

**HOME INVESTMENT PARTNERSHIPS PROGRAM
2014 Summary Statement and Initiatives
(Dollars in Thousands)**

HOME INVESTMENT PARTNERSHIPS PROGRAM	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2012 Appropriation	\$1,000,000	\$362,157 ^a	...	\$1,362,157	\$1,207,802	\$1,781,030 ^b
2013 Annualized CR	1,006,120	151,779 ^c	...	1,157,899	1,026,854	1,624,501
2014 Request	<u>950,000^d</u>	<u>131,045</u>	...	<u>1,081,045</u>	<u>958,778^e</u>	<u>1,392,000</u>
Program Improvements/Offsets	-56,120	-20,734	...	-76,854	-68,076	-232,501

- a/ This number includes approximately \$8 million of funds recaptured in fiscal year 2012.
- b/ This number includes \$160 million of Tax Credit Assistance Program outlays.
- c/ This number excludes \$2,576 of fiscal year 2010/2012 funds that expired at the end of fiscal year 2012.
- d/ This number includes an estimated Transformation Initiative (TI) Fund Transfer that may be up to 0.5 percent of Budget Authority.
- e/ This number includes Self-Help Homeownership Opportunities Program obligations of \$10 million.

1. What is this request?

For fiscal year 2014, the Department requests \$950 million for the HOME Investment Partnerships Program, of which \$10 million would be set aside for the Self-help Homeownership Opportunity Program (SHOP). HUD is proposing to amend Section 216(10) of the Cranston-Gonzalez National Affordable Housing Act to set a threshold grant amount—effective with fiscal year 2014 grantees—to ensure allocations sufficient to administer programs and leverage private investment, eliminate the grandfathering provision so that participating jurisdictions (PJs) that fall below the threshold three out of a five year period are ineligible for direct formula funds (though would still be able to access HOME funds by forming consortia to meet the qualifying threshold or apply directly to their States for funding for specific projects), and allow for flexibility in the 15 percent Community Housing Development Organization (CHDO) set aside to address the inadequate number of qualified CHDOs, particularly in rural areas. The proposed amendments would improve the targeting focus and effectiveness of the overall program at the constrained resource level. The 2014 request also proposes statutory changes that would: (1) allow recaptured CHDO funds to be reallocated by formula as regular HOME funds; and (2) facilitate eviction of HOME rental unit tenants who pose a direct threat to tenants or employees of the housing or an imminent, serious threat to the property.

In addition, the 2014 request proposes to amend the SHOP statute to allow for enhanced regulations to ensure that all SHOP notice of funding opportunities (NOFA) applicants and grantees have clear guidance on basic SHOP program requirements. Issuance of

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these regulations will streamline the annual SHOP NOFA and related grant agreement, which are currently overburdened with program and cross-cutting statutory requirements.

An appropriation of HOME and SHOP funds at the requested level will result in the following production over time:

- 16,565 units of affordable housing for new homebuyers;
- 15,224 units of newly constructed and rehabilitated affordable rental units;
- 7,641 units of owner-occupied rehabilitation for low-income homeowners; and
- 9,479 low-income households assisted with HOME tenant-based rental assistance.
- 533 affordable homeownership units with SHOP funds.

Moreover, funding HOME at the requested level would require HOME PJs to provide \$235 million in matching contributions and, based on historical leverage data, would result in approximately \$3.88 billion in public and private leverage. Also, for every \$1 million in HOME funds, an estimated 18 jobs are created. The fiscal year 2014 appropriation of \$940 million for HOME would preserve/create approximately 17,000 jobs.

In addition, the Department renews its request for the Transformation Initiative (TI) 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 TI 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.

Finally, the Department has improved and will continue to improve its oversight, monitoring, and enforcement of this program and its partnership with the HUD Office of the Inspector General. (See Section 4(b) (Plans for Program Improvement)).

2. What is this program?

Program Description and Key functions

HOME Investment Partnerships Program

The HOME Investment Partnerships Program is the largest federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families. HOME was authorized in 1990 as Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C 12701 et seq; program regulations are at 24 CFR Part 92) to provide participating jurisdictions, (PJs) on a coordinated basis, with various forms of Federal housing assistance, including capital investment, mortgage insurance, rental assistance, and other federal assistance, needed to expand the supply of decent, safe, sanitary, and affordable housing; to

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make new construction, rehabilitation, substantial rehabilitation, and acquisition of such housing feasible; and to promote the development of partnerships among the Federal government, States and units of general local government, private industry, and nonprofit organizations to effectively coordinate all available resources to provide more of such housing.

HOME funds may only be used for four primary purposes: production of new single or multifamily housing units, rehabilitation of housing, direct homeownership assistance, or time-limited tenant-based rental assistance (for up to 2 years with possibility of renewal). HOME provides funding to 650 PJs, which include state and local governments and consortia consisting of contiguous local governments. For most of these jurisdictions, HOME is the only reliable stream of affordable housing development funds and their principal tool for the production of rental and for-sale housing for low- to extremely low-income families, including mixed-income housing and housing for persons with special needs. In addition, HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits or other federal, state, or local housing projects feasible.

How Funds are Allocated

Annual HOME allocations to States and eligible local government PJs are determined by a formula that reflects the severity of local affordable housing needs. The formula ensures that PJs with the greatest housing needs receive the most funding. The greater of 0.2 percent, or \$750 thousand, is set aside for Insular Areas, with 60 percent of the remaining funds awarded to participating local governments and 40 percent awarded to States. All States receive a minimum annual allocation of at least \$3 million. The following 6 formula factors, using the most recent data from the American Community Survey, will be used to allocate funds:

- vacancy-adjusted rental units in which the head of household is at or below the poverty level;
- occupied rental units with at least one of four problems (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs);
- rental units built before 1950 occupied by poor households;
- a ratio of the jurisdiction's costs of producing housing divided by the national cost;
- the number of families at or below the poverty level; and
- the population of a jurisdiction multiplied by the net per capita income.

Program Requirements

- Eligible Activities. PJs may use HOME funds to help renters, new homebuyers, or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including down payment assistance), new construction, or tenant-based rental assistance (TBRA). By statute, HOME funds may not be used to provide TBRA for usually longer than 2 years, to

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provide, as match, non-Federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.

- Low-Income Benefit. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. HOME makes homeownership affordable to lower-income households.
- In addition, the HOME statute requires that at least 90 percent of the households occupying HOME-assisted rental units or receiving HOME-funded rental assistance have incomes that do not exceed 60 percent of the area median income. The HOME program consistently exceeds this income-targeting requirement. A total of 99.3 percent of households receiving TBRA and 97 percent of households occupying assisted rental units have incomes below 60 percent of the area median.
- Matching Requirements. Effective with the 1993 appropriation, PJs must provide matching contributions of at least 25 percent of HOME funds spent for TBRA, rehabilitation, acquisition, and new construction. To be considered eligible as match, a contribution must be made from non-federal sources and must be a permanent contribution to a HOME project or to HOME match-eligible housing. Consequently, not all leveraged funds can be considered match. The Housing and Community Development Act of 1992, however, provides that the matching requirement shall be reduced by 50 percent for jurisdictions that are in fiscal distress and by 100 percent for jurisdictions that are in severe fiscal distress. As of September 30, 2012, HUD has determined that there were 282 PJs in fiscal distress or severe fiscal distress and their matching requirements were reduced accordingly, thereby allowing those PJs to use their general funds for more immediate or pressing needs.
- Reallocation of Funds. The HOME statute provides that HOME funds will be available to PJs to commit to affordable housing projects for 24 months. Thus, the Department must de-obligate HOME funds that have been available to PJs, but have not been committed to affordable housing by the end of the last day of the month of the 24-month period. These funds are reallocated by formula. The HOME statute also requires that at least 15 percent of each PJ's HOME funds are reserved to housing owned, developed, or sponsored by CHDOs within 24 months, and if this deadline is not met, the funds are recaptured and redistributed by competition. From the inception of the program through September 30, 2012, the Department has de-obligated approximately \$65.9 million of non-CHDO funds and \$14.4 million of CHDO funds for failure to meet deadlines. These deadline requirements are important statutory performance measures and the de-obligation process ensures that HOME funds are used in a timely manner or are redistributed. As of September 30, 2012, the Department also has reduced HOME grants by approximately \$27.9 million as corrective actions for incomplete or ineligible activities. De-obligated non-CHDO funds and grant reduction funds are available for formula reallocation to all PJs during the next formula allocation cycle. The National Affordable Housing Act requires that de-obligated CHDO funds be redistributed through a national competition.

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Self-Help Homeownership Opportunity Program

SHOP is authorized by Section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805). The purpose of SHOP is to facilitate and encourage innovative homeownership opportunities on a geographically diverse basis through the provision of self-help homeownership programs for low-income families and individuals who otherwise would be unable to afford to purchase a homeownership unit.

SHOP achieves this goal by distributing funding through its annual NOFA competitive awards process. To ensure that funding is awarded to high-quality applicants, eligible SHOP grantees are limited, by statute, to national and regional nonprofit organizations and consortia with experience in providing self-help homeownership housing in at least two states. In past years, HUD has awarded funds to between three and five grantees, which then have the option of using non-profit affiliate organizations to undertake their SHOP activities, but are responsible for the performance of their affiliates.

SHOP funds may only be used to purchase land, install or improve infrastructure, and pay reasonable administrative costs of up to 20 percent of the grant. The SHOP investment cannot exceed \$15,000 per unit, averaged across the entire grant. Grantees must leverage other funds for the construction and rehabilitation of the SHOP units, for securing permanent homebuyer financing, and for providing housing counseling.

Homebuyers must contribute sweat equity, including but not limited to assisting in the painting, carpentry, trim work, drywall, roofing and siding for the housing. If one individual will hold title to the property, that individual must contribute 50 hours, minimum, of sweat equity; otherwise, homebuyers must contribute 100 hours, minimum, of sweat equity. In exchange, SHOP homebuyers receive the full value of their sweat equity contribution as equity toward the purchase of the SHOP unit. This sweat equity contribution may not be mortgaged or otherwise restrict a future sale.

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

A total of 171 FTEs are requested for the HOME Investment Partnerships Program and to carry out SHOP activities, which is an increase of 5 FTEs, compared to the fiscal year 2012. The additional 5 FTEs will be used to improve oversight of CPD's grant programs and the implementation of the new HOME rule. For fiscal year 2014, the total S&E funding is approximately \$22.37 million, an increase of approximately \$1.01 million compared to fiscal year 2012. For personnel services, HOME is requesting \$21.90 million, an increase of approximately \$1 million due to 5 additional FTEs and the rising cost of salary and fringe benefits.

HOME's fiscal year 2014 non-personnel services budget request is \$465,200, an increase of \$4 thousand compared to the fiscal year 2012. The increase is for training and technical assistance related primarily to the new HOME rule and travel for grant monitoring and oversight. However, CPD has several other new developments, such as the new Consolidated Plan enhancements

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and upgrades to the Integrated Disbursement Information System (IDIS), which also contributes to this increase. Furthermore, for fiscal year 2014, the Department has identified training HUD's workforce as a priority. A portion of the training fund will be used to strengthen core and specialized skills of CPD staff.

Workload by Function

The HOME program, like other CPD programs, structures its activities and processes around the lifecycle of grants (formula and competitive) made to recipients. The HOME program is managed through the Office of Affordable Housing Programs. Management of the program includes developing, implementing, and providing oversight of policy, along with developing and implementing a comprehensive technical assistance program for HOME PJs and CHDOs. Headquarters staff provides program policy guidance and program information to the 43 field offices, grantees, and others. This staff also reviews and responds to Inspector General audits, Government Accountability Office and Congressional Budget Office reports, congressional inquiries, and develops budget and performance measurements for the Department.

The below workload by function FTE allocation is an estimate for HOME as the majority of CPD employees work on several programs. They are as follows:

- 51 FTE are allocated to other critical functions, including Operations, Program Administration: Technical Assistance and Training; Program Administration: Information Management; Audits; Compliance: Standards and Guidance; Environmental Review, and Cross Program Collaboration. Technical assistance consists of grants through the OneCPD program.
- 41 FTE are allocated to Formula Grant Management to support HOME-specific placed-based investments in communities across the country.
- 31 FTE are allocated to support the Consolidated Plan, which is an important tool for HUD and grantees to assess progress, results, and ensure that communities have been good stewards of taxpayer dollars.
- 23 FTE are allocated to Customer Service activities associated with communities served by the HOME program, including responding to agency, citizens, and congressional requests for information and complaints.
- 25 FTE are allocated to Compliance: Monitoring and Risk Assessment, as part of a concerted effort to hold grantees more accountable and address congressional concerns, particularly through implementation of the new HOME rule. HOME Headquarters and field staff monitor approximately 646 formula grantees.

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

What is the Problem We've Trying to Solve?

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

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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. In particular, conversion of owner-occupied to rental units following foreclosure helped offset some of the sharp increase in rental demand. The stock of owner-occupied housing decreased by almost 760,000 units during 2009-2011 while the rental stock increased by 3.33 million units (8.4 percent). The 3.47 million new renter households absorbed all the net increase of rental units while also occupying 140,000 previously vacant units. Despite these substantial shifts in supply, the number of affordable and available rental units decreased to 65 units per 100 very low-income renters and 36 units per 100 extremely low-income renters. (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, February 2013). See also U.S. Department of Housing and Urban Development (February 2013) *Worst Case Housing Needs 2011: Report to Congress--Summary.*

In addition, the economic downturn has been especially hard on low-income households. The number of households earning under \$15,000 a year and paying more than half their incomes for housing increased by 1.5 million in 2007–10, nearly doubling the increase from 2001–2007. The share of severely cost-burdened households in the lowest-income group rose from 64.3 percent to 68.0 percent in just the three years from 2007 to 2010. Over this same period, the number of severely cost-burdened households earning \$15,000–29,999 grew even more rapidly (19 percent), lifting the share above 30 percent.

The recession took a toll on household incomes but did little to reduce housing outlays for many Americans, as many households locked into expensive mortgages were unable to refinance. Between 2001 and 2010, the number of severely cost-burdened households (those paying more than half of their income for housing) climbed by a staggering 6.4 million. This includes an increase of 2.3 million between 2007 and 2010, and more than 350,000 in 2010. According to the 2011 American Community Survey, 20.2 million households (18 percent of total homeowners) are severely cost-burdened, and 42 million households (37 percent) are moderately burdened (paying more than 30 percent of their income for housing).

SHOP's mission is to address the lack of affordable homeownership housing for low-income households, and to assist underserved areas and income groups. According to the "State of the Nation's Housing 2012", published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell 0.8 percent in 2011. This continues seven consecutive years of decline, and is the largest percentage reduction of those seven years. In the first quarter of 2012, the national homeownership rate was 65.4 percent, its lowest level since the first quarter of 1997. Rates have fallen significantly from their mid-2000s peaks across all age

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groups except seniors. Declines exceed 5 percent for households up to age 44, 4.5 percent for 45–54 year-olds, and 3.2 percent for 55–64 year-olds.

Homeownership losses are widespread geographically. From 2006 through 2010, homeownership rates fell in all but four states, all of which are less populous and largely rural (Alaska, Montana, North Dakota, and Wyoming). These four states all appear to have benefited from booming oil and natural gas production. States hard-hit by foreclosures (such as Nevada, Arizona, and California) are among those with the largest declines. In addition several states that were less affected by the foreclosure crisis (including Minnesota, Colorado, Washington, and Oregon) also had sharply lower homeownership rates.

How HOME Helps Solve the Problem

HOME, as one of the primary federal tools of state and local governments for the **production of affordable rental and for-sale housing for low-income to extremely low-income families**, including mixed-income housing and housing for homeless and persons with HIV-AIDS, is an integral part of this nation's affordable housing finance system. The program provides state and local governments with the discretion to determine the type of housing product they will invest in, the location of the housing, and the segment of their population that will be served through these housing investments. For many states and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

All HOME funds must be used to benefit families and individuals who qualify as low-income, or below 80 percent of area median income (AMI). The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents.

Key contributions of the HOME program:

- Completed 1,095,946 affordable units in the past 20 years, of which 460,692 were for new homebuyers, 212,100 were for owner-occupied rehabilitation and 423,154 were new and rehabilitated rental units.
- Provided 264,715 low-income families in the past 20 years with tenant-based rental assistance (TBRA), of which 97 percent qualified as very low-income, i.e., having family incomes below 50 percent of the area median income.
- 37 percent of those assisted with affordable rental housing between 2008-2012 were extremely low-income families (families with incomes below 30 percent of area median income).
- Leveraged \$100.2 billion of other funds for affordable housing, with a leveraging ratio of 4.13:1 (that is, \$4.13 of private or other public dollars are acquired for each HOME dollar invested in rental and homebuyer projects).
- Over the life of the program, nearly 80,000 units of affordable housing have been produced in rural areas.

In addition, the HOME program is used to produce additional long-term affordable rental housing. HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other Federal, State, or

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local housing projects feasible, although LIHTC can provide 40-50 percent of the capital necessary to complete a rental project. For example, per grantee reporting, 55 percent of 180,040 completed HOME assisted rental units were part of awarded LIHTC projects from 2008-2012. During the recent economic crisis, when tax credits were selling at much reduced prices or not at all, HOME funds provided essential gap financing for LIHTC projects to an even greater extent than what was historically provided to these projects.

Of all LIHTC projects placed in service nationally between 2003 and 2010, HOME program funds were used in 23.5 percent of them. (PD&R calculations based on database of properties placed in service through 2010". Available online at: <http://lihtc.huduser.org/>). Of these, 59.7 percent were new construction and 37.6 percent were rehab of existing housing (either to preserve existing affordable housing or to convert existing housing to include affordable units), showing that the HOME program's flexible options are being used to support different types of key affordable housing activities. This flexibility is also critical as different regions; particularly the Northeast and Upper Midwest tend to rely more on rehab of the existing housing stock, while regions that are growing in population use more new construction.

HOME is also used in supportive housing projects for the homeless. Of the 5.4 percent of low-income housing tax credit projects targeted to address homelessness that were placed in service between 2003 and 2010, HOME funds were used in 26.4 percent of them. Without this funding, many of these projects (over 500 projects with an average size of 57 units per project) likely would have had enormous difficulty being completed or finding alternative financing.

How SHOP Helps Solve the Problem

SHOP is a successful program because it assists the efforts of proven national and regional non-profit organizations and consortia to develop high quality affordable housing. SHOP funds serve as the "seed money" to obtain materials and mobilize volunteer labor that provides momentum for greatly expanded levels of construction investment in low-income housing from public and private sources. While the matching of SHOP funds with other dollars is not required, SHOP grantees have shown that for every SHOP dollar, at least \$6 in resources from other sources is leveraged. This does not include the sweat equity and volunteer labor required by this program. The presence of SHOP funds increases the ability of non-profit organizations to leverage funds, providing a substantial return on the maximum Federal investment of \$15,000 per unit. SHOP funds reinforce the very grassroots nature that has made self-help housing organizations so successful at expanding housing opportunities for low- and very low-income families in urban and rural areas across the country:

- All SHOP funds assist low-income families and individuals in purchasing homes. "Low-income" means households with incomes no greater than 80 percent of the median income for the area. Currently, 61 percent of SHOP homebuyers are very low-income (no greater than 50 percent of median income), and 10 percent are extremely low-income (no greater than 30% of median income).
- All SHOP units are affordable. Homebuyers earn equity toward the purchase of their homeownership units by contributing sweat equity. Volunteer labor contributions also help reduce the cost of these units. Homebuyer equity at sale has ranged from \$15,000 to \$30,000 per unit. SHOP units must be energy-efficient and water-efficient, thereby reducing the long-term maintenance cost of the SHOP units.

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- Since the inception of the program in 1996, 25,412 affordable homeownership units have been completed and conveyed to low-income buyers.
- Nearly \$1.8 billion in other funds have been leveraged for a ratio of \$6 in other funds raised for each \$1 of SHOP funds expended.
- Shop funds are competitively awarded via the NOFA process, which helps ensure that SHOP – through annual funding requirements and rating criteria--reflects national priorities and housing goals. For example, SHOP's emphasis on energy-efficient and water-efficient housing have made SHOP homes among the nation's leaders in these factors, and recent NOFAs have awarded extra points for green housing, sustainable housing, healthy homes, and the sharing of innovative practices.

SHOP expands the supply of homeownership housing for low-income households by providing grant funds that are used to reduce the cost of developing affordable housing. The availability of SHOP funds for land acquisition and infrastructure improvements enable SHOP grantees to leverage other funds for construction and rehabilitation, including funds from other HUD programs. Current SHOP grantees report that the biggest obstacles to developing affordable housing are lack of affordable land and the high cost of infrastructure improvements. SHOP addresses both of these barriers to expanding the supply of affordable homeownership housing by providing an average of \$15,000 per unit for land acquisition and infrastructure improvements.

SHOP targets underserved areas and income groups. SHOP grantees must demonstrate a clear unmet need for self-help homeownership housing on a national or regional basis consisting of least two states. SHOP grantees target inner cities, rural areas, and colonias, where the lack of adequate housing is most acute. Two of SHOP's current grantees focus on rural states that have seen the largest homeownership declines: The Western States Housing Consortium (Arizona, New Mexico and Colorado) and Community Frameworks (Washington, Oregon, Idaho and Montana). Most grantees work through local affiliate organizations that serve specific local target areas, and have a deep understanding of local conditions and needs. By using the homeownership model, SHOP provides stability to families and neighborhoods.

The SHOP program design enables deep income targeting. The majority of SHOP homebuyers have incomes below 50 percent of their area's median income. Many are first-time homebuyers for whom owning a home has been a life-long dream.

SHOP ensures that homeownership housing is affordable and sustainable. SHOP is designed with the recognition that low-income households have limited equity. To address this hurdle to low-income homeownership, SHOP enables low-income homebuyers to contribute their labor towards the purchase of their units. This sweat equity contribution reduces the purchase price of their SHOP unit.

SHOP also requires applicants to describe the standards they will use to limit the monthly housing cost burden of their homebuyers. Because homebuyers are required to contribute their sweat equity, they are already trained in many building maintenance skills and have an understanding of the long-term maintenance requirements that are part of successful homeownership. All grantees provide pre-purchase counseling, and most provide post-purchase interventions.

SHOP homes are energy-efficient, quality housing. SHOP units must be decent, safe and sanitary non-luxury dwellings that comply with local building safety codes and standards. All newly constructed units must be certified as meeting the requirements for

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ENERGY STAR. For rehabilitated units, all features, appliances and products that are installed or replaced must have an ENERGY STAR label. Grantees must also incorporate specific water-conservation measures in the construction and/or rehabilitation of their SHOP units. These features benefit the low-income homebuyers by decreasing the long term maintenance costs of the units.

SHOP ensures that only experienced grantees are awarded SHOP funds. Applicants must demonstrate that they have experience and have successfully developed a least 30 units of self-help homeownership housing in the prior 24 months. By allowing up to 20 percent of each SHOP grant to be used for program administration and management, SHOP ensures that grantees have adequate funds to manage and monitor their SHOP programs, and provide training and technical assistance to their affiliate organizations and program participants.

SHOP ensures a timely and efficient use of Federal funds. SHOP funds must be expended within 36 months of obligation for affiliate organizations developing 5 or more SHOP units, or 24 months for other grantees. Moreover, HUD's expectation is that grantees will convey most SHOP units within 12 months of the end of the SHOP grant term. Quarterly and annual reporting systems help HUD monitor grantee performance.

The following examples illustrate how HOME funds are used throughout the country:

- **HOME in Glendale, AZ**

First Affordable LEED Platinum Home in Arizona

HOME Commitment: \$60,257

Total Units: 1 HOME unit /1 Total unit

The new home for the Acosta family has been dubbed a "miracle on 54th Avenue" in Glendale. The Glendale Community Revitalization Division demolished a blighted structure in one of its oldest neighborhoods, called the Heart of Glendale. The lot was cleared with Community Development Block Grant (CDBG) funds, which allowed the city to demolish the home and end the criminal activity that was taking place there.

Margarita and Leo Acosta are raising their three grandchildren.

Although Leo is disabled and not able to hold a full-time job, he still

works as a crossing guard at the nearby Harold Smith Elementary School. His wife, Margarita, works as a custodian in the same school. The Acosta family had been living in Glendale's public housing, called Chula Vista, for the past 9 1/2 years in a small two bedroom apartment.

Their dream to own a private home was finally made possible through a partnership between the City of Glendale and Habitat. As an added bonus, their "green" home was the first affordable home in Arizona built to the Platinum level of LEED certification, which is



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the highest designation possible. The Acosta family benefits from an interest-free mortgage from Habitat, as well as lower utility costs because of the use of environmentally friendly techniques and materials.

Habitat began building with Glendale in 1999 and now includes more than 40 homes. Most of the homes have used a combination of CDBG and HOME Investment Partnerships program funds to either clear the lot of blighted structures or to purchase the land. The city's partnership and Federal funds have brought more affordable housing to residents like the Acosta family.

Some of the home's LEED Features:

- House orientated to maximize the use of solar power and minimize west facing windows.
- Landscaping diverts 100 percent of rainwater that falls on the site to the plants.
- Yard uses minimal amount of water based on drought tolerant plants and drip irrigation.
- The toilets, shower heads, and faucets are all low flow devices to minimize water used.
- All paints, sealants, and adhesives used on the interior of the house are low in toxins.
- 91 percent of waste from the site was recycled including: wood, concrete, drywall, plastic, paper, and metal, minimizing our impact on landfills.
- Heat loss was minimized with weather stripping, insulation, sealants, and other strategies.
- 100 percent of appliances and lighting fixtures are certified by Energy Star for low energy usage.

HOME in Hialeah, FL

300 Unit Elderly Affordable Rental Housing Project

HOME Commitment: \$9,524,494

Private Financing: \$15,000,000.00

County General Obligation Bond Program Funds: \$5,000,000.00

City of Hialeah General Fund Revenue: \$ 4,000,000.00

Total Units: 300 HOME units / 300 total units

The city of Hialeah, acting as both developer and general contractor – saving thousands of dollars from profit, overhead and development costs – maximized the use of funds through a creative combination of Federal, private and local funds, including: HOME, Miami-Dade County General Obligation Bond Program Funds, the city of Hialeah's general funds as well as in-kind services. With these funds, Hialeah constructed four, five-story buildings at a fixed \$300 a month, that serve low-income elderly residents selected from the local housing authority waiting list. This project is owned and managed by the city and maintained in the same manner as other public city facilities.



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This facility, which provides 300 one-bedroom, one-bath brand new apartments, is occupied by low-income elderly individuals at or below 50 percent of median income. These 300 units, located on four acres of land formerly used as a trailer park, are within walking distance from the Miami-Dade County Metro Rail Station as well as many other forms of public transportation, and in close proximity to various service oriented shopping, government and educational facilities.

This project improved the lives of these new tenants, directly invigorated the neighborhood, and served as a catalyst for economic development activities and improvements in the entire neighborhood. In addition, the use of local contractors for the purchase of materials and supplies, as well as encouraging the use of local small business and minority firms, added to the overall economic stimulus. The construction phase involved 140 separate contracts and infused over \$30 million into the local economy.

- **HOME in Winchester, VA**

Phazz 1 Ministries, Inc. Tenant Based Rental Assistance (TBRA) Program

HOME Commitment: \$35,000

Total TBRA Assisted Units to Date: 20 Households Assisted

The Northern Shenandoah Valley Regional Commission (NSVRC), as part of the Winchester HOME Consortium, awarded \$35,000 in HOME funding to assist Phazz 1 Ministries Inc. in implementing a Tenant-Based Rental Assistance program (TBRA) for Winchester and Frederick County, VA. Phazz 1's mentoring as part of their TBRA program includes: housing counseling, financial literacy, family activities and after-school tutoring. Phazz 1 states that it offers a "hand up, not a hand out" through empowering individuals and families to secure affordable housing. Phazz 1 provides security and utility deposits, in addition to first month's rent. To date, Phazz 1 has placed 20 families into safe, decent and affordable housing, including 27 adults and 27 children since November 2011.

The TBRA program has had a major impact on the lives of the families supported. Some clients assisted by the TBRA program have gained full-time employment, moved up a position in their jobs or secured better jobs. Many of the clients Phazz 1 have reported being more aware of the importance of housing, and they continue to work hard to ensure that they are never in the situation where they are unstably housed. Phazz 1 clients report that their kids are happier, and that they now have a sense of stability that they have not had in years. This TBRA program is one of many successes for the Winchester HOME Consortium!



The following example is from the "HOME is a Resource for Rural Communities," *Housing Assistance Council Rural Voices Spring 2012*

- **HOME in Windsor, VT**

Armory Square Apartments, a historic, 69,000 square foot, brick apartment complex owned by an out of state partnership, was

HOME Investment Partnerships Program

mismanaged and in disrepair. Drug use and violence were rampant and the vacancy rate had climbed to 26 percent. The town approached the local non-profit housing developer, Rockingham Area Community Land Trust (RACLT), and asked it to take on redevelopment.

RACLT and housing Vermont used \$750,000 in HOME program funding, \$9 million in low-income and rehabilitation investment tax credit equity, \$1,275,000 from the Vermont Housing & Conservation Board, and an array of other Federal, State, municipal, and private sources to complete the \$17 million redevelopment.

The redevelopment reduced density from 72 to 58 units, changed the income mix in the building, and created space for an on-site property manager, a full time service coordinator, a community room, and offices for outside service providers. The redesign incorporated energy conservation measures, installed new windows, appliances, a fire alarm system, and added an elevator.

The redevelopment has been recognized with awards including the Governor's Award for Environmental Excellence, a Merit Award for innovative and integrated design approaches for energy efficiency, and an Award for Socially Responsible Housing from the Boston Society of Architects.

HOME Investment Partnerships Program

HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics as of September 30, 2012

<p>Completed Production Units</p> <p>Homebuyer 460,692 Rental 423,154 Homebuyer Rehab 212,100</p> <p>Total Production Units 1,095,946</p>			<p>Occupied Units 98.9%</p> <p>Households Receiving Tenant Rental Assistance (TBRA) 264,715</p>		<p>Ethnicity Characteristics</p> <p>Hispanic 17% Non-Hispanics 83%</p>	
<p>Units by HOME Activity</p> <p>A 3D pie chart titled 'Units by HOME Activity' showing the distribution of units across three categories: Homebuyer (42%), Rental (38%), and Homebuyer Rehab (20%). The Homebuyer slice is blue, Rental is red, and Homebuyer Rehab is green.</p>			<p>Family Size</p> <p>1 Person 37% 2 Persons 22% 3 Persons 18% 4 Persons 13% 5 Persons 6% 6 Persons 2% 7 Persons 1% 8+ Persons 1%</p>		<p>Race Characteristics</p> <p>White 46% Black/African American 32% Asian 1% American Indian/Alaskan Native 2% Native Hawaiian/Pacific Islander* 0% American Indian/Alaskan Native & Asian & White* 0% Black/African American & White* 0% American Indian/Alaskan Native & Black* 0% Other Multi-Racial* 1% Asian/Pacific Islander** 1% Spanish Culture or Origin** 17%</p> <p>*represents less than 0.5% **data collected through old race definitions</p>	
<p>Status of HOME Funds</p> <p>Amount Allocated \$32.5 billion 99% Amount Committed \$30 billion 91.7% Amount Disbursed \$28.3 billion 86.5%</p>			<p>Units: Number of Bedrooms</p> <p>0 Bedroom 3% 1 Bedroom 17% 2 Bedroom 28% 3 Bedroom 44% 4 Bedroom 7% 5+ Bedroom 1%</p>		<p>Income Status</p> <p>Extremely Low-Income (0-30% AMI) 25% Very Low-Income (30-50% AMI) 32% Low-Income (50-80% AMI) 43% Above Low-Income (>80% AMI) 0%</p>	
<p>Ratio of Other Dollars to HOME Dollars (Leveraging)</p> <p>4.13:1</p>			<p>Average HOME Cost Per Unit</p> <p>Homebuyer \$13,358 Rental \$28,740 Homeowner Rehab \$19,344 TBRA \$2,995</p>		<p>Funds Reserved to Community Housing Development Organizations (CHDOs)</p> <p>20.8%</p>	

Source: Cumulative HOME Production (1992 - 2012) from the Integrated Disbursement and Information System (IDIS).

4. How do we know this program works?

Evaluations and Research

GAO Study

In response to a Congressional directive issued in Section 231 of the Consolidated and Further Continuing Appropriations Act of 2012, GAO conducted a study to analyze "...: (1) what is known about the effectiveness (or impact) of the CDBG and HOME program; (2) the performance measures HUD has in place for the CDBG and HOME programs and any challenges HUD faced in developing these measures; and (3) promising practices HUD and other have identified for the CDBG and HOME programs."¹

GAO released a report on May 15, 2012, acknowledging the difficulties associated with assessing the effectiveness of federal block grant programs at a national level, while concluding that a positive correlation exists between the HOME program and assisted communities. The study found:

1. Few comprehensive studies on the effectiveness of the HOME program exist, but GAO determined that a number of studies focusing on specific activities have generally found HOME has made positive contributions. A 2001 study found that slightly more than 95 percent of HOME-funded units had rents that were at or below program affordability limits. A 2004 study found that the HOME program supported both geographic and economic mobility of homebuyers. A 2008 study found that HOME-assisted buyers had foreclosure rates slightly lower than a similar demographic group of FHA insured buyers.
2. HUD has established performance measures for the HOME program. The Office of Community Planning and Development developed a performance measurement system in 2006 that allows grantees to report on objectives, intended outcomes, and outputs for all activities undertaken. The system has provided the Department with data capable of being aggregated at the national level, but the GAO report acknowledges the inherent challenges related to developing performance measures for block grant programs. The GAO found that HOME has historically collected extensive data regarding the completion of HOME units and the beneficiaries assisted by the HOME program. For every unit receiving HOME assistance, HUD collects data on race/ethnicity, income range, and the size, and type of the beneficiary household, as well as HOME costs per unit and project, leveraging of other resources, and the number of years each unit will remain affordable to low- and very low-income families.
3. HUD and others have identified several promising practices for the HOME program related to program management and use of funds. The promising practices included the development of local performance measurement systems, internal operating procedures, and the identification of a number of innovative projects that effectively used HOME funds. It was noted that HUD gave awards in 2005 and 2011 for HOME projects that demonstrated neighborhood revitalization, innovative design, reaching underserved populations, and producing sustainable housing. The report also referenced the Consolidated Plan enhancements that provide better data allowing grantees to prioritize and target limited resources.

¹ Shear, William B. "GAO-12-575R Effectiveness of Block Grants." Government Accountability Office. 15 May 2012.

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With respect to the SHOP program, since the inception of the SHOP program in 1996, 25,090 affordable units have been completed and sold to low-income homebuyers. Quarterly and annual performance reports are submitted to HUD by each grantee have clearly demonstrated the positive impact of SHOP programs on expanding the supply of affordable homeownership housing for low-income families. HUD collects data that provides statistics on units underway, completed, and conveyed; the income and ethnicity of homebuyers; the amount of leveraged funds; handicapped accessible and visitable units; and the average appraised value and sale price of SHOP units – this data has shown that SHOP plays a vital role in promoting low-income homeownership.

SHOP-funded properties are often featured on various affordable housing websites and journals as successful examples of affordable homeownership housing. For example the Habitat for Humanity International website provides links to a number of articles and homeowner testimonials about its self-help homeownership housing model (including SHOP funded homes) at: http://www.habitat.org/stories_multimedia/default.aspx and http://www.habitat.org/stories_multimedia/homeowner_stories/

Plans for Program Improvement

Operating

- HUD published a comprehensive proposed regulation for the HOME program in the *Federal Register* on December 16, 2011. Over 300 public comments on the proposed changes were received by February 14, 2012. The Final Rule will be issued in fiscal year 2013, providing significant reforms to CHDO performance, underwriting standards for rental housing and homeownership, developer selection, property standards, deadlines for completing projects, and ongoing monitoring of financial conditions of HOME-assisted projects.
- HUD will provide technical assistance, training, tools and guidance to PJs to assist in implementing significant new requirements established by the HOME final rule.
- HUD will provide technical assistance and guidance to HOME PJs to assist them in complying with recent changes to IDIS designed to improve HOME accomplishment reporting and better track the progress of HOME projects.
- HUD will provide public data on completed HOME Energy Star units as an incentive for grantees to better report Energy Star accomplishments.
- HUD will make system changes to better capture energy efficiency improvements to HOME rehabilitation projects.

HOME Investment Partnerships Program

Technical Assistance/Capacity Building

One of HUD's key roles as responsible steward of taxpayers' funds is to provide technical assistance to help its PJs and non-profit partners build capacity. HUD has developed numerous HOME programmatic and technical training courses to build capacity of PJ staff, including three "HOME certification" courses in Regulations, Administration, and Rental Housing Compliance, after which participants take a 2-hour exam to obtain certification. In addition, HUD has used HOME technical assistance funds for one-on-one capacity building for PJs and for "troubled project technical assistance" to help PJ staff complete "workouts" on HOME rental projects experiencing financial or physical problems during the compliance period. In fiscal year 2010, CPD, through HUD's Transformation Initiative (TI) Fund, redesigned its technical assistance/capacity building efforts and continues to improve its grant reporting systems to ensure that grantees are able to more efficiently manage, design and align their programs to maximize scarce resources. This effort, known as "OneCPD," has allowed HUD to continue to ensure that a PJ's overall capacity is assessed and that a technical assistance plan is developed to address the PJ's individual capacity needs, not just fix the HOME "problem project" and ignore the underlying skills gap.

Planning and Performance Evaluation

The Consolidated Plan implements the statutory and regulatory planning and annual submission requirements for the Community Development Block Grant, HOME, Emergency Solutions Grant, and Housing Opportunities for Persons with AIDS formula block grant programs. Grantees submit a Consolidated Plan to HUD every 3-5 years, describing their strategic community development and affordable housing goals for the term of the plan. They must also submit Annual Action Plans describing how each year's grant allocations will be spent according to the strategy laid out in the Consolidated Plan. Performance and program outcomes are reported to HUD annually.

Consolidated Plan enhancements were implemented May 2012. HUD designed improvements to the Consolidated Plan to enhance the effectiveness of these four formula block grants by providing grantees with expanded data and a web-based mapping tool and planning template to improve up-front production and back-end performance reporting. These updates provide grantees with better tools for decision-making and assist them to leverage resources and maximize program outcomes.

The enhanced Consolidated Plan helps HOME PJs to structure their housing programs in response to the unique market conditions within their communities by providing enhanced housing market data. In addition, HUD has made existing housing data more useful by providing it in the format required for the Consolidated Plan, and has made it available through an online mapping tool.

By automating the paper Consolidated Plan, Annual Action Plan, and performance reporting forms, duplicative grantee data entry and manual processing will be reduced by at least 65,000 grantee hours, based on estimated paperwork burden hours associated with the past forms.

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HUD Oversight, Reporting, and Enforcement

HUD takes its role as steward of taxpayers' money seriously. The HOME program has a track record of vigilance in attempting to prevent and, when necessary, to remedy the misuse of federal funds. These actions have accelerated since 2009. In early 2009, the Department conducted an overall assessment of the program and found that HOME is a solid production program that needed regulatory and system improvements. The HOME program requested TI funds approved in HUD's fiscal year 2010 budget for improvements to IDIS and those improvements were implemented in May 2012. Moreover, it was clear that improvements were necessary to technical assistance and capacity building efforts to support program grantees in becoming true placed-based players in the housing market. Based on this assessment, the Department has improved and will continue to improve its oversight, monitoring, enforcement and partnership with the HUD Office of the Inspector General.

- *Oversight*
 - *Risk Assessment and Monitoring by Field Offices*

HUD has taken steps to improve its on-site and remote monitoring ability and, consequently, its oversight of HOME PJs. These include a stricter risk management assessment, improved comprehensive monitoring exhibits and clear procedures for field offices to provide oversight of CPD's programs.

Each year HUD field offices conduct a risk assessment of all formula and competitive grantees based on several factors, including size of formula grant, complexity of activities undertaken, management capacity, and length of time since last monitoring visit. Based on the risk assessment results, field offices target staff resources to monitor grantees that pose the greatest risk of fraud, waste, abuse and mismanagement. This monitoring includes a PJ review to assess policies and procedures governing sub-recipient management, financial management, eligible activities, allowable costs, written agreements, match requirements, and beneficiary data. It also includes a review of specific project files and on-site inspection of selected sample project(s).

- *Reporting*

HUD has developed a range of innovative tools and system improvements over the years to improve HOME oversight and to assist grantees to better manage their programs. These tools help to track program funds, to rate and rank grantee performance, and to identify and lower risk in the HOME program – most are publicly available on HOME's website. Examples are the HOME Performance SNAPSHOT Report, which ranks PJs, and notes poor performance given certain criteria; the Open Activities Report, which identifies at the state and local level, progress of individual HOME projects; and the Auto-Cancellation Report, which identifies those projects that are cancelled due to not having any activity within the 12-month commitment period. HUD added additional reports to enable improved, real-time reporting on the progress of HOME projects underway.

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- *Enforcement*

The HOME program is focused on realizing a full return on the taxpayers' investment in affordable housing. HUD has a number of enforcement tools available when PJs do not meet commitment or expenditure timelines, fail to complete a project, or cannot administer their HOME program due to mismanagement/non-compliance issues.

- *Deobligations*

The HOME program produces a monthly "Deadline Compliance" status reports to track compliance with statutory HOME funds commitment and expenditure deadlines which are strictly enforced. PJs have 2 years to commit funds to a viable project and 2 years to expend these funds.

- *Repayments and Grant Reductions in Lieu of Repayment*

HUD always receives repayment of HOME funds that are misspent. Moreover, HUD takes its enforcement role seriously and has collected more than \$238 million in repayments from PJs for ineligible costs or activities. PJs are required to repay these funds from non-federal funds.

- *Suspension of Future HOME Funds*

HUD has taken more serious action against PJs when there is a pattern of mismanagement or non-compliance with HOME regulations. After providing notice and opportunity to respond, since 2004 HUD has withheld annual HOME fund allocations to seven PJs, some for multiple years, to enforce program requirements.

SHOP has no formal regulations to guide current and future SHOP grantees. The current SHOP statute limits HUD's issuance of any regulations to five pages, which is too limited to provide meaningful program guidance. As a result the annual SHOP NOFA and related Grant Agreement are overburdened with program and cross-cutting statutory requirements. The SHOP statute also includes a dual 24 month and 36 month expenditure deadline that is difficult to administer, and does not provide a clear deadline for the completion and conveyance of all SHOP units. In addition, there is no automatic system for collecting and analyzing SHOP data. All data on SHOP performance is currently collected and analyzed manually through quarterly spreadsheet submissions, a process that is very staff-intensive and does not allow for "real-time" data analysis.

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Therefore, HUD is proposing the following improvements through a legislative proposal that will be released this spring:

- Amend the SHOP statute to allow HUD to issue enhanced SHOP regulations; and
- Use available Information Technology (IT) funding to modernize the SHOP reporting system to reduce the reporting burden on SHOP grantees and HUD.

HUD's proposed statutory changes will eliminate grantee uncertainty in the administration of the SHOP program through the issuance of regulations that will allow HUD to engage in rule making for public comment, unlike the annual NOFA process. The elimination of the dual expenditure deadline will enable grantees to more easily shift funds away from non-performing affiliates, without danger of violating the 24-month grant term. It will also ease HUD and the grantee's burden of tracking multiple deadlines for each SHOP grant. Providing HUD with the statutory authority to establish a deadline for the timely completion and conveyance of all SHOP grant-assisted units will better enable HUD to facilitate program performance and enforce against instances of non-compliance. The grantees will have also a clearer understanding of performance expectations.

HUD's use of available IT funding to develop an on-line grants management system (SHOP GMS) will allow easy retrieval of key SHOP grant information, the on-line submission of performance information, a library of key documents and reference material, "real-time" data analysis, and the automatic generation of performance and other status reports for both grantees and HUD. This will reduce the current administrative reporting burdens. HUD is consulting with grantees in the development of this system to ensure that it meets the grantees' needs.

HUD's Information Technology Portfolio Improvements

The Department's investment in CPD information technology systems has transformed grants management at HUD and has been critical in the effective implementation of the Hearth Act of 2009. 2010 and 2011 TI investments have resulted in the deployment of 13 releases for the four key CPD systems (IDIS, eSNAPS, DRGR and CPD-Maps) on time and on budget. Specifically, these releases:

- Automated a multitude of manual processes and program reporting requirements saving over 100,000 hours in reporting burden to grantees and HUD staff;
- Allowed for the implementation of the Hearth Act in fiscal year 2012;
- Created the capacity to collect lead-based paint information to insure compliance with statute and improve the health of low-income families;
- Launched CPD Maps, providing new functionality for grantees and the public to view grant information and economic needs data using real time maps to assist in the preparation of the consolidated plan;
- Fully automated the consolidated and annual plan process for 1200 grantees;
- Expanded the use of business intelligence in the preparation of dashboards and reports for HUD staff and grantees; and
- Expanded electronic funds control capabilities to new Hearth Act programs.

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HUD is well on its way to addressing all of the HUD Inspector General's internal audits recommending that HUD strengthen its oversight over grantee reporting in IDIS, but work still remains. Upcoming system releases will:

- Increase HUD's ability to track activity progress and promote timely completion of activities;
- Alert CPD field offices when a grantee has activities that remain open beyond a specified time period to prevent longstanding open activities;
- Require approval for the cancellation of projects that have expended funds;
- Generate multiple new reports that strengthen HUD staff's ability to oversee grantee transactions, identify potential activity problems, and track open activities; and
- Restructure the CDBG performance measurement reporting requirements by eliminating those elements that have not generated useful data and reducing grantee reporting burden.

Furthermore, CDBG staff is developing updated IDIS reporting guidance and consolidating IDIS resources on one website. Headquarters staff is also developing guidance for field offices on how to use IDIS data in their monitoring reviews and guidance on appropriate corrective actions or sanctions in cases of program noncompliance. HUD placed revised program guidance pieces in service in November 2012 and anticipates additional system enhancements to become operational by the summer of 2013, pending contractor availability.

These initiatives will continue to will enhance grants management systems such as IDIS, Disaster Recovery Grant Reporting (DRGR) system, and CPD Maps to meet HEARTH Act goals. These investments will automate, centralize, and standardize business processes on modern, web-based, enterprise architecture-compliant, best-of-breed platforms, and add significant business capabilities while reducing operational costs.

HUD will also 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 create and enhance customer-facing systems for carrying out HUD's mission, enable 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 HUD's competitive grants. Future TI projects will further enhance system and business capabilities, automate additional grant programs and processes throughout HUD, modernize legacy systems, and aspire to consolidate multiple grant systems to a centralized, integrated solution of two or three enterprise systems.

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5. Notes to Justifications

Improvements to the program

Recent System Improvements

On May 4, 2012, HUD implemented significant changes for HOME functionality in IDIS; this is HUD's system used by the grantees to request funds and report accomplishments. These changes greatly enhance the accountability of the HOME PJs, and improve HUD's ability to track the progress of HOME projects. The changes are described below.

- *Open Activity Flags*
 - *Activities in final draw status for more than 120 days.* The system flags activities that have been in final draw for more than 120 days. Warning flags appear when an activity has been in final draw for 30 days and 90 days. If the activity is not completed or cancelled after 120 days in final draw, the PJ's ability to set up new HOME activities or commit funds to HOME activities other than those flagged activities will be suspended. Final draw means that all of the HOME funds committed to the activity have been disbursed in IDIS.
 - *Activities with infrequent draws.* The system flags activities with infrequent draws – those with some HOME funds disbursed, but no disbursements in the previous 12 months. For these activities, the PJ must enter a reason and a narrative explanation for the infrequent draws or its ability to set up new HOME activities and commit funds to HOME activities will be suspended in the system. Once the reason and narrative explanation are completed and saved, full IDIS functionality is restored unless there are other flagged activities. The list of reasons from the dropdown menu include:
 - project progressing toward completion;
 - project start was delayed; and
 - project is stalled.

The system will require the PJ to update the reason and narrative every 180 days until the activity is completed. The reason and narrative history is saved and will be made available on future IDIS reports.

- *Activities considered involuntarily terminated before completion.* The HOME Proposed Rule that was published on December 16, 2011, proposed to categorize open HOME activities that have had a commitment of HOME funds for more than 4 years but are not yet completed as terminated before completion. The fiscal year 2012 HOME Appropriation law imposed a similar 4-year completion deadline on HOME projects funded with fiscal year 2012 HOME funds. To implement the fiscal year 2012 appropriation provisions, IDIS now flags these activities. At this time, there is no loss of IDIS functionality as a result of having HOME activities identified as involuntarily terminated before completion. However, for all 2012 HOME activities and, if the four year completion requirement is adopted in a HOME final rule, activities that fall into this category will be blocked in IDIS and the PJ must obtain an extension or waiver, or cancel the project and repay

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the HOME investment. Although not currently subject to a 4-year deadline, it is important that PJs ensure that these projects are completed timely.

- *PR48 Open Activities Report.* Activities that fall into one or more of these open activity flag categories will be identified in IDIS and on the new PR48 HOME Open Activities Report and both 90 days and 30 days prior to the deadline.
- *PR49 Deadline Compliance Status Report.* The PR49 is similar to the traditional HOME Deadline Compliance Status Report and will eventually replace that report. This new report allows for near real time tracking of a PJ's progress in meeting its HOME two year commitment and CHDO reservation requirements and five year expenditure requirements.
- *Revised Commitment Certification.* Due to language in the fiscal year 2012 HOME appropriation, the commitment certification has been revised in IDIS. The specific, new certification only applies to activities set up under 2012 action plan projects in IDIS. Under the new certification, the user must certify that it has conducted an underwriting review; assessed developer capacity and fiscal soundness; and examined neighborhood market conditions to ensure adequate need for project prior to committing funds to a HOME activity in the system.
- *CHDO Certification.* There is a new CHDO certification in IDIS as a result of the requirements of the fiscal year 2012 HOME appropriation. The certification requires a user to certify that a CHDO has demonstrated development experience prior to receiving an award of CHDO set-aside funds in the system, and the user must agree to the certification each time it subgrants CR (CHDO set-aside) funds to a CHDO in IDIS. Currently the certification applies to fiscal year 2012 CHDO reservations or CHDO subgrants in IDIS only.
- *Completion Date Edit.* The completion date for HOME activities now defaults to the current date when the activity status is first changed to "completed." If the PJ reopens the activity, it can complete the activity again with the original completion date, but cannot enter a date prior to the original completions date. Since the period of affordability begins after project completion, the completion date in IDIS is very important for HOME. The new edit provides an incentive for PJs to complete HOME activities timely in IDIS.
- *Program Income for Administrative Costs.* A new fund type was added to IDIS to allow PJs to set aside ten percent of the program income deposited in their local account for administrative costs. Now, for the first time ever, PJs can easily set aside the 10 percent program income administrative allowance in the system.
- *Subgranting Program Income.* PJs are now able to subgrant program income to state recipients and subrecipients. Using this feature, PJs may now allow state recipients and subrecipients to retain program income while still reporting the ultimate receipt and use of the program income at the state level.

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The following table shows HOME Investment Partnerships Program allocations by State for fiscal year 2012 enacted Budget Authority, and the fiscal years 2013 and 2014 Budget requests. The 2013 and 2014 amounts represent preliminary estimates.

STATE OR TERRITORY	ACTUAL	ESTIMATE	ESTIMATE
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(Dollars in Thousands)		
Alabama.....	\$13,754	\$13,561	\$12,608
Alaska.....	3,623	3,606	3,566
Arizona.....	15,130	15,415	14,367
Arkansas.....	9,166	9,271	8,606
California.....	130,117	133,027	124,045
Colorado.....	12,911	13,487	12,568
Connecticut.....	11,424	11,985	11,147
Delaware.....	4,132	4,156	4,080
District of Columbia.....	4,343	4,390	4,107
Florida.....	47,543	47,101	43,906
Georgia.....	25,725	26,108	24,283
Hawaii.....	5,548	5,399	5,241
Idaho.....	3,971	4,168	3,869
Illinois.....	43,317	43,622	40,654
Indiana.....	19,421	19,171	17,838
Iowa.....	8,792	8,771	8,151
Kansas.....	8,083	8,036	7,475
Kentucky.....	14,018	14,146	13,144

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STATE OR TERRITORY	ACTUAL	ESTIMATE	ESTIMATE
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(Dollars in Thousands)		
Louisiana.....	14,547	13,847	12,882
Maine.....	4,697	4,646	4,317
Maryland.....	12,819	13,182	12,285
Massachusetts.....	25,005	25,688	23,948
Michigan.....	31,569	31,246	29,095
Minnesota.....	13,419	14,107	13,135
Mississippi.....	9,460	9,029	8,381
Missouri.....	18,344	18,403	17,128
Montana.....	3,882	3,881	3,823
Nebraska.....	5,559	5,489	5,325
Nevada.....	8,465	8,670	8,296
New Hampshire.....	3,775	3,784	3,734
New Jersey.....	25,475	25,499	23,792
New Mexico.....	5,665	5,700	5,298
New York.....	100,110	97,592	91,050
North Carolina.....	25,771	26,308	24,486
North Dakota.....	3,418	3,419	3,392
Ohio.....	40,580	40,490	37,702
Oklahoma.....	11,094	10,772	10,019
Oregon.....	12,823	13,281	12,360
Pennsylvania.....	42,108	42,530	39,626
Rhode Island.....	5,094	5,137	4,996
South Carolina.....	11,949	12,493	11,639
South Dakota.....	3,370	3,361	3,337
Tennessee.....	18,087	18,265	16,992

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STATE OR TERRITORY	ACTUAL	ESTIMATE	ESTIMATE
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	(Dollars in Thousands)		
Texas.....	67,709	68,208	63,537
Utah.....	6,282	6,427	6,202
Vermont.....	3,338	3,398	3,371
Virginia.....	18,832	18,982	17,681
Washington.....	19,673	20,040	18,682
West Virginia.....	6,417	6,199	5,762
Wisconsin.....	18,143	18,631	17,345
Wyoming.....	3,500	3,500	3,500
Puerto Rico.....	<u>16,003</u>	<u>16,484</u>	<u>15,347</u>
Subtotal Formula Grants	\$998,000	\$1,004,108	\$938,120
Other activities..(Insular and SHOP).....	<u>2,000</u>	<u>2,012</u>	<u>11,880</u>
TOTAL HOME.....	\$1,000,000	\$1,006,120	\$950,000

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**COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Summary of Resources by Program
(Dollars in Thousands)**

Budget Activity	2012 Budget Authority	2011 Carryover Into 2012	2012 Total Resources	2012 Obligations	2013 Annualized CR	2012 Carryover Into 2013	2013 Total Resources	2014 Request
Formula Grants	\$998,000	\$359,406	\$1,357,406	\$1,203,898	\$1,004,108	\$150,932	\$1,155,040	\$938,120
Insular Areas	2,000	...	2,000	2,000	2,012	...	2,012	1,880
HOME/CHDO Technical Assistance .....	...	2,440	2,440	1,904	...	536	536	...
Management Information Systems .....	...	311	311	...	...	311	311	...
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	<u>10,000</u>
Total	1,000,000	362,157	1,362,157	1,207,802	1,006,120	151,779	1,157,899	950,000

NOTE: The 2011 Carryover Into 2012 column includes approximately \$8 million of funds recaptured in fiscal year 2012. The 2012 Carryover Into 2013 column excludes \$2,576 of fiscal year 2010/2012 grant funds that expired at the end of fiscal year 2012.

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**COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Appropriations Language**

Below is italicized appropriations language for the HOME Investment Partnerships program.

For the HOME Investment Partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, \$950,000,000, to remain available until September 30, 2016: Provided, That of the amounts made available under this heading, up to \$10,000,000 shall be made available for the Self-Help and Assisted Homeownership Opportunity Program (SHOP), as authorized by Section 11 of the Housing Opportunity Program Extension Act of 1996, as amended.

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.