

**COMMUNITY PLANNING AND DEVELOPMENT
CAPACITY BUILDING
2014 Summary Statement and Initiatives
(Dollars in Thousands)**

CAPACITY BUILDING	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2012 Appropriation .....	...	...	...	...	...	...
2013 Annualized CR .....	...	...	...	...	...	...
2014 Request	<u>\$20,000</u>	<u>...</u>	<u>...</u>	<u>\$20,000</u>	<u>\$20,000</u>	<u>...</u>
Program Improvements/Offsets	+20,000	...	...	+20,000	+20,000	...

1. What is this request?

The Department is requesting \$20 million for the Capacity Building in fiscal year 2014 for Capacity Building for Community Development and Affordable Housing program authorized under section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note). This request includes at least \$5 million to be made available for rural capacity building activities by Section 4 grantees. The Capacity Building program was previously funded as part of the Self-Help and Assisted Homeownership Opportunity Program account. The program is a competitive grant program among the eligible intermediaries with funding for these organizations to develop the capacity and ability of community development corporations and community housing development organizations at the local level. This allows these organizations to undertake community development and affordable housing projects and programs for low-income families. Funds require a 3-to-1 match from private sources.

In fiscal year 2014, the Department renews its request for the Transformation Initiative Fund, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. This program may transfer up to 0.5 percent or \$15 million, whichever is less, to the Transformation Initiative Fund for the operation of a second-generation Transformation Initiative (TI2). More details on TI2 and its projects are provided in the justification for the Transformation Initiative Fund account.

Capacity Building

2. What is this program?

Program Description and Key Functions

The Section 4 Capacity Building for Community Development and Affordable Housing program provides grants to three national intermediaries: Local Initiatives Support Corporation, Enterprise Community Partners, Inc., and Habitat for Humanity International. These grants allow the organizations to develop and enhance the technical and administrative capabilities of community development corporations (CDCs) and community housing development organizations (CHDOs), so that the CDCs and CHDOs can better carry out community development and affordable housing activities for low- and moderate-income persons that support and address local needs and priorities. Capacity building funds enable development of the core skills needed to organize, manage, implement, obtain capital, and carry out community development and affordable housing projects.

Staffing and Key Functions

Salaries and Expenses (S&E) and Full-Time Equivalents (FTE) Request

Two FTE are requested for the Capacity Building program, which is accounted for in the HOME/SHOP FTE distribution. For fiscal year 2014, the total S&E funding is approximately \$256,244.

Workload by Function

The below workload by function distribution is an estimate as the majority of CPD employees work on several programs. The FTE distribution is consistent with fiscal year 2012.

- 1 FTE is allocated to Competitive Grants Management.
- 1 FTE is allocated to Compliance: Monitoring/Risk Assessment.

Process Improvements

Examples of process improvements that help leverage and maximize FTE include:

- HUD is currently updating its reporting indicators to ensure that data collected is and remains useful, and allows for analyses of outputs and outcomes.

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

a. What is the problem we are trying to solve?

The Capacity Building program seeks to develop, enhance, and strengthen the technical and administrative capabilities of community development corporations to carry out community development and affordable housing activities for low- and moderate-income persons that support and address local needs and priorities.

In February 2013 HUD released a summary of its biennial Worst Case Housing Needs Report. HUD found that the number of very low-income renters facing severe housing problems continues to grow. In 2011 nearly 8.5 million households had worst case housing needs, up from 7.1 million in 2009. This represents a 19 percent increase since 2009 and 43 percent since 2007. Worst case needs are defined as renters with very low incomes (below half the median in their areas) who do not receive government housing assistance and who either paid more than their monthly incomes in rent, lived in substandard conditions, or both. Housing needs cut across all regions of the country and included all racial and ethnic groups, regardless of whether they lived in cities, suburbs, or rural areas. In addition, large numbers of worst case needs were also found across various household types including families with children, senior citizens, and persons with disabilities.

The rise in hardships among renters is due to substantial increases in rental housing demand and weakening incomes that increased competition for already-scarce affordable units. Increases in demand were so great that they overwhelmed increases in supply of units affordable at incomes below 50 percent of AMI. As a result, the gap between the number of affordable units that were available for very low-income renters and the number of renters who need these units not only failed to improve in percentage terms, but worsened in absolute terms.

See U.S. Department of Housing and Urban Development (February 2013) *Worst Case Housing Needs 2011: Report to Congress-- Summary*.

b. How does this program help solve the problem?

The Section 4 Capacity Building program awards grants to grantees that re-grant the funds to CDCs and CHDOs for specific investments, including affordable housing and economic development. This program enhances the capacity and ability of CDCs and CHDOs to carry out community development and affordable housing activities that benefit low-income families and persons, including the acquisition, construction, or rehabilitation of housing for low-income families and persons, and community and economic development activities that create jobs for low-income persons. Capacity building activities include such activities as training, education, support, and advice to enhance the technical and administrative capabilities of CDCs and CHDOs to develop core skills to organize, manage, implement and access capital to carry out community development and affordable housing projects. The

Capacity Building

program enables non-profit CDCs and CHDOs to be partners with the Administration in the implementation of key initiatives such as Choice Neighborhoods and Sustainable Communities and restoration of their communities' economic vitality.

The program requires grantees to provide a match of three dollars from private sources, which makes the private sector integral in the community development work of CDCs and CHDOs, and actually funds 75 percent of the total program. In practice, it is even greater, averaging a 10:1 match.

c. What is the relationship of this funding request to program performance?

The 2012 Capacity Building award will result in approximately 8,000 housing units newly constructed, renovated, or preserved; 1,000 training opportunities; and over \$1 billion in total development costs channeled to low-income communities in more than 250 communities nationwide. From 2007-2011, the Section 4 program has resulted in 38,757 newly constructed, renovated or preserved homes; nearly 3,000 training opportunities for CDCs and CHDOs; and \$6.7 billion in total development costs. Currently, this program is active in 48 states and 565 cities, assisting over 1,000 CDCs and CHDOs in developing the capacity to carry out community development and affordable housing projects benefiting low-income families.

4. How do we know this program works?

What evaluations and research have been conducted?

The Section 4 Capacity Building Program was the subject of a 2011 independent evaluation by Social Compact. Relying primarily on an online survey of 235 CDCs receiving Section 4 grants between 2001 and 2009, the study concluded that CDCs that received Section 4 assistance had greater capacity to carry out their programs, and that CDCs and CHDOs receiving Section 4 assistance showed a dramatic increase in their ability to carry out HUD and other federal programs.

The evaluation further revealed that, by overwhelming numbers, the CDCs surveyed and interviewed reported Section 4 assistance helped them boost their capacity. This self-reporting was bolstered by the fact that their capacity grew significantly between 2001 and 2009. Section 4 assistance was rated as having a "moderate positive" or "significant positive" impact by a majority of CDC respondents in each of 12 organizational capacity dimensions. Investments in targeted areas produced observable overall organizational capacity growth and enabled recipients to boost their production of affordable housing and other community assets.

The Section 4 Capacity Building Program has also been the subject of a number of independent evaluations and audits. A GAO study and an OMB management review, both done in 2003, found that the program mobilized private sector involvement, leveraging private resources at a 10:1 ratio, greatly exceeding its three-to-one match requirement.

Capacity Building

HUD's Information Technology Portfolio Improvements

As a part of the eGrants Transformation Initiative IT project, HUD is planning to automate paper-based environmental review process for CPD grant programs; more than 5,000 environmental reviews are conducted every year to assess a project's potential environmental impacts and determine whether they meet federal, state, and local environmental standards. These investments will create and enhance customer-facing systems for carrying out HUD's mission, enabling grantees to draw down funds and report performance results and program outcomes, streamline administrative processes for both customers and HUD, and speed time to award for our competitive grants. Future IT development, modernization, and enhancement projects are planned which will enhance system and business capabilities, automate grant programs and processes throughout HUD, and aspire to consolidate multiple grant systems to a centralized, integrated solution of two or three departmentwide systems.

Capacity Building

**COMMUNITY PLANNING AND DEVELOPMENT
CAPACITY BUILDING
Summary of Resources by Program
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2012 Budget Authority</u>	<u>2011 Carryover Into 2012</u>	<u>2012 Total Resources</u>	<u>2012 Obligations</u>	<u>2013 Annualized CR</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2014 Request</u>
Capacity Building	\$20,000
Total	20,000

NOTE: The Capacity Building program was previously funded as part of the Self-Help and Assisted Homeownership Opportunity Program account. Outlays and Obligations from prior years funding will continue to be shown in that program account.

**COMMUNITY PLANNING AND DEVELOPMENT
CAPACITY BUILDING
Appropriations Language**

Below is the italicized appropriations language for the Capacity Building account.

Of the amounts made available under this heading, \$20,000,000 shall be made available for the second, third, and fourth capacity building activities authorized under section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), of which not less than \$5,000,000 may be made available for rural capacity building activities.

Note. A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.