

**COMMUNITY PLANNING AND DEVELOPMENT
CAPACITY BUILDING
2015 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>
2013 Appropriation .....	...^a	...	...	...	...	...
2014 Appropriation/Request .....	...^a	...	...	...	...	...
2015 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	...

a/ In fiscal years 2013 and 2014, this program was included in the Self-Help and Assisted Homeownership Opportunity Program account.

1. What is this request?

The Department is requesting \$20 million in fiscal year 2015 for the 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). We do not include a specific set-aside for rural capacity building activities by Section 4 grantees, but we anticipate developing a rural set-aside as part of the NOFA process. Section 4(a) Capacity Building is a competitive grant that funds three eligible intermediary organizations - Local Initiatives Support Corporation, Enterprise Community Partners, Inc., and Habitat for Humanity International - to develop the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) at the local level. This \$20 million request allows these organizations to undertake community development and affordable housing projects and programs for low-income families. This request will result in:

- approximately 5,000 housing units newly constructed, renovated, or preserved;
- 600 training opportunities; and
- an estimate of more than \$200 million in total development costs channeled to low-income communities in more than 250 communities nationwide.

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

Two FTE are requested for the Capacity Building program, which is the same as fiscal year 2014. For fiscal year 2015, the total S&E funding is approximately \$262 thousand.

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More details on the S&E request are provided in S&E justification for the Office of Community Planning and Development.

2. What is this program?

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

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 CDCs and CHDOs. This enables the CDCs and CHDOs to 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. The program requires a 3:1 match of private dollars – over the life of the program, grantees have generated in excess of a 10:1 match. 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.

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

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

To carry out its mission of creating quality affordable homes for all, HUD relies on its partners across the country to effectively carry out community development and affordable housing projects. In February 2013, HUD released a summary of its biennial Worst Case Housing Needs Report. As a part of this report, HUD found that nearly 8.5 million households had worst case housing needs in 2011, up from 7.1 million in 2009 – a 19 percent increase since 2009, and 43 percent increase 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 Area Median Income (AMI). The result is a widening of the gap between the number of available affordable units and the number of low-income renters seeking affordable units.

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See U.S. Department of Housing and Urban Development (February 2013) *Worst Case Housing Needs 2011: Report to Congress-- Summary*. http://www.huduser.org/Publications/pdf/HUD-506_WorstCase2011_reportv3.pdf

b. How does this program help solve the problem?

The Section 4 Capacity Building program provides funding for investments including affordable housing and economic development by awarding grants to eligible intermediary organizations. These organizations then re-grant the funds to individual CDCs and CHDOs. The funding provided by this program enhances the capacity and ability of those 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. These grantees also carry out community and economic development activities that create jobs for low-income persons. Funding through this program provides for capacity building activities that include training, education, support, and advice to enhance the technical and administrative capabilities of CDCs and CHDOs. This aids the CDCs' and CHDOs' development of the core skills needed to organize, manage, implement, and access capital to carry out community development and affordable housing projects. The program enables non-profit CDCs and CHDOs to be partners with the Administration in the implementation of key initiatives such as Choice Neighborhoods, Sustainable Communities, and restoration of their communities' economic vitality.

Section 4 Capacity Building strengthens the nation's lower-income urban and rural communities by bolstering local nonprofit community developers. This program leverages significant private capital using minimal federal dollars, creates jobs, supports small businesses, builds affordable housing for low-income families, and strengthens communities. Capacity building develops core skills that strengthen the ability of local community based organizations to implement HUD programs, raise capital for community development and affordable housing, coordinate on cross-programmatic place-based approaches and facilitate knowledge sharing.

The program requires grantees to provide a match of \$3 from private sources for every federal dollar, which makes the private sector integral in the community development work of CDCs and CHDOs. In practice, the private source matching ratio is even greater, averaging a 10:1 match. (Section 4 Program Has Expanded and Evolved GAO-03-975: Published: Sep 15, 2003. Publicly Released: Oct 15, 2003.)

4. How do we know this program works?

a. 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 supported the conclusion 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.

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The CDCs surveyed and interviewed reported Section 4 assistance helped them boost their capacity. 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.

b. Plans to improve this program via IT investments

CPD has identified requirements necessary to automate data collection and management for smaller grant programs, including the Capacity Building for Community Development and Affordable Housing program (Section 4 grant). Automation will enable Section 4 grantees to draw down funds and report performance results and program outcomes, streamline administrative processes for both Section 4 grantees and HUD, and speed time to award grants. HUD is evaluating several options for Capacity Building program automation and other small grant program automation.

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

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Capacity Building	\$20,000
Transformation Initiative (transfer)	[100]
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**

The fiscal year 2015 President's Budget includes proposed changes in the appropriation language listed and explained below. New language is italicized and underlined, and language proposed for deletion is bracketed.

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), \$20,000,000, to remain available until September 30, 2016.