HOME INVESTMENT PARTNERSHIPS PROGRAM
2017 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2015 Appropriation	$900,000	$185,431[a]	...	$1,085,431	$848,108	$1,212,476
2016 Appropriation	950,000	234,904	...	1,184,904	1,032,320	1,029,174
2017 Request	950,000[b]	152,584	...	1,102,584	952,347[c]	987,567[c]
Program Improvements/Offsets	...	-82,320	...	-82,320	-79,973	-41,607

a/ This number includes $5.507 million of funds recaptured in fiscal year 2015. Of those funds recaptured, $5.468 million were grants, $35.4 thousand were technical assistance, and $4.0 thousand were Housing Counseling funds.
b/ This number includes a $10 million set aside for the Self-Help and Assisted Homeownership Opportunities Program, as well as a transfer to the Research and Technology account of $4.75 million of Budget Authority.
c/ This number excludes Research and Technology obligations and outlays.

1. What is this request?

For fiscal year 2017, the Department requests $950 million for the HOME Investment Partnerships Program, of which $10 million would be set aside for the Self-help Homeownership Opportunity Program (SHOP). The 2016 enacted level funds HOME at $950 million and SHOP separately at $10 million. 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.

An appropriation of HOME and SHOP funds at the requested level will result in the following production over time:
- 14,014 units of affordable housing for new homebuyers;
- 13,264 units of newly constructed and rehabilitated affordable rental units;
- 6,576 units of owner-occupied rehabilitation for low-income homeowners;
- 7,799 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 $235 million in matching contributions and, based on historical data, would result in approximately $3.95 billion in public and private leverage. Moreover, for every $1 million in HOME funds, 17.87 jobs are created. The fiscal year 2017 request would preserve/create approximately 16,798 jobs.

HOME Investment Partnerships Program

Legislative Proposals

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

(1) Eliminate the 24-month statutory requirement for grant recipients to commit HOME funds;
(2) Eliminate the 15 percent Community Housing Development Organization (CHDO) set-aside; and
(3) Revise "grandfathering" provisions and eliminate the dual allocation threshold for HOME PJs.

The Department also requests statutory changes to SHOP that would:

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

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

HOME 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 Investment Partnerships Program and CDBG, 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.

2. What is this program?

The HOME Investment Partnerships Program is the largest Federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families. HOME was authorized in 1990 as Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C 12701 et seq.) Program regulations are at 24 CFR Part 92. HOME provides States and local government participating jurisdictions (PJs) with formula based grants on an annual basis for the purpose of expanding the supply of decent, safe, sanitary, and affordable housing. HOME also promotes the partnership of 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.

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.

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).

<u>Key Partnerships and Stakeholders</u>

HOME funds are administered by states and local government Participating Jurisdictions (PJs). In fiscal year 2015, HOME provided funding to 640 PJs, including 584 local government PJs (including 144 consortia); 52 states including the District of Columbia and Puerto Rico; and 4 Insular Areas. 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). 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.

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

SHOP 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 investments for each dollar of SHOP funds expended. The SHOP model also requires donations of volunteer labor, which 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.

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 *Worst Case Housing Needs: 2015 Report to Congress* 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.

- The gap in supply of affordable rental units relative to need has been growing for decades; worst case needs are common in every region and metropolitan category across the United States. Nationwide 41.7 percent of very low-income renters had worst case housing needs in 2013. 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 2015*).

- According to the "State of the Nation's Housing 2015," published by the Joint Center for Housing Studies at Harvard University, the U.S. homeownership rate fell for the tenth straight year from 66.1 percent in 2012 to 63.7 percent in the first quarter of 2015. 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 is 34.1 percent; those households paid more than 30 percent of their income for housing in 2013. 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 2015)*

- A large decline in homeownership undermines neighborhood stability and experiences the great declines in incomes and increases in poverty. These neighborhoods have also seen a great reduction in buying power to support local businesses and invest in housing stock. *(State of the Nation's Housing 2015)*
- 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. Extremely low-income households (earning up to 30 percent of area median) have increasingly few housing choices. In 2013, 11.2 million renters with incomes this low competed for 7.3 million affordable units, leaving a shortfall of 3.9 million. Excluding units that were structurally inadequate or occupied by higher-income households, there were only 34 affordable units for every 100 extremely low-income renters. Despite a slight improvement in recent years, the gap between the number of extremely low-income renters and the supply of units they can afford nearly doubled from 2003-2013. *(State of the Nation's Housing 2015)*

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. The period of affordability for HOME rental units is 5-20 years, depending on the per-unit investment and the type of activity. In fiscal year 2017, there will be more than 15,000 HOME rental units lost to expiring periods of affordability.

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, 64.3 percent of approximately 204,000 completed HOME assisted rental units were part of awarded LIHTC projects from fiscal year 2009-2015. 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 2013, HOME funds were expended in 22.9 percent of them. (PD&R calculations based on database of properties placed in service through 2013" available online at: http://lihtc.huduser.org/). Of these, 62.7 percent were new construction and 34.1 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 also funds 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 2013, HOME funds were used in 27.0 percent of them. Without this funding, many of these projects (over 250 projects with an average size of 56 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, 2015

Completed Production Units

Homebuyer	502,244
Rental	475,721
Homeowner Rehab	235,431
Total Production Units	**1,213,396**

Occupied Units

99%

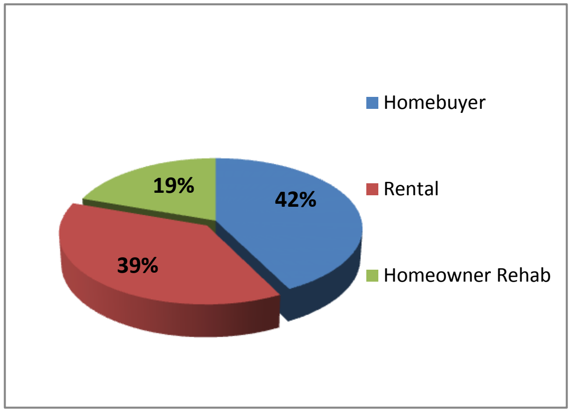
Households Receiving Tenant- Based Rental Assistance (TBRA)

307,663

Ethnicity Characteristics

Hispanic	24%
Non-Hispanics	76%

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

Race Characteristics

White	53%
Black/African American	33%
Asian	1%
American Indian/Alaskan Native	1%
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*	4%
Asian/Pacific Islander**	1%
Spanish Culture or Origin**	7%

*represents less than 0.5%

**data collected through old race definitions as of 3/04.

Status of HOME Funds

Amount Allocated	*$35.2 billion*	99.4%
Amount Committed	*$33.5 billion*	95.2%
Amount Disbursed	*$32.1 billion*	91.2%

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)	26%
Very Low-Income (30-50% AMI)	32%
Low-Income (50-80% AMI)	42%
Above Low-Income (>80% AMI)	0%

Ratio of Other Dollars to HOME Dollars (Leveraging)

4.20:1

Average HOME Cost Per Unit

Homebuyer	$16,028
Rental	$33,176
Homeowner Rehab	$22,096
TBRA	$3,212

Funds Reserved to Community Housing Development Organizations (CHDOs)

21%

Source: Cumulative HOME Production (1992 - 2015) 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. All grantees provide pre-purchase counseling, and most provide post-purchase interventions.

4. How do we know this program works?

According to the *HOME Coalition 2015 Report*, from the National Council of State Housing Agencies, "With HOME, Congress created a program that provides states and communities with unmatched flexibility and local control to meet the housing needs that they identify as most pressing. HOME is the only Federal housing program exclusively focused on addressing such a wide range of housing activities. States and local communities use HOME to fund new production where affordable housing is scarce, rehabilitation where housing quality is a challenge, rental assistance when affordable homes are available, and provide homeownership opportunities when those are most needed. Moreover, this flexibility means that states and communities can quickly react to changes in their local housing markets." http://www.enterprisecommunity.com/resources/ResourceDetails?ID=0100911#

According to a recent Habitat for Humanity International survey, Habitat's 1,440 affiliates consider HOME among the most important federal funding resources they use. Since 1992, Habitat affiliates have put more than $188 million in HOME funds to work in new or rehabilitating homes. Without HOME funds, Habitat affiliates would face significant barriers to accessing the flexible financing necessary to build and repair affordable homes (*The HOME Coalition 2015 Report*).

HOME Program Outcomes

Key contributions of the HOME program:

- Completed 1,213,396 affordable units in the past 23 years, of which 502,244 were for new homebuyers, 235,431 were for owner-occupied rehabilitation and 475,721 were new and rehabilitated rental units.
- Provided 307,663 low-income families in the past 23 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 were extremely low-income families (i.e., income at or below 30 percent of the AMI).
- Leveraged $121.8 billion of other funds for affordable housing, with a leveraging ratio of 4.2:1 (i.e., $4.20 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 $23,928, a small investment yielding significant results.

- *Evaluation and Monitoring*

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. Quarterly meetings are held with the HUD Secretary to discuss the progress of departmental goals by program office, and ultimately reported in the Department's Annual Performance Plan for Congress, OMB, and the public.

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.

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

- *Reporting*

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

- *Enforcement*

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

  - *Deobligations*

    The HOME program produces a monthly "Deadline Compliance" status report to track compliance with statutory HOME funds commitment and expenditure deadlines that are strictly enforced. PJs have two years to commit funds to a viable project and five years to expend these funds. A total of $120.6 million has been de-obligated for failure to meet those deadlines. These funds are reallocated as part of the annual formula reallocation.

  - *Repayments and Grant Reductions in Lieu of Repayment*

    HUD always receives repayment of HOME funds that are misspent. Moreover, HUD takes its enforcement role seriously and has collected more than $276 million in repayments from PJs for ineligible costs or activities. PJs are required to repay these funds from non-Federal funds.

  - *Suspension of Future HOME Funds*

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

Self-help Homeownership Opportunity Program

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 $6 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, 33,399 affordable homeownership units have been completed and conveyed to low-income buyers.
- Over $2.4 billion in other funds have been leveraged for a ratio of $6.11 in other funds raised for each $1 of SHOP funds expended.

Proposed IT Enhancements to Improve Program Performance (Fiscal Year 2017 DME)

Grants System Consolidation: Grants management involves internal controls and enhancements to management integrity by separating the program policy duties and responsibilities from grantee selection duties. It also improves management efficiencies by streamlining procedures, facilitating implementation of best practices, and improving internal controls.

In an effort to enhance this activity, HUD will develop an enterprise grants management solution that reaches across multiple program areas, by analyzing common business processes, leveraging mature technologies, and reducing duplicative and redundant systems to decrease costs and infrastructure complexity.

This move to centralize grants management aligns with the HUD Target Enterprise Architecture. Grants management plays a critical role in HUD's Technology Enterprise Roadmap by providing the current and future architecture (Business and Technical) for grants management capabilities, milestones for enhancements, technical dependencies, and timelines for system retirement. This investment will help address audit findings and mitigate future audit risk, support analysis of grant programs and finances, and facilitate proactive, data-driven management decisions.

IT Enhancements Currently in Progress

Re-engineer IDIS to Remove OIG audit findings around First-In-First-Out (FIFO): The OIG has recorded a material weakness for IDIS in the fiscal year 2013 HUD Financial Statement audit. At the core of this issue is the financial accounting methodology known as First-In-First-Out (FIFO). Based on the findings from the OIG, HUD will eliminate the FIFO methodology used for commitments and disbursements in IDIS. The major outcomes of this project will be: (1) the ability to enforce each commitment and disbursement of program funds to a specific grant year, beginning with the fiscal year 2015 program year, in accordance with Generally Accepted Accounting Principles (GAAP) (elimination of the FIFO basis); (2) continued function of IDIS Online to automate grants management for CPD, including revision of all processing and system rules to support the new method of commitments and disbursements (i.e., program income, other receipt funds, and activities spanning grant years); and (3) ensure IDIS Online continues to enforce applicable Federal system standards under FFMIA and the closure of all related audit findings for the IDIS Online system, to resolve the IDIS Online contribution to HUD's material weakness.

HUD will use the funding to continue the project's phased approach to removing the First-In-First-Out mechanism and related functions from IDIS Online, including Phase 1b, Part 2 and Phase 2 (Phase 1a and Phase 1b, Part 1 are completed). More details on the current progress of this project can be found in the fiscal year 2014 IT Expenditure plan.

5. Proposals in the Budget

Eliminate the 24-month commitment requirement from the HOME statute. The HOME statute requires that HOME funds be committed to projects within 24 months of HUD notifying the PJ of its obligation of the HOME grant. The Department has historically determined compliance with the commitment requirement using a cumulative method and treated the requirement the way Congress envisioned it – as a performance standard. A July 2013 GAO Decision requires HUD to change its method of determining compliance to a grant-specific method. This change will have a catastrophic effect on HOME participating jurisdictions' ability to meet the 24-month commitment requirement and to not lose funds that become uncommitted after 24 months. The elimination of the 24-month commitment requirement will resolve this issue. HOME is the only HUD program with a commitment requirement. HOME also recently implemented, through regulation, a 4-year project completion deadline, which measures progress completing projects as opposed to committing funds to projects. The Department believes the project completion requirement will ensure HOME funds are used timely while not taking significant amounts of funds away from participating jurisdictions because of a technicality, which is what will happen under the commitment requirement.

- By eliminating the 24-month commitment requirement, HOME participating jurisdictions will be able to administer their HOME programs without the fear of losing funds that become uncommitted after 24 months. Participating jurisdictions will be able to re-commit those funds to other projects, which will have to be completed within four years. Removal of the commitment requirement will bring HOME in line with other departmental and federal government grant programs.
- Participating jurisdictions will be able to proceed with their affordable housing programs without the uncertainty of losing HOME funds due to the deadline placed on each HOME grant. This will allow participating jurisdictions to re-commit any funds that become uncommitted after 24 months. The Federal government will save the funds associated with the required IT Systems changes and FTE costs associated with the significant increase in grant deobligations as a result of the change to the method used to determine compliance with the 24-month commitment requirement.
- In fiscal year 2013, HUD deobligated $8.9 million from HOME participating jurisdictions for failure to meet the HOME 24-month commitment requirement using its cumulative method of determining compliance with the requirement. Under the grant-specific method of determining compliance, HUD would have been required to deobligate more than $121 million from HOME participating jurisdictions – that is more than 13 percent of the fiscal year 2015 HOME appropriation of $900 million. (Sec. 260)

<u>Eliminate the CHDO set-aside in the HOME statute</u>. The HOME statute requires that within 24 months of receiving its grant, not less than 15 percent of each participating jurisdiction's grant be reserved for projects owned, developed, or sponsored by Community Housing Development Organizations (CHDOs). It is extremely difficult for participating jurisdictions receiving smaller and smaller allocations, to administer this 15 percent set-aside, which has been reduced along with the formula allocations because of significant reductions in appropriations over the past five years. The result of these program cuts leaves participating jurisdictions with a choice of either directing much more than 15 percent of their annual allocations to CHDO projects or surrendering the CHDO set-aside funds to HUD for non-compliance.

- This change will allow participating jurisdictions to use their entire HOME allocations, which have significantly diminished over the past five years, for affordable housing without regard to the type of developer undertaking the affordable housing project. In addition, funds will not be deobligated by HUD for failure to meet the 24-month CHDO reservation requirement.
- The cost savings will be for both the participating jurisdictions and the Federal government. Many participating jurisdictions will be able to proceed with their affordable housing programs without having to forfeit their CHDO funds because 15 percent of their allocations is not sufficient to undertake even a single CHDO project. The change will also prevent participating jurisdictions from using much more than 15 percent of their allocations for developers that may not be capable of undertaking affordable housing development projects.
- There was $15.5 million in unexpended CHDO funds cancelled due to the Defense Authorization Act (from 2009-2015); this is over 51 percent of all unexpended funds that were cancelled during this timeframe. For 2015, HUD recaptured

$1.17 million due to participating jurisdictions' failure to meet their CHDO reservation requirements. In both examples, these funds are then not available to address the participating jurisdictions' affordable housing needs.

- This proposal may concern CHDOs and other proponents of the CHDO set aside requirement. Participating jurisdictions, however, will still be able to choose to use CHDO organizations to address affordable housing needs. (Sec. 259)

Revise "grandfathering" provisions and eliminate the dual allocation threshold for HOME participating jurisdictions. 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 proposed amendment would result in the elimination of more than 250 local participating jurisdictions after three years in a 5-year period with an allocation of less than $500,000.
- Local participating jurisdictions remaining in the program after the first 5-year period could expect a significant increase in their HOME allocations as a result.

This proposal is necessary because while the number of local participating jurisdictions has increased from 383 in 1992 to 584 in 2015, 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 2015 appropriation of $900 million, 146 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, 285 received less than $500,000, which is the minimum allocation proposed by HUD in its fiscal year 2017 budget request. Spartanburg, South Carolina, which has the smallest HOME grant in the country, received a fiscal year 2015 allocation of $139,664. 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 needs within communities.

Fiscal Year	1992	1995	2000	2004	2007	2010	2015
Appropriation (billions)	$1.5	$1.4	$1.6	$2.0	$1.7	$1.8	$0.9
Number of Local Participating Jurisdictions	383	502	533	574	584	588	584

HOME Investment Partnerships Program

If the proposal is enacted and the HOME appropriation levels remain relatively consistent, 285 of the 584 local HOME participating jurisdictions will be removed from the program after 5 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 by applying directly to their States for funding specific projects. In addition, new participating jurisdictions would need to meet the allocation threshold of $500,000 regardless of the HOME appropriation level. Again, if these proposals are not enacted, smaller local participating jurisdictions will not receive allocations sufficient to administer local housing programs. (Sec. 219)

SHOP:

Eliminate the dual 24 month and 36 month grant expenditure time frames (the grant term). A single 36-month grant term would be established for all participating organizations, consortia and affiliate organizations, after which the Secretary would recapture any unexpended SHOP grant funds. This change will eliminate confusion for the grantees as to which timeframe is applicable.

Establish a deadline for completion and conveyance of units. Without regulations, there is no current incentive for grantees to complete and convey units. If enacted, this proposal will allow the Department to better influence the timely completion of SHOP units. The chart below shows that 11.5 percent of all SHOP units have not been completed or conveyed to homeowners.

Fiscal Year	2002-2004	2005	2006	2007	2008	2009	2010	2011	2012	TOTAL	Minimum Units Required	% of Required
Total Units Not Completed and/or not Conveyed	28	40	21	46	167	217	384	509	470	1,882	16,369	11.5%

Add a 20 Percent Allowance for Administrative Cost Incurred. This proposal would allow SHOP grantees to more effectively and efficiently administer their SHOP grants. This proposal would add an eligibility category to specifically allow up to 20 percent of each SHOP grant to be used for eligible planning, administration and management costs. With the current allowance cap of 15 percent for eligible planning, administration and management costs, it is becoming increasingly difficult to administer the program well.

Eliminate the provision of law 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. (Sec. 226)

HOME Investment Partnerships Program Allocations by State for 2015 and 2016 Enacted Budget Authority, and the 2017 Budget Request

(Dollars in Thousands)

STATE or TERRITORY	ACTUAL FY 2015	ESTIMATE FY 2016	ESTIMATE FY 2017
Alaska	$3,515	$3,530	$ 3,522
Alabama	12,078	12,648	12,425
Arizona	14,382	15,426	15,180
Arkansas	7,801	8,049	7,899
California	118,330	126,153	124,223
Colorado	12,180	12,957	12,747
Connecticut	10,301	10,782	10,593
Delaware	4,052	4,085	4,069
District of Columbia	3,728	3,917	3,851
Florida	43,225	46,209	45,475
Georgia	23,664	25,323	24,882
Hawaii	5,138	5,237	5,204
Idaho	3,784	4,043	3,967
Illinois	38,276	40,184	39,546
Indiana	17,494	18,708	18,388
Iowa	7,682	7,992	7,849
Kansas	7,076	7,568	7,437
Kentucky	12,527	13,096	12,861
Louisiana	12,222	12,839	12,619
Maine	4,119	4,333	4,255
Maryland	12,108	12,894	12,687
Massachusetts	22,645	23,940	23,560
Michigan	27,729	29,346	28,863
Minnesota	12,606	13,378	13,155
Mississippi	7,775	8,129	7,978
Missouri	16,143	17,155	16,865

HOME Investment Partnerships Program Allocations by State, continued

STATE or TERRITORY	ACTUAL FY 2015	ESTIMATE FY 2016	ESTIMATE FY 2017
Montana	$3,735	$ 3,778	$3,767
Nebraska	5,152	5,361	5,327
Nevada	8,369	8,740	8,657
New Hampshire	3,714	3,744	3,733
New Jersey	22,684	24,234	23,866
New Mexico	5,036	5,297	5,203
New York	86,759	90,553	89,176
North Carolina	23,937	25,614	25,183
North Dakota	3,337	3,346	3,341
Ohio	36,267	38,315	37,679
Oklahoma	9,384	9,918	9,747
Oregon	12,169	12,854	12,637
Pennsylvania	37,973	39,889	39,244
Rhode Island	4,858	4,935	4,907
South Carolina	11,066	11,744	11,584
South Dakota	3,234	3,347	3,342
Tennessee	16,163	17,136	16,842
Texas	59,374	62,698	61,682
Utah	6,244	6,399	6,350
Vermont	3,342	3,373	3,368
Virginia	17,085	18,109	17,813
Washington	17,460	18,590	18,300
West Virginia	5,162	5,360	5,236
Wisconsin	16,965	17,805	17,508
Wyoming	3,500	3,500	3,500
Puerto Rico	14,651	15,540	15,287
Subtotal Formula Grants	$898,200	$948,100	$933,379
Research & Technology Transfer and Insular	1,800	1,900	6,621
SHOP	-	-	10,000
TOTAL HOME	**$ 900,000**	**$ 950,000**	**$950,000**

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

Budget Activity	2015 Budget Authority	2014 Carryover Into 2015	2015 Total Resources	2015 Obligations	2016 Budget Authority	2015 Carryover Into 2016	2016 Total Resources	2017 Request
Formula Grants	$898,200	$184,314	$1,082,514	$845,635	$948,100	$234,460	$1,182,560	$938,120
Insular Areas	1,800	...	1,800	1,800	1,900	...	1,900	1,880
HOME/CHDO Technical Assistance	...	775	775	673	...	102	102	...
Management Information Systems	...	338	338	...	...	338	338	...
Housing Counsel	...	4	4	...	...	4	4	...
Self-Help Homeownership Opportunity Program ..	...	...	...	...	...	...	...	10,000
Research and Technology (transfer)	...	...	...	...	...	...	...	[4,750]
Total	900,000	185,431	1,085,431	848,108	950,000	234,904	1,184,904	950,000

NOTES: The 2014 Carryover Into 2015 column includes approximately $5.507 million of funds recaptured in fiscal year 2015. Of those funds recaptured, $5.468 million were grants, $35.4 thousand were Technical Assistance, and $4.0 thousand were Housing Counseling funds.

The 2015 Carryover into 2016 Column excludes funds that expired at the end of fiscal year 2015.

In fiscal years 2015 and 2016, SHOP was funded in the SHOP account.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Appropriations Language

The fiscal year 2017 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, $950,000,000, to remain available until September 30, [2019]*2020*: 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 [with respect to funds made available under this heading pursuant to such Act and funds provided in prior and subsequent appropriations acts that were or are used by community land trusts for the development of affordable homeownership housing pursuant to section 215(b) of such Act, such community land trusts, notwithstanding section 215(b)(3)(A) of such Act, may hold and exercise purchase options, rights of first refusal or other preemptive rights to purchase the housing to preserve affordability, including but not limited to the right to purchase the housing in lieu of foreclosure: 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 and Assisted 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, 2016.)