, allowed in the fiscal year 2012 Transformation Initiative (once other agency support is confirmed), will serve as an on-call group of experts to help economically distressed local governments solve problems and maximize their resources.

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Office of University Partnerships (OUP)

The Office of University Partnerships provides grants to institutions of higher education. As of January 2012, OUP had approximately 117 active grants. Additional grants will be awarded as a result of the funds transferred to OUP from the Social Security Administration that will be awarded in fiscal year 2012 with additional funds from SSA to be transferred in fiscal year 2013.

The workload includes monitoring of grants and interagency agreements, performing risk assessments for grantees, NOFA development, grant peer reviews, and provide technical assistance to grantees.

There is also the **Office of International and Philanthropic Innovation** that coordinates the Department's international exchanges and contacts including diverse bilateral (e.g. Canada and Mexico) and multilateral (e.g. UN and OECD) programs concerning issues in housing policy, housing finance, urban development, and the environment.

There is also the Budget, Contract and Program Control Division and the Administrative Management Division that provide budget, procurement planning, financial management and administrative support to PD&R.

Field Economists – (38 FTE Total)

The field economists play a vital role in helping advance the mission and priorities of the Department. They provide HUD leaders with critical intelligence on local economic and housing market trends, detailed recommendations for HUD program applications and advice on the allocation of Departmental resources.

The economists in each field office are responsible for closely tracking the local economies in their region. With the information they gather, the economists inform and advise the department's leadership as they consider policy choices, engage with local constituencies at conferences and smaller meetings, and seek deeper understanding of economic dynamics in the marketplace. Importantly, this support is offered Departmentwide and reaches beyond the activities of the Office of Policy Development and Research. For example, field economist products are routinely used by Regional Administrators to help improve their effectiveness. In addition, field economists have been key participants in HUD's efforts around the use of and reporting on the American Recovery and Reinvestment Act funds. Moreover, the Administration's emphasis on place-based approaches to policy heightens the importance of having knowledgeable "feet on the ground" to support efforts to craft, execute, and evaluate policy.

The Field Economists' work products that are published on PD&R's Internet site, including comprehensive housing market analyses, quarterly regional and local spotlight reports, are widely read and reviewed by citizens, developers, local governments, and community-based organizations and are among the most frequently accessed documents on the HUD User Web site. The Field Economist staffing will allow HUD to offer more of these products to improve nationwide coverage.

The field economists also offer independent support to HUD's FHA multifamily insurance programs. They provide an independent review of local demand and supply conditions, which is used to help control credit (default) risk in the FHA's multifamily portfolio.

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Often, developers of rental housing will seek FHA insured financing in local markets when existing rental unit supply plus units in the construction pipeline approaches or exceeds the market's demand potential. HUD's field economists have developed expertise in identifying when local markets reach this saturation point, and thus can help prevent overbuilding and excessive government exposure to risk and losses. Last year, the field economists reviewed nearly 400 applications valued at over \$8.6 billion.

Third, field economists also provide technical and analytical support to the program offices for a number of the Department's strategic goals, including the Regional and Field Office management plans.

The reduction in field economist presence in past years resulted in a reduction in the level of support offered to program areas. With this level of staff, the field economists will resume reviewing purchase and refinance applications under the Section 223(f), Section 223(a) and FHA risk-sharing programs, as well as section 811 applications.

Finally, as HUD moves to integrate programs across program lines, analytical support by the field economists to PD&R-HQ and the local offices will become increasingly important. Similarly their role as a resource for local governments, community-based organizations, and the public at large is expected to grow.

3. Why is the program necessary and what will we get for the funds?

Housing Surveys:

The American Housing Survey (AHS) is the richest source of information about the nation's housing stock and the characteristics of its occupants, and has 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 *Worst Case Housing Needs* Report 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 products from the AHS include the Components of Inventory Change (CINCH) reports that use the 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 the Government Performance and Results Act.

A significant recent example of the use of the AHS in research is Weicher, John C., Eggers, Frederick J., and Moumen, Fouad, "*The Long-Term Dynamics of Affordable Rental Housing: A Report to the John D. and Catherine T. MacArthur Foundation*," March 3, 2010. It uses the 1985-2005 AHS longitudinal panel to trace the evolution of the affordable housing stock over two decades. The AHS dataset allows them to trace when, and for how long, each sample housing unit contributed to the affordable housing stock.

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They also examine the units' status before and after affordability, thus providing insight into where the affordable stock comes from and how units leave it. On a shorter-term scale, HUD's Components of Inventory Change (CINCH) and Rental Dynamics series of reports trace the sources and dispositions of the housing stock between each wave of the AHS. The dataset that accompanies each report allow researchers to examine changes in housing at the unit level, using any or all of the data items collected by the AHS. The state of rental housing affordability in the nation is essentially defined by the AHS, with HUD's AHS-based Housing Affordability Data System providing a consistent basis for affordability analysis that any scholar can access.

In March 2011, PD&R hosted the first AHS Research Conference, inviting scholars from many fields to contribute papers using AHS data. The conference featured 14 papers covering such topics as persons with disabilities, disaster recovery, defining "rural," underwater mortgages, household energy use, housing assistance, housing quality, aging in place, and neighborhood redevelopment. PD&R is looking forward to many more fruitful ideas for AHS research arising from these conferences. Congress is also a major user of the AHS to inform the legislative process through the Congressional Budget Office, Congressional Research Service (CRS), and Government Accountability Office (GAO), as well as through congressionally appointed special commissions.

Below are some reports from GAO and CRS that use the AHS.

- Maggie McCarty et al. CRS. "[Overview of Federal Housing Assistance Programs and Policy](#)." July 22, 2008.
- Bruce Foote, CRS. "Reverse Mortgages: Background and Issues." February 22, 2010.
- N. Eric Weiss, et al. CRS. "Troubled Assets Relief Program and Foreclosures." February 17, 2009.
- "Rental Housing: HUD Can Improve Its Process for Estimating Fair Market Rents", GAO-05-342, March 2005.
- "Elderly Housing: Project Funding and Other Factors Delay Assistance to Needy Households", GAO-03-512, May 2003.

The AHS is a rich source of data used by the general public, whether as academic researchers, trade organizations, advocates, or simply private citizens. A PD&R compilation of research papers which use AHS data, last updated in 2009 runs to 99 pages and well over 500 articles. AHS data are often quoted by trade associations, advocacy groups, and research organizations.

Funding a nationally representative and thorough dataset is best accomplished by the Federal Government because it serves a common national purpose. Providing the data source then leverages private universities and researchers to glean knowledge of value to HUD and practitioners across the country. For example, the Joint Center for Housing Studies (JCHS) at Harvard University is a heavy user of AHS data. Their recent report *America's Rental Housing: Meeting Challenges, Building on Opportunities* was largely based on AHS data. Similarly, AHS home improvement data form the backbone of JCHS' Remodeling Futures project and are an important part of their annual *State of the Nation's Housing* reports. Other major independent reports produced using AHS data include the National Low- Income Housing Coalition's *Rental Housing Production Need Estimates, Perspectives on Renter Income and Affordable Units*, and *Low-Income Housing Profile*.

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Other Housing Surveys:

HUD's other housing market surveys provide important information on the state of the housing production sector that is widely used by public and private entities, particularly at a time that the nation is closely scrutinizing the housing industry. The Survey of New Home Sales and Housing Completions provide the data for two principal national economic indicators every month: Residential Construction Spending, and New Home Sales. The Survey of Market Absorption of New Multifamily Units provides critical information on other characteristics of new multifamily housing units and how quickly they are being occupied. The Survey of New Manufactured (Mobile) Housing Placements is a congressionally mandated survey that 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. The Rental Housing Finance Survey is a biennial accounting of the stock of multifamily housing finance instruments that provides a comprehensive picture of multifamily finance that is not available elsewhere.

Failure to fund PD&R's other housing market surveys would result in deep and substantial information gaps that would decimate the understanding of housing markets, housing production, and housing finance during a time when these sectors are at the heart of one of the country's most serious economic crises.

Research Dissemination Funds:

PD&R's research information clearinghouse, HUDUSER, and PD&R's websites www.huduser.org and www.regbarriers.org will continue to serve housing researchers and practitioners, including policy analysts at all levels of government, non-profit housing advocates, social scientists, demographers, builders, developers, realtors, students, and educators.

It is projected that 8.4 million files will be downloaded by these users in fiscal year 2012. During the same period, it is projected that HUDUSER will distribute over 140,000 copies of PD&R products. The usage statistics comparing fiscal years 2010 to 2011 for its services demonstrate continuing increase usage demand. For example:

- In fiscal year 2010, the average number of downloads per month were 689,648. Fiscal year 2011 saw an increase of 30 percent (average number per month is 891,754).
- The number of hits to the HUD User website in fiscal year 2010 was 19,470,433 compared to an average of 20,332,185 in fiscal year 2011 (5 percent increase).
- The average for visits to the HUD User website in fiscal year 2010 was 369,204 compared to 400,876 in fiscal year 2011 – an increase of 9 percent.
- On average, the Help Desk responded to 196 emails per month in fiscal year 2010. This number increased by 67 percent in fiscal year 2011 with HUD USER responding to an average of 328 emails per month in fiscal year 2011.
- Subscribers to the *Evidence Matters* publication increased by 26 percent from 18,188 to 22,850.

PD&R's web sites at www.huduser.org serve as a platform for complying with GAO recommendations for documenting how PD&R calculates Fair Market Rents (FMRs) for the Housing Choice Voucher Program. Similar web sites document how HUD estimates area median incomes and income limits to determine eligibility for HUD assistance programs. Users can trace how any area's numbers

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are calculated from source data to final result. Demand for information has exceeded server capacity and HUD moved to a “cloud” system to increase capacity. Statistics provided in the box below illustrate the increase in demand for the services provided by PD&R, including a 30 percent increase in downloads per month and almost three-fold increase of subscribers to Evidence Matters. This increasing demand illustrates the large constituent interest in the information provided by PD&R.

4. How do we know that this program works?

National Academy of Sciences Evaluation of PD&R

The National Academy of Sciences (NAS) released a comprehensive study of PD&R in September 2008⁷, 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. With adequate resources, PD&R could lead the nation’s ongoing process of learning, debate, and experimentation about critical housing and urban development challenges.” Perhaps most critically, the committee concludes that the current level of funding for PD&R is inadequate. “The NAS recognized the excellent work that PD&R performs and recommended that the Department commit the resources and program funds be increased in order for PD&R to become the nation’s premier housing research organization.

Housing Surveys

The housing survey data collections funded by the Research and Technology account provide the primary source of information for assessing the state of housing the U.S., problems to be addressed, and progress by HUD towards solving these problems. These surveys are relevant and necessary data sources, as evidenced by the many major housing research efforts to which they contribute:

- The American Housing Survey (AHS) data assists in identifying the characteristics of owners with underwater mortgages and other housing finance problems. See, for example, Carter & Gottschalk 2010, “Drowning in Debt: Housing and Households with Underwater Mortgages” (presented to 2010 AREUEA Mid-Year Meetings). Carter 2011, “Housing Units with Negative Equity, 1997 – 2009”, presented at 2011 AHS User Conference. Chang & Nothaft 2011, “Home Mortgage Refinance and Wealth Accumulation”, presented at 2011 AHS User Conference.
- The AHS and the Survey of New Home Sales and Completions data are key sources for measuring house prices, in the existing stock and new construction, respectively. Measuring housing price changes is an important part of assessing foreclosure risk.
- Foreclosure has also impacted the rental housing market. The results of the 2011 Rental Housing Finance survey will be the main source of data concerning rental housing prices and the financial stability of rental housing.
- The AHS is the primary source for determining worst case housing needs.

⁷ National Research Council, “Rebuilding the Research Capacity at HUD”, 2008, http://www.nap.edu/catalog.php?record_id=12468.

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- The AHS-based Components of Inventory Change and Rental Dynamics series of reports and datasets provide an overview of the sources and dispositions of the affordable housing stock.
- The Rental Housing Finance Survey, once completed, can be used to determine the affordability of rental homes and how affordability is influenced by financing.
- The Survey of Market Absorption of Apartments helps paint a picture of the demand in the rental housing market and can be used to better understand the affordability of new rental construction.
- The AHS began collecting data on disability status in 2009. This new data was used in at least two research reports: (1) Whalen 2011, "The House Next Door: A Comparison of Disability Status Using New Measures in the American Housing Survey", presented at the 2011 AHS User Conference; and (2) Pelletiere and Nelson 2011, "Leveraging the AHS to Get a Handle on the Incidence of Disability and the Need for Housing and Housing Assistance", presented at the 2011 AHS User Conference.
- The 2011 American Housing Survey included a new "Home Accessibility" module with questions about housing modifications to accommodate disabilities. Survey results from this new module will be available in 2012.
- The 2011 American Housing Survey included a new "Healthy Homes" module, including questions about mold and asthma. Survey results from this new module will be available in 2012.
- The AHS-based "Characteristics of HUD-Assisted Renters" reports can be used to assess assisted residents' satisfaction with their communities. The next report covering 2009 and 2011 is scheduled for release in 2012/2013.
- While the AHS already collects extensive data on housing cost and commuting behavior, these items will be expanded by a special supplement in the 2013 survey on neighborhood and walkability to better understand opportunities available to HUD residents.
- The AHS included a special survey of New Orleans in 2009 which contained questions on rebuilding after the hurricanes. In addition, PD&R has published two AHS-based studies on disaster preparedness, "2007 Metropolitan Disaster Planning" and "Combining the American Housing Survey and the American Community Survey to Produce Information Useful in Public Emergency Situations: An Exploratory Analysis."

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

<u>Budget Activity</u>	<u>2011 Budget Authority</u>	<u>2010 Carryover Into 2011</u>	<u>2011 Total Resources</u>	<u>2011 Obligations</u>	<u>2012 Budget Authority/ Request</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2013 Request</u>
Core R&T	\$47,904	\$2,070	\$49,974	\$45,668	\$46,000	\$2,824	\$48,824	\$52,000
Total	47,904	2,070	49,974	45,668	46,000	2,824	48,824	52,000

NOTE: The carryover into fiscal year 2011 includes \$611 thousand in recaptures.

**POLICY DEVELOPMENT AND RESEARCH
RESEARCH AND TECHNOLOGY
Appropriations Language**

The fiscal 2013 President's Budget include proposed changes in the appropriation 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) of Reorganization Plan No. 2 of 1968, [~~\$46,000,000~~] *\$52,000,000*, to remain available until September 30, [2013] *2014*: Provided, That with respect to amounts made available under this heading, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for research projects: Provided further, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project[: Provided further, That for non-competitive agreements entered into in accordance with the previous two provisos, the Secretary of Housing and Urban Development shall comply with section 2(b) of the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282, 31 U.S.C. note) in lieu of compliance with section 102(a)(4)(C) with respect to documentation of award decisions]. (Department of Housing and Urban Development Appropriations Act, 2012.)

Changes from 2012 Appropriation

The changes are the total amount going from \$46 million to \$52 million and the period of availability remaining at 2 years, until the end of fiscal year 2014 instead of fiscal year 2013.