

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Community Planning and Development

### Self-Help Homeownership Opportunity Program (SHOP)

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2023 Appropriation	62,500	109,946	-	172,446	51,000	43,476
2024 Annualized CR	62,500	121,446	-	183,946	60,000	68,586
2025 President's Budget	54,700	123,946	-	178,646	59,000	66,257
Change from 2024	(7,800)	2,500	-	(5,300)	(1,000)	(2,329)

#### PROGRAM PURPOSE

The Self-Help Homeownership Opportunities Program (SHOP) account combines several programs designed to assist low- and moderate-income populations:

- SHOP awards grant funds to eligible nonprofit organizations and consortia to purchase home sites and develop or improve the infrastructure to set the stage for “sweat equity” and volunteer-based homeownership programs for low-income individuals and families. SHOP is authorized by the Housing Opportunity Program Extension Act of 1996, Section 11.
- The Capacity Building for Affordable Housing and Community Development (Section 4) Program awards grant funds to national nonprofits to deliver capacity-building support to local organizations. The program was originally authorized under Section 4 of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note) to enhance the capacity and ability of community development corporations (CDCs) and community housing development organizations (CHDOs) to carry out community development and affordable housing activities that benefit low-income persons.
- The Rural Capacity Building (RCB) Program awards funds to national organizations to enhance the capacity of local governments, Indian Tribes, housing development organizations, rural CDCs, and rural CHDOs to carry out community development and affordable housing activities that benefit low- and moderate-income families and persons in rural areas.
- The Veterans Housing Rehabilitation and Modification Pilot Program (VHRMP) awards grants to nonprofit organizations that provide nationwide or statewide programs to rehabilitate and modify the primary residence of disabled and low-income veterans. VHRMP is authorized in accordance with section 1079 of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Pub. L. 113-291, enacted December 19, 2014).

#### BUDGET OVERVIEW

The 2025 President’s Budget requests \$54.7 million for the Self-Help and Assisted Homeownership Opportunity Program, which is \$7.8 million less than the 2024 Annualized CR level. This includes:

- \$9 million for SHOP;
- \$40.7 million for Section 4;
- \$5 million for RCB; and
- \$0 for VHRMP.

This program aligns to HUD 2022–2026 Strategic Objective 1A: *Advance Housing Justice*, 1C: *Invest in the Success of Communities*, 2A: *Increase the Supply of Housing*, and 3A: *Advance Sustainable Homeownership*.

## JUSTIFICATION

### Self-Help Homeownership Opportunity Program (SHOP)

**Equity:** The 2025 Budget would advance equity within the program by awarding grants to national and regional organizations and consortia who will provide homeownership opportunities to families underserved by the traditional homeownership market. The sweat equity model of SHOP is associated with neighborhood-strengthening spillover benefits including greater collective efficacy and improved neighboring and civic engagement.<sup>1</sup>

**Funding Impact:** The Budget requests \$9 million for SHOP, which is \$4.5 million less than the 2024 Annualized CR level. Through a Notice of Funding Opportunity (NOFO), funding would be awarded to grantees for eligible expenses to develop decent, safe, and sanitary dwellings that comply with State and local codes, ordinances, and zoning requirements, and with all other SHOP requirements.

**Key Assumptions:** SHOP grant funds can only be used for land acquisition, infrastructure improvements, and administrative costs. Total land acquisition and infrastructure improvement costs cannot exceed an average of \$25,000 in SHOP assistance per unit. Grantees must leverage other public and private funds to pay for the construction or rehabilitation costs of each SHOP unit and for any other program costs that are not assisted with SHOP grant funds.

Currently, 50 percent of SHOP beneficiaries live in rural and underserved communities. The SHOP units must be sold to homebuyers at prices below the prevailing market price. Homebuyers must be low-income and must contribute a significant amount of sweat equity towards the development of the SHOP units. Reasonable accommodations must be permitted for individuals with disabilities for such individuals to meet hourly sweat equity requirements. A homebuyer's sweat equity contribution cannot be mortgaged or otherwise restricted upon future sale of the SHOP unit. Volunteer labor is also required. SHOP grantees may award SHOP grant funds to local nonprofit affiliate organizations to carry out the grantee's SHOP program. These affiliate organizations must be located within the grantee's service area of the housing projects.

**Outcomes, Performance Indicators, and Other Evidence:** HUD addresses the risks identified in the program office's internal risk analysis by developing and implementing the monitoring and oversight of grantees. Since 1996, SHOP grantees have conveyed more than 30,000 housing units which has resulted in homeownership opportunities for individuals and families.

**Stakeholders:** SHOP funds are awarded by competition to national and regional nonprofit organizations. National SHOP grantees pass funds through to local affiliate organizations (e.g., local Habitat for Humanity groups). Regional grantees are generally consortia of multiple nonprofit groups that directly undertake SHOP activities with many primarily serving underserved rural communities.

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<sup>1</sup> Bowers, Rachel M. 2019. "Home is the Key: A Study of the Social Impact of Habitat for Humanity in South Carolina." [https://tigerprints.clemson.edu/all\\_dissertations/2454/](https://tigerprints.clemson.edu/all_dissertations/2454/)

### **Capacity Building for Community Development and Affordable Housing (Section 4)**

Section 4 grantees provide capacity-building support through two primary methods: (1) direct engagement, such as technical assistance, training, peer-to-peer learning, curriculum development, and organizational assessments; and (2) financial assistance, such as grants, loans, and training scholarships or stipends. Financial assistance is primarily delivered through sub-grant awards that provide local organizations with salary offset to hire new staff or expand the role of existing staff. Some grantees offer capacity-building loans, which help to pay for pre-development expenses that are not covered by other funding sources in the local organization's development financing package. Section 4 grantees coalesce Federal financial assistance investments with direct beneficiary engagement, to ensure that the Federal funding supports the projected outcomes, and that the local organizations experience sustainable capacity-building change.

Equity: The Budget would help advance equity by ensuring that local organizations continue to receive access to a broad range of capacity building to help improve or expand their ability to serve their communities. Funding levels will support making additional resources available to underserved communities that otherwise would not have access to instrumental housing programs, information, and resources. Poverty is a major underpinning of underserved rural communities; funding would allow organizations to provide more targeted investments to rural areas, Tribes, and small communities that currently lack access and opportunity.

The capacity building provided by Section 4 grantees enables local organizations with the knowledge and resources to create new homeowner housing for critical populations, bridging the gap in housing equity, and enhancing economic opportunity for underserved communities. Capacity building provided through the grant programs leads to affordable housing production and rehabilitation, as indicated in the program outputs shared below. Specifically, direct engagement and financial assistance provide local organizations with the knowledge and resources to implement affordable housing projects.

Funding Impact: The Budget includes \$40.7 million for the Section 4 program, which is \$1.3 million less than the 2024 Annualized CR level. The Budget would continue to support a variety of programs such as green building, development of healthcare and childcare facilities, strengthening of neighborhood commercial corridors, job creation, and community safety. These services are the backbone of low- and moderate-income communities. Additionally, the Section 4 program is uniquely situated to provide financial support and development assistance to nonprofit CDCs to support housing and community revitalization efforts. For the Section 4 program, \$5 million is proposed to be set aside for rural-specific capacity-building activities.

Outcomes, Performance Indicators, Risk, and Other Evidence: The Section 4 program competitively awards grant funds to the following three eligible grantees only: Enterprise Community Partners, Habitat for Humanity International, Inc., and Local Initiatives Support Corporation to provide capacity-building support to CDCs and CHDOs. These Section 4 grant funds primarily go to urban and suburban communities; however, past appropriations have required that at least \$5 million be dedicated to rural communities. In implementing grant award funding received from 2017 to 2020 Capacity Building appropriations, the three Capacity Building program grantees have so far achieved the following outputs:

- Served 7,661 eligible organizations;
- Provided 584 trainings;
- Constructed 15,100 new housing units;
- Rehabbed, sustained, and/or reconstructed 13,991 housing units;
- Placed 41,809 housing units into the development process; and,
- Awarded a total of \$74,329,697 in sub-grants to 1,525 subgrantees.

Data from 2021 grantees has not been included in the outcomes and outputs as the grants are still in the first quarter of their overall performance lifespan. Appropriations from 2022 and 2023 were combined in the most recent competition and awards have not yet been determined.

### **Rural Capacity Building Programs**

**Equity:** The Budget supports equity through the RCB program by enhancing the capacity and ability of rural housing development organizations, CDCs, CHDOs, local governments, and Indian Tribes to carry out affordable housing and community development activities in rural areas for the benefit of low- and moderate-income families and persons. The RCB program achieves this by funding national organizations with expertise in rural housing and rural community development who work directly to build the capacity of eligible beneficiaries.

**Funding Impact:** RCB funding is urgently needed to help meet the increasing needs of underserved rural communities. The Budget proposes \$5 million for RCB, which is \$1 million less than the 2024 Annualized CR level. Funding would allow the program to meet the growing needs of the stakeholders. Challenges in rural communities include, but are not limited to:

- Rural communities have experienced a significant decline in the renovation of existing housing and in the construction of new housing in small towns and farming communities.
- Fewer homes are being built in rural America which exacerbates homelessness and perpetuates low rates of homeownership in rural areas.
- In rural communities, older households are more likely to be retired and tend to have lower incomes; nearly 40 percent of older adults living in rural communities have annual household incomes under \$30,000, compared to 30 percent of those residing within metro areas.<sup>2</sup>

**Key Assumptions:** RCB funds are limited to capacity building activities that strengthen the organizational infrastructure, management, and governance capabilities of eligible beneficiaries serving rural areas. Through these activities, eligible beneficiaries increase their capacity to carry out community development and affordable housing activities that benefit low-income or low- and moderate-income families and persons in rural areas. RCB grantees can provide capacity building support through direct engagement (i.e., technical assistance, training, peer to peer learning, etc.).

Rural communities experience a disproportionate amount of the Nation's occupied substandard housing.<sup>3</sup> Though the proportion of renter households in rural areas (16 percent) is smaller than in urban areas (41 percent), rural households continue to need affordable, accessible rental housing.<sup>4</sup> Nearly 2 million renters live in rural communities. While median rents are generally lower in rural areas (\$700) than in metro areas (\$1,070), median renter incomes are also lower (\$29,000 vs. \$40,000). As a result, almost 40 percent of rural renters are cost burdened, including 20 percent that have severe burdens.<sup>5</sup> These data emphasize the emanating and growing need for an increase in resources. The Budget would enable resources to be directly infused into organizations working in

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<sup>2</sup> Joint Center for Housing Studies of Harvard University. "Housing America's Older Adults 2023." [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Housing\\_Americas\\_Older\\_Adults\\_2023.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Housing_Americas_Older_Adults_2023.pdf)

<sup>3</sup> National Rural Housing, Coalition, "Housing Need in Rural America" <https://ruralhousingcoalition.org/overcoming-barriers-to-affordable-rural-housing/>

<sup>4</sup> U.S. Census Bureau. American Housing Survey. 2021. [American Housing Survey \(AHS\) - AHS Table Creator \(census.gov\)](https://www.census.gov/hhes/ahs/tables.html)

<sup>5</sup> Harvard Joint Center for Housing Studies. "America's Rental Housing." 2020. [https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard\\_JCHS\\_Americas\\_Rental\\_Housing\\_2020.pdf](https://www.jchs.harvard.edu/sites/default/files/reports/files/Harvard_JCHS_Americas_Rental_Housing_2020.pdf)

these vulnerable communities and contribute to the expansion of housing access (by way of supporting homeownership programs, providing rental assistance program information, training, housing information sessions, etc.).

Outcomes, Performance Indicators, Risk, and Other Evidence: From 2017 to 2020, RCB made significant gains in providing much needed services to eligible populations. RCB grantees have so far achieved the following outputs:

- Served 1,235 eligible organizations;
- Provided 155 trainings;
- Constructed 744 new housing units;
- Rehabbed, sustained, and/or reconstructed 1,087 housing units;
- Placed 967 housing units into the development process; and
- Awarded 28 sub-grants for a total of \$868,111.

2021 and 2022 appropriations were combined and therefore data has not been included in the outcomes and outputs as the performance of the grants are still in the first quarter of their overall performance lifespan. The 2023 NOFO is currently under review and scheduled for competition in the second quarter of 2024.

Stakeholders: HUD's proposed funding level of the Section 4 Capacity Building and RCB program will help advance equity by providing greater access to housing and economic development for underserved rural, small town and farming communities that typically have limited resources as well as urban areas through Section 4. The local organizations served through the Capacity Building and RCB grant programs are critical stakeholders in addressing community needs in urban and rural environments, and for ensuring that assistance reaches underserved populations.

Operational Improvement: The Office of Policy Development and Coordination (OPDC) within CPD administers the Capacity Building and RCB grant programs. OPDC worked in partnership with the Office of Policy, Development, and Research (PD&R) to create a rural mapping tool to allow grantees to verify a beneficiary's rural eligibility for the Capacity Building and RCB programs. OPDC will continue this partnership with PD&R to update the mapping tool as new Census data becomes available.

### **Veterans Housing Rehabilitation and Modification Pilot Program**

Equity: While the Budget does not request new funding for VHRMP, HUD will support equity by focusing on awarding existing funding to national and statewide nonprofit organizations to help rehab and modify the homes of disabled and low-income.

The Office of Rural Housing and Economic Development (ORHED) is reviewing the 2023 VHRMP NOFO and its outreach strategy to identify opportunities to increase its eligible applicant pool. Prior to reissuing the 2024 NOFO, ORHED is committed to the following actions to help increase the pool of eligible applicants:

- Exploring changes to statutory requirements that limit successful implementation;
- Offering debriefing sessions to applicants that did not succeed;
- Continuing to work with VA to increase outreach to potential eligible applicants;
- Collaborating with HUD's Center for Faith-Based and Neighborhood Partnerships to conduct a technical assistance session with interested potential applicants; and
- Hosting a listening session with previous and existing grantees and applicants to understand challenges with the program design leading to low utilization.

HUD is committed to continuously supporting the Nation's low-income veterans through VHRMP and other means, such as partnering with the U.S. Department of Veterans Affairs (VA) to strengthen existing VHRMP grantees' program delivery, outreach to Veterans Service Organizations (VSO) in supporting disabled and low-income veterans and coordinating on other housing and community development issues. An estimated 13 percent of American households in 2019 use a mobility device (wheelchair, walker, cane, etc.).<sup>6</sup> HUD's 2021 report on accessibility in housing, based on the results of the 2019 American Housing Survey, found that nearly 1 in 5 U.S. households (19 percent) include a person with accessibility needs. Only 14 percent of households with persons with accessibility needs reported having a ramp or lift of some type. Forty percent of the homes where persons with accessibility needs live require residents to climb stairs to access the home and do not have ramps or lifts of some type.<sup>6</sup> In 2018, 27.9 percent of non-institutionalized civilian veterans aged 21 to 64 years reported having a disability connected with their service.<sup>7</sup> Many veterans who are low-income and have disabilities are in need of adaptive housing to help them regain or maintain their independence but are unable to finance significant home repairs.

**Funding Impact:** Although the 2025 Budget does not include additional funding, HUD will use carryover funding to support the program. The program will continue to partner with VA to assist veterans living with disabilities and needing adaptive housing to help them regain or maintain their independence, support home repairs, and afford utility costs.

**Outcomes, Performance Indicators, and Other Evidence:** Through the current grantees, HUD addresses the risks identified in the program office's internal risk analysis by developing and implementing the monitoring and oversight of grantees. In addition, the statutory annual Report to Congress provides specific performance measurements in the form outputs and outcomes to track overall program progress.

**Stakeholders:** With previous years' appropriations, HUD made awards to nonprofit organizations that provide nationwide or statewide programs to rehabilitate and modify the primary residence of disabled and low-income veterans. In support of disabled and low-income veterans, HUD will continue to partner with VA, Department of Agriculture (USDA), VSOs, and other Federal partners to strengthen program delivery and outreach.

**Operational Improvements:** HUD is focused on using these funds to rehab and modify the homes of disabled and low-income veterans. HUD is trying to expand the number of partner grantees, but VHRMP statutory language requires that applicants provide a 50 percent match of the funding request. In addition, there is an award cap of \$1 million per application and/or grant award. This has prevented HUD from awarding the total appropriated amount in previous competitions. To increase the pool of potential grantees, the 2023 VHRMP NOFO outreach strategy: (1) provided at least 90 days for potential applicants to submit applications; (2) produced a 2023 VHRMP national web conference for potential organizations after the publication of the NOFOs; (3) posted NOFO announcements on the HUD website, HUD Exchange, Rural Gateway webpage/listserv, and Grants.gov; (4) partnered with ORHED's intra-agency and interagency working groups to engage USDA, VA, and the Federal HBCU Interagency Working Group to spread the word through agency listservs; and (5) worked with HUD's Center for Faith-Based and Neighborhood Partnerships to provide technical assistance in the form of grant writing workshops for potential applicants.

Despite these efforts, only one eligible applicant was awarded \$1 million in VHRMP grant funds out of the total 2023 NOFO amount of \$6,445,980. While the increased outreach resulted in a larger

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<sup>6</sup> HUD. 2021. *Accessibility in Housing: Findings from the 2019 American Housing Survey* (AHS). <https://www.huduser.gov/portal/sites/default/files/pdf/Accessibility-in-Housing-Report.pdf>

<sup>7</sup> Cornell University. "Disability Statistics." <https://www.disabilitystatistics.org/reports/acs.cfm?statistic=10>

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number of applicants than the previous NOFO in 2021, there were fewer applicants eligible for award. Notably, a number of previous grantees did not apply in 2023. HUD is currently evaluating how to increase grantee interest in these funds.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carryover Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carry over Into 2024	2024 Total Resources	2025 President's Budget
Self Help Housing Opportunity Program	13,500	12,500	26,000	-	13,500	26,000	39,500	9,000
Section 4 Capacity Building	42,000	82,000	124,000	41,000	42,000	83,000	125,000	40,700
<i>Set-Aside for Rural Capacity Building Activities [Non-Add]</i>	<i>5,000</i>	<i>-</i>	<i>5,000</i>	<i>-</i>	<i>5,000</i>	<i>5,000</i>	<i>10,000</i>	<i>5,000</i>
<i>Set-Aside for Tribal Communities [Non-Add]</i>	<i>1,000</i>	<i>-</i>	<i>1,000</i>	<i>-</i>	<i>1,000</i>	<i>1,000</i>	<i>2,000</i>	<i>-</i>
Rural Capacity Building	6,000	10,000	16,000	10,000	6,000	6,000	12,000	5,000
Veteran Home Rehab and Mod Pilot	1,000	5,446	6,446	-	1,000	6,446	7,446	-
<b>Total</b>	<b>62,500</b>	<b>109,946</b>	<b>172,446</b>	<b>51,000</b>	<b>62,500</b>	<b>121,446</b>	<b>183,946</b>	<b>54,700</b>

**LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**

None.

**APPROPRIATIONS LANGUAGE**

The 2025 President’s Budget includes the appropriations language listed below.

*For the Self-Help and Assisted Homeownership Opportunity Program, as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note), and for related activities and assistance, \$54,700,000, to remain available until September 30, 2027: Provided, That of the sums appropriated under this heading—*

*\$9,000,000 shall be available for the Self-Help Homeownership Opportunity Program as authorized under such section 11;*

*\$40,700,000 shall be available for the second, third, and fourth capacity building entities specified in section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), of which not less than \$5,000,000 shall be for rural capacity building activities: provided, that for purposes of awarding grants from amounts made available in this paragraph, the Secretary may enter into multiyear agreements, as appropriate, subject to the availability of annual appropriations; and*

*\$5,000,000 shall be available for capacity building by national rural housing organizations having experience assessing national rural conditions and providing financing, training, technical assistance, information, and research to local nonprofit organizations, local governments, and Indian Tribes serving high need rural communities*

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Note.-- A full-year 2024 appropriation for this account was not enacted at the time the Budget was prepared; therefore, the Budget assumes this account is operating under the Continuing Appropriations Act, 2024 and Other Extensions Act (Division A of Public Law 118-15, as amended). The amounts included for 2024 reflect the annualized level provided by the continuing resolution.