HOME INVESTMENT PARTNERSHIPS PROGRAM
2016 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2014 Appropriation	$1,000,000	$203,835[a]	...	$1,203,835	$1,023,768	$1,249,765
2015 Appropriation	900,000	179,923[b]	...	1,079,923	936,179	1,155,565
2016 Request	1,060,000[c]	143,744	...	1,203,744	1,045,939[d]	1,044,276[d]
Program Improvements/Offsets	+160,000	-36,179	...	+123,821	+109,760	-111,289

a/ This number includes $13.566 million of funds recaptured in fiscal year 2014. Of those funds recaptured, $12.827 million were grants and $738.8 thousand were technical assistance funds.
b/ This number excludes funds that expired at the end of fiscal year 2014.
c/ This number includes a $10 million set aside for the Self-Help and Assisted Homeownership Opportunities program, as well as a transfer to the Transformation Initiative (TI) account of $8,056,000 of Budget Authority.
d/ This number excludes Transformation Initiative obligations and outlays.

1. What is this request?

For fiscal year 2016, the Department requests $1.06 billion for the HOME Investment Partnerships Program, of which $10 million would be set-aside for the Self-help Homeownership Opportunity Program (SHOP). For HOME, this request is $150 million more than the 2015 enacted; for SHOP, this request is the same as the 2015 enacted level. The HOME program is one of the few Federal programs that adds to the physical inventory of affordable housing and preserves the physical inventory through rehabilitation.

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

- 16,045 units of affordable housing for new homebuyers;
- 15,099 units of newly constructed and rehabilitated affordable rental units;
- 7,521 units of owner-occupied rehabilitation for low-income homeowners;
- 8,813 low-income households assisted with HOME tenant-based rental assistance; and
- 533 affordable homeownership units with SHOP funds.

Funding at the requested level would require HOME Participating Jurisdictions (PJs) to provide $262.5 million in matching contributions and, based on historical leverage data, would result in approximately $4.37 billion in public and private leverage.

Moreover, for every $1 million in HOME funds, 17.87 jobs are created. The fiscal year 2016 request would preserve/create approximately 18,763 jobs.

Proposals in the Budget

The Department requests statutory changes to the HOME program that would:

(1) Revise "grandfathering" provisions and eliminate the dual allocation threshold for HOME PJs;
(2) Permit statewide non-profits to be designated as CHDOs;
(3) Provide for a formula reallocation of recaptured CHDO set-aside funds; and
(4) Allow an exception to 30-day requirement notice for eviction or failure to renew lease.

The Department requests also statutory changes to SHOP that would:

(1) Amend the SHOP statute to allow HUD to issue SHOP regulations over five pages in length;
(2) Add a section to specifically allow the use of up to 20 percent of SHOP grant funds for eligible planning, administration, and management costs;
(3) Establish a single 36-month grant term for the grantee's SHOP program; and
(4) Authorize HUD to establish deadlines for completion and conveyance of all SHOP units.

HOME is also part of the proposed Upward Mobility Project, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME and Community Development Block Grant (CDBG), that share a common goal of promoting opportunity and reducing poverty.

More information on these changes is included in Section 5 of this justification.

2. What is this program?

Program Description and Key Functions

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 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 be used only 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 2014, HOME provided funding to 640 PJs, including 584 local government PJs (including 142 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.

<u>How Funds are Allocated</u>

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.

HOME Investment Partnerships Program

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, 2014, HUD determined that there were 266 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, 2014, the Department has de-obligated approximately $81.8 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, $17.8 million of CHDO funds have been recaptured.

- Repayments and Deadline Compliance. The Department has reduced HOME grants by approximately $46.3 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 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 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.

Key Partnerships and Stakeholders

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 grantees are national and regional nonprofit organizations and consortia that have experience in providing self-help homeownership housing in at least two states. Often these grantees will use local affiliates to carry out SHOP projects. SHOP funds are limited to land acquisition, infrastructure improvements, and related administrative costs, as a result, SHOP requires significant leveraging and other investment is 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.

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

The Need for Affordable Housing—

- Despite a national shortage of affordable rental housing, only one in four families eligible for federal rental assistance programs receives such assistance. HUD's forthcoming report to Congress, *Worst Case Housing Needs 2013*, reveals that among very low-income renter households that lacked assistance in 2013, 7.7 million had worst case housing needs resulting from severe rent burden (paying more than one-half of their monthly income for rent) or living in severely inadequate housing units. From 2003-2013, worst case needs have increased by 49 percent as public-sector housing assistance and private-sector housing development have substantially failed to keep up with the growing demand for affordable rental housing.
- As worst case housing needs have increased and the level of housing assistance remains relatively flat, there is a wide gap between the number of assisted units and the number of households with severe housing needs. For every household that receives rental assistance, approximately two households have worst case housing needs. Across diverse geographic areas, there is a strong inverse correlation between greater prevalence of worst case needs and greater prevalence of housing assistance among very low-income renters (*Worst Case Housing Needs 2013,* forthcoming*)*.
- The gap in supply of affordable rental units relative to need has been growing for decades, but in 2013 continues to show the effects of the economic recession and the associated collapse of the housing market for the nation's 18.5 million very low-income renters. Only 65 affordable units are available per 100 very low-income renters and 39 units per 100 extremely low-income renters. Availability is restricted because higher income renters occupy 40 percent of the stock affordable for renters with incomes of 0 to 30 percent of median, and 38 percent of stock affordable of 30 to 50 percent of median income. Available rental stock, even at higher rent levels, is being absorbed rapidly, reducing the overall rental vacancy rate from 10.9 percent in 2009 to 9.8 percent in 2011 and 8.4 percent in 2013 (*Worst Case Housing Needs 2013*, forthcoming).
- According to the "State of the Nation's Housing 2014," published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell for the ninth straight year from 66.1 percent in 2012 to 65.1 percent in 2013. Homeownership rates for all 10-year age groups between 25 and 54 are at their lowest point since recordkeeping began in 1976.

- The number of households with housing cost burdens continues to climb, 35.3 percent of U.S households pay more than 30 percent of their income for housing in 2012. The share of cost burdened renters increased in all but one year from 2001 to 2011, to just about 50 percent, of which 28 percent paid more than half their incomes for housing. (*State of the Nation's Housing 2014)*
- The rising number of households unable to secure affordable housing reflects both the substantial growth in extremely low-income households and the fact that the private sector struggles to provide housing at a cost that is within reach of these households. An Urban Institute analysis found in 2000, 8.2 million extremely low-income households competed for 2.9 million rental units that were affordable and available. By 2012, the number of extremely low-income households had swelled to 11.5 million while the number of affordable and available housing units had increased to only 3.3 million. *(State of the Nation's Housing 2014)*

HOME's Contributions

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 to 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 or below 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.

In addition, the HOME program produces 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, 65 percent of approximately 177,000 completed HOME assisted rental units were part of awarded LIHTC projects from fiscal year 2009-2013. 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 2012, HOME funds were expended in 23.3 percent of them. (PD&R calculations based on database of properties placed in service through 2012" available online at: http://lihtc.huduser.org/). Of these, 63.7 percent were new construction and 36.3 percent were rehabilitation 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 6 percent of LIHTC projects targeted to address homelessness that were placed in service between 2003 and 2012, HOME funds were used in 27.4 percent of them. Without this funding, many of these projects (over 200 projects with an average size of 54 units per project) likely would have had enormous difficulty being completed or finding alternative financing.

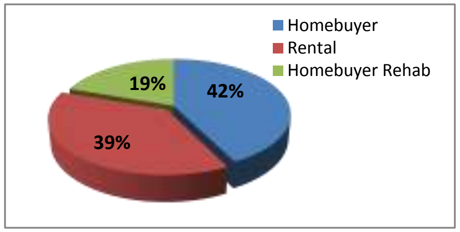
HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics as of September 30, 2014

Completed Production Units	
Homebuyer	492,234
Rental	462,891
Homebuyer Rehab	230,165
Total Production Units	**1,185,290**

Occupied Units
99%
Households Receiving Tenant- Based Rental Assistance (TBRA)
294,650

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	*$34.5 billion*	99.5%
Amount Committed	*$32.4 billion*	94.3%
Amount Disbursed	*$30.9 billion*	89.9%

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)
4.16:1

Average HOME Cost Per Unit	
Homebuyer	$15,754
Rental	$32,309
Homeowner Rehab	$21,827
TBRA	$3,175

Funds Reserved to Community Housing Development Organizations (CHDOs)
21%

Source: Cumulative HOME Production (1992 - 2014) from the Integrated Disbursement and Information System (IDIS).

SHOP's Contribution

SHOP expands the supply of homeownership housing for low-income households by providing grant funds 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 at 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 the area median income in the area. In addition, 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 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 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 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 five 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. 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?

Research and Evaluation

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

HOME Program Outcomes

Key contributions of the HOME program:

- Completed 1,185,290 affordable units in the past 22 years, of which 492,234 were for new homebuyers, 230,165 were for owner-occupied rehabilitation and 462,891 were new and rehabilitated rental units.
- Provided 294,650 low-income families in the past 22 years with tenant-based rental assistance, of which 97 percent qualified as very low-income (i.e., income at or below 50 percent of the AMI.)
- Forty-four percent of those assisted with affordable rental housing during the past 5 years were extremely low-income families (i.e., income at or below 30 percent of the AMI.)
- Leveraged $115.5 billion of other funds for affordable housing, with a leveraging ratio of 4.16:1 (i.e., $4.16 of private or other public dollars 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 $23,398, a small investment yielding significant results.

SHOP Program Outcomes

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 the program leverages more than $5 in resources from other sources. This does not include the sweat equity and volunteer labor required by the 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, 61 percent of SHOP homebuyers are very low-income (i.e., income at or below 50 percent of the AMI.), and 10 percent are extremely low-income (i.e., income at or below 30 percent of the AMI.) 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, 27,351 affordable homeownership units have been completed and conveyed to low-income buyers.
- Over $2.1 billion in other funds have been leveraged for a ratio of $5.44 in other funds raised for each $1 of SHOP funds expended.

Summary of IT investment:

Prior IT DME funding has enabled HUD to develop a range of tools and system improvements over the years to strengthen HOME oversight and to assist grantees to better manage their programs. One example of these enhancements is the HOME Review Activity screen and related activity flags, which identify HOME activities that meet certain criteria in order to keep HOME projects moving toward completion. Another example is the automatic cancellation process and HUD Initiated Activity Cancellation Report, which identifies projects that are cancelled automatically in the system due to not having any disbursements within 12-months of activity commitment.

During 2014, IDIS was significantly changed to eliminate the first-in, first-out (FIFO) method of committing and disbursing funds to HOME projects. This change was a result of a finding in the Department's Financial Statements Audit (2013-FO-0004).

5. Proposals in the Budget

HOME Proposals (Section 228 of the General Provisions)

Revise "Grandfathering" Provisions and Eliminate the Dual Allocation Threshold for HOME Participating Jurisdictions. The number of participating jurisdictions has increased from 387 in 1992 to 640 in 2014. The appropriation has not increased along with the number of new participating jurisdictions, however, resulting in much lower formula allocations than is necessary to administer a local affordable housing program. For example, at the fiscal year 2014 appropriation of $1 billion, 108 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, 253 received less than $500,000, which is the minimum allocation proposed by HUD in its fiscal year 2016 budget request. Spartanburg, South Carolina, which has the smallest HOME grant in the country, received a fiscal year 2014 allocation of $151,914. 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. 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. This prosed amendment would result in the elimination of more than 250 local participating jurisdictions after three years in a five-year period with an allocation of less than $500,000. Local participating jurisdictions remaining in the program after the first five-year period could expect a significant increase in their HOME allocations as a result.

If the proposal is enacted and the HOME appropriation levels remain relatively consistent, 253 of the 640 HOME participating jurisdictions will be removed from the program after five years. Although these participating jurisdictions would be ineligible for direct formula funds, they would still be able to access HOME funds by forming consortia to meet the qualifying threshold or apply directly to their States for finding for specific projects. In addition, new participating jurisdictions would need to meet the allocation threshold of $500,000 regardless of the HOME appropriation level. If these proposals are not enacted, smaller local participating jurisdictions will not receive allocations sufficient to administer local housing programs.

<u>Permit State-Wide Nonprofits to Be Designated as CHDOs</u>. This amendment would permit nonprofit organizations that operate statewide to be designated as Community Housing Development Organizations (CHDO) by the State participating jurisdiction. 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. This proposed amendment would result in the successful use of CHDO funds in areas of the country where there are few, if any, CHDOs. Participating jurisdictions in those areas would be able to use their CHDO set aside funds on CHDO projects owned, developed, or sponsored by these statewide CHDOs instead of losing the funds for failing to meet the 24-month CHDO reservation requirement. This proposal would save approximately $320,000 from recapture each year. If this proposal is enacted, rural states with few or no CHDOs will be able to more effectively use their CHDO funds. If this proposal is not enacted, CHDO funds will be recaptured from rural states with few or no CHDOs for not meeting the CHDO timeliness requirements.

<u>Formula Reallocation of Recaptured CHDO Set-Aside Funds</u>. This proposed amendment would permit HUD to reallocate funds recaptured from HOME participating jurisdictions for failure to meet the 24-month CHDO reservation requirement to all participating jurisdictions by formula as regular HOME funds. Currently, the statute requires HUD to reallocate CHDO funds but HUD does not recapture enough funds to conduct a national competition during the period of fund availability 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. This proposed amendment would result in the reallocation and use of approximately $800,000 in recaptured CHDO set aside funds each year. Currently, these funds expire after the period of availability, are returned to the U.S. Treasury, and are not used to develop affordable housing due to the inability of HUD to accumulate enough funds to conduct a national competition. If enacted, this proposed amendment would result in the reallocation and use of approximately $800,000 in recaptured CHDO set aside funds each year. If not enacted, these funds will expire after the three-year period of availability and will be returned to the U.S. Treasury. Consequently, the funds will not be used to develop affordable housing.

HOME Investment Partnerships Program

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. 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. This proposed amendment would result in reduced security, repair, and legal costs for HOME project owners due to dangerous tenants that cannot be evicted without 30 days' notice under current statutory requirements. If enacted, dangerous or harmful tenants could be evicted from HOME units without 30 days written notice of eviction. If this proposal is not enacted, dangerous or harmful tenants will be allowed to reside in HOME units until 30 days after they receive written notice of eviction.

SHOP Proposals (Section 225 of the General Provisions)

Eliminate the provision that prohibits the Secretary from issuing regulations that exceed 5 full pages in the Federal Register. The Department would draft SHOP program regulations, which would significantly reduce the administrative burden caused by preparation of the annual notice of funding availability for the SHOP applicants. 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.

20 Percent Administrative, Planning, and Management Allowance. The proposal would allow SHOP grantees to more effectively and efficiently administer their SHOP grants by adding an eligibility category to allow for up to twenty 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.

Eliminate the dual 24 month and 36 month grant expenditure time frames (the grant term). This proposal would eliminate the dual grant expenditure deadlines and establish a single 36 month grant term for all participating organizations, consortia and affiliate organizations, after which the Secretary will recapture any unexpended SHOP grant funds. This proposal will greatly ease the administration of the program for the Department and SHOP grantees.

Establish a deadline for completion of units**.** This proposal would authorize the Secretary to establish a deadline for the completion and conveyance of all SHOP units that have been assisted with SHOP grant funds. 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.

Proposal to Use HOME to Improve Upward Mobility

HOME Investment Partnerships Program

The HOME program is also part of the Administration’s Upward Mobility Project proposal, a new initiative to allow up to ten states, localities or consortia of the two to blend funding across four block grants, including the Department of Health and Human Services' (HHS) Social Services Block Grant and Community Services Block Grant, as well as HUD's HOME and Community Development Block Grant, that share a common goal of promoting opportunity and reducing poverty. In exchange for more accountability for results, state and localities would be able to use the funds beyond the current allowable purposes of these programs to implement evidence-based or promising strategies for helping individuals succeed in the labor market and improving economic mobility, children's outcomes, and the ability of communities to expand opportunity.

The Upward Mobility Project would be jointly administered by HUD and HHS. In addition, participating communities would be eligible to receive up to $300 million per year ($1.5 billion over five years) through the HHS Social Services Block Grant to support implementation of the pilot projects. Like Promise Zones and Performance Partnerships, this proposal reflects the Administration’s efforts to break down silos, provide flexibility for localities to tailor federal funds to meet their unique needs, and direct resources where evidence suggests they will be most effective. Additional information on the Upward Mobility Project can be found in the HHS budget justifications.

HOME Investment Partnerships Program allocations by State for 2014 and 2015 enacted Budget Authority, and the 2016 Budget request

	ACTUAL 2014	ESTIMATE 2015	ESTIMATE 2016
	(Dollars in Thousands)		
STATE OR TERRITORY			
Alabama..........	$13,665	$12,078	$14,135
Alaska..........	3,585	3,515	3,596
Arizona..........	15,837	14,382	16,742
Arkansas..........	8,890	7,710	9,053
California..........	130,929	118,330	137,556
Colorado..........	13,472	12,180	14,182
Connecticut..........	11,534	10,301	12,046
Delaware..........	4,197	4,052	4,216
District of Columbia..........	4,267	3,728	4,299
Florida..........	47,618	43,225	50,287
Georgia..........	26,114	23,664	27,674
Hawaii..........	5,383	5,138	5,477
Idaho..........	4,117	3,784	4,444
Illinois..........	42,895	38,276	44,539
Indiana..........	19,429	17,494	20,435
Iowa..........	8,540	7,682	8,996
Kansas..........	7,880	7,076	8,270
Kentucky..........	13,888	12,527	14,675
Louisiana..........	13,873	12,222	14,276
Maine..........	4,560	4,119	4,813
Maryland..........	13,300	12,108	14,095
Massachusetts..........	25,519	22,645	26,347

HOME Investment Partnerships Program allocations by State, continued

	ACTUAL 2014	ESTIMATE 2015	ESTIMATE 2016
	(Dollars in Thousands)		
STATE OR TERRITORY			
Michigan	$30,888	$27,729	$32,328
Minnesota	14,067	12,606	14,705
Mississippi	8,735	7,775	9,128
Missouri	18,162	16,143	18,848
Montana	3,855	3,735	3,851
Nebraska	5,431	5,152	5,505
Nevada	8,745	8,369	9,218
New Hampshire	3,801	3,714	3,825
New Jersey	25,228	22,684	26,334
New Mexico	5,631	5,036	5,895
New York	98,134	86,760	100,818
North Carolina	26,470	23,937	27,941
North Dakota	3,394	3,337	3,390
Ohio	40,585	36,267	42,303
Oklahoma	10,626	9,384	10,969
Oregon	13,489	12,169	14,207
Pennsylvania	42,543	37,973	44,231
Rhode Island	5,126	4,858	5,152
South Carolina	12,421	11,066	12,875
South Dakota	3,380	3,324	3,375
Tennessee	18,100	16,163	18,889
Texas	66,532	59,374	69,165
Utah	6,499	6,244	6,757
Vermont	3,379	3,342	3,395
Virginia	18,996	17,085	19,906
Washington	19,725	17,460	20,295
West Virginia	5,811	5,162	6,041
Wisconsin	18,711	16,965	19,791
Wyoming	3,500	3,500	3,500
Puerto Rico	16,544	14,651	17,129
Subtotal Formula Grants	$998,000	$898,200	$1,039,919
Other activities..(Insular and Transformation Iniative)	2,000	1,800	10,157
SHOP	0	0	9,924
TOTAL HOME	$1,000,000	$900,000	$1,060,000

The 2015 and 2016 amounts represent preliminary estimates.

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

Budget Activity	2014 Budget Authority	2013 Carryover Into 2014	2014 Total Resources	2014 Obligations	2015 Budget Authority	2014 Carryover Into 2015	2015 Total Resources	2016 Request
Formula Grants	$998,000	$202,758	$1,200,758	$1,021,432	$898,200	$178,846	$1,077,046	$1,047,900
Insular Areas	2,000	...	2,000	2,000	1,800	...	1,800	2,100
HOME/CHDO Technical Assistance	...	739	739	336	...	739	739	...
Management Information Systems	...	338	338	...	...	338	338	...
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	10,000
Transformation Initiative (transfer)	...	...	...	...	...	...	...	[8,056]
Total	1,000,000	203,835	1,203,835	1,023,768	900,000	179,923	1,079,923	1,060,000

NOTES: The 2013 Carryover Into 2014 column includes approximately $13.566 million of funds recaptured in fiscal year 2014. Of those funds recaptured, $12.827 million were grants and $738.8 thousand were Technical Assistance.

In fiscal years 2014 and 2015, SHOP was funded in the SHOP account.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Appropriations Language

The fiscal year 2016 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,[$900,000,000]*$1,060,000,000*, to remain available until September 30, [2018]*2019*: 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 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, That [the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act] *funds provided in prior appropriations Acts for technical assistance, that were made available for Community Housing Development Organizations technical assistance, and that still remain available, may be used for HOME technical assistance notwithstanding the purposes for which such amounts were appropriated: Provided further, That of the total amount provided under this heading, $10,000,000 shall be made available to the Self-help Homeownership Opportunity Program as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996, as amended.* (Department of Housing and Urban Development Appropriations Act, 2015.)