

**U.S. Department of Housing
and Urban Development**

**FY 2000–FY 2006
Strategic Plan**

September 2000

Table of Contents

I. INTRODUCTION.....1

The Department’s mission is to “Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.” This section introduces you to what HUD does and outlines the goals to which we are committed through 2006. It offers highlights of the plan as a whole.

Mission.....	2
What Does HUD Do?.....	2
Whom Does HUD Serve?	3
Streamlining the Agency	3
Our Strategic Goals and Plans.....	4

II. THE CONTEXT FOR OUR STRATEGIC PLAN7

We have shaped our plan based on HUD’s role and partnerships, research and trends, consultation with customers, HUD’s legislation and programs, and our commitment to excellence and to results.

Trends that Affect American Housing and Communities	8
Recent Legislation Affecting HUD’s Work.....	11
HUD’s Span of Influence and Span of Control.....	11
HUD’s Relationships with Our Partners	13
Feedback From Customers and Stakeholders	15
HUD’s Performance Management Cycle.....	17

III. HUD’s STRATEGIC GOALS.....19

Strategic Goal 1: Increase the Availability of Decent, Safe and Affordable Housing in American Communities21

Safe, decent, affordable housing for all Americans is a cornerstone of our Nation that many of us take for granted. But it remains out of reach for millions of people. This section describes HUD’s strategy to increase homeownership, to expand affordable rental housing opportunities, and to improve housing quality and safety.

Objective 1.1: Homeownership is increased.....	28
Objective 1.2: Affordable rental housing is available for low-income households.....	30

Objective 1.3: America’s housing is safer, of higher quality and disaster resistant.32

Strategic Goal 2: Ensure Equal Opportunity in Housing for All Americans35

Over the past 30 years, America has made great strides in opening housing markets. But many doors still remain closed for people of color and others whose rights HUD is charged to protect. This section describes HUD’s strategy to reduce housing discrimination, ensure that housing options exist in the full range of neighborhoods, and increase homeownership among racial and ethnic minorities and persons with disabilities.

Objective 2.1: Housing discrimination is reduced.41

Objective 2.2: Minorities and low-income people are not isolated geographically in America.43

Objective 2.3: Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.45

Strategic Goal 3: Promote Housing Stability, Self-Sufficiency and Asset Development of Families and Individuals.....47

There are many who have not found a foothold on the path to the American dream. HUD administers a menu of programs that can help people move from poverty to self-sufficiency. This section describes HUD’s strategy to promote housing stability, self-sufficiency, asset development, and independence for homeless families and individuals, poor and disadvantaged households, the elderly and persons with disabilities.

Objective 3.1: Homeless families and individuals achieve housing stability.53

Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.55

Objective 3.3: The elderly and persons with disabilities achieve maximum independence.56

Strategic Goal 4: Improve Community Quality of Life and Economic Vitality.....59

Pockets of poverty continue to have devastating effects on the social and economic fabric of communities across the country. This section describes HUD’s strategy to help struggling communities create and maintain viable job markets, reinvigorate distressed areas and make neighborhoods more livable.

Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities.65

Objective 4.2: Economic conditions in distressed communities improve.67

Objective 4.3: Communities become more livable.....	69
Strategic Goal 5: Ensure Public Trust in HUD.....	71
<i>HUD’s stewardship of billions of Federal dollars must continually earn the confidence of Congress and the public. HUD has just completed a fundamental overhaul to build performance, customer service, and accountability into every part of our operations. This section describes our plans to deliver results to customers, to lead the national discussion of housing and community development policy, and to prevent fraud, waste, and abuse in HUD program activities.</i>	
Objective 5.1: HUD and HUD’s partners effectively deliver results to customers.	74
Objective 5.2: HUD leads housing and urban research and policy development nationwide.....	81
IV. RESOURCES, INTERAGENCY PARTNERSHIPS AND PROGRAM EVALUATIONS	83
<i>This section provides in-depth background information on three key aspects of our implementation of this plan: resources, interagency partnerships, and program evaluations.</i>	
Resources	83
Cross-Cutting Programs and Interagency Partnerships	86
Program Evaluations	91
Appendix: Key Legislation	95

I. INTRODUCTION

The Department's mission is to "Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination." This section introduces you to what HUD does and outlines the goals to which we are committed through 2006. It offers highlights of the plan as a whole.

We are pleased to present the U.S. Department of Housing and Urban Development's (HUD) Strategic Plan for fiscal year (FY) 2000–FY 2006. This plan describes HUD's strategic goals for the next six years and how we plan to achieve those goals. It outlines the trends and challenges affecting our programs, and describes the partnerships, policies, means and strategies needed to ensure that HUD is a high-performing agency that fulfills our mission to promote adequate and affordable housing, economic opportunity and a suitable living environment free from discrimination.

This plan builds upon the successes and lessons learned while implementing our last Strategic Plan and assumes a continuation of annual increases in HUD budgets throughout the life of this document, as has been the trend in recent years. Based on these assumptions, HUD will focus on five distinct but interrelated goals, and will continue to strengthen our partnerships with State and local governments, public housing and redevelopment authorities, national for- and non-profit intermediaries, community-based non-profit organizations and others throughout the Nation.

This introductory section presents an overview of the Strategic Plan. It describes HUD's impact on America's communities and the challenges we face in achieving our objectives. It explains how we developed this plan and outlines HUD's Strategic Goals.

The next section presents the broader context of our strategic plan including an overview of recent housing and community development legislation and the trends affecting the Nation's housing and communities. It offers an overview of HUD's role and our partnerships and consultations with States, communities and other stakeholders.

The third section reviews each of our five Strategic Goals. It provides substantial detail about our objectives and performance goals, summarizes relevant research, and explains how we will use our programs and partnerships to achieve each goal.

The fourth section provides background information on three key aspects of our implementation of this plan: how we allocate resources to meet each of our Strategic Goals, how we partner with other Federal agencies to achieve our objectives, and how we plan to improve our programs through research and evaluation. We also include an appendix of HUD's key legislative milestones.

MISSION

HUD's mission is to *Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. To fulfill this mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.*

WHAT DOES HUD DO?

By working closely with our partners, HUD provides a coordinated and comprehensive response to America's housing and community development needs.¹ Among the key activities of the Department are to:

- Insure loans for first-time and low-income homebuyers to increase access to the benefits of homeownership.
- Provide grants to communities to help meet locally defined needs for housing, economic development, and infrastructure.
- Support the Nation's Public Housing Authorities so they can provide housing for poor and disadvantaged families.
- Enforce fair housing laws to ensure equal opportunity in homeownership and rental housing.
- Provide grants to community-based organizations and local governments to support a full range of assistance to people who are homeless so they can move to permanent housing.
- Help families and individuals make progress towards self-sufficiency by providing housing assistance, job training, and other supportive services.
- Provide housing vouchers that give families access to safe and decent housing in communities with lower poverty rates and greater economic opportunity.
- Insure loans for owners of multifamily housing to increase the availability of affordable rental housing.
- Establish and monitor affordable housing goals for Fannie Mae and Freddie Mac to assure homeownership opportunities for lower-income families and for underserved neighborhoods.
- Provide housing-related assistance for the elderly, persons with disabilities, and people with HIV/AIDS.
- Provide grants to communities to remove lead based paint hazards.

¹ For a complete list of HUD's programs, visit our website at www.HUD.gov or see the Annual Performance Plan.

WHOM DOES HUD SERVE?

Here are a few examples of the people and communities that benefit from HUD programs:

- The home mortgages of more than 6.7 million families are insured with Federal Housing Administration (FHA) mortgage insurance. FHA insurance helps families afford homeownership.
- More than 4.5 million low-income, elderly and formerly homeless households and persons with disabilities receive HUD rental assistance, which enables them to afford a decent place to live.
- \$163.5 billion was made available to homeowners for mortgages in 1999 through HUD's Government National Mortgage Association (Ginnie Mae), which channeled funds from investors to purchase new mortgages for approximately 1.8 million housing units.
- Every State and about 1,000 cities receive a direct share of HUD's Community Development Block Grant and a large portion also participate in the HOME Investment Partnerships and Housing Opportunities for People with AIDS funding so that they can meet locally defined needs for housing, economic development, and dozens of basic services.
- HUD and HUD-approved Fair Housing agencies review or adjudicate thousands of housing discrimination complaints each year, taking vigorous legal action where appropriate. HUD has also established a myriad of voluntary agreements with lenders, real estate agents and builders to ensure that fair housing laws are upheld.
- Hundreds of thousands of other people benefit from programs providing home improvement loans, housing counseling, job creation and job training.

To fulfill our mission, HUD seeks to empower our partners at all levels of government, in the private sector, and among families and individuals. Our headquarters staff and 81 field offices work with cities, counties, States, lenders, community-based non-profit organizations, the housing industry, individual Americans, neighborhood organizations, and others. We strive to help local communities and residents use our programs to meet their needs. We build partnerships with other Federal agencies to maximize the benefits of Federal programs. In FY 2000, Congress approved a budget of over \$26 billion for HUD programs.

STREAMLINING THE AGENCY

Over the last several years, the Department has streamlined functions into specialized centers that use state-of-the-art technology. These include the Real Estate Assessment Center, Enforcement Center, Troubled Agency Recovery Centers, Homeownership Centers and the Section 8 Financial Management Center. All accounting operations have been combined into one office in Fort Worth, Texas. Field offices now concentrate on forming partnerships to enhance program performance rather than on technical and repetitive functions.

HUD is a leader in conducting business electronically. Examples include processing over one million FHA single-family mortgages online each year, automating data input from physical inspections of HUD housing, providing advanced geographic information to help communities and citizens understand local needs and plan development activities, allowing brokers to bid for HUD homes, enabling employees to handle travel, payroll, and benefits transactions, and being one of the first agencies linked through a single local area network and intranet. HUD's award-winning website, *www.HUD.gov*, receives over 600,000 visitors per month.

The Department has embraced management reform and process improvement to reduce overlap and duplication. New investments—particularly in information systems—support streamlined work processes.

HUD has established performance-based management throughout the Department by developing and implementing Business and Operating Plans (BOPs) for each field and headquarters office. These internal plans set targets for the activities and products of each part of HUD. The BOPs align operations with Annual Performance Plan goals, while permitting field offices to work with local partners on unique local problems.

OUR STRATEGIC GOALS AND PLANS

In 1997, we developed our first six-year Strategic Plan for the fiscal years 1998-2003. This plan, combined with the HUD 2020 Management Reform Plan², helped make the Department more effective and efficient. Since 1999, the Department has produced Annual Performance Plans that focus on achieving outcomes, in accordance with the Government Performance and Results Act (GPRA). HUD continues to review and strengthen these plans by better identifying outcomes through outreach to constituents and by improving the scope and accuracy of the data we collect.³

Building on this foundation we have established five strategic goals to direct our policies over the next six years:

- Increase the availability of decent, safe, and affordable housing in American communities;
- Ensure equal opportunity in housing for all Americans;
- Promote housing stability, self-sufficiency and asset development of families and individuals;
- Improve community quality of life and economic vitality;
- Ensure public trust in HUD.

² For more information see "HUD 2020 Management Reform Plan" (1997).

³ See the National Academy of Public Administration's report "GPRA in HUD: Changes for the Better," detailing the "substantial progress HUD has made...toward GPRA implementation."

We developed our strategic plan after a great deal of thought and consultation. Among other groups, we consulted with Congress, the Office of Management and Budget, HUD employees and many of our customers and stakeholders. We continue to seek and welcome feedback. It will take coordinated deliberation and action, at the grassroots level and at the national level, to achieve our strategic goals and provide decent housing and a suitable living environment for all Americans.

II. THE CONTEXT FOR OUR STRATEGIC PLAN

We have shaped our plan based on HUD's role and partnerships, research and trends, consultation with customers, HUD's legislation and programs, and our commitment to excellence and to results.

Since developing our first Strategic Plan in 1997, HUD has completed a fundamental overhaul of our operations. We have refocused on our mission, streamlined operations, and built real accountability into our programs and our internal management systems. Since 1999, we have used Annual Performance Plans to stay focused on the specific objectives and standards we seek to achieve.

This new Strategic Plan reflects what we have learned in this process. Among other changes, we have clarified the outcomes we seek to achieve, as well as the data we use to measure our progress.

In developing this Strategic Plan, we built on HUD's performance management cycle. We also examined:

- Trends that affect American housing and communities;
- HUD's role and our programs as tools;
- Recent housing and community development legislation;
- HUD's span of influence and span of control;
- Partnerships that help us achieve our goals;
- Feedback from customers and stakeholders about our plans and ideas.

This section discusses the complexities inherent in achieving our mission. The broad context for our work on this plan has been established by the direction that Congress has given through the years on HUD's purpose and programs. An appendix to this plan summarizes key legislation guiding HUD programs.

TRENDS THAT AFFECT AMERICAN HOUSING AND COMMUNITIES

To be effective in achieving our mission, HUD must use strategies that respond to an ever-changing social, political, and technological environment. This section highlights important societal trends in these areas and how they affect the achievement of our Strategic Goals and Objectives. Our strategies for dealing with these trends, and in some cases capitalizing on them, are described in the “Means and Strategies” section of each Strategic Goal.

Economy. The Nation currently is experiencing the longest economic expansion in U.S. history.

- The prolonged economic boom has positively affected employment and consumer confidence. Combined with low interest rates, economic prosperity has led to increased homeownership rates. It also has led many homebuyers to seek larger single-family homes with more amenities. Increases in interest rates or an economic downturn, however, could slow or reverse increases in homeownership.
- Strong job growth has reduced unemployment and poverty in many distressed communities; cities are closing the poverty gap relative to suburbs. Nevertheless, these positive outcomes are vulnerable to macroeconomic shocks.
- Despite general economic growth, the share of income of the poorest fifth of families has decreased, making it more difficult for these families to compete for housing.
- In the New Economy, education in technology fields is even more crucial for obtaining high-wage jobs, and low-skilled jobs that pay a living wage are becoming more scarce. Technological advances are creating a “digital divide” between those who have access to computer technologies and the Internet and those who do not. Without such access, persons with lower incomes are becoming more disadvantaged in the education and employment arenas.

Decrease in affordable housing units. The number of housing units affordable to people with extremely low incomes⁴ has declined even as the number of such households increases.

- The worst case housing needs population (unassisted very-low-income⁵ renters spending more than half of their income on housing costs or living in severely substandard rental housing) is increasing at twice the rate of population growth.
- Shortages of affordable housing in areas where employment is increasing constrain employment opportunities for extremely-low-income families.
- Higher rent burdens make it difficult to maintain self-sufficiency and accumulate assets and may force more people into homelessness.
- Increases in population and reductions in average household size combine to increase

⁴ Extremely low income is defined as income below 30 percent of area median family income.

⁵ Very low income is defined as income below 50 percent of area median family income.

household formation and, along with income increases, are creating high demand for new housing units.

Changes in welfare laws. Since Congress passed welfare reform legislation in 1996, States have developed a variety of different programs aimed at encouraging self-sufficiency.

- More Federal and State resources are being shifted from cash welfare payments to employment and training programs that help people move from welfare to work, creating challenges and opportunities for housing providers and others to promote self-sufficiency among assisted renters.
- The need for coordination of self-sufficiency efforts between housing assistance providers, welfare agencies and communities has increased.
- Welfare time limits and work requirements may decrease income and increase costs of housing subsidies for some subsets of the welfare population if economic conditions do not support entry-level jobs.

Increasing need for housing for the elderly and persons with disabilities. There are two major components to this trend. First, the share of Americans who are elderly (65 years and older) is projected to increase from 13 percent to 20 percent of the population by 2030, with rapid growth beginning around 2010. The fastest growing segment of the elderly population is already those 85 and older. Elderly women outnumber elderly men and are most likely to live alone.

Second, the Supreme Court recently ruled that States must place persons with disabilities in community settings rather than institutions when treatment professionals determine that community placement is appropriate.⁶ As a result of this decision, more persons with disabilities will be moving into communities at a time when affordable housing is increasingly scarce. This decision will increase the need for accessible housing and housing that is linked to supportive services.

- Changes in the demographic composition of the population may require changes in the mix and design of housing.
- Demand for physically accessible housing and housing linked with supportive services is likely to increase. Transportation and other specific needs related to an increased elder population raise land use planning issues.
- A disproportionate number of the elderly poor live in cities; therefore, burdens on cities will increase.

Sprawl and metropolitan decentralization. Many central cities are still decreasing in population while their surrounding suburbs expand.

- Middle-class flight increases fiscal stress in central cities. Inner suburbs are beginning to

⁶ See 1999 Supreme Court decision *Olmstead v. L.C.*

experience similar stress as their housing ages.

- The expansion of urbanized land has far outpaced population growth for the past three decades through sprawl development.
- Infrastructure spending patterns continue to drive residential and business development to the metropolitan fringe.
- Rapid changes in information technology are having positive and negative impacts on cities. Improved communication technologies reduce the need for physical centrality in the economy, encouraging further decentralization and the decline of cities. On the other hand, changes in information technology increase the salience of in-person information exchange in creating new products and services and make cities more profitable locations for newly-forming networks.
- There is an evolving consensus on the need for joint city-suburb Smart Growth strategies to address sprawl and the structural decline of some cities and older suburbs.

Building technology. Housing materials and construction methods are being transformed by technology.

- New information technologies have the potential to be applied to the traditionally disaggregated and localized housing industry, providing opportunities for significant cost savings in materials, processing time and construction. Dissemination of new methodologies, as well as low research and development spending, remain issues in this fragmented industry.
- Because of changes in housing preferences, homes will continue to grow in size and in use of amenities, both of which can increase energy use. However, with research and dissemination of energy-efficient technologies, energy costs can also be reduced, reducing operating costs as well as environmental impacts such as air pollution, power brownouts and urban heat-island effects.
- Continued urbanization and coastal development will place more housing at risk of natural disasters. However, the application of new technologies can significantly reduce damage and make housing more disaster-resistant.

Information technology and the Internet. Citizens' expectations are rising and the housing industry is being reshaped by the use of Internet and information technology.

- In an effort to simplify their lives and save money, people increasingly utilize the Internet to obtain information and make transactions. People expect housing products and services to be available online 24 hours a day and 7 days a week.
- The housing industry is moving to address new consumer demands via the Internet by offering integrated, one-stop solutions to search for homes and obtain mortgage products and other services. The industry is also utilizing the Internet to conduct internal and business-to-business processes better, faster, and more cost-effectively.

RECENT LEGISLATION AFFECTING HUD'S WORK

The trends discussed above are a key part of the context for HUD's activities and our Strategic Plan. Another critical part of this context is the housing and community development legislation passed by Congress and signed by the President. The following is a brief summary of recent legislation in these areas. Additional information on the legislative direction that guides HUD's programs is provided in the appendix.

- In 1997, Congress passed the Multifamily Assisted Housing Reform and Affordability Act of 1997. This legislation established the Office of Multifamily Housing Assistance Restructuring (OMHAR) to implement the Mark-to-Market Program (M2M). Under this program, which is authorized through September 30, 2001, HUD's multifamily portfolio of insured Section 8 housing projects will be restructured by resetting rents to market levels and reducing mortgage debt, if necessary, to permit a positive cash flow.
- In 1998, Congress passed the Quality Housing and Work Responsibility Act. This law substantially deregulates public housing authorities, institutes policies to decrease poverty concentrations in public housing and to promote mixed-income communities, ensures that a threshold share of public housing units and housing vouchers remains available for extremely-low-income families with the greatest needs, and creates incentives for residents to become self-sufficient.
- In 1997 Congress authorized and in 1998 HUD announced 15 new Empowerment Zones. These areas will receive a combination of tax incentives and grants over 10 years to promote economic opportunity and sustainable community development. In 1998, Congress also increased FHA's loan limits, giving HUD the opportunity to provide more affordable mortgages to first-time, minority and central-city homebuyers.
- For FY 1999, Congress approved 50,000 new housing vouchers to help reduce the number of individuals and families with worst case housing needs and help families move from welfare to work. This was the first significant appropriation of new housing vouchers in four years. For FY 2000, Congress approved 60,000 new vouchers, demonstrating renewed commitment to reducing the severe shortage of affordable housing.
- In FY 1999, Congress enacted the Housing Security Plan for Older Americans, which will enable HUD to develop a broad range of housing options to meet the changing housing needs of senior citizens, and Mark-up-to-Market legislation, which protects low-income renters by preventing opt-outs by owners of their project-based housing assistance contracts.

HUD'S SPAN OF INFLUENCE AND SPAN OF CONTROL

Our Strategic Plan establishes ambitious goals to ensure that our programs effectively promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination. Through HUD's programs and related activities, we influence the quality of life in the vast majority of American communities as well as the housing choices available to millions of American households. Because our programs provide great flexibility for individuals and communities to address their own needs, however, we have limited control of the outcomes

of our programs. In sum, we have a broad span of influence, but a much narrower span of control.

HUD's broad span of influence is reflected in many aspects of our programs:

- All States and the vast majority of communities receive HUD funding for housing, economic development, job training, homeless assistance and infrastructure.
- HUD provides direct and indirect rental and homeowner assistance to millions of households, including almost a third of low-income renters and a substantial proportion of first-time and minority homebuyers.
- HUD is the lead Federal agency to enforce housing related discrimination laws. HUD fair housing efforts are particularly targeted at low income persons and ethnic groups, minorities, people with disabilities and families who are experiencing significant levels of housing discrimination.
- The Department has an ambitious research agenda that seeks to better understand the nature and dynamics of housing markets, develop more efficient housing construction techniques, and evaluate the impact of housing and community development programs.
- HUD's activities and research inform and serve as models for housing and community development programs internationally.

Other aspects of our programs illustrate HUD's narrower span of control in meeting our national goals:

- In FY 1999, FHA helped finance 1.2 million single-family homes, but this was only about one-fifth of all home purchases.
- HUD distributes funding as flexible grants to States, cities and smaller communities. Because these grantees best understand their own needs, they have discretion to determine how to use Federal funding to support local housing and community development activities. This discretion brings communities together to plan their futures and ensures that their most important needs are met, but it makes strategic planning difficult because there are as many specific strategies as there are communities.
- State and local laws and regulations can have a direct impact on the success of affordable housing initiatives. Zoning regulations and building codes can be a barrier for housing development serving households with low income or special needs.
- HUD provides grants and funding to organizations such as Public Housing Authorities, State housing agencies, community-based organizations, and other non-governmental entities to deliver housing and services to American citizens. We rely on these partners to carry out our programs, and they often have considerable discretion in the use of funds.
- Economic conditions are a severe constraint on HUD's span of control with respect to housing affordability. Hot local housing markets, limited availability of land for development, and continued unemployment or poverty are major factors that limit HUD's ability to help more families find decent, safe and affordable housing.

HUD’S RELATIONSHIPS WITH OUR PARTNERS

The Nation’s housing and community development needs are complex and difficult to meet. We cannot accomplish our goals working in isolation. Our governing legislation makes clear that Congress wants HUD to work in partnership with other entities at the Federal, State, and local levels in both the public and private sectors. HUD fully agrees with this strategy and philosophy. Our Strategic Plan identifies partnership efforts with a wide variety of private and public organizations, and we encourage partnerships among the different entities that administer HUD programs. These partnerships leverage other resources, making our limited funding more effective.

The following are some of the ways in which we work with our partners to achieve our Strategic Goals:

Federal Agencies

This Strategic Plan discusses relationships with other Federal agencies in areas such as helping families move from welfare to work, combating homelessness, ensuring fair housing, and encouraging economic development. By coordinating with other agencies, we ensure that our efforts are complementary and not duplicative, with each agency making unique contributions to these goals. Coordinating policy, funding, and regulation in this manner leads to more effective and holistic responses to the concerns of America’s communities. Our cross-cutting programs and interagency partnerships are detailed in Section IV.

State and Local Agencies

The Department relies on a range of public and private partners to provide public housing and assisted housing opportunities to low-income families. HUD intends to help housing providers improve operations and conditions and to ensure that they uphold the public trust.

- Communities that receive funds under the formula grant programs—Community Development Block Grants (CDBG), HOME Investment Partnerships, Emergency Shelter Grants (ESG) and Housing Opportunities for Persons with AIDS (HOPWA)—do so by developing a local Consolidated Plan that identifies local needs and strategies, through a process that ensures participation by low- and moderate-income residents. HUD is taking steps to strengthen joint accountability with our partners for achieving the locally-determined goals identified in their plans. The integration of these community development and housing programs with other HUD housing and economic development programs is critical to the overall success of our programs.
- HUD’s award-winning “Continuum of Care” uses a similar approach to encourage local partnerships that integrate a full range of services for homeless people. A Continuum of Care is a coordinated network of public and private homeless assistance providers serving a specific geographic area. Each Continuum submits a single application to compete for Homeless Assistance Grants.
- One of HUD’s oldest partnerships is with local Public Housing Authorities (PHAs), which are established under State laws to develop, own and operate low-rent public housing using

HUD subsidies. The partnership with PHAs has continued and evolved over the years as housing styles emerged and were tested, and as changes occurred in urban conditions, statutory requirements, funding levels, private housing markets and in the populations served. The progress experienced recently—through HOPE VI redevelopment of distressed housing and neighborhoods, statutory and regulatory reforms, funding modifications and enhanced performance-based oversight—bodes well for a rejuvenated public housing program that ensures the public trust.

- HUD depends on State Housing Finance Agencies and other State housing agencies to perform a variety of housing activities at the State and local level. Their work is integral to the successful use of HOME funds and low-income housing tax credits in communities. FHA’s risk-sharing agreements with State Housing Finance Agencies support increased affordable rental housing development.
- In FY 1998, the Department identified 15 Round II Empowerment Zones in addition to the eight Round I Zones designated in 1994. Through this program, HUD encourages residents, States and localities—as well as private companies and non-profit organizations—to work together to address local needs for urban revitalization. These “EZs” are eligible for many benefits to support their strategic plans, including direct grants and tax incentives.
- HUD relies on State and local partners, both governmental and non-profit, to help in the fight for fair housing, using the Fair Housing Assistance Program (FHAP) and the Fair Housing Initiatives Program (FHIP). Under FHAP, agencies that enforce local laws “substantially equivalent” to provisions of the Fair Housing Act are treated as equal partners. Under FHIP, public and private organizations conduct education, outreach and enforcement activities to ensure compliance with fair housing laws.
- HUD relies on a nationwide network of State and local housing agencies, as well as nonprofit and for-profit entities, to guide owners through the Mark-to-Market restructuring process. HUD manages the process through portfolio restructuring agreements. HUD also has established partnerships with a number of other nonprofit organizations to provide technical assistance to tenants and communities and grants to tenant organizations. These groups will help organize and train tenants so they can participate meaningfully in the Mark-to-Market Program.

The Private Sector

- Mortgage bankers are HUD’s largest group of for-profit partners. FHA mortgage insurance enables lenders to reduce interest rates, and Ginnie Mae facilitates investment in mortgages by packaging them in pools for resale to private investors.
- The “One Million Homes” initiative represents a partnership among the National Association of Home Builders, the United States Conference of Mayors and HUD. The ambitious goal of this initiative is to promote the construction of an additional one million new single-family homes in urban areas across the Nation by 2010.
- HUD works with the business community to increase investment and economic activity in the most needed areas. HUD’s 1999 report *New Markets: The Untapped Retail Buying Power in America’s Inner Cities* describes the extensive potential for economic activity in both inner city and rural markets. Our continuing strategy will be to encourage and support private

sector investment in these markets.

Non-profit Community and Faith-Based Groups

- The non-profit sector is a vital partner for HUD. Community-based and faith-based organizations understand local needs and are uniquely positioned to serve them. Many non-profit organizations have direct roles, as grantees or sub-grantees, in the administration of HUD's programs and the delivery of HUD-funded services.
- Many institutions of higher education have become partners with HUD and with local government and non-profit groups to revitalize neighborhoods. More than 100 universities, colleges, and community colleges receive HUD support, which they match with their own resources to provide technical assistance, training, and student community service to organizations in low- and moderate-income neighborhoods.

International Partnerships

- HUD has enhanced our partnerships with other nations to foster mutually beneficial exchanges of data and information. Those cooperative efforts strengthen the Department's ability to improve housing and community development in our Nation and to help other countries achieve similar goals.

HUD is so convinced of the importance of partnerships that we have charged a specific set of employees, called Community Builders, to focus on partnerships, customer service and leveraging resources. Those functions used to be intermixed with other program responsibilities, and too often received less attention as a result. According to an independent audit, our new community builders are "providing increased responsiveness to community needs and requests...expanding outreach to new and in some cases previously under-served partners... [and] facilitating working partnerships furthering the Department's mission."

FEEDBACK FROM CUSTOMERS AND STAKEHOLDERS

In recognition of the importance of partnerships with national and local organizations and governments, HUD has undertaken an extensive consultation effort as part of the development of this Strategic Plan. We have solicited comments from all of our major constituents.

We received comments from stakeholders through national stakeholder consultation meetings, regional forums with community development leaders, specific requests for comment from key national partners and solicitation of comments on the Department's web page. A draft Strategic Plan was made available to HUD employees and outside stakeholders for comment.

In our initial consultations, we placed a special emphasis on our partners at the local level who administer HUD funds. Flexible formula block grant programs provide substantial resources to communities around the country, but they present significant difficulties for performance measurement. Both the Office of Management and Budget (OMB) and the National Academy of Public Administration (NAPA) have encouraged HUD to strive for "joint accountability" with these partners.

In October 1999, the Department met with Congressional staff. Through the meeting HUD sought input on the proposed consultation plan and the outline of the Strategic Plan. Congressional staff were kept informed of the subsequent consultations with other stakeholders and in some cases attended the consultations.

From December 1999 through September 2000, HUD held eighteen meetings with stakeholders, covering most sectors of HUD's operations, and sought additional input through concerted outreach to constituents. Hundreds of comments were received through meetings, phone conversations, letters and e-mail. These comments helped shape this plan. The consultative efforts led directly to the addition of our new Strategic Objective 3.3, which focuses on the elderly and persons with disabilities. It also led to modifications to Strategic Goal 3 and Strategic Objectives 3.1, 4.2 and 4.3 to better capture the type of work HUD and HUD's partners do in communities. Because many comments dealt with how to measure success of specific programs over time, they will assist HUD in developing our future Annual Performance Plans. Many comments identified additional means and strategies to address our goals or suggested greater emphasis on certain policies, programs or partnerships. The following briefly summarizes our consultation process:

National organizations. The Department held a series of stakeholder meetings in Washington, DC, with national organizations. The discussions gave organizations and governmental entities with shared goals the opportunity to suggest how to better integrate HUD's efforts with their work and how best to measure outcomes. Stakeholders also presented their ideas about which goals and performance indicators in recent Annual Performance Plans were valid, inappropriate, in need of improvement, or missing. Among the consulted stakeholders were many of our partners in States and local governments, non-profit groups, industry representatives, and advocates and representatives from specific interest groups. The organizations consulted included:

- U.S. Conference of Mayors, Community Development Committee;
- National Community Development Association, including State and local members;
- National Elderly Housing Coalition;
- Council of State Community Development Associations;
- National Low Income Housing Coalition;
- Public Housing Agency groups and advocates;
- Homeless advocates and service providers;
- Multifamily industry and tenant representatives;
- Fair Housing groups;
- Council for Excellence in Government;
- National Academy of Public Administration.

National Partners for Homeownership. In recognition of their unique contributions to the advancement of the Department's homeownership goals, the 66 national partners were specifically asked to comment on the Strategic Plan, paying particular attention to the Department's goals related to increasing homeownership opportunities for all Americans.

Regional groups. Regional stakeholder meetings with housing and community development leaders around the country have been conducted with recipients and beneficiaries of the Department's formula block grants. These consultations focused on how best to measure the success of these difficult-to-measure programs. The meetings emphasized shared outcomes, joint accountability and data issues that are particularly key to Community Planning and Development programs and other flexible grant programs. Regional stakeholder consultations were conducted in or near: Philadelphia, Chicago, Atlanta, and San Francisco.

Public comment. We made HUD's draft Strategic Plan available to the public through HUD's web site during August and September of 2000. Through the Internet we received hundreds of recommendations from a variety of HUD stakeholders.

HUD employees. The Strategic Plan was made available for comment to all HUD staff. HUD's Deputy Secretary held an all-employee broadcast specifically to solicit comments on the Strategic Plan. Many HUD employees submitted comments through HUD's internal website.

HUD'S PERFORMANCE MANAGEMENT CYCLE

This Strategic Plan establishes a vision of what HUD seeks to achieve during the next six years. We express that vision in terms of long-term, measurable changes in American housing and urban conditions—our performance goals for 2006.

Each year, we develop an Annual Performance Plan (APP). We send our APP to Congress along with our budget proposal to identify the results we intend to achieve with the funds that we are requesting. Over the next several years, HUD will further integrate these two documents to give Congress a better sense of the link between budget resources and outcomes.

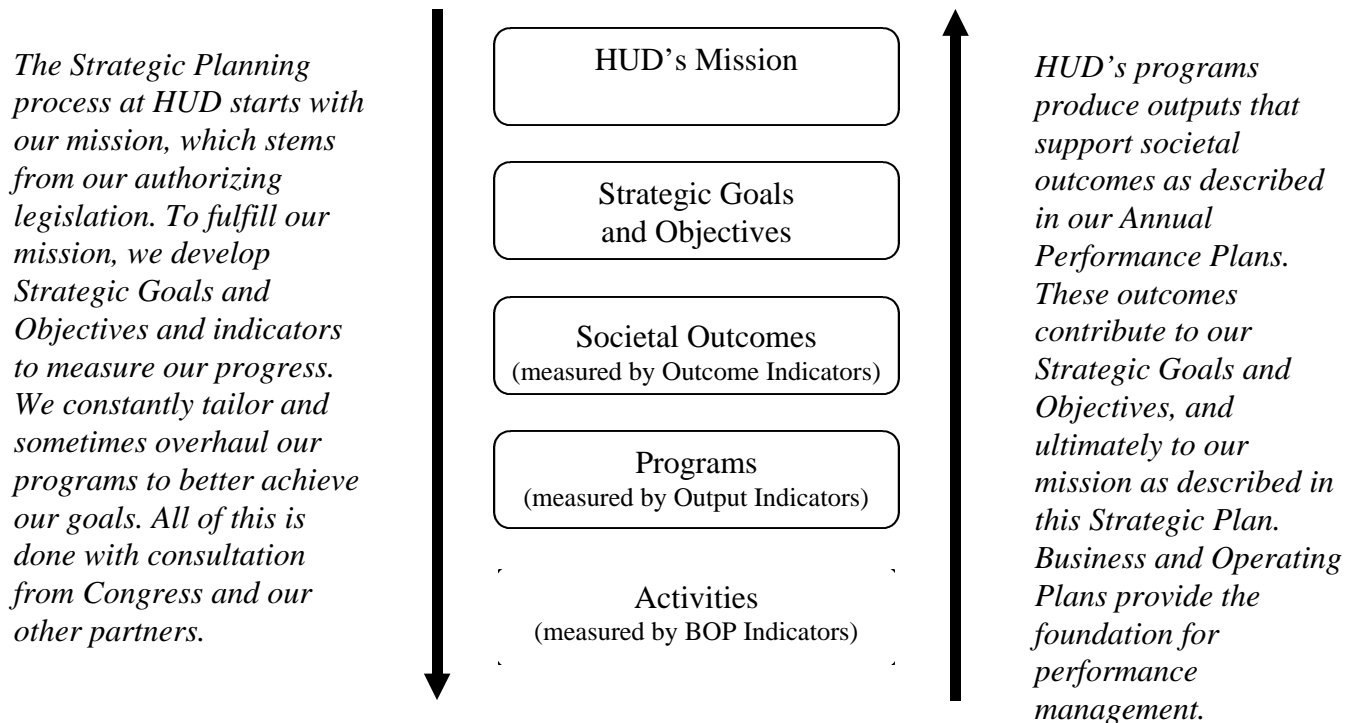
Future APPs will specify what we will do each year to achieve the vision for 2006 articulated in this Strategic Plan. They will specify detailed performance indicators that will help us gauge our progress in achieving both our strategic goals and objectives and our six-year performance goals. In general, readers should consult the APPs for more information on HUD's specific plans and measures for meeting our Strategic Goals.

The performance goals in this Strategic Plan will help us focus our APP indicators. Those indicators assess both outcomes (changes in society that our customers and stakeholders can readily recognize) and outputs (products of our programs that contribute to the outcomes). HUD has developed performance measures that cover every major program and function of the Department.

Once Congress acts on our budget proposal for a fiscal year, we establish internal annual plans to make sure we achieve our intended results. These internal, office-by-office Business and Operating Plans (BOPs) measure the activities and products of each part of HUD. We allocate resources consistent with those plans. To ensure accountability to the BOPs—and ultimately to the performance goals in this Strategic Plan—we evaluate performance in terms of how effectively organizations and individual managers contribute to those plans. BOP goals are included in the individual performance plans of senior managers affecting bonuses, raises and promotions.

As we implement our Business and Operating Plans, we pay attention to what works and what does not work. That experience, in turn, feeds back into our Annual Performance Plan for the next year. Thus we have a complete cycle: from strategies to plans to budgets to operations to evaluation and ultimately back to a review of strategies. Every part of this cycle reinforces our focus on HUD’s mission and the measurable progress we are making toward its achievement.

HOW IT ALL TIES TOGETHER



III. HUD's STRATEGIC GOALS

HUD's five Strategic Goals and Objectives are intended to encompass the broad scope of HUD's activities. The following five sections describe the means by which we intend to reach each goal, the program evaluations that have assisted the Department in developing policies and programs, and the external factors that could affect achievement of each goal. Each section also describes the Department's strategic objectives and specific performance goals we seek to achieve over the next six years. The table below summarizes HUD's Strategic Goals and Objectives.

HUD's Mission, Vision, Goals, and Objectives

HUD's Mission: Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.				
Vision: To fulfill our mission, HUD will be a high-performing, well-respected, and empowering partner with all levels of government, with the private sector, and with families and individuals.				
Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5
Increase the availability of decent, safe and affordable housing in American communities.	Ensure equal opportunity in housing for all Americans.	Promote housing stability, self-sufficiency and asset development of families and individuals.	Improve community quality of life and economic vitality .	Ensure public trust in HUD.
Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives	Strategic Objectives
1.1 Homeownership is increased.	2.1 Housing discrimination is reduced.	3.1 Homeless families and individuals achieve housing stability.	4.1 The number, quality, and accessibility of jobs increase in urban and rural communities.	5.1 HUD and HUD's partners effectively deliver results to customers.
1.2 Affordable rental housing is available for low-income households.	2.2 Minorities and low-income people are not isolated geographically in America.	3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.	4.2 Economic conditions in distressed communities improve.	5.2 HUD leads housing and urban research and policy development nationwide.
1.3 America's housing is safer, of higher quality, and disaster resistant.	2.3 Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.	3.3 The elderly and persons with disabilities achieve maximum independence.	4.3 Communities become more livable.	

Strategic Goal 1: Increase the Availability of Decent, Safe and Affordable Housing in American Communities

Safe, decent, affordable housing for all Americans is a cornerstone of our Nation that many of us take for granted. But it remains out of reach for millions of people. This section describes HUD's strategy to increase homeownership, to expand affordable rental housing opportunities, and to improve housing quality and safety.

OVERVIEW

Increasing the availability of decent, safe, and affordable housing for all Americans is at the heart of HUD's mission. This general goal has three main components: increasing homeownership rates; increasing the availability of affordable rental housing for low-income households; and ensuring that America's housing is safer, of higher quality and disaster resistant.

For many families, buying a home is the most important, most costly and most complicated financial transaction they will face—yet it is a central feature of the American Dream. HUD's programs help underserved groups, including low- and moderate-income households, to receive the benefits of homeownership. The availability of safe, affordable and accessible rental housing, especially for low- and moderate-income individuals and families, strengthens the ladder to homeownership and self-sufficiency. Supporting new and rehabilitated housing in distressed communities is also an important aspect of community and economic development.

A combination of low interest rates, low unemployment, and rising incomes has helped boost homeownership for many. But the strong housing market has led to higher housing prices, with house prices rising at more than twice the rate of overall inflation and rents rising at more than one-and-a-half times the rate of inflation. Combined with slow income growth for low-income households, this has led to an increasing affordability gap. This phenomenon, documented in the 1999 HUD report *Rental Housing Assistance—The Worsening Crisis*, has resulted in a record 5.4 million households with “worst case housing needs.”⁷

The variation in the housing needs of different communities and populations presents additional challenges and requires targeted efforts. Rural and urban housing needs differ as do the mechanisms for delivering services to households in these areas. As the elderly population increases, there will be an increased demand for affordable housing that meets their special needs, including housing with supportive services. Persons with disabilities require accessible homeownership and rental housing, making it essential to enforce accessibility laws, encourage

⁷ Worst case housing needs are defined as unassisted very low-income renters who pay more than half of their income for housing or live in severely substandard housing. Very low-income families are those whose income is less than 50 percent of median income.

appropriate building standards and ensure that assisted and supportive housing is available where needed.

MEANS AND STRATEGIES

The Department employs several types of programs to achieve this goal. First, there are a variety of loan and mortgage-insurance-related programs that increase the availability of housing loans to individuals and to private and public organizations.

- In FY 1999, FHA's Mutual Mortgage Insurance and General/Special Risk Insurance provided over \$130 billion in loan guarantees for a range of needs, including first-time homebuyers and multifamily housing.
- Ginnie Mae pools these FHA-insured loans for sale by lenders in the secondary market, reducing lenders' holding costs and enabling them to make new loans.
- Ginnie Mae also promotes homeownership in lower-income neighborhoods through the Targeted Lending Initiative, which reduces the securitization fee paid by lenders to Ginnie Mae for loans in targeted low-income areas.
- Under the Real Estate Settlement Procedures Act (RESPA), the Department regulates housing transactions to protect consumers from referral and unearned fees, thereby reducing the cost of homeownership.

The Department also administers programs that give communities discretion to use funds to meet locally defined needs. A significant share of these resources is used for housing development.

- The largest block grant program is the Community Development Block Grant program (CDBG). Allocated by formula to cities, urban counties and States, CDBG provides funding for a wide variety of locally determined needs.
- The HOME Investment Partnerships program supports housing construction, rehabilitation, and rental and homebuyer assistance.
- The Rural Housing and Economic Development Program builds capacity at the State and local level for rural housing and economic development and supports innovative housing and economic activities in rural areas. The program provides direct grants and supports a clearinghouse, which receives and disseminates information on rural issues.
- The Self-Help Homeownership Opportunity Program (SHOP) supports land and infrastructure costs for a low-income housing program run by the Housing Assistance Council. These costs are the most difficult items for local non-profits to finance. Permanent financing for most SHOP homes comes from Rural Housing Service Sec. 502 homeownership loans.
- Native American Community Block Grants and Indian Housing Block Grants support housing needs in Native American communities.
- Housing Opportunities for Persons with AIDS (HOPWA) funds provide a range of housing assistance and related support for low-income persons living with HIV/AIDS and their

families.

- Homeless Assistance Grants can be used by communities to provide permanent housing for homeless people.

The largest single program the Department operates is the Section 8 rental assistance program.

- The Section 8 program provides housing vouchers⁸ to approximately 1.4 million very-low-income households, adding more each year through the enactment of appropriations for incremental vouchers. The vouchers help families afford the cost of rental housing of their choice.
- The Section 8 program also provides funding for 1.3 million units of project-based housing for which HUD contracts directly with housing providers. Through the Office of Multifamily Housing Assistance Restructuring (OMHAR) and the Mark-to-Market Program, HUD is cutting the cost of rent subsidies and ensuring that the project-based Section 8 program continues to provide decent, safe and affordable housing for very-low-income families.
- When public housing units are demolished or when private owners choose to leave the project-based Section 8 program, HUD seeks to maintain the overall size of the public and assisted housing inventory by adding to the number of vouchers serving the same locality.

HUD provides funds for 1.2 million units of public housing.

- The Public Housing Operating Fund subsidizes the operation and maintenance of public housing projects.
- The Public Housing Capital Fund supports modernization and rehabilitation of public housing, as well as development and management improvements.
- HOPE VI demolishes or revitalizes severely distressed public housing, taking substandard housing off the market and replacing it with a combination of vouchers and public housing units that are part of mixed-income developments.

Several programs help make America's housing safer and more disaster resistant:

- The Partnership for Advancing Technology in Housing (PATH) is a relatively new program with ambitious goals for promoting the use of new technology in housing production. In the coming years, this effort should result in more affordable, durable, disaster-resistant, safe and energy-efficient housing.
- The Office of Healthy Homes and Lead Hazard Control is beginning a greatly expanded 10-year program to eliminate lead as a hazard in low-income housing occupied by families with children. This effort relies on a significant commitment toward correcting lead paint hazards in housing, scientific research, outreach and education, technical assistance and enforcement of Federal lead safety laws.

⁸ Under the Section 8 Housing Choice Voucher program, a household generally pays 30 percent of its income in rent, and the voucher pays the difference between the household contribution and the payment standard established by the local housing authority. The payment standard is based on the local Fair Market Rent set by HUD.

- HUD establishes standards for the manufactured housing industry to increase the durability and disaster resistance of all manufactured homes built with a permanent chassis for transportation. Since 1976, more than 5 million manufactured homes have been built under HUD's consumer protections. Manufactured housing constitutes roughly one-third of all new single family housing sales and a majority of single family housing that is affordable for low- and moderate-income Americans.
- HUD's 203(k) mortgage insurance helps provide financing for homebuyers who wish to rehabilitate their single family property.
- Elderly homeowners can convert all or some of their home equity into cash through the Home Equity Conversion Mortgage (HECM) program. The cash can be used for a variety of purposes including rehabilitation.

The Department employs a variety of targeted programs to meet the specific housing needs of people with HIV/AIDS, homeless people, the elderly, and residents of rural areas. HUD also has two sources for providing Section 8 tenant-based assistance to persons with disabilities.

Program Enhancements

HUD has begun a variety of initiatives to meet the goal of increasing the availability of homeownership opportunities and safe and affordable rental housing.

- HUD is seeking to expand our housing voucher program with vouchers targeted to special needs as well as untargeted vouchers that housing agencies can use to meet locally defined needs. HUD's FY 2001 budget request seeks 120,000 new vouchers, half of which target special needs including:
 - Homeless vouchers to help people find permanent housing;
 - Welfare-to-Work vouchers, which make housing affordable and support the transition from welfare to work;
 - Housing production vouchers, which will be combined with Low-Income Housing Tax Credits and FHA's multifamily insurance programs to secure the construction of new units for extremely-low-income renters.
- In recent years, HUD has undertaken a series of steps to improve success and utilization rates in the Section 8 Housing Choice Voucher program, thereby improving the effectiveness of this program in providing families with affordable housing.
 - HUD has requested that Congress fund a Voucher Success Fund. The fund would facilitate the use of vouchers by providing voucher-holders with housing search assistance and other services to help them locate suitable rental housing.
 - HUD raised Fair Market Rents in areas where families are experiencing difficulties using their vouchers from the 40th to the 50th percentile rent of standard quality apartments. This policy increases by 25 percent the proportion of rental units affordable to voucher holders in affected areas.
 - HUD has also developed a process that will rate PHAs based on the proportion of funds they are utilizing; PHAs that are utilizing less than 90 percent of their funds and their

units could have their funding reduced.

- Other recent policy changes likely to result in improved success and utilization rates include conversion of certificates to vouchers, discretion for PHAs to raise payment standards to 110 percent of the Fair Market Rent and elimination of the 120-day maximum search time.
- FHA is continuing to refine its automated mortgage scorecard to make FHA insurance more accessible and to reduce the time it takes to get an FHA loan.
- In conjunction with the Department of Treasury, HUD is seeking an increase for the Low-Income Housing Tax Credit, which gives States tax credits to allocate to developers for producing affordable housing. While this credit is not part of HUD's budget, the Department coordinates our programs with the credit to provide additional leverage to produce and preserve affordable housing.
- HUD has proposed higher affordable housing goals for Fannie Mae and Freddie Mac, the two government-sponsored housing enterprises it regulates. These goals will ensure that more low-income and minority families and families in underserved areas gain access to home loans.
- As part of the Housing Security Plan for Older Americans, the Department supports construction of affordable assisted living facilities by providing operating subsidies to these facilities and by funding the conversion of some elderly developments. This will create new housing with services that support elderly Americans.
- HUD will help expand homeownership opportunities for very-low-income families by facilitating and encouraging the use of Section 8 vouchers to assist those families in purchasing their own homes.

Program Evaluations

In developing and implementing this Strategic Goal, the Department applies the results of research studies on FHA programs, public housing, Section 8, Community Development Block Grants, HOME and Native American Housing programs. Examples include:

- In 1999 HUD completed the final report of a study of insured multifamily housing. The study provides representative estimates of the extent of unfunded maintenance backlogs in private assisted housing and supported policy development and implementation of the Mark-up-to-Market legislation (*Status of HUD-Insured (or Held) Multifamily Rental Housing*, 1999).
- The first phase of a long-term evaluation of the HOPE VI redevelopment program for distressed public housing documented that extreme poverty prevailed at 15 study sites before the program began (*An Historical and Baseline Assessment of HOPE VI*, 1996). Updated results are expected in 2000.
- An evaluation beginning in FY 2000 will survey a representative sample of tenants of rental developments funded through HOME to assess income eligibility and rent appropriateness over time. A 1995 evaluation showed that HOME effectively delivers affordable housing opportunities to communities (*Evaluating the Nation's Supply of Affordable Housing: An*

Evaluation of the HOME Investment Partnership Program, 1999).

- In an ongoing study assessing the Moving To Opportunity for Fair Housing Demonstration (MTO), initial findings indicate that helping families move from highly concentrated areas of poverty with Section 8 vouchers leads to significantly improved outcomes—especially for families with children, and including substantially improved health status and reductions in children’s behavioral problems (*Moving to Opportunity for Fair Housing Demonstration Program, 1999*).
- HUD has conducted a series of research projects on the use of Section 8 vouchers. One recent study examined the success of giving tenants vouchers when project-based assistance is withheld for regulatory reasons or when an owner “opts out” upon completion of a project-based contract. This study found that, in general, tenants have a high success rate in using replacement vouchers (*Case Studies of the Conversion of Project-Based Assistance to Tenant-Based Assistance, forthcoming*). Another pending study is examining the extent to which success rates in the Section 8 voucher program are correlated with particular agency policies or market conditions.
- Interim evidence from an evaluation of the Lead-Based Paint program indicates that three years after addressing household lead, dust lead levels were no longer a significant cause of elevated blood lead in children. However, clearance testing of treated units was found to remain necessary (*Evaluation of the Lead-Based Paint Hazard Control Grant Program: Fifth Interim Report, 1998*). The evaluation is on-going to measure the long-term effectiveness of the hazard control methods used, and another major report is expected in 2001.
- HUD has engaged the National Academy of Public Administration to assess the effectiveness of various methods of evaluating public housing agencies and other providers of public housing. An interim report is expected in November 2000.
- Among other in-house efforts, HUD is developing and is in the process of implementing an automated underwriting system for FHA mortgage loans (*Understanding Consumer and Mortgage Scoring, 1999*).
- HUD is analyzing the potential of using Government-Sponsored Enterprise⁹ (GSE) housing goals to promote greater availability of affordable multifamily units (*Segmentation of the Multifamily Mortgage Market, 2000*).
- An in-house study of homeownership increases among minority and low-income households and the impact of homeownership initiatives, particularly FHA initiatives, was completed in 2000. See *U.S. Housing Market Conditions*, February 2000.
- Four studies informed the Department’s decision in 2000 to increase the underserved populations goals for the GSEs, Fannie Mae and Freddie Mac. A 1998 report found that the GSEs generally increased their performance and exceeded existing goals during the 1996-

⁹ There are two Government-Sponsored Enterprises—Fannie Mae and Freddie Mac—that provide a secondary market for home mortgages. HUD oversees GSEs and establishes public interest goals such as purchasing mortgages for low- and moderate-income households.

1997 period (*Characteristics of Mortgages Purchased by Fannie Mae and Freddie Mac: 1996-97 Update*, 1998). This result was considered in light of two studies using historical data. A study of GSE performance at the metropolitan level during 1995-1996 found that the GSEs served minority and low- and moderate-income populations at a lower rate than did lenders overall (*Performance of the GSEs at the Metropolitan Level*, 2000). Another study examined GSE mortgage purchases in low-income and high-minority neighborhoods in metropolitan areas during the 1994-1996 period. GSE purchases were found to fall short in low-income tracts (mirroring primary lending activity), but not in high-minority middle-income tracts (*Fannie Mae and Freddie Mac Mortgage Purchases in Low-Income and High-Minority Neighborhoods: 1994-1996*, 2000). A 1998 review of HMDA coverage of the mortgage market found that HMDA data provide the most comprehensive picture of the mortgage market available, but under-report GSE acquisitions in non-metropolitan areas (*HMDA Coverage of the Mortgage Market*, 1998).

- A study of mortgage underwriting guidelines will guide policymaking to ensure fair treatment of all borrowers.

External Factors

Economic conditions have a major influence on the attainment of HUD's housing goals. Interest rates affect the affordability of homeownership. HUD's target homeownership constituency of first-time, low-income and minority homebuyers is particularly interest-rate sensitive. As interest rates rise fewer and fewer can afford the initial financial hurdle or mortgage payments. Unemployment rates and income levels have large impacts on mortgage defaults by homeowners and on worst-case needs for affordable rental housing. Other unforeseen events such as energy crises or natural disasters could affect housing needs drastically on a regional or national scale. Changes in economic conditions also can affect the affordability of rental housing.

Many of HUD's Federal, State and local government partners have great influence on tax policy, housing priorities, transportation, and regulatory and funding decisions. The policies of these partners may provide incentives or disincentives to purchase, develop, rehabilitate or preserve housing. Finally, the private sector controls most of the capital available for housing activities.

STRATEGIC OBJECTIVES

Objective 1.1: Homeownership is increased.

Performance Measurement: The national homeownership rate will increase to 70 percent by the end of 2006.

Through homeownership, an individual or family makes an investment in the future. A home is an asset that can grow in value and provide capital for a family's future financial needs. Homeownership also stabilizes neighborhoods and strengthens communities. Over the last six years, significant progress has been made towards President Clinton's goal of reaching a homeownership rate of 67.5 percent by the end of the year 2000. The homeownership rate has increased from 64.2 percent at the end of 1994 to an all-time high of 67.2 percent in the second quarter of 2000. Much of this overall increase was due to increased homeownership rates among minorities and lower-income families. Since 1994, the minority homeownership rate has increased by nearly 10 percent and the homeownership rate of families with incomes below the median income has increased by 5.4 percent.

While a strong economy and low interest rates help boost homeownership, government involvement is also critical. HUD plays a particularly important role in increasing homeownership for first-time, low-income, and minority homebuyers through FHA and Ginnie Mae, oversight of GSEs, and other HUD programs such as HOME and the newly offered homeownership vouchers.

Although not every person wishes to buy a home, the Department has decided on a bold target of a 70 percent homeownership rate by 2006. This target is largely driven by the Department's commitment to reduce the substantial homeownership gaps between minorities and non-minorities and between lower-income and higher-income Americans. If the gap between minority and non-minority homeownership rates for similarly situated households were reduced by 15 percent and the gap between the homeownership rates of higher-income and lower-income households were reduced by 25 percent, these improvements alone would result in a 70 percent homeownership rate.

This goal will be measured through the Current Population Survey.¹⁰ For the first quarter of 2000, this survey showed a minority homeownership rate of 48 percent and a homeownership rate of 51.4 percent for families with incomes below the median.

See Objective 2.3 for additional information on the Department's plans for reducing the disparities in homeownership rates among groups defined by race, ethnicity and disability status.

¹⁰ For detailed information about the sources, advantages and limitations, and validation and verification of data referenced in this Strategic Plan, see HUD's Annual Performance Plan.

Means and Strategies

Increasing the availability and affordability of home mortgages. Through FHA and Ginnie Mae, and by setting housing goals for Freddie Mac and Fannie Mae, the Department provides a broad range of mortgage products and increases the liquidity of the mortgage market. These activities increase the attainability of mortgage credit, especially for first-time, low-income, minority, and central-city homebuyers. The Department also guides potential homeowners through the complex process of homebuying and will more efficiently provide information and assistance to FHA's clients, lenders, and borrowers. We will continue to convene homeownership fairs and recruit businesses, local governments, and non-profits into the effort to boost homeownership.

Promoting new technologies. The Partnership for Advancing Technology in Housing (PATH) reduces the cost of building and operating homes by helping to speed the adoption of new technologies.

Construction and rehabilitation. HUD provides support to local governments to construct, rehabilitate and enable ownership of single-family housing through a variety of programs including communities' use of HOME and CDBG. HUD also provides funding for the Self-Help Homeownership Opportunity Program, which uses "sweat equity" to produce affordable homes for new homebuyers.

Objective 1.2: Affordable rental housing is available for low-income households.

***Performance Measurement:** By 2005, the number of families with children, elderly households and persons with disabilities with worst case housing needs will decrease by 30 percent from the 1997 levels.*

In 1997, a record 5.4 million households experienced worst case housing needs,¹¹ including 2.0 million families with children and 1.2 million elderly households. Housing costs exhaust the resources of these families, leaving them with inadequate income to meet other basic needs and accumulate assets. Through the means and strategies identified below, HUD seeks to reduce by 30 percent over the next six years the number of elderly households, families with children, and persons with disabilities with worst case needs. This would reduce worst case needs by approximately 600,000 families with children, 350,000 elderly renters, and 350,000 persons with disabilities. By helping these households find affordable rental housing, HUD will help reduce the risk of eviction or homelessness and give them a greater opportunity to invest in themselves and their children. To meet this Objective, substantial additional funding for housing subsidies will be required. This goal will be measured through the biennial American Housing Survey conducted in 2005.

***Performance Measurement:** The number of units affordable to extremely-low-income households increases to 85 units for every 100 renters, and the number of units both affordable and available to very-low-income households increases to 75 units for every 100 renters.¹²*

One of the housing challenges facing very-low-income (VLI) and extremely-low-income (ELI) renters is the absolute shortage of affordable housing units available to them. This scarcity forces many families to pay an excessive share of their income for rent and limits their ability to locate near quality schools and employment opportunities. In 1997 there were 78 affordable units for every 100 ELI households and 69 affordable and available units for every 100 VLI households. These figures declined steadily during the 1990s because of decreases in the number of affordable units and increases in the number of very- and extremely-low-income households and because many affordable units are occupied by higher income renters. Achieving these targets would reverse the decline and restore the indicators to their 1991 levels.

Means and Strategies

Rental assistance. HUD provides rental assistance vouchers to low-income families to ensure that they can afford their housing costs. Because this assistance is flexible, families can use it to

¹¹ Worst case housing needs are defined as unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing.

¹² Very-low-income is defined as less than 50 percent of the area median family income; extremely-low-income is less than 30 percent of the area median family income.

find housing in lower poverty communities closer to educational and economic opportunities. The income targeting goals included in the Quality Housing and Work Responsibility Act of 1998 ensure that the bulk of this assistance is provided to extremely-low-income households, who have the greatest need for housing assistance. HUD also provides Section 8 project based assistance to owners of rental developments who have agreed to rent to low-income households at 30 percent of their income.

Public housing. The Department supports the Nation's public housing by providing operating subsidies, capital funding, and technical assistance to public housing authorities. The Department also helps revitalize and replace distressed public housing units so they can become a source of decent, safe, and affordable rental housing. The HOPE VI program is maturing into a highly effective way of redeveloping the most distressed public housing developments into mixed-income neighborhoods of opportunity.

Preservation of affordable housing. Preserving the affordability of the nation's existing rental stock is critical to our success under this goal. HUD and our partners are working to maintain the affordability and good physical condition of hundreds of thousands of units across the country. HUD will use the Mark-to-Market program to restructure the rents and, when required, mortgages in affordable multifamily properties so they can be supported by prevailing rents. HUD views tenants as key partners in the Mark-to-Market (M2M) program, requires that they have an opportunity to participate in the M2M restructuring process, and provides assistance and training to tenants and tenant organizations so they can more effectively participate. In tight housing markets, where housing providers often opt out of subsidized housing for higher market rents, HUD will increase subsidies. This increase, known as "mark up to market" will encourage property owners to continue participating in the Section 8 program. Other HUD programs, including the HOME program and the public housing capital fund, forestall physical deterioration of affordable rental properties through funding for project rehabilitation.

Construction and rehabilitation. Communities use funding from the HOME Investment Partnerships program and CDBG to construct and rehabilitate low-income housing based on locally determined needs. For additional leverage, the Department will coordinate these programs with the Low-Income Housing Tax Credit. HUD also is expanding efforts to ensure that newly constructed rental housing provides adequate housing opportunities for persons with disabilities.

Increasing capital for housing production. Through housing goals that HUD sets for Fannie Mae and Freddie Mac, HUD increases the capital available for affordable multifamily rental housing. HUD also expands the amount of private capital invested in multifamily rental housing through FHA Multifamily Insurance. HUD is planning a new production initiative that coordinates FHA insurance with low-income housing tax credits and housing vouchers to expand the supply of rental housing affordable to extremely-low-income families.

Objective 1.3: America's housing is safer, of higher quality and disaster resistant.

***Performance Measurement:** The share of American households experiencing moderate or severe physical problems in their housing drops to 5.5 percent by 2005. Among very-low-income owners, the share drops to 6 percent, and among very-low-income renters, the share drops to 11 percent.*

Improved construction methods and materials have helped make America's housing much safer over the last several decades, but much remains to be done. In 1997, 7 percent of all households, 7.5 percent of very-low-income owners, and 15 percent of very-low-income renters lived in housing with severe or moderate physical problems. Improving the physical condition of these units will make them safer, especially for children, and more disaster resistant. It will also improve the overall value of homes as an asset. This goal will be measured through the biennial American Housing Survey conducted in 2005.

***Performance Measurement:** The share of public and assisted housing units in developments that meet HUD-defined physical standards for units, buildings and properties will increase by 25 percentage points in public housing and by 15 percentage points in multifamily housing.*

HUD's Real Estate Assessment Center (REAC) has implemented physical inspections of every public and assisted housing property to ensure that they meet Departmental standards. In 1999, the first year of inspections, 81 percent of public housing properties and 85 percent of assisted multifamily housing properties met HUD-defined physical standards. These standard-quality developments contained 62.5 percent of public housing units and 77.3 percent of assisted multifamily housing units. This goal sets targets of 87.5 percent of public housing units and 92.3 percent of assisted multifamily units by 2006.

***Performance Measurement:** The number of children under the age of six who have lead poisoning will decline dramatically.*

Lead poisoning in young children can cause severe health problems including reduced intelligence, hearing loss, stunted growth, and behavior difficulties. The most recent data from the Centers for Disease Control and Prevention, covering the time period 1991-1994, shows that 890,000 children under age six had elevated blood lead levels. Many of these children are in families with low incomes that are unable to afford correction of lead paint hazards. Over the next 10 years, the Department plans to evaluate and control lead hazards in 2.3 million housing units, virtually eliminating lead hazards in the Nation's housing. These plans are dependent upon Congressional appropriations consistent with the request contained in the President's Task Force report.¹³

¹³ For details, see *Eliminating Childhood Lead Poisoning: A Federal Strategy Targeting Lead Paint Hazards* (2000). The plan can be downloaded at www.hud.gov/lea or can be obtained by calling 1-800-424-LEAD.

Means and Strategies

Promoting new technologies. The Partnership for Advancing Technology in Housing (PATH) will develop and disseminate technologies that will improve durability, reduce energy and environmental impact and be more disaster resistant—while at the same time reducing monthly housing costs. Specific performance objectives for the PATH program are detailed in HUD's Annual Performance Plan and in the PATH Strategic and Operating Plan.

Demolition and rehabilitation of substandard housing. In an effort that began in 1993, HUD will support the demolition of severely distressed public housing. By 2003, 100,000 of these units will be demolished and replaced with mixed-income housing units and vouchers. In addition, CDBG and HOME funds will be used to rehabilitate units occupied by low-income owners and renters. HUD will also provide loans and reverse mortgages to assist homebuyers and homeowners who want to rehabilitate their homes.

Inspection and enforcement. HUD will regularly inspect the physical quality and visitability of all public and assisted housing and enforce contracts that require housing to be kept in good condition. The Department will also assist public housing agencies to correct any identified deficiencies. HUD will ensure that FHA homebuyers receive comprehensive information on property condition as part of the FHA appraisal. We will enforce lead paint disclosure regulations to ensure that buyers and renters have the information necessary to protect their children. HUD also will continue to work with our State and private-sector partners to ensure that manufactured housing is built and sold with appropriate standards and oversight.

Education. Through the Healthy Homes Initiative, HUD will campaign for greater consumer awareness of household hazards that contribute to childhood illnesses. PATH will identify and disseminate affordable disaster-resistant technologies.

Lead hazard reduction. The President's Task Force on Environmental Health Risks and Safety Risks to Children has developed a 10-year strategy for eliminating lead hazards by 2010. As part of this plan, HUD will apply increased resources to removing lead-based paint hazards from older homes and apartments and then continue to evaluate these programs to identify those that are the most effective.

Strategic Goal 2: Ensure Equal Opportunity in Housing for All Americans

Over the past 30 years, America has made great strides in opening housing markets. But many doors still remain closed for people of color and others whose rights HUD is charged to protect. This section describes HUD's strategy to reduce housing discrimination, ensure that housing options exist in the full range of neighborhoods, and increase homeownership among racial and ethnic minorities and persons with disabilities.

OVERVIEW

Following the assassination of Dr. Martin Luther King, Jr., Congress passed the Fair Housing Act as Title VIII of the Civil Rights Act of 1968. The Fair Housing Act prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex or national origin. From the beginning, HUD has led the fight for fair housing by administering the Fair Housing Act. Studies of the incidence of housing discrimination conducted in 1978 and 1989 showed that alarming levels of illegal discrimination persist.

In 1988, Congress amended Title VIII to prohibit discrimination based on disability or familial status, to establish new administrative enforcement mechanisms, and to expand the Justice Department's jurisdiction to file discrimination suits in Federal district courts. The 1988 amendments expanded HUD's role to include enforcement as well as the investigation and conciliation responsibilities created by the Fair Housing Act, and required HUD to affirmatively further fair housing in all its programs. The newly protected classes have proven significant sources of new complaints. Other amendments have expanded protections for persons with disabilities by requiring that certain multifamily dwellings developed after 1991 must include features that ensure accessibility.

Title VI of the Civil Rights Act of 1964 also has particular relevance for HUD because it banned discrimination on the basis of race, color or national origin in federally assisted programs. Title VI covers all HUD programs except for mortgage insurance and loan guarantee programs. It provides for HUD's investigation and remediation of discrimination complaints.

All of HUD's organizations are involved in the fight for fair housing, and the Office of Fair Housing and Equal Opportunity (FHEO) has primary responsibility for investigating, conciliating and issuing determinations in cases involving discrimination. The strategic goal of ensuring equal opportunity in housing for all Americans has three components: reducing discrimination in the home purchase and rental markets, reducing the geographical isolation of minorities and low-income households and reducing disparities in homeownership rates among racial and ethnic groups and persons with disabilities.

MEANS AND STRATEGIES

There are many sets of means and strategies that HUD employs to achieve this Strategic Goal: investigating and pursuing charges of discrimination; supporting the fair housing efforts of State and local partners; reducing concentrations of minorities and poor families in public and assisted housing; educating the public about the requirements of the Fair Housing Act; and working to expand the share of housing accessible to persons with disabilities.

HUD's primary method of ensuring equal opportunity in housing is to investigate and to file charges upon determining that there is reasonable cause to believe a violation of the Fair Housing Act has occurred. The FHEO uses the following steps in fighting for fair housing.

- FHEO first attempts to conciliate complaints. If conciliation attempts fail, then FHEO determines whether reasonable cause exists to believe that a discriminatory housing practice has occurred.
- When FHEO finds there is “reasonable cause” to believe a violation has occurred, charges are filed and a hearing is scheduled before a HUD administrative law judge (ALJ).
- Either party, complainant or respondent, may terminate the HUD-scheduled administrative proceeding by electing to move the matter to Federal court. In such cases, the Department of Justice prosecutes the case against the respondent, and the matter proceeds as a civil action. Either form of action—the ALJ proceeding or the civil action in Federal district court—is subject to review in the U.S. Court of Appeals.
- HUD has greatly increased referrals of criminal discrimination to the Department of Justice in recent years.
- HUD also is resolving more complaints with enforcement agreements, which go beyond standard conciliation agreements, providing especially strong remedies for aggrieved persons and the public interest.

HUD relies upon State and local partners to a substantial extent to increase enforcement capacity and to fight for fair housing in other ways:

- HUD certifies fair housing agencies operated by State and local governments as partners in enforcing fair housing.
- HUD encourages State and local governments to establish and empower substantially equivalent agencies and supports their operation by reimbursing their enforcement activities under the Fair Housing Assistance Program (FHAP). This funding is available for any State passing fair housing laws that are substantially equivalent to the Fair Housing Act.
- HUD also provides grants to support private fair housing groups under the Fair Housing Initiatives Program (FHIP). These organizations greatly support fair housing by educating the public, conducting tests for discriminatory behavior, and supporting victims of discrimination.
- HUD especially promotes the formation and funding of private fair housing enforcement organizations in underserved areas.

HUD is striving to reduce concentrations of minorities and poor families in public and assisted housing by enforcing Title VI requirements and requiring all housing providers to affirmatively further fair housing. All HUD public trust officers share the responsibility for ensuring compliance with fair housing under Title VI and other civil rights laws.

- HUD requires PHAs to certify annually that they will affirmatively further fair housing. PHAs shall be considered in compliance with this certification requirement if they examine their programs or proposed programs, identify any impediments to fair housing choice within those programs, address those impediments in a reasonable fashion and work with local jurisdictions to implement fair housing initiatives that require the PHAs' involvement.
- Grantees are required to include "analyses of impediments" to fair housing in their Consolidated Plans, as well as action plans for removal of impediments. Field staff from the Office of Community Planning and Development review these fair housing components when approving Consolidated Plans, and likewise consider fair housing factors under annual review and risk analysis processes when planning for on-site monitoring. Fair housing and civil rights-related issues are referred to FHEO.
- HUD requires owners of assisted and insured multifamily projects and builders of single-family subdivisions to develop Affirmative Fair Housing Marketing plans to ensure that market information is accessible on a nondiscriminatory basis to all households, including persons with disabilities. Office of Housing field staff assess the completeness of affirmative marketing plans, and systematically assess their implementation during housing management reviews. These reviews include assessment of whether applicants are treated without discrimination, whether concentrations of families in particular parts of a project may be caused by discrimination, and whether applicants may be steered to particular developments.

To increase homeownership in underserved areas, HUD increases the capital available for mortgage loans. Ginnie Mae's Targeted Lending Initiative reduces fees charged to lenders for making mortgage loans in Empowerment Zones and Enterprise Communities and adjacent areas.

Program Enhancements

HUD is working to implement the provision of the Quality Housing and Work Responsibility Act that requires PHAs to develop policies to reduce concentrations of poverty in public housing.

HUD has initiated its first comprehensive review of the underwriting guidelines and automated underwriting systems used by Fannie Mae and Freddie Mac. These guidelines and systems are key to determining whether applicants for mortgages receive favorable financing rates available in the convention mortgage market.

HUD is charged with enforcing the requirements that public and private developers design, fund and construct accessibility-enhancing features in multifamily housing.

- In 2000, HUD completed a review that compared the accessibility standards of the model building codes with the design and construction requirements of the Fair Housing Act. This study was used to assist in the development of revised code language that would bring the International Building Code (IBC) requirements into compliance with the Fair Housing Act.

Once these code revisions have been approved for formal incorporation into the IBC, multifamily builders who comply with the revised IBC provisions will meet the requirements of the Fair Housing Act and overall compliance with the Act will increase (*Final Report of HUD Review of Model Building Codes*, 2000).

- HUD is greatly increasing education of local officials responsible for granting building permits and inspecting new construction. Most notably, the Department has proposed in our FY 2001 budget allocating \$2.5 million for an Education and Outreach Initiative. The initiative would fund training and technical assistance to builders, developers, architects, building code officials and others on the accessibility requirements of the Fair Housing Act through a new nationwide Project of Accessibility Training and Technical Assistance.
- During physical inspections of public and FHA-insured multifamily housing, the Real Estate Assessment Center (REAC) measures the width of doorways and routes for accessibility by wheelchair. A negative response to any of the accessibility questions could be cause for further review by FHEO. REAC's resident satisfaction surveys also ask questions about accessibility issues.
- In 2000, HUD executed a Memorandum of Understanding with the Department of Treasury and the Department of Justice, providing for cooperation among Federal agencies in ensuring that properties that receive low-income housing tax credits comply with the Fair Housing Act.

Program Evaluations

In continuing to develop and implement this strategic goal, the Department used research from a variety of studies on discrimination, housing segregation, property values, and best practices.

- In 1978, HUD completed a path-breaking study that, for the first time, measured the level of discrimination in American rental and home sales markets against blacks. In 1989, HUD measured housing discrimination for the second time, providing national estimates of discrimination against both blacks and Hispanics. The 1989 study estimated the overall incidence of housing discrimination for minority homeseekers to be: 53 percent for black renters, 46 percent for Hispanic renters, 59 percent for black homebuyers, and 56 percent for Hispanic homebuyers (*Housing Discrimination Study*, 1991). Now HUD is engaged in the most ambitious effort yet to document and analyze housing discrimination in the United States against blacks, Hispanics, Asians, and Native Americans. This new study, authorized by Congress, supports President Clinton's One America Initiative. Using matched-pair testers, the study will build statistically valid measures of the extent of racial and ethnic discrimination by real estate agents in sales and rental markets throughout America. The results of this study will be used, among many ways, to target future enforcement efforts more effectively, to direct legislative action needed to reduce discrimination, and to create "Report Cards," both for the nation and for each community studied, by which to measure progress toward a goal of "One America" and to serve as a baseline for future measurement. The study is being conducted in three phases. From the result of the first phase, HUD will publish reports in 2001 that (1) provide a national estimate of discrimination against blacks and Hispanics, (2) provide Report Cards for 20 metropolitan areas, and (3) provide pilot test results for discrimination against Native Americans and Asians. Phases 2 and 3, to be

completed in 2002 and 2003, will provide additional report cards.

- A study of the impacts of the Fair Housing Initiatives Program funding upon private fair housing groups showed that HUD's partners view FHIP as a successful program, but also identified a need for greater communication, outreach, and collaboration among all parties involved (*An Evaluation of the FHIP Private Enforcement Initiative Testing Demonstration*, 1996).
- In an ongoing study assessing the Moving To Opportunity for Fair Housing Demonstration (MTO), initial findings indicate that helping families move from highly concentrated areas of poverty with Section 8 vouchers leads to wider opportunities, especially for the families with children (*Moving to Opportunity for Fair Housing Demonstration Program*, 1999).
- A 1994 assessment of the location and racial composition of public housing showed that minority residents typically were segregated in predominantly-minority and high-poverty neighborhoods—leading HUD to step up Title VI enforcement and, in 2000, to publish a proposed rule for deconcentrating public housing buildings and developments (*The Location and Racial Composition of Public Housing in the United States*, 1994).
- A 1998 report on successful mortgage lending strategies for underserved borrowers and neighborhoods indicated that there are many outreach and management activities lenders can employ to increase their business to the traditionally underserved, while maintaining profitability (*Successful Mortgage Lending Strategies for the Underserved*, 1998).
- An assessment of the impact of dispersed housing subsidy programs on neighborhood property values shows negligible effects—except in very poor neighborhoods, where assisted housing actually improves property values (*Assessing Property Value Impacts of Dispersed Housing Subsidy Programs*, 1999).
- HUD has performed an assessment and analysis of whether newly constructed multifamily rental properties are in compliance with the housing accessibility requirements of the Fair Housing Act and is now developing a statistical analysis to assess geographic areas of non-compliance (*Assessment of Multifamily Buildings' Conformity with Accessibility Provisions*, forthcoming).
- A forthcoming report on 50 case studies in 10 metropolitan areas assesses the impact of the 1992 amendments (which allowed many assisted housing developments to be designated as “elderly-only”) upon the availability of affordable housing for persons with disabilities.
- A 1998 study of discrimination in home insurance in two cities did not find reliable evidence of discrimination by insurance agents based on the racial and ethnic mix of neighborhoods, but did find differences in insurance policy options and service requirements. The study concluded that the scope of future research should include state designation of rating territories, underwriting and claim adjustments (*Testing for Discrimination in Home Insurance*, 1998).

External Factors

Social, cultural and economic conditions influence the acceptance of minorities, persons with disabilities and other protected classes by American citizens and the housing patterns that result.

Disparities in wealth and income levels among different groups contribute to differential access to homeownership, affordable and accessible rental housing and economic opportunities.

HUD depends on the Department of Justice and State and local government partners to assist in the fight for fair housing. State legislation that is substantially equivalent to national fair housing law is critical to increase the Nation's capacity to enforce those laws. State regulation of finance, insurance and real estate also affects fair housing and homeownership within specific populations or neighborhoods.

Local policies, including land use controls and accessible building code enforcement, will continue to influence the level of discrimination, income isolation, and disparate homeownership rates. The private sector likewise plays a central role in achieving fair housing outcomes. Businesses that adopt inclusive policies as central values go far to promote justice. Finally, some individuals continue to discriminate because they lack awareness of their fair housing responsibilities.

STRATEGIC OBJECTIVES

Objective 2.1: Housing discrimination is reduced.

Performance Measurement: Disparate treatment of racial and ethnic minorities in the home purchase market and in the rental market will decrease substantially, as measured by a housing discrimination study.

Excluding minorities from homeownership in general or from homeownership or rental housing in specific neighborhoods has far-reaching and hurtful impacts. There are many different types of discrimination that prevent minority families, persons with disabilities and other members of protected classes from living where they choose.

Discrimination by real estate agents occurs when they steer minorities to segregated neighborhoods or show prospective minority homebuyers or renters fewer available units than they present to non-minority families. Mortgage lending institutions sometimes discriminate by requiring better credit records from protected classes. Mortgage denials in the prime mortgage market force would-be minority homebuyers to the subprime market, where predatory lending practices are more common. Redlining can occur in the provision of property insurance.

Discrimination in the rental market also is a major problem. The Housing Discrimination Studies showed that landlords frequently discriminate against minorities by denying that units are available, by charging higher rents or security deposits, or by unfairly imposing other requirements. Measuring the level of discrimination requires periodic nationally representative studies using paired testers. Since the share of fair housing complaints by persons with disabilities has risen recently, the Department will assess how best to measure discrimination against these individuals.

Means and Strategies

Enforcement. HUD will toughen enforcement against discriminatory behavior by real estate agents, mortgage lenders and landlords. HUD will strive for more rapid responses to initial complaints of discrimination to increase the deterrent effect of fair housing enforcement and to encourage those who experience discrimination to file complaints. Increases in the number of cases referred to the Department of Justice for criminal prosecution will deter discrimination because of the more severe penalties that can result. The Department also will continue to fight discrimination on the basis of disability and familial status. In addition, HUD will continue monitoring the secondary mortgage market for practices that may discriminate or that may provide liquidity for predatory lending.

Education. HUD is conducting a study to assess the extent of public understanding of Fair Housing law and will address the weak points. Expanding awareness of the law will build greater consciousness of both rights and responsibilities under the law and will increase compliance among citizens for whom discrimination currently exists as the vestige of obsolete habits. Additionally, HUD's Community Builders will participate in hundreds of events per year that

further fair housing goals including: speaking engagements, training sessions, private/public forums, media campaigns and the initiation of Best Practices Agreements with lenders and other housing industry groups.

Accessible rental housing. HUD will address the issue of accessible rental housing for persons with disabilities with renewed attention. A baseline study of accessibility compliance among the newly-constructed multifamily developments that are responsible under the law will establish the foundation for initiatives to improve compliance. At the same time, HUD is undertaking a major education campaign to inform State and local officials about accessibility provisions of the amended Fair Housing Act. The Department also is assessing accessibility in the public and assisted multifamily housing stock as a component of the Real Estate Assessment Center's physical inspections.

Objective 2.2: Minorities and low-income people are not isolated geographically in America.

Performance Measurement: Segregation of racial and ethnic minorities and low-income households will decline.

The isolation of America's minorities and poor families in distressed neighborhoods has increased in recent decades. Long ago, many neighborhoods lost the amenities and conditions that sustain mixed-income and integrated communities. Such neighborhoods risk disinvestment when middle-income or non-minority families leave to protect their own interests and businesses have difficulty becoming reestablished. Neighborhoods with extreme poverty concentrations, defined as 40 percent or more of their population living with incomes below the poverty level, can have harmful influences on children who grow up there.

HUD seeks to maximize the housing opportunities of low-income and minority households. Although many individuals may voluntarily choose communities in which their racial or ethnic group predominates, HUD still expects that progress in reducing discrimination and expanding economic opportunities will reduce such segregation and geographic isolation of low-income households. This goal will be measured with data from the decennial Census and the new American Community Survey.

Means and Strategies

Redevelopment. Public housing has been both a cause and a victim of concentrated poverty and concentrations of minorities in American cities. The high-rise public housing developments constructed in the 1960s—often situated in blighted neighborhoods by local political forces—were ill-suited for families with children. The result often was entire neighborhoods of severely disadvantaged families. HUD is reversing decades of ill-conceived policy and practice by redeveloping distressed public housing and neighborhoods into mixed-income communities through the HOPE VI program.

Public housing. HUD also has taken a great step toward ensuring that households with diverse incomes reside in every general-occupancy public housing development through a regulation published in FY 2000. Over time this rule will eliminate concentrations of the poorest families in particular housing developments.

Tenant-based rental assistance. One of HUD's best tools for dispersing concentrations of poverty and promoting integration is to encourage households assisted with the tenant-based Section 8 program, especially families with children, to use their vouchers to move to neighborhoods outside areas of concentrated poverty.

Revitalization. HUD also will help revitalize distressed neighborhoods to make them attractive to middle-income families and to create employment opportunities for the unemployed. The Community Development Block Grant and HOME Investment Partnerships programs allow

communities to identify the needs of low- and moderate-income families and use funds flexibly to meet those needs.

Objective 2.3: Disparities in homeownership rates are reduced among groups defined by race, ethnicity and disability status.

Performance Measurement: The minority homeownership rate equals or exceeds 67.5 percent of the non-minority homeownership rate.

Homeownership in the United States has many corollary benefits such as asset accumulation, tax advantages, neighborhood stability and stronger school systems. Homeownership has even been linked to improved outcomes for children in terms of school achievement, dropout rates and other dimensions.

Although different demographic groups may have different preferences for homeownership compared with rental housing, closing the gap in homeownership rates among these groups in many ways demonstrates that America is providing equal opportunity. At the end of FY 1999, the homeownership rate of racial and ethnic minorities was 65.2 percent of the rate for non-Hispanic whites. HUD's goal—to increase the ratio to 67.5 percent by the end of 2006—is consistent with a significant reduction in the gap between minority and white homeownership rates for similarly situated households.

We also are working to increase homeownership for persons with disabilities. HUD will develop and report on a measure of homeownership rates for this group in future Annual Performance Plans.

Means and Strategies

Fair lending. One of HUD's primary means for increasing the homeownership rates of minorities is to ensure equal access to mortgage lending. HUD enforces fair lending law through FHEO. HUD also regulates the government-sponsored enterprises, Fannie Mae and Freddie Mac, and continually monitors their programs and practices to ensure consistency with fair lending requirements. Under the authority of the Federal Housing Enterprises Safety and Soundness Act, HUD seeks to ensure that the GSEs' underwriting guidelines, including their automated underwriting systems for determining creditworthiness, treat minorities and other protected classes fairly. These guidelines and systems have an enormous impact on the availability of credit for all mortgage applicants.

Targeted efforts. HUD also aims to increase the share of FHA single-family mortgage endorsements that go to minority homebuyers. Along with comparable goals for first-time homebuyers and central-city homebuyers—both disproportionately minority groups—this initiative ensures that FHA mortgage insurance reduces borrowing costs for minority homebuyers as well as non-minorities. By increasing Ginnie Mae activities for targeted efforts, HUD will make more capital available for underserved areas. Two programs promote minority homeownership by explicitly serving Native American communities where severe housing shortages continue—Indian Housing Block Grants and the Section 184 Indian Home Loan program. A variety of other HUD programs that benefit urban or low- and moderate-income

homeowners likewise contribute to increases in minority homeownership. These programs include HOME, CDBG, and Section 8 homeownership vouchers.

Education. HUD makes special efforts to provide reliable and uniformly available information about the requirements and the promise of homeownership. Homeownership fairs have proven to be a valuable tool to increase understanding of the homebuying process and to motivate saving for down-payments.

Pursuant to a Memorandum of Understanding, HUD and the National Association of Realtors (NAR) developed a cultural diversity certification program for real estate professionals that reflects the letter and spirit of the Fair Housing Act and the President's One America initiative. To qualify for this training, real estate professionals must be free from fair housing violations and complaints. Upon completion of the one-day training course and committing to specified principles of business conduct, the certified real estate professional will be permitted by NAR to use the "One America" mark and logo on a non-exclusive basis. Recertification and continued use of the One America mark and logo requires remaining free of fair housing violations and refresher training every two years.

Strategic Goal 3: Promote Housing Stability, Self-Sufficiency and Asset Development of Families and Individuals

There are many who have not found a foothold on the path to the American dream. HUD administers a menu of programs that can help people move from poverty to self-sufficiency. This section describes HUD's strategy to promote housing stability, self-sufficiency, asset development, and independence for homeless families and individuals, poor and disadvantaged households, the elderly and persons with disabilities.

OVERVIEW

The lack of stable, affordable housing undermines the health of families and communities. It slows progress towards self-sufficiency, hinders the educational achievement of children, and reduces the effectiveness of treatment and services for persons with disabilities. It can also lead to homelessness.

HUD's efforts to promote housing stability, self-sufficiency and asset development by families and individuals predate recent changes resulting from welfare reform and reach beyond the welfare population to assist the working poor. Our particular role in welfare reform stems from the significant overlap of families served by welfare and those served by our programs. In 1999, 31 percent of families with children in HUD's public and assisted housing programs also received Temporary Assistance for Needy Families (TANF). And in 1997, about one quarter of TANF recipients received housing assistance.

For many families, progress towards self-sufficiency is dependent on finding reliable employment that pays enough to cover their expenses. Such families face obstacles including lack of affordable and available child care, lack of adequate transportation to job sites and inadequate skills for available job opportunities. For persons with disabilities, progress towards self-sufficiency can be made by finding an adequately designed home. For some, who may never earn enough to cover their expenses, or who have retired and live on a fixed income, progress towards self-sufficiency can be achieved through housing opportunities and supportive services that maximize independence.

MEANS AND STRATEGIES

Promoting self-sufficiency is a substantial task that involves several Federal agencies. The Department of Health and Human Services (HHS) provides benefits and services including cash assistance, child care and health care to needy families. The Department of Labor provides job training to improve people's employability. HUD complements these agencies by providing families and individuals with stable, affordable housing and by leveraging our relationships with housing providers and community development agencies to promote self-sufficiency.

HUD contributes to self-sufficiency efforts by providing more than four million households with stable, affordable rental housing. HUD also has developed special programs to help families make the transition from welfare to work. For example, HUD provides special Welfare-to-Work vouchers targeted to individuals who are moving from welfare to permanent employment. The flexibility of housing vouchers allows recipients to move closer to job opportunities, and the program provides critical supportive services. HUD also will continue the Family Self-Sufficiency program, which provides case management, supportive services, and an opportunity for asset accumulation for thousands of voucher and public housing families.

In recent years there has been increasing recognition of the importance of asset building to help families move out of poverty, to provide financial stability in the event of an emergency, and to overcome disparities in wealth between racial and ethnic groups. In addition to the Family Self-Sufficiency program, HUD has other programs that help families build assets. CDBG and HOME funds are used by some community-based organizations to create Individual Development Account (IDA) programs that teach financial literacy as families build assets. IDAs are matched savings accounts that allow low-income families to accumulate assets for home ownership, a small business or education. Also, through the Section 8 Homeownership Voucher Program, participants can purchase homes and use their Section 8 vouchers for mortgage payments.

Capitalizing on our relationships with providers and community based organizations, HUD invests in the human capital of public and assisted housing residents as well as residents of low-income neighborhoods through a wide range of programs:

- HUD's Neighborhood Networks initiative facilitates the development of computer and community service centers located in public and assisted housing developments. HUD subsidized housing thus provides portals for low-income persons to cross the digital divide.
- The Youthbuild program trains youth in construction trades and helps them obtain GEDs.
- The Resident Opportunity and Self-Sufficiency program provides residents of public housing and Section 8 voucher holders with education, skills training, micro-enterprise and small business development support, and social services.
- Empowerment Zones and Enterprise Communities develop job training and placement programs, and coordinate them with their job creation efforts.

HUD establishes strategic partnerships to provide a variety of services to assist low-income persons, especially residents of public and assisted housing, to move closer to self-sufficiency.

- Through the HOPE VI private sector initiative, HUD connects national employers seeking workers with public housing agencies and their residents. Employers then provide training and jobs for PHA residents.
- Through the Welfare-to-Work voucher program and through a cooperative agreement with HHS, HUD has created and further strengthened partnerships between public housing agencies, TANF and Welfare-to-Work agencies.
- By requiring agencies that receive HUD funds to give low-income residents priority access to job opportunities created through these funds, HUD provides economic opportunities for

low- and very-low-income persons. This requirement is known as “Section 3.”

- Through our partnership with the national non-profit Communities in Schools, HUD seeks to prevent at-risk youth from dropping out of school, and to involve them in job training and community development activities.
- HUD’s participation in the design of the Department of Labor (DOL) Welfare-to-Work program has resulted in many housing authorities receiving competitive DOL grants individually or as part of local consortia.
- HUD is working with DOL and other Federal, State and local organizations to integrate HUD’s self-sufficiency programs with those of other agencies through local One Stop Employment Centers authorized in the Workforce Investment Act.
- HUD’s partnership with Goodwill Industries International provides state-of-the-art training, which leads to career-ladder jobs for public housing and other community residents.

HUD also strives to support self-sufficiency and independent living among low-income families with special needs, including the elderly and persons with disabilities and their families.

- The Department’s funding for assisted living facilities and service coordinators enhances independence among the elderly.
- The Housing Opportunities for Persons With AIDS (HOPWA) program provides housing and supportive services to low-income people living with HIV/AIDS and their families.
- The Section 811 housing program provides grants supporting persons with disabilities.

Because domestic violence is a significant impediment to self-sufficiency and housing stability, public housing agencies are encouraged to give a preference in admission to victims of domestic violence. HUD also makes housing vouchers portable so that voucher holders can move far away from abusive partners.

The Continuum of Care planning process for HUD’s homeless assistance grants encourages communities to develop coordinated networks of services for homeless people. The program requires significant leverage of HUD funding to ensure community support and to increase the total resources available for combating homelessness. Communities also are encouraged to use flexible block grant funding from the Community Development Block Grants and HOME programs, as well as mainstream funding from other Federal and non-Federal sources.

Program Enhancements

- HUD is working to extend the continuum of care model to serve the elderly. This model will ensure that communities provide a broad range of services that enhance the independence of seniors.
- The Department will establish Intergenerational Learning Centers to ensure that seniors remain connected to the mainstream of our communities. These centers will allow seniors to use their skills, knowledge and energy to provide affordable child care.
- HUD is planning to target new housing vouchers to homeless families and individuals who

are ready to make the transition to permanent housing.

- In response to the Supreme Court’s ruling in *Olmstead v. L.C.*, the department will lead a public-private partnership called “Access Housing 2000.” The partnership will help approximately 2,000 persons with disabilities move from institutions to community living by providing affordable housing and support systems.
- HUD will intensify homeownership efforts for persons with disabilities by encouraging FHA-approved mortgagees to use increased flexibility when underwriting loan applications from individuals with disabilities.
- As part of a government-wide effort to eliminate barriers to employment for persons with disabilities, HUD has issued guidance that allows certain income to be disregarded when calculating rent for HUD-assisted persons with disabilities.

Program Evaluations

The Department’s focus on self-sufficiency and asset development has increased, in part, because of lessons learned from welfare reform and program evaluations. In addition, the continuum of care approach to homelessness is a function of a broader understanding of how and why families and individuals become homeless. Substantial recent research supports this goal:

- An evaluation of the HOPE for Elderly Independence Demonstration (HOPE IV) showed that service coordination for frail elderly persons improves their satisfaction with life (*Evaluation of the Hope for Elderly Independence Program*, 1999).
- A 1999 study of the long-term effects of housing assistance on self-sufficiency showed that after controlling for family characteristics—and contrary to popular perceptions—public and assisted housing had modest positive effects on the success of adults who had lived there as teens (*The Long Term Effects of Housing Assistance on Self-Sufficiency*, 2000).
- A broad study of homelessness, including programs and the people they serve, was completed in 1999. This Interagency Council on the Homeless study increased our understanding of homelessness in America in the latter half of the 1990s and confirmed that homelessness is associated with a broad range of problems that require coordinated programs and partnerships (*Homelessness: Programs and the People They Serve*, 1999).
- HUD has an ongoing study assessing the Moving To Opportunity (MTO) demonstration, which gives families vouchers and counseling to move from highly concentrated areas of poverty with Section 8 assistance (*Moving to Opportunity for Fair Housing Demonstration Program*, 1999).
- In 1997, an independent longitudinal evaluation of the Gateway Transitional Families Program—which provided public housing residents with case management, froze rents, and gave access to self-sufficiency services and the opportunity to purchase a home—showed that although attrition was high, graduates moderately improved employment rates and earnings (*From Dependency to Self-Sufficiency: An Appraisal of the Gateway Transitional Families Program*, 1999). The Gateway program and evaluation have implications for Family Self-Sufficiency and other self-sufficiency programs (*Gateway Housing Program: Report to Congress*, 1997).

- Through our Bridges to Work demonstration program, HUD is working with the Department of Transportation to evaluate the impact of providing transportation to jobs for families leaving welfare. Bridges to Work is a four-year demonstration program that links low-income work-ready central city residents with suburban jobs, transportation, child care and other supportive services (*Evaluation of Bridges to Work, currently underway*).
- An evaluation of HUD's Shelter Plus Care Program demonstrated the difficulties of moving homeless people from the street directly into permanent housing and informed the development of the Continuum of Care approach (*National Evaluation of the Shelter Plus Care Program, 1997*).
- A 1998 study of the impacts of welfare reform on public housing demonstrated the broad range of fiscal impacts that PHAs and HUD could face as welfare time limits become effective in states and communities with varying welfare policies (*Welfare Reform Impacts on the Public Housing Program: A Preliminary Forecast, 1998*).
- A study of welfare reform by the Manpower Development Research Corporation (MDRC) suggested that housing subsidies can be helpful in advancing welfare reform objectives. Welfare reform was found to have a larger effect on employment and earnings among families receiving housing subsidies than among other families in the study. Housing is critical both as a stabilizing force and to reduce rent burdens for these families.
- Through two demonstration programs, Jobs Plus and the Neighborhood Jobs Initiative (NJI), MDRC is exploring the feasibility of dramatically increasing employment rates in public housing developments or in a distressed inner-city community. The Jobs Plus demonstration is scheduled for completion in 2003 (*Mobilizing Public Housing Communities for Work: Origins and Early Accomplishments of the Jobs-Plus Demonstration, 1999*).
- The Office of Policy Development and Research (PD&R) has initiated a multi-site evaluation—using a rigorous experimental design—of the effects of Welfare to Work housing assistance on the earnings, employment, and welfare receipt of families who are receiving, have recently received, or would be eligible to receive TANF.
- A study of the impacts of supportive housing in Denver showed that contrary to common perceptions, supportive housing has neutral or positive effects on property values, crime and quality of life. The supportive housing included group homes, larger institutions and apartment-based housing for resident clients, including persons with physical or developmental disabilities or mental illness (*Impacts of Supportive Housing on Neighborhoods and Neighbors, 2000*).
- The first phase of an evaluation of the Family Self-Sufficiency program is examining FSS programs conducted by 50 public housing agencies and is studying experiences of current participants. Phase II of the evaluation will follow a sample of new participants for up to five years to assess long-term effects of the program.

External Factors

Macro forces such as unemployment and wage levels and housing market conditions affect the likelihood that households will be homeless or will be able to make progress towards self-

sufficiency. If the overall supply of affordable housing continues to decrease, the risk of homelessness might increase dramatically for many families, especially in tight housing markets. An economic downturn and rise in unemployment levels would place many more households at risk of losing their housing and reduce opportunities for self-sufficiency. These effects could be worse for households who are prohibited by welfare time limits from receiving additional assistance. On the other hand, continued economic growth and tightening labor markets should make self-sufficiency more attainable and stabilize the incomes and housing status of low-income households.

Local governments and service providers have substantial discretion in their use of homeless assistance and other Federal and local funding. For example, they operate TANF-funded programs that promote self-sufficiency, Medicaid programs that provide assistance for persons with disabilities, foster care programs that care for young people as they transition to adulthood, and education programs that prepare people for the workforce. Their decisions and ability to effectively deliver services will have a significant impact on homelessness, self-sufficiency, and the housing opportunities of the elderly and persons with disabilities.

Finally, many individual or household factors affect housing stability and the ability to be self-sufficient including domestic violence, substance abuse, disabilities and education levels.

STRATEGIC OBJECTIVES

Objective 3.1: Homeless families and individuals achieve housing stability.

Performance Measurement: The number of persons who have successfully moved from HUD transitional housing to permanent housing increases by 125 percent.

The ultimate objective of homeless assistance is to help homeless families and individuals achieve housing stability and an appropriate level of self-sufficiency. The needs of homeless persons vary; some need extensive and ongoing supportive services while others need only affordable housing with minimal services. Where it once was viewed exclusively as an urban problem, research suggests that homelessness is a prevalent problem in rural areas as well.

Working together through the Continuum of Care program design, HUD and local homeless assistance providers helped approximately 295,000 people make the transition to permanent housing by 2000. HUD and our partners will apply lessons learned during the early years of the Continuum of Care to serve homeless persons more effectively and to achieve greater success in establishing housing stability for more people. The goal is to more than double the cumulative population moved to permanent housing to 660,000 by the end of 2006.

In addition, HUD will study ways to measure changes in the incidence of homelessness over time. HUD will also regularly assess the success or failure of homeless assistance programs.

Means and Strategies

Continuum of Care. Through the Continuum of Care process, local service providers in a community combine their efforts and submit a single consolidated application, explaining and ranking their needs. Local providers coordinate efforts to provide homeless individuals and families with a full range of services. Permanent housing—a critical strategy for reducing homelessness—is supported through the Continuum's Supportive Housing, Shelter Plus Care, and Single Room Occupancy programs. This Continuum of Care model was recognized by the Ford Foundation and Harvard University through an "Innovations in Government" award.

Housing assistance. HUD works to prevent homelessness through a number of housing assistance and housing development programs, which aid low-income families through rental subsidies. Some public housing agencies or private owners have preferences for admitting homeless applicants to public housing and to Section 8 project-based and voucher programs. Other HUD housing programs that fight homelessness include the HOME program and new FHA developments linked with the Low-Income Housing Tax Credit. When families who are homeless are ready to move to permanent housing they may have difficulty finding available, affordable housing to meet their individual needs. Therefore, HUD has sought new Section 8 housing vouchers for those families and individuals who are ready to make the transition to permanent housing.

Technical assistance. HUD will assist communities in developing their Continuums of Care and in delivering other homeless assistance by providing technical assistance in areas such as supportive housing, job training and mental health services.

Emergency shelter. The Department will continue to provide grants to communities to develop and maintain their emergency shelter networks. Emergency shelters can be the entry point for individuals and families into the Continuum of Care system. Also, through the Emergency Shelter Grant program, jurisdictions can use up to 30 percent of their grant for homelessness prevention activities such as mortgage payments, security deposits on apartments, or short-term rental assistance due to a sudden loss of income.

Interagency cooperation. Because the needs of homeless people can be so complex, HUD will continue to coordinate our services with other Federal agencies. Through the Interagency Council on the Homeless and other cooperative efforts, we are working to ensure that homeless people have access to medical care, mental health services, substance abuse treatment, and other needed services.

Objective 3.2: Poor and disadvantaged families and individuals become self-sufficient and develop assets.

Performance Measurement: The annual percentage growth in earnings of families in public and assisted housing increases.

Self-sufficiency and asset accumulation increase the economic health of communities and provide ongoing opportunities for personal growth. Welfare reform has brought major changes and reduced caseloads for welfare agencies, but many families have not experienced increases in their overall income. Becoming self-sufficient requires stable housing, high quality job opportunities, and adequate training and supportive services. HUD has a variety of tools available to help families achieve financial independence — not just gaining income, but building assets as well. Accumulated assets provide a cushion in case of an unexpected emergency and allow families to make investments in themselves and their communities. This indicator will use household data from the Multifamily Tenant Characteristics System to track income changes of households who remain assisted over 12-month intervals. Data will be adjusted for inflation, and the average change in the 2005-2006 period will be compared with a baseline reflecting the early years of welfare reform.

Means and Strategies

Incentives for earning income. HUD will help newly employed families save more of their earnings by disregarding all of their increased income for 12 months and 50 percent of their increased income for an additional 12 months when setting public housing rents.

Mobility. One challenge to self-sufficiency is that jobs are located a long distance from the people that need them. HUD will continue to support flexibility in our housing programs so families can live closer to job opportunities. We also will partner with other entities, such as the Department of Transportation, to find innovative solutions to the geographic mismatch.

Supportive services. HUD will provide and encourage the use of supportive services to help individuals find quality jobs, especially residents of public and assisted housing. These services will include education, skills training, resident management activities, micro-enterprises, small business development, child care, transportation, and social support services. Community Builders will assist in this effort by facilitating partnerships between businesses, community organizations, universities and individuals.

Developing assets. HUD will support asset development by low-income families by encouraging PHAs to expand self-sufficiency efforts such as the Family Self-Sufficiency program, which provides a major asset-building tool in the form of escrow accounts. HUD also will encourage the use of Individual Development Accounts for public and assisted housing residents. Through Section 8 homeownership vouchers, PHAs can support homeownership for low-income families.

Objective 3.3: The elderly and persons with disabilities achieve maximum independence.

***Performance Measurement:** The number of affordable assisted-living units HUD supports, through FHA insurance, conversion of multifamily properties or Section 8 vouchers increases.*

This new strategic objective reflects the Department’s continued emphasis on the needs of the growing population of elderly Americans, as well as HUD’s clear commitment to support the needs of persons with disabilities and their families to live independently. For these two groups, the term “self-sufficiency” reflects not just financial independence, but independent and assisted living. The key challenge of serving these constituencies is ensuring a full spectrum of housing and supportive services that meet their diverse needs. Currently, there are many gaps.

While most older Americans live in quality housing that is within their means and located in neighborhoods that they like, millions of elderly people live in housing that is in poor condition, costs too much, or fails to accommodate their physical disabilities. Some of them do not have access to the supportive services that can make the difference between continuing to live independently and being forced to live in institutional housing. The Department will work to help older people age in place—in familiar settings, close to the support of family and friends—and to support the development of elderly independent living facilities.

The housing situations of many persons with disabilities are likewise unacceptable. Based on estimates from the American Housing Survey, between 1.1 and 1.4 million households with non-elderly adults with disabilities have worst case housing needs. Improving the affordability, accessibility and physical characteristics of the Nation’s housing stock will increase self-sufficiency among Americans with disabilities.

The performance measurement for this goal reflects the Department’s ongoing concerted efforts to make the benefits of assisted living available to low-income elderly families and individuals. Additional annual measurements supporting other types of housing for the elderly and persons with disabilities will be developed in HUD’s Annual Performance Plans.

Means and Strategies

Affordable housing. Through the Section 202 Supportive Housing for the Elderly program, and in conjunction with non-profits, HUD provides grants for a variety of housing needs, including:

- Creating housing tailored to the unique needs of seniors,
- Providing rental assistance through project rental assistance contracts,
- Converting existing elderly housing into assisted living facilities.

Increasing affordable housing for persons with disabilities dovetails with our fair housing efforts. By educating officials who issue building permits and by inspecting properties, HUD promotes accessibility in the private housing market. To supplement this mechanism, the Department will

provide Section 811 grants to construct facilities and to support rental assistance tailored to the needs of persons with disabilities.

In addition, HUD is proposing an expanded insurance program to encourage banks and developers, who currently are only familiar with the higher-income assisted living market, to develop assisted living facilities affordable to lower-income elderly persons.

Helping seniors remain in their homes. Nearly one million elderly homeowners have serious home rehabilitation and modification needs. By expanding the reverse mortgage program's outreach and the Healthy Homes Initiative, the Department will provide seniors with information on how they can convert their home equity into cash and use the funds to make physical improvements to their homes.

Coordinated services. Because many seniors and persons with disabilities need a variety of supportive services, coordination is vital. HUD-funded service coordinators will help the elderly and persons with disabilities live more independently by identifying and helping obtain needed services. Furthermore, the Department will better integrate housing assistance with Medicaid funding, in part by allowing housing vouchers to pay for the rent in assisted living facilities.

Independent living. To support independent living for elderly families, the Department issued policy guidance specifying that Section 8 vouchers may now be used in assisted living facilities.

Strategic Goal 4: Improve Community Quality of Life and Economic Vitality

Pockets of poverty continue to have devastating effects on the social and economic fabric of communities across the country. This section describes HUD's strategy to help struggling communities create and maintain viable job markets, reinvigorate distressed areas and make neighborhoods more livable.

OVERVIEW

In 2000, the unemployment rate is lower than it has been in 30 years. Employment rates have increased for both women and minorities. But concentrations of poverty and joblessness continue to have devastating effects on the social and economic fabric of communities across the country. A key to reviving these markets is expanding access to private equity investment in businesses and industries that serve these communities. The Nation's economic challenges are not confined to the cities and suburbs in metropolitan areas. Many rural communities are struggling as well—especially in Appalachia, the Mississippi Delta, Indian country, and the borderland colonias. Even in this era of unprecedented national prosperity, many of these areas have alarmingly high unemployment and poverty rates.

The goal of improving communities is core to HUD's mission, and the Department contributes to this goal in a variety of ways, including: creating and supporting economic opportunities, funding public infrastructure costs, promoting sensible growth planning, and providing safe and affordable housing.

Many of HUD's programs help create communities of opportunity. Grants administered by the Office of Community Planning and Development will continue to provide many of the tools and resources that localities need to improve quality of life and economic vitality in poorer neighborhoods. HUD's work on the Administration's New Markets Initiative will support the interagency effort to stimulate greater private sector participation in economically distressed areas.¹⁴

Promoting economic competitiveness in the 21st century while making communities more livable is a cross-cutting challenge requiring the participation of many Federal agencies, State and local governments, community groups and the private sector. HUD will complement the efforts of our partners by attracting private capital for economic development to underserved

¹⁴ The New Markets Initiative is a multi-agency effort, proposed by the President, that will bring investment to urban and rural areas that have not participated in the Nation's recent economic expansion. More information about these areas can be found in HUD's report: *Now is the Time: Places Left Behind in the New Economy*.

neighborhoods and by targeting housing and infrastructure improvement resources to these communities.

Broad, sustainable economic prosperity requires not just growing, but growing smarter. Smarter planning for growth will reduce disparities between cities and suburbs and will increase job growth and accessibility. HUD's housing programs also support this objective by increasing the quality of housing in distressed neighborhoods and by reducing concentrations of poverty.

MEANS AND STRATEGIES

HUD focuses economic development grants and loan guarantees on distressed areas in order to stimulate much larger investments in job creation from the private, non-profit, and public sectors.

- CDBG grants—HUD's largest source of community and economic development funding—provide much-needed resources for poorer, slow-growing, distressed areas. Within these areas, low- and moderate-income residents are the primary beneficiaries of CDBG funds.
- The Department also supports economic development in low-income areas.
 - The Section 108 loan guarantee program provides local governments with a source of financing for economic development, housing rehabilitation and other large scale physical development projects.
 - The Empowerment Zone/Enterprise Communities program supports self-sustaining long-term economic development in distressed communities in partnership with private, public, and non-profit entities.
 - The Brownfields Economic Development Initiative supports redevelopment efforts on brownfield sites where either perceived or actual environmental threats are known to exist.
 - The Rural Housing and Economic Development Program builds capacity at the State and local levels for rural housing and economic development and supports innovative housing and economic activities in rural areas. The program provides direct grants and supports a clearinghouse that receives and disseminates information on rural issues.
 - The Self-Help Homeownership Opportunity Program (SHOP), funded by HUD, supports land and infrastructure costs for the low-income housing program run by the Housing Assistance Council. These costs are the most difficult items for local non-profit organizations to finance. Permanent financing for most SHOP homes comes from the Rural Housing Service's Sec. 502 homeownership loan program.
 - The Section 242 program provides mortgage insurance for hospitals, helping urgently needed facilities obtain affordable financing for construction, modernization and expansion projects that establish and support them as community anchors and major employers.
- The Consolidated Planning process enables communities to identify the neediest areas and target Federal grants and local resources for priority needs.

- Through the Youthbuild program, the Department provides education, employment training and work opportunities to economically disadvantaged young adults.
- HUD's Community Builders work with communities, non-profits, and businesses to develop partnerships and increase local capacity to address community needs. In particular, they are working with grantees across the country to develop better approaches to job and workforce development.
- Community Builders and other HUD staff bring together grantees and local businesses through mailings, conferences, the Internet, trade association meetings and other outreach efforts. These collaborations strengthen the connections within communities and build the capacity of local businesses, including many minority- and women-owned businesses, to create jobs.
- The Department actively encourages minority- and women-owned small businesses, often located in distressed areas, to apply for HUD contracts.
- HUD's partnerships with colleges and universities help them apply their human, intellectual, and institutional resources to the challenge of revitalizing distressed communities.
- In cooperation with national veteran service organizations and other Federal agencies, HUD established the Veteran Resource Center (HUDVET) to help military veterans participate in the planning, delivery and utilization of community-based programs and services.

To ensure that more housing capital is available in certain communities, HUD establishes suitable underserved area goals for the GSEs—Fannie Mae and Freddie Mac—and actively encourages the use of FHA and Ginnie Mae resources in poorer neighborhoods.

To better serve rural communities, the Department has established the Rural Housing and Economic Development program to create jobs, spark economic development, and build and improve housing in rural communities. In addition, where HUD defines underserved areas for the purpose of targeting single-family and multifamily housing resources, the definition includes distressed rural areas. HUD also has developed the Native Economic Development Guidance and Empowerment (Native eDGE) website to promote economic development in tribal areas.

HUD has become more actively involved in building safer communities in recent years. Initiatives have included: the Public Housing Drug Elimination Grant program; efforts to demolish and/or modernize public housing; the Officer Next Door program; the Gun Buyback initiative; and enforcing the “one strike-you’re out” policy that supports screening applicants and evicting assisted housing residents who commit crimes or sell drugs.

Program Enhancements

As part of the New Markets Initiative, HUD has designed America's Private Investment Companies (APIC) to increase private investment in high-poverty areas. Working with the Treasury Department on tax incentives and with the Small Business Administration on small business financing, HUD will operate the APIC program. HUD brings our expertise in large-scale development—particularly development that links job creation with other important elements of community development.

Through designation of a third round of Empowerment Zones (EZs) and Enterprise Communities (ECs) and through support to current EZ/ECs, HUD will create jobs and business opportunities for residents of economically distressed parts of urban and rural America.

The Department created the Community Empowerment Fund Pilot as a financing vehicle to demonstrate how to increase the market for the Section 108 Loan Guarantee Program by streamlining the processing of loan requests, reducing the loan servicing burden, and using private sector underwriting and loan pricing.

The Department will encourage and support community development and economic revitalization efforts in the Mississippi Delta Region as part of the President's Mississippi Delta Initiative.

HUD's Center for Community and Interfaith Partnerships is designed to help faith-based housing and community development programs in impoverished communities succeed in creating more affordable housing, jobs and economic opportunity for Americans in need.

The Department is participating in the "One Million Homes" initiative, a partnership with the National Association of Homebuilders and the U.S. Conference of Mayors. This collaboration, which supports in-fill development and combats urban sprawl, will promote the construction of an additional one million housing units in urban areas across the Nation by 2010.

Economic growth in distressed areas should benefit the residents of those neighborhoods. In the many communities where growth results in tight housing markets, HUD has revised our Fair Market Rent policy so that more housing is affordable to families with Section 8 housing vouchers. The Department also will encourage Section 8 voucher holders to purchase homes with their vouchers. These homeowners will have a greater stake in improving their neighborhoods, and they will increase their assets through rising real estate values.

Program Evaluations

In 1997, the President directed HUD to report annually on the social and economic vitality of America's cities. The Administration also launched its New Markets Initiative, which further challenged HUD to assess places left behind in the new economy and opportunities for new economic markets in America. The Department also has studied the broader impact of HUD funds in America's communities:

- The *State of the Cities 2000* report identified four megaforges that are shaping the future of the Nation's cities and presented findings showing their impact. The first is the new high-tech, global economy, which has been a driver of recent economic expansion in the United States. New technologies in information and telecommunications—coupled with greater productivity—have produced record economic gains along with new opportunities and risks for the Nation's cities and suburbs. A second factor is the new demography that is reshaping cities. Major demographic shifts under way will have significant economic, social, and political implications for both cities and suburbs. The Nation is rapidly becoming more ethnically diverse, and at the same time our elderly population is growing dramatically. A third megaforge is the new housing challenge that threatens housing affordability. With the

strong economy have come higher rents and housing prices, in some markets affecting all income groups in both cities and suburbs. Finally, the fourth is the powerful trend of continued decentralization—the continuing shift of jobs and people to the metropolitan edge—that is threatening the stability of existing communities and the development of new livable, sustainable communities.

- Several recent HUD reports document the needs of communities that have yet to participate in the economic expansion (*Now is the Time: Places Left Behind in the New Economy* (1999); *Now is the Time: Places Left Behind in the New Economy Northeast Edition* (1999); *Places Left Behind in Rural America*, forthcoming). Another report examined the undeveloped economic potential of these communities and informed the Administration's policy initiatives to meet these needs (*New Markets: The Untapped Buying Power in America's Inner Cities*, 1999).
- An evaluation of HUD's economic development programs is underway, with estimated completion in 2001.
- A long-term evaluation of the Empowerment Zone/Enterprise Community program is underway. The study is assessing EZ achievements and changes in economic activity using comparison sites, and includes case studies of 18 EC sites. A report is expected in 2000.
- An evaluation of the Community Development Block Grant (CDBG) program completed in 1995 concluded that CDBG has made an important contribution to city community development, including demonstrated successes in achieving local neighborhood stabilization and revitalization objectives. The promise shown by strategic local efforts concerning specific neighborhoods has led HUD to develop performance measures regarding Neighborhood Revitalization Strategy Areas (*Federal Funds, Local Choices: An Evaluation of the Community Development Block Grant Program*, 1995).
- The first phase of a long-term evaluation of the HOPE VI redevelopment program for distressed public housing documented that before the program began baseline conditions in surrounding neighborhoods were almost as severe as those in the public housing developments (*An Historical and Baseline Assessment of HOPE VI*, 1996). Interim case studies of completed HOPE VI sites will be available in 2000.
- A 1996 report concerning case studies of how local officials, police, and residents implemented the concept of "defensible space" to reduce crime in urban areas has informed HOPE VI redevelopment of distressed public housing neighborhoods (*Creating Defensible Space*, 1996).
- A study of third-party lending activities under the CDBG, EDI and Section 108 programs is being undertaken. The research will provide valuable information on the number of communities that engage in third-party lending and the types of economic development that result from such activities.
- A study of State brownfield initiatives found that more than 90 percent of States have some form of voluntary cleanup program (VCP). Case studies of three VCPs indicated that variable cleanup standards help redevelopment of contaminated sites and have real economic value to investors. Additional subsidies may be needed for contaminated sites in economically

depressed areas (*Assessment of State Brownfield Initiatives*, 2000).

External Factors

A number of national, regional or local conditions have the potential to affect the achievement of HUD's objectives under this goal.

- There are sizable mismatches between the number of low-skilled jobs and the number of people looking for those jobs.
- A rapidly changing global economy has made it challenging for Americans to compete when capital is highly mobile, markets for goods and services are widely dispersed, and wages for low-skilled employment are much lower in many locations abroad.
- Job development is complicated by large concentrations of poor residents. School systems attempt to provide the education and job skills essential for their students but have fewer resources as tax bases decline and capital maintenance costs increase.
- Rural communities face additional challenges because of the changing structure of the farming industry, underinvestment, weak infrastructure, limited services, and small number of community institutions. Rural labor forces are more narrowly based and more geographically dispersed.

CDBG, HUD's primary source of community and economic development funding, is provided as a block grant to States and large cities and counties. While HUD can encourage certain uses of funds, and while funds are targeted to low- and moderate-income residents as the primary beneficiaries, each jurisdiction makes its own decisions about how to use CDBG funds. Therefore HUD's direct impact on specific and measurable results under this objective is less predictable. Neighborhood quality and disparities between neighborhoods are also directly affected by State and local decisions regarding whether, and if so, how to address growth issues.

STRATEGIC OBJECTIVES

Objective 4.1: The number, quality, and accessibility of jobs increase in urban and rural communities.

Performance Measurement: Average private sector job growth in central cities is higher than average labor force growth in central cities.

Higher employment levels in higher wage jobs benefit the entire community. Every working adult is better able to provide for his or her family, gain self-esteem, offer a positive role model for the next generation, purchase and maintain a home, invest in the community, and support local merchants. Moreover, strong and diverse local economies, regardless of location, are better able to handle the shocks and challenges of a changing global marketplace.

Throughout the 1980s, private sector job growth in central cities just matched labor force growth in central cities, providing little relief for concentrated unemployment and poverty. During the current economic expansion, private sector job growth in cities-spurred by CDBG- and Section 108-financed downtown redevelopment and by the efforts of Empowerment Zones and Enterprise Communities-has been nearly twice the average rate of labor force growth.

HUD initiatives, together with those of DOL and HHS, are aimed at increasing the skills and job readiness of the unemployed and encouraging the growth of employment opportunities, especially in cities. *State of the Cities 2000* shows that cities still have substantially higher unemployment rates than suburbs. To ensure that cities remain job centers and continue to provide accessible jobs for low-income residents, HUD intends to keep the three-year average ratio of private sector job growth in central cities to labor force growth in central cities in excess of 100 percent.

Performance Measurement: The average ratio of central city to suburban poverty rates decreases.

Historically, low-income households have been concentrated in central cities. Median household incomes of central cities are thus substantially lower than suburban median household incomes. HUD anticipates continued economic growth in suburban communities, but by targeting our community and economic development funding to distressed areas, we expect even greater economic improvement in central cities. In 1999, the central city poverty rate was more than twice as high as the suburban poverty rate. The average ratio was about 209 percent. The Department's goal is to reduce this number to less than 200 percent by 2006.

Means and Strategies

Community development programs. CDBG is the cornerstone of the Department's community development programs. Other HUD programs critical to this objective are the Section 108 Economic Development Loan Guarantee program, Empowerment Zones/ Enterprise

Communities, the new Rural Housing and Economic Development program, the Community Empowerment Fund, and America's Private Investment Companies.

Education and outreach. Because so many of the funding decisions for HUD's community and economic development programs are made by grantees, a significant amount of HUD's influence at the local level comes through education, outreach and encouragement, and by recognizing and disseminating Best Practices. Community Builders are at the forefront of this endeavor, facilitating discussions between our partners and encouraging strategies that target certain geographic areas, create jobs and develop the workforce.

Planning tools. Through HUD's Consolidated Planning process, communities across the Nation are able to assess and address their housing and community development needs in a coordinated and efficient fashion. HUD will continue to support local planning strategies through our updated Community 2020 mapping software, as well as by making model growth planning statutes available through the Growing Smart legislative handbook.

Objective 4.2: Economic conditions in distressed communities improve.

***Performance Measurement:** The share of all households located in neighborhoods with extreme poverty decreases.*

Neighborhoods with extreme poverty are defined as having a poverty rate of 40 percent or higher. HUD programs affect the number of households living in these neighborhoods in two ways. The Department strives to disperse poverty concentrations by promoting housing choice for extremely-low-income families and by encouraging middle-income families to live in urban areas through such programs as the Brownfields Economic Development, New Markets and “One Million Homes” initiatives. Second, HUD helps family incomes grow beyond poverty levels through self-sufficiency and job development efforts and job creation. In 1990, about one in every 25 Americans lived in an extreme poverty neighborhood. The 2000 Census will demonstrate whether that number has improved during the 1990s. Beginning in 2008, HUD will have sufficient data at the census-tract level from the American Community Survey to track this number at more frequent intervals for 2005 and beyond.

***Performance Measurement:** The number of central cities that are doubly burdened with high unemployment and either a significant population loss or high poverty is reduced 20 percent.*

In *State of the Cities 2000*, HUD determined that 67 cities—one in eight—are “doubly burdened” according to HUD’s index of distress. The nation is making progress, as one in seven cities was doubly burdened a year earlier. The Department’s goal is to continue to reduce the number of doubly burdened cities by 20 percent, to 54 cities, by 2006. The criteria for this measure are that unemployment rates are 50 percent higher than the national average, combined with either a population loss of 5 percent since 1980 or poverty rates of 20 percent or higher. HUD will update the measure to use data from the 1990 and 2000 Census and the American Community Survey so that it remains a valid measure of progress.

Means and Strategies

Outreach and planning. Through the Consolidated Planning Process communities have opportunities to target funding to low-income neighborhoods and to support increased homeownership efforts. HUD encourages communities to use program incentives and comprehensive planning to implement geographically targeted strategies.

Homeownership efforts. To ensure that more capital for home mortgages is available in certain communities, HUD establishes underserved area goals for the Government-Sponsored Enterprises—Fannie Mae and Freddie Mac. HUD also actively encourages the use of FHA and Ginnie Mae resources in poorer neighborhoods. A significant amount of HOME funds are also targeted for homeownership.

Targeted initiatives. Geographically targeted efforts to reduce disparities between neighborhoods include Enterprise Zone/Empowerment Community designations, HOPE VI public housing revitalization, the Brownfields Economic Development Initiative, and New

Markets initiatives, including APIC and the Mississippi Delta Initiative. In addition, through the Moving to Opportunity program and other means, HUD helps low-income participants in the housing voucher program gain access to lower-poverty neighborhoods.

Objective 4.3: Communities become more livable.

***Performance Measurement:** Among low- and moderate-income residents, the share with a good opinion of their neighborhood increases for cities, suburbs, and non-metropolitan areas.*

The best judges of the quality of a neighborhood are the residents themselves. Neighborhood satisfaction of low- and moderate-income residents (incomes less than 80 percent of median) is especially significant because HUD's programs generally target this group. This performance goal is intended to capture aspects of community quality that are hard to measure such as the adequacy of roads, neighborhood cleanliness and safety, and convenience of needed services. For the purposes of this measure, a good opinion of neighborhood is defined as a response of 7-10 on a 10-point scale assessing "overall opinion of neighborhood." This measure will use data from the American Housing Survey.

***Performance Measurement:** Residents of public housing are more satisfied with their safety.*

Many factors that affect crime levels are beyond HUD's control, but HUD does seek to reduce crime levels in particular communities by enforcing safety standards and responsible resident behavior in HUD-assisted housing, demolishing vacant HUD-assisted structures that cannot be salvaged as safe and livable dwellings, and promoting community-based crime prevention in partnership with local, State and Federal actors. The most direct impacts of HUD's crime-fighting efforts in the next six years will occur in and around public housing developments, particularly in those that receive Public Housing Drug Elimination Program (PHDEP) grants. The Department's community and economic development programs also support crime reduction indirectly by creating communities where employment opportunities, quality retail establishments and good housing combine to create strong neighborhoods. This goal will be measured using surveys of public housing tenants. The first tenant survey showed that on average 70.9 percent were satisfied or very satisfied with safety in their units, buildings and parking areas, and the Department intends to increase this level significantly by 2006.

Means and Strategies

Community development. HUD provides flexible block grants to communities to meet locally defined needs including economic development, infrastructure, and housing. Through the Consolidated Planning process, members of the community can help determine how funding is used. HUD also is redefining Revitalization Areas to promote homeownership with FHA-held homes—providing them to teachers, police officers and non-profit organizations at discounts of 30-50 percent—if they are located in low-income, high-default or low-homeownership areas.

Fighting drugs and crime. HUD directly supports this objective through the Public Housing Drug Elimination Program, the Officer Next Door Program, the Gun Buyback initiative, and by enforcing the "one strike—you're out" policy. PHDEP provides grants to housing authorities and resident management councils for initiatives to reduce crime and criminal drug use. Typical

grants fund security personnel, physical investments promoting security, and drug treatment and other services at selected housing developments. HUD requires PHDEP grantees to establish goals and track performance, including resident satisfaction with neighborhood security. HUD also promotes “defensible” space principles in HOPE VI developments to give public housing residents more control over public activity around their buildings.

Coordination with Department of Justice. HUD has several interagency agreements with the Department of Justice. Examples include an agreement with the National Institute of Justice to evaluate drug elimination strategies; an agreement with DARE (Drug Abuse Resistance Education) to provide training and technical assistance for teens in public housing developments; and an agreement that provides public housing agencies access to data from the National Crime Information Center.

Removing blight. Blighted and distressed neighborhoods create an environment that supports lawlessness. HUD addresses blighted conditions by funding demolition and revitalization of the worst public housing developments, by supporting the redevelopment of brownfields, and by encouraging the focused use of CDBG funds for physical upgrades of neighborhoods.

Strategic Goal 5: Ensure Public Trust in HUD

HUD's stewardship of billions of Federal dollars must continually earn the confidence of Congress and the public. HUD has just completed a fundamental overhaul to build performance, customer service, and accountability into every part of our operations. This section describes our plans to deliver results to customers, to lead the national discussion of housing and community development policy, and to prevent fraud, waste, and abuse in HUD program activities.

OVERVIEW

For the Department to achieve our mission, we must continually demonstrate the organizational competence and capacity to deliver effective and responsive programs and services to the public. HUD's stewardship of billions of taxpayers' dollars must be credible and earn the confidence of Congress and the public.

The HUD 2020 Management Reform Plan fundamentally overhauled HUD's programs and operations to make them more efficient and responsive. The 2020 reforms built a foundation to ensure that tax dollars are used properly and effectively, that programs accomplish what they promise, and that HUD will do more with less and do it better. The plan's reforms were designed to help communities thrive by making HUD's resources more easily accessible and by giving people the tools they need to succeed as individuals and communities.

HUD also is continuing to better focus research efforts on timely and relevant policy issues and evaluations of HUD programs that support performance management under the Government Performance and Results Act (GPRA).

MEANS AND STRATEGIES

HUD is proud of the progress made in the past four years towards becoming a high-performing agency. The Department has adopted a businesslike structure to better achieve our public purposes—to better support our partners and better serve our customers. The new structure has defined a clear mission divided into identifiable functions for each separate business line. It has centralized some operations to realize economies of scale, while decentralizing newly enhanced customer assistance functions to improve service delivery and innovation. It makes better use of technological advances to improve efficiency in both front-line service delivery and back-office processing centers, while simultaneously making information on HUD's programs and resources available to partners and the public through the Internet and other technology. In addition, we have ensured that field staff are involved in strategic planning and performance management by establishing internal annual Business and Operating Plans directly linked to the Annual Performance Plan (APP) for each field and headquarters office.

In the context of this business structure, HUD will:

- Support accomplishment of HUD's Annual Performance Plan by helping all HUD managers shape business and operating plans that achieve results for customers and local communities.
- Expand our customer service and empower our partners by building more storefront offices, installing electronic kiosks and sharing best practices for housing and community development across the country.
- Through the provision of technical assistance, work with partners to improve operations, ensure proper use of funds, and strengthen program performance reporting.
- Rate the quality of single-family housing appraisers and remove poorly performing appraisers from the FHA appraisal registry.
- Regularly inspect the physical quality of all public and assisted housing developments to ensure that they meet Departmental standards.
- Rate the performance of Independent Public Accountants that perform financial audits of PHAs and assisted multifamily properties, and debar accountants that perform poorly.
- Assess the financial condition of 3,200 PHAs and 20,500 multifamily developments.
- Conduct computerized matching for 2.35 million households to identify individuals with potential unreported income and excess rental assistance.
- Evaluate troubled multifamily properties in serious or chronic noncompliance; debar, suspend or impose monetary penalties upon individuals in noncompliance; refer criminal cases of fraud or noncompliance to the Office of the Inspector General and civil cases to the Department of Justice.
- Train employees and improve equipment and information systems for higher productivity.
- Conduct regular surveys of employees, partners, and customers and use results to enhance programs and management.
- Increase the effectiveness of local Consolidated Plans in promoting high standards of performance by community partners.
- Increase citizen access to information on HUD programs and their local implementation, both through citizen participation in the Consolidated Planning process and through electronic means, such as Community 2020 mapping software and HUD's award-winning World Wide Web home page.
- Execute a performance-based appraisal process for all managers and executives that links performance objectives and standards to strategic goals and objectives.
- Continue to ensure that contracts for services are timely, cost-effective and successful by utilizing performance and outcome based contracting.

Program Evaluations

HUD was one of many Federal agencies and departments that were surveyed in the National Partnership for Reinventing Government Survey in 1998 and again in 1999.

HUD's overall results were very favorable, particularly in three areas:

- Employees have electronic access to information needed to do their work;
- Service goals aimed at meeting customer expectations are in place;
- Supervisors and team leaders understand and support the family and personal responsibilities of employees.

The NPR survey also identified some areas of concern, citing shortcomings with respect to whether:

- Corrective actions are taken when employees do not meet performance standards;
- Employees are clear about how "good performance" is defined in their organization;
- Travel regulations have been simplified;
- Reinvention has been made a priority by the organization.

In 1999, HUD arranged to have CDBG partners surveyed as part of the American Customer Satisfaction Index (ACSI), a national study of customer satisfaction with the quality of goods and services provided by both public and private sectors. For HUD's survey, senior officials, such as mayors, of communities receiving block grants were asked about four major factors that drive customer satisfaction: perceived quality, customer expectations, customer complaints, and grantee trust. Their responses showed an overall 69 percent satisfaction rate, which compares favorably with the national benchmark for both public and private sector organizations.

In 1994, the General Accounting Office designated HUD as a high risk agency because of serious management problems resulting from long-standing deficiencies in internal controls, information and financial management systems, organizational structure and staffing. In 1997, the Secretary initiated the 2020 Management Reform Plan to eliminate these deficiencies by fundamentally overhauling the culture and program operations of the Department. In subsequent reports GAO recognized the credible progress HUD made in addressing these deficiencies. During 2000, the key elements of the Management Reform Plan were fully implemented, establishing a solid foundation for transforming HUD into a high-performing agency. HUD's Annual Performance Plans and other documents explain corrective actions in detail.

In 1999, the National Academy of Public Administration (NAPA) released a report about HUD's implementation of the Government Performance and Results Act. NAPA recognized HUD's substantial progress and suggested several areas for improvement, including improvements in data quality and greater emphasis on outcome measurement. Subsequent versions of the Annual Performance Plan show substantial improvement along the lines of the NAPA suggestions.

STRATEGIC OBJECTIVES

Objective 5.1: HUD and HUD's partners effectively deliver results to customers.

To achieve results that matter for the American people, as identified in our first four strategic goals, HUD also must achieve excellence in our program management and internal operations. Our efforts to date, as well as planned efforts, significantly reduce HUD's exposure to fraud, waste and abuse. We have made tremendous advances in addressing our significant management challenges by supporting our mission through our organization, resource management, staff deployment and development, information systems and technology, and relationships with partners. Through the HUD 2020 Management Reforms, which were initiated in June 1997, the Department has made considerable progress in modernizing financial and data systems; creating new oversight capability and an enforcement authority to restore public trust; refocusing and retraining HUD's workforce; establishing performance-based systems for programs, operations and employees; and replacing the top-down bureaucracy with a new customer-friendly structure.

While the reforms outlined in HUD 2020 are substantially complete, the Department's commitment to improving our management is continuous. We remain committed to both new and proven strategies that will empower our workforce, improve our data, and satisfy our customers.

Means and Strategies

Workforce empowerment and efficiency. The implementation of management reform has changed HUD's organization and culture, moving the focus from process to customer-driven results. An empowered workforce is the most essential element for effective management and positive outcomes for customers. HUD's strategies for empowering employees are multi-faceted, including the use of internal management systems to communicate and support HUD's strategic direction; staff recruitment and development to build strategic skills; and provision of needed tools and technology.

The Department's internal management systems for planning and performance management establish the context and direction for empowered action. The Business and Operating Plan system engages all offices in defining how their organizations will shape operations and goals, so the Department both serves customers in local conditions and achieves Annual Performance Plan commitments. The systems also provide structures that support successful implementation:

- Internal Service Agreements to support collaboration in achieving those results;
- Internal communication about progress through reports on HUD's intranet, internal broadcasts of monthly top-leadership meetings and other means;
- Recognition and rewards for all senior managers that are based on performance measures supporting the Strategic Objectives in this plan;
- Oversight and technical assistance for the field's program delivery.

During implementation of HUD 2020 Management Reform, the Department's staff recruitment and development programs sought an infusion of new employees and enhancement of existing staff skills to further HUD's core strategies of building communities and ensuring the public trust. With HUD 2020 operations now in place, the Department has focused on recruitment and development and succession planning, in recognition of the high percentage of staff in key professions who will be eligible to retire within five years. Both recruitment and development focus on strategically important knowledge and skills, and in both areas we have expanded and modernized our approaches. For example, we have cast a much wider net in recruiting through commercial and web-based means, with a continuing commitment to ensuring a diverse workforce. We have modernized our training methods by using our internal website and our internal satellite broadcasting system. HUD also is implementing a Resource Estimation and Allocation Process in November, 2000, to ensure that staff resources align efficiently with our strategic objectives.

Major tools that support employee empowerment are identified and funded through HUD's Information Technology Investment Planning System, which OMB has promoted as a model for Federal agencies. Continuing enhancements to our processes for improving our systems and our technology are discussed below.

Employee satisfaction directly affects the quality of work and productivity. To support continued empowerment that serves customers, we will use periodic employee surveys conducted by third parties to ensure that staff are satisfied, that they know who their customers are and what their mission and goals are, and that they have the authority, skills, tools and internal relationships to do their jobs with excellence.

Financial management systems. HUD's Financial Systems Integration (FSI) Project will be fully completed by the end of November 2000, establishing HUDCAPS as the Department's core standard general ledger system, in full compliance with Joint Financial Management Improvement Program requirements. HUD has already addressed the issues that led to a disclaimer of an audit opinion on the Department's fiscal year 1999 financial statements, which was largely due to inadequate controls over major systems conversion activity that occurred in FY 1999. The Office of Inspector General will validate these corrective and improvement actions as part of its FY 2000 financial statement audit work. HUD also purchased a commercial-off-the-shelf (COTS) software package that has been licensed to enable HUD to carry out current plans to modernize Ginnie Mae's subsidiary ledger system and to provide FHA with a new subsidiary ledger system that addresses existing non-conformances in financial management systems. The Office of the Chief Financial Officer has also developed a "vision" for possible use of that COTS package for the next generation financial management system structure for the Department. Further plans and requirements for the development of that vision will be pursued in FY 2001.

eGovernment. This HUD-wide initiative is seeking to fundamentally transform business processes and models to better serve customers and business partners while reducing costs.

- HUD is implementing an eGovernment strategy that builds on the success of our Internet site, intranet, and current eCommerce initiatives. The strategy provides a road map for HUD in

our future use of Internet technology to better serve citizens, transact with business partners, and empower our workforce. The eGovernment Strategy will also address means to combat the digital divide and encourage the growth of eCommerce in all quarters of our Nation.

- The eGovernment Strategy includes plans to implement the Government Paperwork Elimination Act, which mandates Federal agencies to provide an option for paper based transactions.

Data quality. Because of data integrity issues, as identified by oversight agency audits and Congressional Reports, HUD's Chief Information Officer (CIO) is launching an enterprise-wide initiative, the Data Quality Improvement Program (DQIP). The CIO has partnered with the Chief Financial Officer to address HUD's data integrity concerns through the DQIP. To achieve Departmental data quality improvement, participation from all HUD program and support offices is critical. The DQIP objectives are to:

- Manage HUD's data as a strategic business resource that is essential to mission success;
- Support HUD's goal of ensuring Public Trust by providing accurate, complete, consistent, timely, and valid data;
- Remove HUD from the oversight audit "High Risk" list and meet Congressional expectations to report quality and credible information across the Department;
- Develop policies, procedures, guidelines and measurement criteria to improve data quality management across HUD;
- Develop and implement Data Quality Plans to assess and improve data quality of HUD's mission-critical data systems;
- Perform system certification of all mission-critical data systems;
- Monitor and evaluate the Data Quality Management Process to assess data quality progress.

Enterprise architecture for information systems. The CIO is developing a comprehensive Enterprise Architecture (EA). An EA is a strategic base of information assets that defines business needs, the information necessary to support these business needs, the technologies necessary to conduct business activities, and transitional processes for implementing new technologies in response to changing business needs.

- HUD's EA initiative supports the Department's Information Technology (IT) Capital Investment Plan as well as the technical infrastructure, business strategy, and Management Reform Plan. The EA program will meet HUD strategic, IT Capital Investment, and program mission objectives by providing the HUD-wide definition of HUD's current business and technology architecture baseline and how they should be targeted for the future. The EA project will enable executive management to make well informed decisions in the selection, management and evaluation of IT assets by providing benefit and impact analysis.
- The completed EA will guide short- and long-term systems development. The current initiative will transition the EA from design to practical application. By establishing architecture management policies, standards and procedures, this project will facilitate appropriate application of technology to achieve the Department's business goals and 2020

Management Reform initiatives.

- The EA also will be used to measure performance against goals expressed in the Annual Performance Plan (APP).

Configuration Management. Configuration Management (CM) is the ongoing process of identifying and managing changes to work products throughout the life cycles of information systems development and maintenance. HUD implementation of standard Department-wide CM practices will result in software integrity by: maintaining accurate inventory; providing traceability; ensuring changes are coordinated; and ensuring releases are planned and coordinated. The CIO is coordinating the effort to:

- Move all IT systems under automated CM tools;
- Enforce the principles of a central Change Management Control Board;
- Move toward the Capability Maturity Model practices defined by the Systems Engineering Institute of Carnegie-Mellon University.

Enterprise Security Program. HUD relies heavily upon automated information systems, networks, and the Internet to carry out our mission. HUD senior management officials recognize that adequate security measures and safeguards for information resources are critical factors for providing effective and efficient delivery to customers. The Chief Information Officer has formulated a comprehensive strategic plan and approach for HUD's Enterprise Security Program. The plan addresses the infrastructure, framework, and resources necessary to provide adequate security measures and safeguards to protect our information resources from unauthorized access, use, modification, and disclosure. The plan will include goals, objectives, functions, resources, tasks, milestones, and responsibilities.

Process improvement. To create and operate programs that are fully responsive to client needs, while also reflecting the standards of quality that the American public deserves and requires, HUD is transforming through Management Reform. Process Improvement and Business Process Reengineering (BPR) are key elements of this reform. Proper application of BPR techniques will permit quantum leaps in Department performance by aligning people, business processes and technology with HUD's strategic goals. Through the efforts of a BPR Team, process reengineering will achieve goals of redefining and streamlining processes; organizing, motivating and empowering HUD's people; and capitalizing on advances in technology.

Strengthening partnerships. Strong, effective partnerships are essential for achieving HUD's mission because of the structure of our programs and the complexity of housing and community development issues. HUD's strategy for strengthening partnerships is necessarily two-pronged, reflecting the Department's dual core strategies of empowering people and communities and ensuring the public trust. On the one hand, we are committed to building relationships with partners throughout the country so that we can understand their perspectives and collaborate to achieve results. On the other hand, we have the fiduciary responsibility of overseeing our long-term partners to ensure high standards and quality service. These partners include housing

agencies, FHA-approved lenders, community grantees and other organizations for which Congress has given HUD oversight responsibilities.

To continually enhance HUD's ability to understand customer and stakeholder needs and opportunities and to collaborate on results that will serve American communities and citizens, the Department is committed to both local and national partnerships. For example:

- The introduction to this Strategic Plan explains the extensive and wide-ranging consultations that HUD has undertaken to enhance our performance partnerships with State and local governments and with for-profit and non-profit organizations.
- Those partnerships are integral to our program management as well as to our strategic planning. For example, we regularly consult with program partners in order to shape HUD policies and regulations.
- We have begun using surveys of customers and partners in order to gauge their satisfaction with HUD program policies and operations. This data will be a valuable resource for further partnership on improved HUD service.
- We have long-term partnerships with major national organizations such as the National Association of Home Builders, the Mortgage Bankers Association, the National Association of Housing and Redevelopment Officials, the Public Housing Authorities Directors Association, and the Council of Large Public Housing Authorities. Our routine communication with these organizations enhances all aspects of program operations, and often leads to specific partnership initiatives like National Homeownership Week.
- At the local level, a key responsibility of HUD's Community Builders is to develop partnerships with a wide range of local organizations so that HUD's local service delivery can benefit from their perspectives and support them in achieving results that matter within their communities.
- HUD's annual Best Practices Conference, as well as other HUD-sponsored forums, promotes partnerships, elicits discussion and feedback about important issues, and provides an excellent opportunity to increase knowledge and networking within the national community that seeks to enhance housing and urban development.
- HUD has consolidated the offer of competitive grants through the SuperNOFA (Notice of Funding Availability), which streamlines program delivery and better connects our partners to the full array of programs and resources.

To uphold the public trust, we seek feedback from our ultimate customers (e.g., residents) and oversee the performance of our partners in delivering HUD programs. The Department consults with our partners in designing our oversight strategies. Such consultation helps develop methods that are efficient and informative, helps our partners in managing HUD programs and enhances HUD oversight of partner performance. We continue to seek ways to measure strategic and operational results with our partners, reflecting our joint accountability for program delivery. However, Congress and the American people rightly hold HUD accountable for our programs, and hence we also undertake compliance and monitoring initiatives (below).

Compliance and monitoring. The long-term and complex nature of HUD's relationships with our partners necessitates extensive oversight to ensure high standards and quality service. As part of the 2020 Management Reform Plan, HUD established centers that are responsible for assessing HUD's properties and enforcing standards. These are major efforts that are reducing and preventing fraud, waste and abuse.

- The Real Estate Assessment Center (REAC) provides timely, accurate and objective assessments of physical condition, financial soundness, management capability, and resident satisfaction in HUD's real estate portfolio. It also facilitates verification of the income of public housing recipients to ensure that housing subsidies are properly paid, and assesses the quality of single family appraisals performed for new homebuyers.
- The Departmental Enforcement Center (DEC) addresses the problems of distressed multifamily properties that have failed physical and financial inspections and require corrective action by owners, lenders and management agents. The Center enforces administrative and regulatory business agreements by requiring the debarment or suspension of individuals in noncompliance in single-family and multifamily housing as well as other HUD programs. The DEC also imposes monetary penalties and provides support for HUD's Mortgage Review Board. The DEC refers criminal cases to the Office of Inspector General and submits civil cases to the Department of Justice. The Center has returned \$40 million in owner investments to disinvested properties, assessed settlement and recoveries of \$36 million and protected more than 63,000 families.
- The Troubled Agency Recovery Centers (TARCs) are dedicated to assisting public housing agencies in correcting major physical, financial and management deficiencies. HUD also has designated all employees with any monitoring or compliance functions Public Trust Officers, training them to conduct risk analyses, perform remote and on-site monitoring, validate data and conduct quality assurance reviews.
- Additional programmatic centers throughout the country continuously oversee partner-based program delivery activities and provide technical assistance to help our partners improve their operations.

Now that these major reforms are operational, the Department expects to see better physical, financial and managerial conditions in the Nation's public and assisted housing and better oversight of HUD's housing and community development programs. Specifically, we expect results in the following key areas over the next six years:

- Improved PHAS and SEMAP scores;¹⁵
- Fewer units of housing being managed by troubled public housing authorities;

¹⁵ The Public Housing Assessment System (PHAS) measures the physical condition, management operations, financial condition, and resident satisfaction of Public Housing. The Section Eight Management Assessment Program (SEMAP) rates housing authorities on several factors, including tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, and lease-up rates.

- More Consolidated Plans that include explicit and measurable outcomes;
- Fewer losses to the FHA fund because of reductions in fraudulent and predatory lending practices in vulnerable neighborhoods.

HUD's relationship with our business partners has been highlighted throughout this plan. HUD wants to objectively assess how well our relationship with our partners empowers them to deliver results for our customers. Therefore, HUD plans to survey partners periodically regarding their perceptions of the Department's performance and use the results as an indicator of progress toward this strategic objective.

Objective 5.2: HUD leads housing and urban research and policy development nationwide.

Research and Policy Development

In addition to HUD's duty to manage programs responsibly, the Department pursues a broad-based research and policy development agenda. Research improves our ability to monitor programs, provides guidance for improving program efficacy and helps the Department respond to evolving opportunities as American communities grow and change. Research, monitoring and evaluation also support the Government Performance and Results Act by enabling the Department to report our successes, identify areas of concern, and better direct resources to the changing needs of America's communities.

As part of our research agenda, HUD will:

- Design, conduct, or oversee path-breaking research to expand the knowledge base and monitoring tools needed for improved policy and practice nationwide.
- Design GPRA measurements and establish and assess performance goals for all HUD programs, using information from program evaluations to demonstrate the linkage between resources, programs and results.
- Work with HUD's partners and outside experts to identify research priorities and with interagency groups to achieve consensus on housing and community and economic development issues.
- Monitor national and local housing, economic and demographic trends affecting housing and community and economic development policies and programs in urban, suburban and rural areas.
- Provide annual estimates of critical program parameters such as Fair Market Rents and median family incomes for all local areas and establish targeting criteria for households and geographic areas to direct program resources effectively. In addition to being used for HUD programs, these data are provided to other Federal agencies for use in their programs.
- Evaluate existing programs through both quick-turnaround studies and long-term systematic research to determine what works and what fails to work.
- Improve dissemination of relevant research and data to all interested audiences.
- Through the Best Practices initiative, identify organizations that are leaders in performing specific housing and community development functions. Best Practices establishes benchmarks for improvements in performance, quality and timeliness of service delivery, and promotes implementation and replication across the HUD community. Sharing Best Practice information establishes standards and makes processes more effective and efficient.
- Implement state-of-the-art knowledge management techniques to diffuse Best Practices information, by sponsoring a yearly symposium and by creating a centralized Web site and electronic library to house industry-specific information, techniques, tools and ideas.
- Ensure that international experiences are considered when developing HUD policies and

programs, and that other countries have access to lessons learned by HUD.

IV. RESOURCES, INTERAGENCY PARTNERSHIPS AND PROGRAM EVALUATIONS

This section provides in-depth background information on three key aspects of our implementation of this plan: resources, interagency partnerships, and program evaluations.

RESOURCES

The Department's ability to achieve the targets set forth in this Strategic Plan depend on the level and allocation of budgetary and human resources. HUD strives to allocate resources efficiently by evaluating programs, consulting with stakeholders and measuring performance.

As part of HUD's Management 2020 Reform Plan, the Department has instituted a series of measures to increase accountability and performance. One such measure is the adoption of resource management methodology recommended by the National Academy of Public Administration. This new Resource Estimation and Allocation Process (REAP) will enable HUD to:

- Estimate resources for budget formulation, execution and analysis;
- Link resources to performance measures specified in the Annual Performance Plan under GPRA;
- Validate and monitor actual resource utilization.

In FY 2001, HUD's budget began integrating performance measures from the Annual Performance Plan. In FY 2002, the budget will be more integrated, and budget and staff resources will be divided by Strategic Goal. In the following years, HUD will further link our budget with the strategic planning and performance measurement processes.

Staff allocation. The Department estimates that we will need a relatively constant level of 9,300 staff over the next three years. The following resource allocation table shows the number of staff in each office's major program areas and the estimated allocation of these staff to our five strategic goals. Most HUD staff will contribute to several strategic goals—for instance, almost every HUD employee will contribute to Goal 5, "Ensure public trust in HUD." Consequently, the values in the table reflect the equivalent number of staff that will contribute to each goal. The Resource Estimation and Allocation Process described above will support more specific, accurate and strategic staff allocation.

Budget allocation. In FY 2000, Congress, the President, and the American people entrusted HUD with our largest budget in 10 years. For FY 2001, we have requested still additional resources to help meet the Nation's housing and community development needs. We will use these budgetary resources carefully to achieve our mission. The resource allocation table describes the relationship between the Department's budget and strategic goals. Because budget authority varies from year to year, the values in the table are estimates of the percentage of the

total budget that support each goal. For reference, HUD's total discretionary budget authority in FY 2000 was \$26.2 billion.

Highlights. Based on our review of our current spending patterns and our projections of future needs, we estimate that:

- Reflecting the fact that housing is the Department's first priority, almost 58 percent of HUD's budget will go to increasing the availability of decent, safe and affordable housing in American communities.
- Approximately 22 percent of HUD's funding will go to communities as block grants to help meet a variety of locally-determined needs.
- Over 40 percent of staff will be allocated to increasing the availability of decent, safe and affordable housing in American communities.
- Approximately 29 percent of staff resources will be allocated to ensuring public trust in HUD. This includes monitoring grantee performance and their use of funds, ensuring that grantees comply with regulations, and identifying and eliminating waste, fraud and abuse.

Allocation of Budget and Staff Resources by Strategic Goal

Program	# of Staff	% of Budget	Strategic Goals									
			Increase the availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote housing stability, self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
Public And Indian Housing												
Housing Certificate Fund	333	31.7%	40	19.0%	10	6.3%	40	4.8%	40	1.6%	203	-
Public Housing Capital Fund	181	8.9	32	6.2	10	1.4	10	0.4	33	0.9	96	-
Public Housing Operating Fund	352	9.7	57	7.3	10	-	5	0.5	57	1.9	223	-
HOPE VI	176	1.9	41	1.0	9	0.4	41	0.1	41	0.4	44	-
Indian Housing Block Grants	184	2.0	75	1.5	10	-	10	-	6	0.5	83	-
Indian Home Loan Fund	6	<0.1	5	<0.1	-	-	-	-	-	<0.1	1	-
Drug Elimination Grants	163	1.0	9	-	10	-	-	-	143	1.0	1	-
Sub-Total	1,395	55.2	259	35.0	59	8.1	149	5.8	277	6.3	651	-

			Strategic Goals									
Program	# of Staff	% of Budget	Increase the availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote housing stability, self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
Community Planning and Development			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
CDBG	324	14.8	34	4.4	11	1.5	23	3.0	46	5.9	210	-
HOME	98	5.0	27	4.0	3	0.5	-	-	4	0.5	64	-
Homeless Assistance Grants	118	3.6	10	0.8	-	-	31	2.8	-	-	77	-
HOPWA	21	0.8	3	0.4	-	-	4	0.4	-	-	14	-
Urban Empowerment Zones	15	0.5	-	-	-	-	3	0.2	3	0.3	9	-
Other CPD Programs	184	0.5	21	0.2	11	0.1	13	0.1	19	0.1	120	-
Sub-Total	760	25.2	95	9.8	25	2.1	74	6.5	72	6.8	494	-
Housing			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
FHA –MMI/CHI	1,203	1.5	958	1.5	60	-	-	-	120	-	60	-
FHA –GI/SRI	1,208	1.4	962	1.4	60	-	-	-	121	-	60	-
Housing Certificate Fund	434	11.0	342	11.0	22	-	-	-	43	-	22	-
Housing For Special Populations	350	3.0	274	2.7	-	-	18	0.3	35	-	18	-
Other Housing Programs	239	-	-	-	-	-	-	-	24	-	215	-
Sub-Total	3,414	16.9	2,536	16.6	142	-	18	0.3	343	-	375	-
Fair Housing and Equal Opportunity			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
Fair Housing Assistance	30	0.1	-	-	10	0.1	10	-	10	-	-	-
Fair Housing Initiatives	25	0.1	-	-	8	0.1	9	-	8	-	-	-
Section 3 Program	25	-	-	-	-	-	-	-	25	-	-	-
Other FHEO Programs	570	-	-	-	470	-	20	-	10	-	70	-
Sub-Total	650	0.2	-	-	488	0.2	39	-	53	-	70	-
Ginnie Mae	72	<0.1	18	<0.1	18	-	-	-	18	-	18	-
Office of Healthy Homes and Lead Hazard Control	31	0.4	12	0.4	-	-	-	-	-	-	11	-
Policy Development & Research	163	0.2	82	0.1	2	<0.1	25	<0.1	25	<0.1	29	0.1

			Strategic Goals									
Program	# of Staff	% of Budget	Increase the availability of decent, safe, and affordable housing in American communities		Ensure equal opportunity in housing for all Americans		Promote housing stability, self-sufficiency and asset development of families and individuals		Improve community quality of life and economic vitality		Ensure public trust in HUD	
Supporting Organizations			Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget	Staff	Budget
Enforcement Center	215	-	107	-	-	-	-	-	-	-	108	-
Real Estate Assessment Center	280	-	140	-	-	-	-	-	-	-	140	-
Office of Multifamily Housing Assistance Restructuring	101	-	50	-	-	-	-	-	-	-	51	-
Community Builders/Field Management	933	-	233	-	233	-	233	-	234	-	-	-
Chief Financial Officer	220	-	44	-	11	-	22	-	22	-	121	-
Chief Procurement Officer	148	-	-	-	-	-	-	-	-	-	148	-
Chief Information Officer	6	-	-	-	-	-	-	-	-	-	6	-
General Counsel	349	-	76	-	46	-	60	-	16	-	151	-
Departmental Management	113	-	23	-	23	-	23	-	23	-	21	-
Departmental Equal Employment Opportunity	19	-	-	-	-	-	-	-	-	-	19	-
Administration	431	1.9	70	-	30	-	30	-	30	-	271	1.9
Sub-Total	2,873	1.9	743	-	343	-	368	-	325	-	1,094	1.9
Total	9,300	100.0	3,730	57.6	1,077	12.5	673	14.2	1,113	13.7	2,684	2.0

CROSS-CUTTING PROGRAMS AND INTERAGENCY PARTNERSHIPS

Partnerships with HUD's fellow Federal agencies represent one of the most strategic opportunities for promoting high performance by the Federal government. While HUD has always interacted with other agencies, under GPRA we have renewed our commitment to identify crucial issues and work strategically with other agencies to develop solutions based on teamwork—with each agency contributing specific strengths. The Department works actively on a variety of interagency task forces and working groups and also identifies targeted areas where coordination with other Federal agencies on programs, data or research will enhance our effectiveness.

Through the **Partnership for Advancing Technology In Housing (PATH)**, HUD is responsible for coordinating Federal agency activity to make housing more affordable, safer and more energy-efficient. HUD is working closely with the Departments of **Energy** (as co-head),

Commerce, and Agriculture, as well as with the Department of Labor's **Occupational Safety and Health Administration**, the **Environmental Protection Agency (EPA)**, the **National Science Foundation (NSF)**, and the **Federal Emergency Management Administration (FEMA)** on advanced housing research projects, cooperative research and development agreements with industry, and Federal conferences. PATH leads efforts to increase and integrate Federal agency housing research and demonstration programs by ensuring that agency roles are well defined, and that agency research programs are responsive to the mainstream housing industry without duplicating efforts the industry should undertake itself.

HUD's Office of Rural Housing and Economic Development (RHED) works closely with the Department of Agriculture's **Rural Housing Service** in the evaluation and selection of RHED grantees, and will consult with them in the development of a rural housing and economic development clearinghouse.

HUD works cooperatively with five other regulatory agencies that are required to collect data under the Home Mortgage Disclosure Act (HMDA). These agencies include the **Office of Thrift Supervision**, the **Comptroller of the Currency (OCC)**, the **Federal Reserve**, the **Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. HUD also confers regularly with the **Department of the Treasury** on issues related to the implementation of the Low-Income Housing Tax Credit.

HUD co-chairs, with the **Centers for Disease Control and Prevention**, the Interagency Task Force on Healthy Homes. Under the Healthy Homes initiative, HUD works closely with the **Centers for Disease Control and Prevention**, **EPA**, the **National Institute of Environmental Health Sciences**, the **National Institute for Occupational Safety and Health**, and the **National Institute of Standards and Technology** on ways to address multiple housing-related problems affecting the health of children.

To reduce lead-based paint hazards, HUD coordinates with the President's Task Force on Environmental Health and Safety Risks to Children, which includes the **Centers for Disease Control and Prevention**, **Health Care Financing Administration**, **Environmental Protection Agency**, **National Institute of Health**, **Department of Justice**, **Consumer Product Safety Commission**, **Treasury**, and many other agencies. Special cooperative activities involve the **Environmental Protection Agency** for implementation of the Residential Lead-Based Paint Hazard Reduction Act, the **Centers for Disease Control** for development of standards and reporting, and the **Department of Justice** for enforcement of lead-based paint rules.

HUD chairs the **President's Council on Fair Housing**, an interagency group committed to promoting equal opportunity in mortgage lending, as well as the **Interagency Task Force on Fair Lending**, which coordinates enforcement of fair lending laws across the Federal Government. Through the Task Force, HUD and the **Office of Federal Housing Enterprise Oversight** (an independent office within HUD) work with the Departments of **Justice** and **Treasury**, **Federal Deposit Insurance Corporation**, **Federal Housing Finance Board**, **Federal Reserve Board**, **Federal Trade Commission**, **National Credit Union Administration**, **Office of the Comptroller of the Currency** and **Office of Thrift Supervision** to reduce discrimination by lenders of all types. The Task Force provides guidance to lenders

consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations, addressing issues such as the impact of credit scoring on fair lending and the effect of automated underwriting on the availability of mortgage credit to minorities.

The Department works cooperatively with Federal agencies to ensure compliance with civil rights laws in their housing programs: with the **Department of Treasury** for the Low-Income Housing Tax Credit program, and with the **Department of Agriculture** for rural housing.

With the **Department of Treasury**, HUD convened a task force to focus on the growing problem of predatory mortgage lending. Predatory lending practices—including excessive fees and interest rates, prepayment penalties and unnecessary refinancing—have saddled lower-income, minority and elderly families with high debts that can cause these families to lose their homes. As part of the Task Force on Predatory Lending, HUD and Treasury conducted public hearings in five cities to gather information about abusive lending practices. This is the basis for regulatory and legislative recommendations to combat predatory lending issued in a newly released report titled *Curbing Predatory Home Mortgage Lending*.

HUD and the **Department of Justice** have strengthened an existing agreement to crack down on hate acts involving housing discrimination, to ensure prompt prosecution of housing-related hate violence or intimidation reported to the FBI and other Justice agencies, and to train HUD investigators to handle cases of housing-related violence and intimidation.

The Department chairs the Interagency Council on the Homeless, which includes the Departments of **Health and Human Services, Agriculture, Commerce, Education, Energy, Justice, Labor, Defense, Interior and Transportation**, as well as **Veterans Affairs, the Social Security Administration, the Federal Emergency Management Agency, the Government Services Administration, and the Postmaster General**. The Council, a working group of the White House Domestic Policy Council, coordinates Federal programs supporting homeless families and individuals.

In 2000 and 2001, HUD is joining with the Departments of **Health and Human Services (HHS), Labor, and Agriculture** to demonstrate how mainstream social services can better be tapped to serve the homeless. For example, HUD and HHS's **Health Care Financing Administration (HCFA)** are working together to combine HUD housing resources with HCFA services, which will integrate homeless persons with severe mental disabilities or substance abuse problems into the community rather than place them in traditional group homes or other congregate living situations. These efforts may include using Section 8 vouchers to obtain a rental unit for a homeless person combined with home-based health care, mental health counseling and other services funded through HHS.

The Department also works with **HHS** to increase access to assisted living for low-income elderly households. HHS gave input on the program designs of two HUD initiatives: Section 8 vouchers in assisted living and conversion of Section 202 units to assisted living. HHS issued guidance that allowed Medicaid payments to be used in conjunction with assisted living. HUD participates in HHS outreach to their field networks about these programs.

HUD and the **Federal Housing Finance Board** signed a Memorandum of Understanding (MOU) that sets forth a policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program funds for subordinate financing of Section 202 and Section 811 projects for the elderly and persons with disabilities. The MOU streamlined the approval process and decreased the time that financing became available for these projects.

As part of the President's National Homeownership Strategy, HUD serves as the lead agency to coordinate the National Partners for Homeownership. This group comprises 66 national partners working to cut the costs of homeownership, to remove barriers, to open markets and to expand opportunities for homeownership nationwide. Federal agency partners include the Departments of **Agriculture, Energy, Treasury and Veterans Affairs**.

HUD has been an active member of the Interdepartmental Task Force on HIV/AIDS, and through an Interagency Agreement with the Executive Office of the President, supports the **White House Office of National AIDS Policy** in coordinating policy development and public outreach on HIV/AIDS policy.

HUD is working with the Department of **Veterans Affairs (VA)** to identify VA local agency contacts so that homeless providers can better coordinate HUD housing assistance with VA-provided services to homeless veterans. Additionally, HUD, VA and **DOL** cooperatively reported to Congress regarding the quality and extent of services provided to homeless veterans. HUD and **HHS** are jointly offering training on how to develop Safe Havens for mentally ill homeless persons.

HUD is leading the "Access Housing 2000" initiative. This partnership with **HHS** and the National Program Office on Self-Determination, a project of the Robert Wood Johnson Foundation, will provide housing assistance for 2,000 persons with disabilities so they can move out of institutions and into community settings with supportive services.

The Department works closely with a number of Federal agencies including **DOL** and **HHS** to ensure the successful implementation of welfare reform. Examples of these partnerships include the following:

- HUD is a member of the **DOL** Welfare-to-Work Policy Committee that is designing revisions to the Welfare-to-Work Grants program, required by new legislation.
- HUD worked with **HHS** to develop guidance and a model cooperative agreement for public housing authorities and local welfare agencies, in order to help PHAs meet the requirements for such an agreement in the public housing reform legislation.
- HUD has an interagency agreement with **HHS** to study the impact of HUD housing assistance on families leaving welfare.
- HUD is a partner with the **Small Business Administration (SBA)** on programs that support former welfare recipients and ensure that public housing authorities work closely with small business agencies to provide job opportunities for PHA residents.
- As part of the **Presidential Task Force on Employment of Adults with Disabilities**, HUD

proposed and designed a national pilot project implemented in 1999 to learn how Federally-supported service programs might better lead to employing adults with disabilities—especially adults who are members of racial, ethnic and language minority communities.

In a closely related issue, HUD participates on the interagency task force implementing the Workforce Investment Act with the Departments of **Labor, Education, HHS** and others. HUD's emphasis is to establish public housing authorities as One-Stop Employment Centers, taking advantage of their proximity to needy families as well as their physical space and other resources.

HUD is participating in significant interagency coordination occurring through the White House National Economic Council to develop programs for the **New Markets Initiative**. Each agency brings to the table its own expertise in job creation. **Treasury** provides expertise in the impacts and effectiveness of tax incentives. **SBA** brings its expertise in business financing and the start-up and expansion needs of small business. The **Economic Development Administration (EDA)** provides grant money to localities, primarily for planning and public works construction associated with economic development. HUD brings our expertise in large-scale development—particularly development that links job creation with other important elements of community development. Proposals are developed so that they complement one another.

As part of the multi-agency **Community Empowerment Board** led by Vice President Gore, HUD has the lead on urban Empowerment Zones and Enterprise Communities. In this role HUD designates EZ/ECs, promotes participation in EZ/ECs by other agencies, and seeks funding preferences and waivers for other agency programs in EZ/ECs.

HUD is part of the **National Brownfields Partnership**, which brings together resources from over 20 Federal agencies and non-governmental organizations to reclaim brownfields. HUD provides technical assistance to the participating communities and encourages the use of HUD programs. HUD works closely with the **Environmental Protection Agency** on brownfield redevelopment to help communities take a site from remediation to re-use. The Department recently signed a memorandum of understanding with the **Army Corps of Engineers** to utilize their skills in cost-benefit analysis, site planning and construction to lower the cost of brownfields redevelopment.

HUD, with over 16 other Federal agencies, has signed the “**Mississippi Delta Regional Initiative Interagency Memorandum of Understanding**.” This MOU creates a framework for cooperation among the agencies on economic revitalization initiatives in the Delta region.

HUD has a leading role in the **Interagency Task Force on the Economic Development of the Southwest Border**, which includes 15 other Federal agencies. The Task Force is evaluating the Border region's problems and developing a coordinated Federal response that promotes sustainable economic development.

Working with a **White House Task Force** and the **Department of Interior**, HUD has led an interagency eCommerce initiative called **Native eDGE**. Unveiled by President Clinton, the Native eDGE website and toll free number gives tribes access to experienced economic

development specialists, personalized research, dialogue among entrepreneurs, and coordination of federal agencies and their resources.

HUD and the U.S. **Overseas Private Investment Corporation** are cooperating to develop and test models for financing housing abroad.

HUD participates in the interagency **White House Task Force on Livable Communities**, comprising Federal agencies that have missions and resources that affect the livability of American communities. The Task Force focuses on policies that promote sustainable growth, preserve open space, reduce congestion, improve schools, make neighborhoods safe and otherwise improve quality of life in distressed communities. HUD has helped create new legislative, administrative and budgetary proposals designed to help reduce disparities in quality of life among communities. HUD's participation has dramatically improved policy coordination with other agencies, such as the **Department of Transportation** and the **Environmental Protection Agency**, whose policies have a significant, direct impact on community development. HUD also has helped ensure that the unique needs of older, distressed communities are explicitly addressed in new livability policy proposals from the Administration.

PROGRAM EVALUATIONS

Evaluation Strategies

Program evaluations are retrospective studies of the implementation, operation, impacts and costs of public programs. Along with the earlier discussions of program evaluations under each Strategic Goal, this section describes HUD's approach to program evaluation and research to support strategic planning and performance measurement under the Government Performance and Results Act.

Enhance performance measurement through existing research projects. HUD will issue task orders under existing research contracts to obtain independent research supporting recommendations for additional or improved performance indicators. These indicators will include key intermediate outcomes that should be tracked or specific management issues that should be monitored to ensure program success. The Department also will seek opportunities to use program evaluations to validate existing performance indicators and to verify the accuracy of administrative data or other data used for performance measurement. In this way, evaluations will support our efforts to build data quality into our information systems and to assess and use data responsibly.

Demonstrate causal links. HUD is undertaking program evaluations intended to demonstrate the nature and extent of the contributions that HUD programs make toward the outcomes that are assumed to result from our programs. Good performance management requires an understanding of the "logic chain" that links program inputs—including budgetary and staff resources—with program outputs or intermediate results, and then with final outcomes experienced by customers. This research is best conducted through careful experiments and program evaluations that control for many external factors that may cause spurious conclusions about program impact. Although

HUD has one of the smallest evaluation budgets among Federal agencies, we seek to use all available research opportunities to identify these logical connections.

Illuminate innovations by partners. The implementation studies conducted during program evaluations shed light on the variety of program implementation strategies that local actors may use. The flexibility provided by HUD's block grant programs creates a natural laboratory that allows our partners to experiment independently and respond to local conditions. Implementation studies identify further research issues growing out of such decentralized innovation.

Develop data sources. HUD studies policy issues with the purpose of establishing baselines and methodologies for ongoing performance measures. Important policy issues often develop into core issues for performance management. One example of such an issue is the question of how much the general public knows about fair housing law, and whether lack of knowledge is a major contributor to housing discrimination. HUD's early annual performance plans identified a performance indicator for this topic; a baseline measurement is now being developed using an independent survey.

Data Coordination and Dissemination

HUD's Office of Policy Development and Research contracts with Aspen Systems to maintain a website that disseminates reports and data sets resulting from HUD research and that provides a centralized bibliography of independent research related to HUD programs and policy issues.¹⁶

Planned Evaluations

The Department is undertaking and plans to pursue research on a variety of housing and community development issues.

- Although the American Housing Survey (AHS) is not strictly an evaluation, it represents one of HUD's greatest research commitments to assess trends in housing and community development needs. The Bureau of Census conducts the AHS for HUD on a national basis biennially (in odd years), and conducts surveys for approximately 40 metropolitan areas at staggered 4-year intervals. HUD makes extensive use of the AHS for performance management purposes because it is an excellent source of data regarding the outcomes of HUD's programs. In 1997, the AHS survey methodology was improved by the application of computer-assisted telephone interviewing, and the timeliness and usefulness of the data should continue to improve.
- A 10-year evaluation of HOPE VI Investment Partnerships is ongoing, using surveys of managers, residents and neighbors of public housing developments, along with windshield surveys and other mixed methodology to determine program outcomes and contributing factors. Interim case studies of completed HOPE VI sites will be available in 2000.
- A companion study of HOPE VI is beginning in 2000. It tracks the long-term impacts of living in HOPE VI developments upon the self-sufficiency outcomes of the residents.

¹⁶ <http://www.huduser.org>

- The Empowerment Zone/Enterprise Community program is being studied on a 5-year interim basis. The study is assessing EZ achievements and changes in economic activity using comparison sites, and includes case studies of 18 EC sites. Because the EZ/EC impacts are anticipated to develop over extended periods, the current study is designed to support replication 10 years after the program began.
- The Jobs Plus Demonstration, which compares the employment of public housing residents who receive substantial job development assistance with those who do not, is expected to be completed by 2004.
- Continued assessment of FHA's single family mortgage programs includes studying neighborhood default determinants, evaluating loss mitigation efforts, and assessing underwriting of mortgage products such as the Home Equity Conversion Mortgage.
- The results of the Moving To Opportunity Demonstration are being evaluated over the long term through procurement of a 5-year follow-on evaluation.
- The Moving To Work Demonstration project will provide a long-term assessment of the effects of giving high-performing Public Housing Agencies substantial flexibility in administering their programs.
- In 2001, another major report on the ongoing evaluation of the Lead-Based Paint Hazard Control Grant program is expected to produce evidence of long-term effectiveness.
- As part of a Housing Discrimination Study, a series of fair housing audits (tests) is being conducted in each of a number of metropolitan areas. This study will provide national estimates of the level of discrimination against African Americans and Latinos, as well as metropolitan-level estimates; it also will provide an exploratory examination of discrimination against members of other ethnic and racial groups.
- The National Academy of Public Administration has been engaged to provide an assessment of alternative methods of evaluating the performance of public housing agencies and other providers of federally assisted housing. A final report is expected shortly.
- A number of research projects have focused on the question of what happens to residents of federally-subsidized development that lose their Federal funding, either because of conditions of the development or because of owner decisions to opt-out or pre-pay their mortgages. HUD plans another evaluation to determine the effect of expanded protection for such residents on tenant outcomes and satisfaction.
- An evaluation of the Community Outreach Partnership Centers Program, through which HUD has funded more than 100 partnerships since 1994, is expected to be completed in December 2000. It will include a detailed review of program records, 25 preliminary site visits, and eight detailed case studies of campus-community partnerships.
- Another planned study will explore the connections between housing need, local housing market conditions, the evolution of housing plans, and actual housing practice in up to eight metropolitan areas. The study also will analyze the Qualified Allocation Plans of all 50 states and the District of Columbia to determine how they are allocating low-income housing tax credits.

Many current and ongoing evaluations have been designed to support valid estimates of changes over time. For example:

- The study of rent affordability and income eligibility of residents of HOME-assisted rental developments.
- The national survey of homeless assistance providers and clients, initially guided by the Interagency Council on the Homeless.
- The survey of HUD employees for assessing the effects of 2020 Management Reform.
- The Welfare-to-Work Voucher Demonstration could be expanded from the initial small sample of housing authorities to a nationally-representative sample.
- The current Housing Discrimination Study will provide a baseline against which progress in fighting discrimination could be measured. The expense of conducting a future study for that purpose, however, would be prohibitive without special funding.

HUD is using improvements in technology to collect detailed and timely program monitoring data; in some cases, these data will eliminate the need for periodic evaluations. This is being implemented through improved management information systems.

- Information about physical and financial conditions in the subsidized multifamily housing stock was formerly collected by evaluations, but now is available annually through information systems managed by the Real Estate Assessment Center.
- Section 8 voucher lease-up rates have been evaluated three times, but HUD is studying the potential to replace such studies with annual program data, which would support performance measures.

APPENDIX: KEY LEGISLATION

The Department of Housing and Urban Development is the Executive Branch Agency, established by Congress, whose chief responsibility is the implementation and enforcement of Federal housing and community development statutes passed by Congress. Through the years, Congress has passed legislation that not only created the programs that HUD is responsible for administering, but also established HUD's overall goals and mission. While there have been a multitude of programs established by Congress over the years, the goals and mission of the Department have generally focused on the need for innovative and comprehensive solutions to housing and community development problems, an emphasis on HUD's service to disadvantaged individuals and distressed neighborhoods, and a reliance on partnerships as a means to achieve results.

The following is a list of key legislation that has shaped HUD's mission:

- 1934 **National Housing Act:** Created the Federal Housing Administration "to encourage improvements in housing standards and conditions (and) to provide a system of mutual mortgage insurance."
- 1937 **United States Housing Act of 1937:** Created the public housing program.
- 1949 **Housing Act of 1949:** Established grant programs to assist State and local governments with community planning and urban renewal. It also established the national "...goal of a decent home and a suitable living environment for every American family."
- 1959 **Housing Act of 1959:** Established the Section 202 Supportive Housing for the Elderly program and FHA Mortgage Insurance for Nursing Homes program.
- 1965 **Department of Housing and Urban Development Act:** Created the Department in order "...to achieve the best administration of the principal programs of the Federal Government which provide assistance for housing and for the development of the Nation's communities, to assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban, or metropolitan development. . . and to provide for full and appropriate consideration, at the national level, of the needs and interests of the Nation's communities and of the people who live and work in them."
- 1968 **Housing and Urban Development Act:** Established rental and homeownership programs for lower-income families and created, within HUD, the Government National Mortgage Association (Ginnie Mae).
- 1968 **Civil Rights Act:** Prohibited discrimination in housing and gave HUD responsibility for administering those provisions.
- 1974 **Housing and Community Development Act of 1974:** Created Community Development Block Grants for State and local governments "to promote the development of viable urban communities" and also established Section 8 rent subsidies for low-income families.
- 1983 **Housing and Urban-Rural Recovery Act:** Created the housing voucher program as an addition to Section 8 rent certificates and repealed authority to make new commitments under the Section 8 project-based program.

- 1987/88 **Stewart B. McKinney Homeless Assistance Act and the Stewart B. McKinney Homeless Assistance Amendments Act of 1988:** Created new programs to assist the homeless.
- 1988 **Fair Housing Amendments Act:** Expanded the scope of fair housing provisions of the 1968 Civil Rights Act and gave HUD additional enforcement responsibilities.
- 1988 **Housing and Community Development Act of 1988:** Made housing vouchers a permanent program; allowed sale of public housing to resident management corporations, giving residents the ability to manage and buy their developments; and authorized enterprise zones.
- 1988 **Anti-Drug Abuse Act of 1988:** Established the Public Housing Drug Elimination Program.
- 1989 **Department of Housing and Urban Development Reform Act:** Established over 50 legislative reforms to help ensure ethical, financial, and management integrity.
- 1990 **National Affordable Housing Act of 1990 (a.k.a. Cranston-Gonzalez Act):** Created programs to empower and help the most needy through a variety of economic incentives, low-income homeownership opportunities and other housing and economic development programs. Created the HOME, Housing for Persons With AIDS (HOPWA) and Shelter Plus Care programs. Also established the Section 811 Supportive Housing for Persons With Disabilities program and the HOPE programs.
- 1992 **Housing and Community Development Act of 1992:** Established the Youthbuild and Low Income Housing Preservation and Homeownership programs. Also created a comprehensive lead paint hazards reduction program and HUD risk-sharing programs with housing finance agencies and GSEs.
- 1992 **Federal Housing Enterprises Financial Safety and Soundness Act:** Strengthened HUD's regulatory authority over Fannie Mae and Freddie Mac, the two housing government sponsored enterprises regulated by HUD to improve access to affordable housing to low-and moderate-income families. The Act established the framework by which HUD will set goals for these agencies, and expanded HUD's fair housing responsibilities over them. In addition, the Act established an independent office within HUD to examine the safety and soundness of Fannie Mae and Freddie Mac.
- 1994 **Multifamily Housing Property Disposition Reform Act of 1994:** Amended disposition requirements for Multifamily mortgages. Created the Economic Development Initiative program.
- 1996 **Native American Housing and Self-Determination Act:** Established a separate Indian housing and community development block grant.
- 1997 **Multifamily Assisted Housing Reform and Affordability Act of 1997:** Established the Mark-to-Market Program (M2M). Under this program, individual projects in HUD's multifamily portfolio of insured Section 8 housing projects will be restructured by resetting rents to market levels and reducing mortgage debt, if necessary, to permit a positive cash flow.
- 1998 **Quality Housing and Work Responsibility Act of 1998 (a.k.a. Public Housing Reform Act):** Made significant changes in the public housing and Section 8 tenant-based programs. Substantially deregulated high-performing public housing authorities, decreased poverty concentrations in public housing and promoted mixed-income communities, ensured that a threshold share of units and housing vouchers remain available for the truly needy, and created incentives for residents to become self-sufficient.

- 1998 **VA-HUD Appropriations Act for Fiscal Year 1999:** Increased FHA’s single-family loan limits, giving HUD the opportunity to provide more affordable mortgages to first-time, minority and central-city homebuyers and substantially amended FHA Single Family Property Disposition requirements.
- 1999 **Preserving Affordable Housing for Senior Citizens and Families into the 21st Century Act:** Enables HUD to develop a broad range of housing options to meet the changing housing needs of senior citizens, and authorizes Mark-up-to-Market, which protects low-income renters by minimizing the number of owners that choose to “opt-out” of the project-based housing assistance program.
- 1999-
2000 **VA-HUD Appropriations Acts:** For FY 1999 Congress approved 50,000 new housing vouchers to help individuals and families with worst case housing needs and help families move from welfare to work. This was the first significant appropriation of new vouchers for the Department since FY 1994. For FY 2000, Congress approved 60,000 new vouchers, demonstrating renewed commitment to reduce the severe shortage of affordable housing.

