HOME INVESTMENT PARTNERSHIPS PROGRAM
2015 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2013 Appropriation	$1,000,000	$163,252[a]	-$52,306	$1,110,946	$919,045	$1,420,011
2014 Appropriation/Request	1,000,000	190,269[b]	...	1,190,269	1,030,588	1,405,695
2015 Request	950,000[c]	159,681	...	1,109,681	955,380[d]	1,238,983
Program Improvements/Offsets	-50,000	-30,588	...	-80,588	-75,208	-166,712

a/ This number includes $11.473 million of funds recaptured in fiscal year 2013. Of those funds recaptured, $11.446 million were grants and $27 thousand were management information systems funds.
b/ This number excludes $1.632 million of fiscal year 2011/2013 funds that expired at the end of fiscal year 2013.
c/ This number includes an estimated Transformation Initiative (TI) transfer that may be up to 0.5 percent or $15 million, whichever is less, of Budget Authority.
d/ This number includes Self-Help and Assisted Homeownership Opportunities Program obligations of $10 million.

1. What is this request

For fiscal year 2015, the Department requests $950 million for the HOME Investment Partnerships program, which includes up to $10 million as a set-aside for the Self-help and Assisted Homeownership Opportunity Program (SHOP). This request is $50 million less than the 2014 enacted level for HOME, and SHOP was funded separately in 2014 at $10 million.

Between 2009 and 2011, 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. HOME is the primary federal tool of state and local governments for the production of affordable rental and for-sale housing for low-income families. In the past 21 years, HOME has completed 1.15 million affordable units. Although the Administration is committed to addressing the nation’s worst case housing needs by increasing the supply of affordable housing to low-income families, the Department is requesting reduced funding levels in many of its programs, including a five percent decrease in HOME, given the tight fiscal situation facing the federal government.

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

A total of 166 FTEs are requested for the HOME Investment Partnerships Program, which is an increase of 5 FTEs, compared to fiscal year 2014 enacted. For fiscal year 2015, the total S&E funding is approximately $22.223 million. For personnel services, HOME is requesting $21.758 million. HOME’s fiscal year 2015 non-personnel services budget request is $465 thousand.
More details on the S&E request are provided in S&E justification for the Office of Community Planning and Development.

HOME Investment Partnerships Program

Key Outcomes of the HOME Program:

- An appropriation at the $950 million request level will result in the following production over time:
    - 14,875 units of affordable housing for new low-income homebuyers;
    - 13,768 units of newly constructed and rehabilitated affordable rental units;
    - 6,951 units of owner-occupied rehabilitation for low-income homeowners;
    - 7,881 low-income households assisted with HOME tenant-based rental assistance; and
    - 533 affordable homeownership units with SHOP funds.
- Moreover, funding HOME at the requested level would require HOME Participating Jurisdictions (PJs) to provide:
    - Matching contributions of approximately $229 million based on historical leverage data;
    - Result in approximately $4.11 billion in public and private leverage; and
    - Support approximately 17,000 jobs. (For every $1 million in HOME funds, approximately 18 jobs are supported.)

High-level Legislative Proposals Summary

The fiscal year 2015 HOME request also proposes statutory changes that would:

(1) Revise "grandfathering" provisions and eliminate the dual allocation threshold for HOME participating jurisdictions;

(2) Permit statewide non-profits to be designated as Community Housing Development Organizations (CHDOs);

(3) Allow an exception to 30-day requirements notice for eviction or failure to renew lease; and

(4) Provide for a formula reallocation of recaptured CHDO set-aside funds.

  a. SHOP Program:
  b. Amend the SHOP statute to allow HUD to issue enhanced SHOP regulations;
  c. Add a section to specifically allow the use of up to 20 percent of SHOP grant funds for eligible planning, administration, and management costs;
  d. Establish a single 36-month grant term for the grantee's SHOP program; and

e. Authorize HUD to establish deadlines for completion and conveyance of all SHOP units.

In addition, a new HOME final rule (24 CFR Part 92) became effective August 23, 2013. This rule provides 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. These changes greatly enhance the accountability of the HOME participating jurisdictions, and improve the Department's ability to track the progress of HOME projects.

2. What is this program?

a. Program Description and Key functions

The HOME Investment Partnerships Program (www.hud.gov/homeprogram/) 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 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 non-profit 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).

In fiscal year 2013, HOME provided funding to 642 PJs, including 586 local government PJs (including 143 consortia), 52 states including the District of Columbia and Puerto Rico, and 4 Insular Areas. For many jurisdictions, these funds are the 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.

HOME Investment Partnerships Program

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 of the annual appropriation or $750,000 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 six formula factors, using the most recent data from the American Community Survey, are used:

- 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

HOME Program

- 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, funds may not be used to provide TBRA for certain special purposes of the existing Section 8 program, to provide non-federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.
- Low-Income Benefit. HOME makes homeownership affordable to lower-income households. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the 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.
    - 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 AMI. 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, 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, 2013, HUD determined that there were 274 PJs currently 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. From the inception of the program through September 30, 2013, the Department has de-obligated approximately $67.7 million.

- CHDO Set-aside. 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 national competition. To date, $16.1 million of CHDO funds have been recaptured.

- Repayments and Deadline Compliance. The Department has reduced HOME grants by approximately $37.9 million in lieu of repayment for incomplete or ineligible activities. De-obligated non-CHDO funds and funds from grant reductions in lieu of repayment are reallocated by formula to all PJs during the next formula allocation cycle. 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.

SHOP Program

- Authorization. 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.

- Eligible Grantees. SHOP achieves this goal through its annual Notice of Funding Availability (NOFA) competitive award. Each year HUD's SHOP NOFA sets forth program application requirements and rating criteria. To ensure that awards go only to high-quality applicants, eligible SHOP grantees are limited to national and regional nonprofit organizations and consortia that have experience in providing self-help homeownership housing in at least two states. In past years, HUD has awarded funds to between three and five SHOP grantees. These grantees have the option of using non-profit affiliate organizations to undertake their SHOP activities, and are responsible for the performance of their affiliates. The number of affiliates varies by grantee.

- Eligible Activities. SHOP funds can be used only 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 for land acquisition and infrastructure improvements, 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.

- Sweat Equity. 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 the title, the homebuyer must contribute a minimum of 50 hours of sweat equity; otherwise, the homebuyers must contribute a minimum of 100 hours of sweat equity. In exchange, SHOP homebuyers receive the full value of their sweat equity contribution as equity towards the purchase of their SHOP units. This sweat equity contribution may not be mortgaged or otherwise restricted upon a future sale.

b. Identify key partners and stakeholders, including interagency partnerships.

HOME funds are administered by states and local government Participating Jurisdictions (PJs). These PJs can undertake HOME projects on their own or in partnership with for-profit and non-profit housing developers, housing finance agencies, and Community Housing Development Organizations (CHDOs).

SHOP funds are limited to land acquisition, infrastructure improvements, and related administrative costs, as a result, SHOP requires significant leveraging and other investment – currently $6 in non-SHOP funding (including other federal funds) are raised for each dollar of SHOP funds expended. The SHOP model also requires donations of volunteer labor that further reduce production costs. In addition, by funding the preliminary site acquisition and infrastructure development costs, SHOP also enhances the ability of local governments to use other HUD funds (e.g., HOME, CDBG) more timely and efficiently.

HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics as of September 30, 2013

Completed Production Units

Homebuyer	480,536
Rental	445,153
Homebuyer Rehab	224,115
Total Production Units	**1,149,804**

Occupied Units

99%

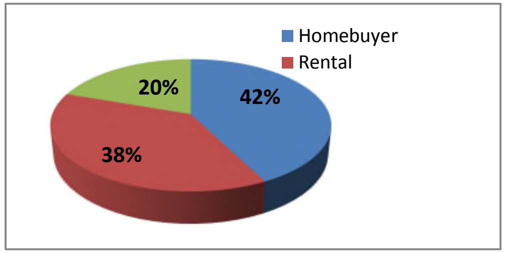
Households Receiving Tenant- Based Rental Assistance (TBRA)

280,384

Ethnicity Characteristics

Hispanic	17%
Non-Hispanics	83%

Units by HOME Activity



Family Size

1 Person	37%
2 Persons	22%
3 Persons	18%
4 Persons	13%
5 Persons	6%
6 Persons	2%
7 Persons	1%
8+ Persons	1%

Family Type

Single/Non-Elderly	26%
Elderly	21%
Related/Single Parent	27%
Related/Two Parent	20%
Other	6%

Race Characteristics

White	46%
Black/African American	32%
Asian	1%
American Indian/Alaskan Native	2%
Native Hawaiian/Pacific Islander*	0%
American Indian/Alaskan Native & White*	0%
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%

*represents less than 0.5%

**data collected through old race definitions

Status of HOME Funds

Amount Allocated	*$33.4 billion*	99%
Amount Committed	*$31.3 billion*	93.6%
Amount Disbursed	*$29.6 billion*	88.8%

Units: Number of Bedrooms

0 Bedroom	3%
1 Bedroom	17%
2 Bedroom	28%
3 Bedroom	44%
4 Bedroom	7%
5+ Bedroom	1%

Income Status

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%

Ratio of Other Dollars to HOME Dollars (Leveraging)

4.11:1

Average HOME Cost Per Unit

Homebuyer	$15,493
Rental	$31,282
Homeowner Rehab	$21,503
TBRA	$3,094

Funds Reserved to Community Housing Development Organizations (CHDOs)

21.1%

Source: Cumulative HOME Production (1992 - 2013) from the Integrated Disbursement and Information System (IDIS).

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

a. What is the Problem We're Trying to Solve?

The Need for Affordable Housing—

- The number of families struggling to make ends meet in the face of severe rent burdens has increased substantially during the decade. Affordability problems have been exacerbated by the recession and the increasing demand for rental housing generated by the foreclosure crisis. Only about one in four families' eligible for federal rental assistance programs receives assistance. In addition, according to a recent HUD report of worst case housing needs (U.S. Department of Housing and Urban Development, 2013 (August); *Worst Case Housing Needs 2011: Report to Congress*. Available at: http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds11_report.html), in 2011, 8.5 million very low-income rental households had worst case housing needs because they were unassisted and had severe rent burden (pay more than one-half of their monthly income for rent) or lived in severely inadequate housing conditions (live in housing with a variety of serious physical problems related to heating, plumbing, electricity, or maintenance). Worst case needs continue to grow from the previous record high in 2009 (7.1 million households) and by a striking 43.5 percent since 2007. Between 2001 and 2011, the number of renters with worst case needs increased by 3.46 million, or 69 percent.

- The worsening situation for the nation's 19.3 million very low-income renters clearly reflects the severe economic dislocation of the recession and the associated collapse of the housing market, which reduced homeownership through foreclosures and increased demand for rental housing. The scale of the problem requires major strategic decisions. As worst case housing needs have increased and the level of housing assistance remains relatively flat, the gap between the number of assisted units and the number of households with severe housing needs has never been wider. There are approximately two very low-income households with worst case needs for every very low-income household with rental assistance.

- 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).

- According to the "State of the Nation's Housing 2013," published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell for the eighth straight year from 66.1 percent in 2012 to 65.4 percent in

2013. For those under 54 years of age the homeownership rate is at the lowest point on record. The decline was especially pronounced for African-American families and for families with children. Although there has been a sharp drop in home prices and mortgage interest rates are historically low, tight credit conditions continue to prevent many would-be homebuyers, especially first-time homebuyers, from purchasing a home. Private lending activity is unlikely to increase for some time. Furthermore, low-income and minority borrowers are much more likely to be denied conventional loans. Programs offered by state housing finance agencies and non-profit lenders are fairly small in scale, and the availability of federal housing assistance has declined.

- The number of households with housing cost burdens continues to climb. The number of households with severe cost burdens (paying more than half their incomes for housing) increased by 6.7 million from 2001 to 2011, a jump of 49 percent. Severe housing cost burdens are geographically widespread with 17.9 percent of all U.S. households devoting more than half their incomes to housing. In 40 states, at least 14 percent of all households are severely cost-burdened. Meanwhile, the stock of low-cost housing that these households can afford continues to shrink.

- Improving the energy-efficiency of homes can help slow the spread of housing cost burdens. Utilities account for a substantial share of overall housing costs for low-income families. In 2011, utility costs were nearly a fifth of housing costs for the median household earning less than $15,000 annually. Even for those earning $15,000–$29,999, utility costs typically made up 16 percent of housing costs. Improving energy efficiency also helps to reduce the residential sector's large carbon footprint. According to the Energy Information Administration's 2012 estimates, residential demand accounted for 21 percent of energy consumption in the United States and 20 percent of carbon emissions.

b. How HOME Helps Solve the Problem

HOME, as the primary federal tool 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 anchor 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 low-income 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 (i.e., at 80 percent of 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.

HOME Investment Partnerships Program

Key contributions of the HOME program:

- Completed 1,149,804 affordable units in the past 21 years, of which 480,536 were for new homebuyers, 224,115 were for owner-occupied rehabilitation and 445,153 were new and rehabilitated rental units.
- Provided 280,384 low-income families in the past 21 years with tenant-based rental assistance, of which 97 percent qualified as very low-income, i.e., having family incomes below 50 percent of the AMI.
  - 44 percent of those assisted with affordable rental housing during the past 5 years were extremely low-income families (families with incomes below 30 percent of AMI).
  - Leveraged $107.6 billion of other funds for affordable housing, with a leveraging ratio of 4.11:1 (that is, $4.11 of private or other public dollars are acquired for each HOME dollar invested in rental and homebuyer projects).
  - The average HOME cost per unit assisted over the life of the HOME program is $22,777, a small investment yielding significant results.

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 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, 53 percent of almost 150,000 completed HOME assisted rental units were part of awarded LIHTC projects from 2007-2011. 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 2011, HOME program funds were used in 23.9 percent of them. (PD&R calculations based on database of properties placed in service through 2011" available online at: http://lihtc.huduser.org/). Of these, 59.5 percent were new construction and 33.7 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 4.6 percent of LIHTC projects targeted to address homelessness that were placed in service between 2003 and 2011, HOME funds were used in 26.9 percent of them. Without this funding, many of these projects (over 500 projects with an average size of 58 units per project) likely would have had enormous difficulty being completed or finding alternative financing.

SHOP 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 to purchase a home. "Low-income" means households with incomes no greater than 80 percent of the median income for the area. Currently, 59 percent of SHOP homebuyers are very low-income (no greater than 50 percent of adjusted median income), and 17 percent are extremely low-income (no greater than 30 percent of adjusted 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.
- Since the inception of the program in 1996, 26,817 affordable homeownership units have been completed and conveyed to low-income buyers.
- Over $2 billion in other funds have been leveraged for a ratio of $6 in other funds raised for each $1 of SHOP funds expended.

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 among 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. 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 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. These features also reduce the carbon footprint of the SHOP housing.

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.

By limiting the use of SHOP funds to land acquisition, infrastructure improvements, and related administrative costs, SHOP requires significant leveraging and other investment – currently $6 in non-SHOP funding (including other federal funds) are raised for each dollar of SHOP funds expended. The SHOP model also requires donations of volunteer labor that further reduce production costs. In addition, by funding the preliminary site acquisition and infrastructure development costs, SHOP enhances the ability of local governments to use other HUD funds (e.g., HOME, CDBG) more timely and efficiently.

4. How do we know this program works?

a. 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 programs, (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] Subsequently, 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. CPD 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

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

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.

b. Plans to improve the Program via IT Investment

In 2012, CPD overhauled and automated the Consolidated Planning process for 1,208 grantees using a new module of IDIS called the eCon Planning Suite. The Consolidated Plan is designed to help states and local jurisdictions to assess their affordable housing and community development needs and market conditions, and to make data-driven, place-based investment decisions. CPD plans to enhance the eCon Planning Suite with a field office review module for the Con Plan, Annual Action Plan (AAP) and Consolidated Annual Performance and Evaluation Report (CAPER) in IDIS. This capability will replace the paper-based review process and further reduce the workload on CPD field staff associated with plan review. The enhancement will more comprehensively document the plan review process in IDIS.

Further enhancements to IDIS will overhaul HOME program screens, business rules, and reports in compliance with a revision to the HOME Rule (24 CFR Part 92). IDIS must be updated under this legislative mandate to keep the system current and in compliance with regulations.

SHOP Program:

Development of 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.

Please refer to the Information Technology Fund justification for more details.

5. Legislative/Regulatory Proposals

HOME Program

- Revise "Grandfathering" Provisions and Eliminate the Dual Allocation Threshold for HOME Participating Jurisdictions – Given recent funding levels, it is necessary to reduce the number of participating jurisdictions to ensure that individual allocations are sufficient to support affordable housing development and have an impact on affordable housing need within communities. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. The Department is proposing to eliminate the $335,000 allocation threshold for years in which the HOME appropriation is less than $1.5 billion, resulting in a stable threshold of $500,000 regardless of appropriation amount. The Department is also proposing to eliminate continuous grandfathering of participating jurisdictions and insert a provision that would grandfather participating jurisdictions for 5-year periods running concurrently with their consolidated plan period. This would ensure a degree of funding stability for participating jurisdictions, while ensuring that they do not indefinitely receive very small allocations in the event of future funding cuts.

  The number of participating jurisdictions has increased from 387 in 1992 to 642 in 2013. However, the appropriation has not increased along with the number of new participating jurisdictions resulting in much lower formula allocations than is necessary to administer a local affordable housing program. For example, at the fiscal year 2013 after-sequestration, continuing resolution level of $947 million, 131 of the 640 HOME participating jurisdictions received allocations that are below the $335,000 minimum participation threshold that Congress established for the program in 1990. In addition, 274 received less than $500,000, which is the minimum allocation proposed by HUD in its fiscal year 2015 budget request. At a $940 million HOME (excluding the $10 million SHOP set-aside) funding level and with the continuous grandfathering provisions in place, 280 of the 642 HOME participating jurisdictions receive an annual allocation of less than $500,000, and 133 receive less than $335,000. Spartanburg, South Carolina, which has the smallest HOME grant in the country, received a fiscal year 2013 allocation of $36,020.

- Permit Statewide Non-profits to Be Designated as CHDOs – This amendment would permit non-profit organizations that operate statewide to be designated as CHDOs by the State participating jurisdiction. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. The effect of the amendment would be to assist largely rural states to identify organizations with capacity to undertake HOME CHDO-set-aside projects. Currently, state-designated CHDOs are not permitted to serve the entire state.

- Exception to 30-Day Requirements Notice for Eviction or Failure to Renew Lease – This proposed amendment would provide for an exception to the requirement that tenants of HOME-assisted rental units be provided with 30-day written notice of the owner's intention to evict or deny lease renewal. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. The 30-day requirement would remain in place, except in instances in which the tenant's presence in the unit constitutes a direct threat to the safety of tenants or employees of the housing or presents an imminent threat to the property.

- Formula Reallocation of Recaptured CHDO Set-Aside Funds – This proposed amendment would permit HUD to reallocate funds recapture from HOME participating jurisdictions for failure to meet the 24-month CHDO reservation requirement to all participating jurisdictions by formula as regular HOME funds. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. Currently, the statute requires HUD to reallocate CHDO funds through a national competition; however, because HOME funds now have a 3-year period of availability, HUD does not recapture enough funds to conduct a national competition within this timeframe. This statutory change would ensure recaptured funds could be used again by HOME participating jurisdictions for the creation of affordable housing or tenant-based rental assistance.

SHOP Program

- Remove Section (q) "Regulations"- The current SHOP statute Section (q) limits HUD's issuance of necessary regulations to five pages, which is too limited to allow HUD to issue meaningful program rules. As a result, the annual SHOP Notice of Funding Availability (NOFA) and related grant agreement are overburdened with program and cross-cutting statutory requirements. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. This will enable HUD to engage in rulemaking that will allow an opportunity for public comment, unlike the NOFA process. The issuance of regulations will also provide more certainty and consistency in the SHOP program and streamline the NOFA process.

- Add a Section to Specifically Allow the Use of up to 20 Percent of SHOP Grant Funds for Eligible Planning, Administration, and Management Costs - Add an eligibility category under Section (d)(2) "Use – Eligible Expenses" to specifically allow up to 20 percent of each SHOP grant to be used for eligible planning, administration and management costs provided such costs do not exceed 20 percent of the SHOP grant. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. SHOP NOFAs have historically allowed the use of SHOP grant funds for eligible planning, administration and management costs, provided such costs do not exceed 20 percent of the SHOP grant. Adding this Section to the SHOP statute will codify this authority in the statute.

- Establish a Single 36-Month Grant Term for the Grantee's SHOP Program **-** Amend Section (i)(5) "Grant Agreement" to eliminate the dual 24-month and 36-month grant expenditure time frames (the Grant Term), and establish a single 36 month grant term for all participating organizations, consortia and affiliate organizations, after which the Secretary will recapture any "unused" SHOP grant funds. This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. Amending Section (i)(5) "Grant Agreement" to establish a single 36-month SHOP grant term will facilitate program management and eliminate an unnecessary distinction. This change 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.

- Authorize HUD to Establish Deadlines for Completion and Conveyance of all SHOP Units - Add a section to the SHOP statute that authorizes the Secretary to establish a deadline for the completion and conveyance of all SHOP units that have been assisted with SHOP grant funds. Authorize the Secretary to grant a waiver of a deadline for "good cause." This provision was included in the Department's fiscal year 2014 budget request, and is repeated for 2015. Although the SHOP statute establishes a deadline for the use (expenditure) of all SHOP grant funds, it does not establish a deadline for the completion and conveyance of all SHOP units that have been financed with these grant funds. Final grant close out does not occur until all SHOP grant-assisted units have been completed and conveyed to eligible homebuyers. 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.

6. Distributions of HOME Funds by State

The following table shows HOME Investment Partnerships Program allocations by State for 2013 and 2014 enacted Budget Authority, and the 2015 Budget request. The 2014 and 2015 amounts represent preliminary estimates.

	ACTUAL 2013	ESTIMATE 2014	ESTIMATE 2015
	(Dollars in Thousands)		
STATE OR TERRITORY			
Alabama	$12,713	$13,665	$12,610
Alaska	3,570	3,585	3,566
Arizona	14,482	15,837	14,368
Arkansas	8,678	8,890	8,608
California	125,073	130,929	124,057
Colorado	12,668	13,472	12,569
Connecticut	11,238	11,534	11,149
Delaware	4,089	4,197	4,080
District of Columbia	4,137	4,267	4,108
Florida	44,267	47,618	43,911
Georgia	24,482	26,114	24,287
Hawaii	5,259	5,383	5,241
Idaho	3,900	4,117	3,870
Illinois	40,986	42,895	40,658
Indiana	17,986	19,429	17,840
Iowa	8,221	8,540	8,152
Kansas	7,537	7,880	7,476
Kentucky	13,252	13,888	13,147
Louisiana	12,989	13,873	12,884
Maine	4,353	4,560	4,318
Maryland	12,384	13,300	12,286
Massachusetts	24,144	25,519	23,950

HOME Investment Partnerships Program

	ACTUAL	ESTIMATE	ESTIMATE
	2013	2014	2015
	(Dollars in Thousands)		
STATE OR TERRITORY			
Michigan	$29,334	30,888	29,099
Minnesota	$13,243	14,067	13,137
Mississippi	$8,450	8,735	8,382
Missouri	$17,268	18,162	17,130
Montana	$3,831	3,855	3,823
Nebraska	$5,343	5,431	5,325
Nevada	$8,339	8,745	8,296
New Hampshire	$3,741	3,801	3,734
New Jersey	$24,386	25,228	23,794
New Mexico	$5,342	5,631	5,299
New York	$91,786	98,134	91,056
North Carolina	$24,689	26,470	24,489
North Dakota	$3,395	3,394	3,392
Ohio	$38,013	40,585	37,707
Oklahoma	$10,102	10,626	10,021
Oregon	$12,461	13,489	12,362
Pennsylvania	$39,955	42,543	39,630
Rhode Island	$5,013	5,126	4,996
South Carolina	$11,739	12,421	11,640
South Dakota	$3,340	3,380	3,337
Tennessee	$17,131	18,100	16,994
Texas	$64,063	66,532	63,545
Utah	$6,227	6,499	6,202
Vermont	$3,375	3,379	3,371
Virginia	$17,831	18,996	17,683
Washington	$18,836	19,725	18,684
West Virginia	$5,811	5,811	5,763
Wisconsin	$17,490	18,711	17,348
Wyoming	$3,500	3,500	3,500
Puerto Rico	$15,357	16,544	15,246
Subtotal Formula Grants	$945,799	$998,000	$938,120
Other activities..(Insular)	1,895	2,000	1,880
TOTAL HOME	$947,694	$1,000,000	$940,000

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

Budget Activity	2013 Budget Authority	2012 Carryover Into 2013	2013 Total Resources	2013 Obligations	2014 Budget Authority/ Request	2013 Carryover Into 2014	2014 Total Resources	2015 Request
Formula Grants	$945,799	$162,378	$1,108,177	$916,950	$998,000	$189,595	$1,187,595	$938,120
Insular Areas	1,895	...	1,895	1,895	2,000	...	2,000	1,880
HOME/CHDO Technical Assistance	...	536	536	200	...	336	336	...
Management Information Systems	...	338	338	...	...	338	338	...
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	10,000
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[4,750]
Total	947,694	163,252	1,110,946	919,045	1,000,000	190,269	1,190,269	950,000

NOTE: The 2012 Carryover Into 2013 column includes approximately $11.473 million of funds recaptured in fiscal year 2013. Of those funds recaptured, $11.446 were grants and $27 thousand were management information systems funds.

The 2013 Carryover Into 2014 column excludes $1.632 million of 2011/2013 formula funds that expired.

In fiscal years 2013 and 2014, SHOP was funded in the SHOP account.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
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 HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, **[**$1,000,000,000**]***<u>$950,000,000</u>*, to remain available until September 30, **[**2016**]***<u>2017</u>*: *Provided*, **[**That notwithstanding the amount made available under this heading, the threshold reduction requirements in sections 216(10) and 217(b)(4) of such Act shall not apply to allocations of such amount: *Provided further*,**]** That the requirements under provisos 2 through **[**6**]** *<u>5</u>* under this heading for fiscal year 2012 and such requirements applicable pursuant to the "Full-Year Continuing Appropriations Act, 2013", shall not apply to any project to which funds were committed on or after August 23, 2013, but such projects shall instead be governed by the Final Rule titled "Home Investment Partnerships Program; Improving Performance and Accountability; Updating Property Standards" which became effective on such date: *Provided further, <u>That funds provided in prior appropriations Acts for technical assistance, which were made available for Community Housing Development Organizations technical assistance, and which still remain available, may be used for HOME technical assistance, notwithstanding the purposes for which such amounts were appropriated</u>: Provided further*, That **[**the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act**]** *<u>of the total amount provided under this heading, up to $10,000,000 shall be made available to the Self-help and Assisted Homeownership Opportunity Program, as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996, as amended (42 U.S.C. 12805 note)</u>. (Department of Housing and Urban Development Appropriations Act, 2014.)*