

U.S. DEPARTMENT OF HOUSING AND  
URBAN DEVELOPMENT

**FISCAL YEAR 2001**  
**ANNUAL PERFORMANCE PLAN**

MARCH 2000

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## INTRODUCTION AND OVERVIEW

Good housing and thriving, safe communities are vital to the well-being of every American. Nationally, expenditures on housing and utilities comprise 18 percent of personal expenses, and investment and other expenditures on housing make up almost 10 percent of the U.S. economy. HUD's mission is to promote adequate and affordable housing, economic opportunity, and a suitable living environment without discrimination for all Americans. By working with partners in the public and private sectors, with community groups, and with families and individuals, and by carefully leveraging social and financial resources, HUD has an impact on America's communities that is far greater than its budget of some \$32 billion might imply.

To pursue its mission, the U.S. Department of Housing and Urban Development adopted a 6-year Strategic Plan on September 30, 1997. This plan covered fiscal years (FY) 1998 through 2003 to guide the Department's efforts into the early years of the 21st century. This document, HUD's *FY 2001 Annual Performance Plan (APP)*, covers the fourth year of the strategic planning period.<sup>1</sup> The Department is in the process of developing its Strategic Plan for FY 2001 through FY 2006. The new strategic plan will be substantially different from the earlier plan, enhanced by what we have learned through dramatically increased efforts in strategic planning and by progress made as part of the Department's 2020 Management Reform. This year's APP supports the strategic goals and objectives established for the new Strategic Plan.

### HUD's FY 2001 Annual Performance Plan

HUD's first Strategic Plan set out the Department's mission and vision and identified seven Strategic Objectives to further its mission. As part of the FY 2000 APP process, the Department has also reformulated five targeted Strategic Goals. These goals will be continued and form the basis for the Strategic Plan which is currently being developed for FY 2001-2006. Therefore they are continued in this APP for FY 2001. These Strategic Goals are:

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

All these goals are critical and all are interrelated. The first four Strategic Goals summarize the basic intent of HUD's major statutory authority. The last is a personal commitment made on behalf of HUD by Secretary Andrew Cuomo. Under Secretary Cuomo's leadership, the Department implemented the *HUD 2020: Management Reform Plan*, a fundamental overhaul

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<sup>1</sup> Neither the Strategic Plan nor this APP contains information for the Office of the Inspector General (OIG). Plans for the OIG were submitted separately.

of HUD's internal systems and approaches to customers and partners. It set out the path for HUD to manage programs and people more efficiently and responsibly to ensure HUD's relevance and effectiveness into the 21st century. Although treated as a separate goal, ensuring the public trust also permeates all Departmental planning and is an integral part of each objective in the Annual Performance Plan.

The FY 2001 APP links the goals and objectives of the Strategic Plan with HUD's policies, its programs, its budget resources, and its partnerships with and impact on American communities. It links measures of desired societal outcomes (such as increasing homeownership rates, reducing worst case housing needs, and improving community economic vitality) with programmatic indicators of outputs from HUD programs. It also cites key external factors (such as macro-economic conditions, consumer confidence, policy discretion by local jurisdictions, mortgage interest rates and tax policies) that affect those outcomes, often in profound ways, but that typically are beyond HUD's control.

HUD has established an internal Business and Operating Plan (BOP) process that involves the entire Department, both headquarters and field, in the development and success of the Department's Strategic and Annual Performance Plans. The BOP is the internal, unifying management process all organizations use to establish, coordinate and implement strategies, office goals and action plans that track measurable results for the year. The BOP identifies how HUD will accomplish the important outcomes for communities contained in the APP. The BOP produces the intermediate outputs and outcomes that support the Department's strategic goals and specific program indicators. It allows the Department to manage its processes and resources and to make adjustments, as necessary, to accomplish specific goals.

The strategic planning process is iterative by nature, with successive refinements. The BOP process has informed the five Strategic Goals and the Strategic Objectives described here. These have evolved from those presented in the 1997 Strategic Plan to more accurately portray our vision of HUD as we begin the millennium. Likewise, this APP will inform the Department's revised Strategic Plan due to Congress in September 2000.

Last year, HUD made broadly recognized dramatic improvements to its APP. The changes to the FY 2000 APP resulted from extensive consultation with Congress, the Office of Management and Budget (OMB), the National Academy of Public Administrators, and our stakeholders in the public and private sectors. Building on the successes of the FY 2000 APP, this APP is further improved by better defining outcomes, refining the relationship of outcomes and outputs, and better describing the nature of HUD's relationship with its partners in other federal agencies and at the state and local level. This document also reflects the evolution of our thinking as we continue to reap the results of the implementation of HUD's 2020 management reforms, and increase focus, emphasis and activity in improving our internal data systems and data reporting.

## HUD’s Mission, Vision, Strategic Goals, and Strategic Objectives

<b>HUD’s Mission: Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.</b>				
<b>Vision: In order to fulfill its 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.</b>				
Strategic Goal 1	Strategic Goal 2	Strategic Goal 3	Strategic Goal 4	Strategic Goal 5
Increase the availability of <b>decent, safe, and affordable housing</b> in American communities.	Ensure <b>equal opportunity</b> in housing for all Americans.	Promote <b>self-sufficiency</b> and asset development of families and individuals.	Improve community <b>quality of life</b> and <b>economic vitality</b> .	Ensure <b>public trust</b> 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 become self-sufficient.	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 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 Disparities in well-being among neighborhoods and within metropolitan areas are reduced.	5.2 HUD leads housing and urban research and policy development nationwide.
1.3 America’s housing is safe and disaster resistant.	2.3 Disparities in homeownership rates among racial and ethnic groups are reduced.		4.3 Communities are safe.	

## Organization of this document

Each of the five following sections discusses one of the Strategic Goals, how it relates to the Departmental mission, and the Strategic Objectives important to realizing the goal. Strategic Goal 5 also includes a full discussion of how HUD is addressing its long-term management challenges. For each Strategic Objective, we have provided a detailed “crosswalk” between indicators of societal outcomes, indicators of programmatic outputs, and major external factors that influence the environment in which policies and programs are being carried out. These performance indicators and the targets set for FY 2001 specify how progress toward HUD’s objectives will be measured. The discussion of each Strategic Objective is organized as follows:

- *Overview.*
- *External factors* likely to affect the achievement of the outcome and output targets chosen to measure progress toward the Strategic Objective.
- *Means and strategies* that HUD employs to achieve the Strategic Objective.
- *HUD programs* contributing to the Objective, and past and requested budgetary resources for each program.
- *Coordination* with other Federal agencies.
- A “*crosswalk*” table summarizing outcome indicators, programmatic output indicators, and external factors.
- *Detailed discussion* of each performance indicator including its background, the source of data, past performance, targets set for FY 2001<sup>2</sup> in order to progress toward the Strategic Objective, and a summary of data validation and verification issues. Specific program-related data quality issues are addressed within the commentary on each performance goal as they are listed throughout the APP.

Together, the Strategic Plan and the APP are intended to create a useful overview of how HUD is delivering its programs and accounting for the dollars entrusted to us by taxpayers. The format used to present information here is designed to provide a broad overview of Departmental policies and programs, yet supply sufficient detail to accurately track progress within the Department’s areas of responsibility. Guiding and tracking HUD’s performance through planning efforts such as these will ensure better housing opportunities and stronger American communities.

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<sup>2</sup> Unless otherwise noted, all targets identified in the detailed discussions of indicators of societal outcomes and programmatic outputs below are for FY 2001.

**STRATEGIC GOAL 1:  
INCREASE THE AVAILABILITY OF DECENT, SAFE, AND  
AFFORDABLE HOUSING IN AMERICAN COMMUNITIES**

**Strategic Objectives:**

- 1.1 Homeownership is increased.**
- 1.2 Affordable rental housing is available for low-income households.**
- 1.3 America's housing is safe and disaster resistant.**

One of HUD's most important roles is to increase the availability of decent, safe, and affordable housing for all Americans. Many HUD programs are dedicated to expanding opportunities for those who wish to become homeowners. In addition, HUD must continue to improve rental housing affordability, availability, and accessibility for low- and moderate-income individuals and families, thus strengthening the "ladder" to homeownership and self-sufficiency for more Americans. Although the quality of U.S. housing has steadily improved over the past five decades, actions to reduce or eliminate remaining hazards and substandard conditions and make housing more resistant to disasters are still vital.

**Objective 1.1: Homeownership is increased.**

**Overview**

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 to finance future needs of a family, such as college for children or financial security for retirement. Additionally, homeownership helps stabilize neighborhoods, strengthen communities, and stimulate economic growth. From the early days of the Federal Housing Authority (FHA) in the 1930s to the present, Congress and the President have repeatedly charged HUD with opening doors to homeownership for more Americans.

The Administration has achieved marked progress in raising the homeownership rate. After rising steadily between 1940 and 1980 (from 43.6 to 65.6 percent of households), the overall national ownership rate fell after 1980 to fluctuate near 64 percent throughout the 1986-1993 period. But in the six years between 1993 and 1999, homeownership has again risen steadily and reached an all-time annual high of 66.8 percent in 1999 – the third annual increase in a row – and reached a quarterly rate of 67.0 percent at the end of FY 1999. Nevertheless, homeownership rates remain too low for many groups in our Nation. Although ownership among higher income households and those with older heads of household held steady during the decline, younger households and those with lower incomes fared less well. Between 1980

and 1991, for example, homeownership rates for households headed by persons under the age of 35, both married and single, fell by nearly one-fifth. Over that decade, ownership rates fell by 10 percent for moderate-income households and by 17 percent for low-income households. Moreover, at low- and moderate-income levels, drops in ownership were concentrated among families with children – those who most need to build assets for a healthy, secure future.

Homeownership is particularly low in economically distressed areas, including those defined as “underserved” by the mortgage finance system. For example, in central cities overall, although ownership has recently increased (topping 50 percent for the first time in 1998), the 1999 rate of 50.5 percent still lags behind the 73.2 percent in the suburbs and 73.7 percent in nonmetropolitan areas.

HUD has a wide variety of programs that support homeownership. Many programs, especially those of FHA, the Government National Mortgage Association (Ginnie Mae), and the Office of Housing, seek generally to cut the costs of homeownership, including financing, production, and transaction costs and fees, to make homeownership more affordable and to make financing more widely available. State and local grantees make extensive use of funds from Community Development Block Grants (CDBG) and HOME (Housing Investment Partnerships) for homeownership. Homeownership is further advanced through goals set by HUD for the housing government-sponsored enterprises (GSEs). Other HUD programs promote homeownership through housing counseling, self-help sweat equity programs such as Habitat for Humanity, and use of Section 8 vouchers for homeownership.

## External factors

National and regional economic conditions exert a critical influence on increasing homeownership or achieving any of HUD's specific performance targets that measure progress toward that objective. For example, higher interest rates can reduce the number of first-time homebuyers, thus reducing the number of homes insured by FHA in HUD's Office of Housing. Similarly, if the economy weakens and unemployment rises, FHA may experience a higher loan default rate. Conversely, *falling* interest rates might increase refinancing (as occurred from 1996 through 1998), thus reducing the *share* of new loans going to first-time buyers, even as their numbers rise.

Increasing homeownership rates also depends on the actions of many private and public players. As part of the President's National Homeownership Strategy, HUD leads the National Partners for Homeownership, 66 national partners representing industry, lenders, non-profit groups, and all sectors of government. Through the National Partners, organizations such as Habitat for Humanity, the Mortgage Bankers Association, the National Association of Realtors, and the National Association of Home Builders, are aiming to raise the national homeownership rate to an all-time high of 67.5 percent by the end of 2000. Programs of other Federal agencies, particularly the Departments of Agriculture and Veterans Affairs, and choices made by State and local governments, such as use of authority for State mortgage revenue bonds, also influence the success of homeownership objectives.

## **Means and strategies**

HUD brings a wide variety of tools to bear on this objective. The overall strategy is to carefully apply public-sector dollars, whether through mortgage insurance, grants, loans, or direct subsidies, to leverage the private market to make it easier for low- and moderate-income Americans to buy and keep their own homes. To implement that strategy, HUD will continue to work to:

- Maintain liquidity in the market for mortgage credit. The liquidity created by Ginnie Mae as well as by Freddie Mac and Fannie Mae, the two government-sponsored enterprises (GSEs) HUD regulates, assures that mortgage funds are available at the lowest rates possible for home loans around the nation.
- Reduce FHA's cost of providing mortgage insurance. By reducing FHA's costs, HUD can reduce the up-front costs of purchasing a home. These costs are a major barrier to homeownership for many low- and moderate-income families.
- Increase the share of first-time homebuyers through FHA and Ginnie Mae programs.
- Reduce homebuying risk for prospective home owners by improving the quality of FHA appraisals.
- Encourage housing counseling programs to help underserved groups move into homeownership, because understanding the process of homebuying, including how to shop for a mortgage and to build good credit, is frequently a barrier to homeownership.
- Set regulatory goals for housing GSEs to expand opportunities for low- and moderate-income homebuyers and in underserved geographic areas.
- Encourage homeownership in lower income neighborhoods through initiatives such as Ginnie Mae's Targeted Lending Initiative, which reduces the securitization fee paid by lenders to Ginnie Mae for loans in targeted low-income areas.
- Through the "One Million Homes" initiative, a partnership between the National Association of Homebuilders, the United States Conference of Mayors, and HUD, promote the construction of an additional one million new single family homes in urban areas across the nation by 2010.
- Encourage public housing authorities (PHAs) to provide for the use of Section 8 vouchers for first-time home purchases.
- Encourage public housing authorities to include homeownership opportunities under HOPE VI public housing revitalization grants.
- When grantees and participating jurisdictions choose to use CDBG funds for homeownership, encourage good program design and targeting to those who would otherwise be unable to become homeowners.
- Provide counseling services to reduce the default rate in order to encourage responsible homeownership.

- Reduce costs of operating and maintaining new and existing homes and of constructing new homes through the interagency Partnership for Advancing Technology in Housing (PATH).
- Take advantage of economies of scale and allow better, more efficient use of new technologies through HUD's four Homeownership Centers (HOCs). This consolidation and streamlining is providing faster, more uniform service to FHA clients, lenders, and borrowers. Loan production is increasing in targeted populations with better marketing and outreach. Processing time for insurance endorsements has been cut from two weeks to one day.
- Through HUD's Community Builders, convene, host and co-sponsor a variety of homeownership fairs, and increase HELP program participation by identifying, recruiting and educating non-profits, universities and national intermediaries.
- Through the Community Builders assist local communities to identify Revitalization Areas for approval by the Office of Housing. FHA's four Homeownership Centers may make this designation in low-income neighborhoods to encourage homeownership. In these areas FHA homes may be sold at a discount for the Officer Next Door and Teacher Next Door programs, as well as to local non-profits and government entities.

The FY 2001 budget includes the **Indian Homeownership Intermediary Initiative**, which responds to the August 6, 1998, Presidential Memorandum "Economic Development in Native American and Alaska Communities," to the Secretaries of Commerce, Treasury, Interior, HUD and the Administrator of the Small Business Administration. The creation of a non-profit intermediaries with expertise in issues facing Indian homeownership will serve as the catalyst for a homeownership market by providing technical assistance and capacity-building funds for the formation of non-profit organizations to offer homeownership and related services on Indian reservations.

**Programs supporting Objective 1.1: Homeownership is increased.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Self Help Homeownership Opportunities	[10]	[20]	[20]	[18]
Habitat for Humanity	[7]	[4]	[4]	[8]
Mississippi Delta Initiative	NA	NA	NA	[22]
HOME Investment Partnerships Program	1,500	1,600	1,600	1,650
Rural Housing and Economic Development	[25]	25	25	27
<b>Public and Indian Housing</b>				
Revitalization of Distressed Public Housing	550	625	575	625

*Goal 1: Increase the Availability of Decent, Safe, and Affordable Housing*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
Native American Housing Block Grants	600	620	620	650
Native American Home Loan Guarantee Program/Commitment Level	{62}	{69}	{72}	{72}
Native American Home Loan Guarantee Program/Program Account	5	10	6	6
Indian Homeownership Intermediary Initiative	NA	NA	NA	[5]
<b>Housing</b>				
FHA:MMI Commitment Level	{100,245}	{123,546}	{140,000}	{160,000}
FHA:MMI Program Account	338	329	491	491
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456
Housing Counseling Assistance	[20]	[18]	[15]	[24]
Section 202/811 (Elderly and Disabled)	839	854	911	989
Oversight of housing GSEs (Fannie Mae and Freddie Mac)	NA	NA	NA	NA
<b>Ginnie Mae</b>				
Government National Mortgage Association/Commitment Level	{130,000}	{200,000}	{200,000}	{200,000}
Government National Mortgage Association/Program Account	9	9	9	9
Targeted Lending Initiative	{2,000}	{2,000}	{2,000}	{2,000}
<b>Policy Development and Research</b>				
Partnership for Advancing Technology in Housing	NA	10	10	12

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

### **Coordination with other Federal agencies**

As part of the President's National Homeownership Strategy, HUD coordinates the National Partners for Homeownership, which includes 66 national partners working to cut the costs of homeownership, remove barriers, open markets, and expand opportunities for homeownership nationwide. Federal agency partners include the **Department of Agriculture**, the **Department of Veterans Affairs**, the **Department of Energy** and the **Department of Treasury**.

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, 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 also 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 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**. The **Federal Financial Institutions Examination Council (FFIEC)** is the governing board that is responsible for collecting and disseminating this information. HMDA provides information about how mortgage credit is provided across the country and is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research – for example, on a data and policy analysis project with the OCC on mortgage denial rates.

## **Performance goals**

To progress toward this strategic objective, HUD will achieve these outcomes:

- The national homeownership rate increases.
- Numbers of first-time homebuyers rise, both absolutely and as a share of total home purchases.
- Homeownership rises among low- and moderate-income families.
- Homeownership rates increase in central cities.
- Monthly costs of homeownership decline.

A crosswalk summarizing the programmatic output and outcome indicators and targets for FY 2001 that we will use to measure progress toward this objective follows.

Crosswalk for Strategic Objective 1.1: Homeownership is increased		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>1.1.1: The overall homeownership rate increases from 67.0 percent in 1999 to 67.5 percent in 2001.</p> <p>1.1.2: The share of all homebuyers who are first-time homebuyers increases by 0.5 percentage point to 48.3 percent.</p> <p>1.1.3: The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 52.3 percent.</p>	<p>1.1.a: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.</p> <p>1.1.b: The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 30 percent.</p> <p>1.1.c: The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.</p> <p>1.1.d: The net recovery of FHA real estate-owned sales increases by 1 percentage point to 63.7 percent.</p> <p>1.1.e: The number of FHA single-family mortgage insurance endorsements nationwide increases by 5 percent to 1.365 million endorsements.</p> <p>1.1.f: The share of FHA-insured home-purchase mortgages for first-time homebuyers remains at least 80 percent.</p> <p>1.1.g: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.</p> <p>1.1.h: The number of homeowners who have been assisted with HOME is maximized (see table under 1.2.d).</p> <p>1.1.h.2: The number of homeowners who have used sweat equity to earn assistance with Self Help Opportunities Program (SHOP) funding increases (see table under 1.2.d).</p>	<p>Economic conditions, consumer confidence, home prices, and mortgage interest rates strongly influence decisions to rent or buy.</p> <p>High transaction costs of buying and selling make homeownership impractical for some families that move frequently.</p> <p>Increases in interest rates for adjustable-rate mortgages affect the number of defaults and associated foreclosures.</p> <p>Many renters need help to obtain mortgage financing, especially if their credit records are weak.</p> <p>Increases in interest rates can differentially discourage first-time homebuyers, reducing their share of home purchases.</p> <p>Many potential low- and moderate-income homebuyers do not earn enough to benefit from the mortgage interest deduction.</p> <p>Participating Jurisdictions determine whether to use HOME funds for homeownership or for other types of assistance.</p>

Crosswalk for Strategic Objective 1.1: Homeownership is increased		
<p>1.1.4: The homeownership rate in central cities increases to 51 percent.</p> <p>1.1.5: The monthly cost of homeownership of new homes decreases by 1 percent from 1998 levels by 2001 (potential interagency indicator).</p> <p>1.1.6: Maintenance costs for homeowner-occupied dwellings decrease by 3 percent to \$0.22 per square foot per year (potential interagency indicator).</p> <p>1.1.7: Average residential energy consumption declines by 1 percent from 1999 levels by 2002 (potential interagency indicator).</p>	<p>1.1.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases (also appears as 2.3.c).</p> <p>1.1.j: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 39 percent (also appears as 2.3.a).</p> <p>1.1.k: At least 90 percent of EZs and ECs achieve local goals in promoting homeownership by residents (see table under 4.2.b.5).</p>	<p>Both home-purchase prices and maintenance costs are affected by trends toward larger homes, complex construction, and luxury features. Land prices and neighborhood amenities also are significant factors.</p> <p>Low energy prices in recent years have decreased incentives to invest in weatherization measures or to otherwise conserve energy. Changes in supply could change price incentives and either increase or decrease energy consumption.</p>

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 1.1.1:**

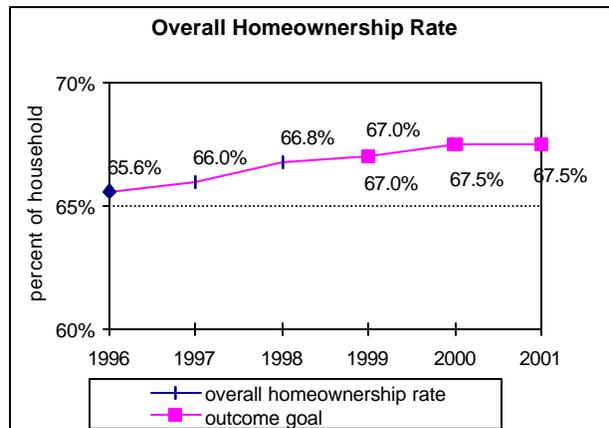
**The overall homeownership rate increases from 67.0 percent in 1999 to 67.5 percent in 2001.**

**Indicator background and context.** The overall homeownership rate indicates the share of households that have achieved the “American dream” of homeownership. Homeownership is widely believed to encourage commitment to communities and good citizenship. The homeownership rate has been climbing in recent years, but it is resistant to increases above an undetermined level because homeownership is not practical or desirable for all households. The National Housing Partnership and the President’s Homeownership Strategy established the goal of gaining 8 million new families, attaining the highest homeownership rate ever, and reaching a rate of 67.5 percent by 2000. The first two of those goals have been met but the third is unlikely due to the unexpectedly large number of new households formed in the last five years. Therefore, the Department’s revised goal is to reach the rate of 67.5 percent in 2001.

**Data source.** Third-quarter estimates from the Current Population Survey (CPS), conducted monthly by the Bureau of Census.

**Limitations/advantages of the data.**

CPS data have the advantage of being widely recognized. Seasonally-adjusted data have recently become available for the total homeownership rate. Seasonally-adjusted data are not used here, however, because they are unavailable for subgroups like households in central cities or households with incomes below median family income.



**Validation/verification of measure.**

The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.

**Programmatic Output Indicator 1.1.a: Ginnie Mae securitizes at least 85 percent of single-family FHA and VA loans.**

**Indicator background and context.** Ginnie Mae creates a secondary market for residential mortgages. Securitizing a high share of FHA and VA loans increases the liquidity of funds in the market for mortgage credit, and the presence of government-backed securities lowers market interest rates, creating homeownership incentives. This indicator tracks the ratio between the reported value of FHA single-family loan endorsements and VA guarantees and the total value of Ginnie Mae single-family program securities issued. In FY 1999, Ginnie Mae succeeded in securitizing 95 percent of the FHA and VA portfolio. Ginnie Mae’s goal for FY 2001 is lower than in previous years because of the introduction of incentives that increase demand for FHA loans by other investors. Based on recent analysis after submission of the President’s budget, it now appears that Ginnie Mae will securitize 85 percent of single-family FHA and VA loans rather than the 95 percent previously estimated.

**Data source.** Ginnie Mae, FHA, and VA.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation/verification of measure.** Both Ginnie Mae and FHA numbers are subject to annual financial audits because they represent an obligation on the part of the United States. FHA data are entered by the loan servicers with monitoring by FHA. HUD will not verify Ginnie Mae data independently.

***Programmatic Output Indicator 1.1.b: The share of FHA mortgage defaults resolved by loss mitigation alternatives to foreclosure increases by 2 percentage points to 30 percent.***

**Indicator background and context.** This indicator measures the success of FHA loan servicers in implementing statutorily required loss-mitigation techniques when borrowers default on their FHA mortgages. A borrower can resolve a default (90-day delinquency) in several ways short of foreclosure: by paying down the delinquency (cure), by a preforeclosure sale with FHA perhaps paying an insurance claim in the amount of the shortfall, or by surrendering a deed in lieu of foreclosure, among others. Better loss-mitigation efforts, such as enhanced borrower counseling, help borrowers keep their current homes or permit them to buy another home sooner. Avoidance of foreclosure also reduces FHA's insurance losses, making FHA financially sounder and enabling it to help more borrowers. For both reasons, by achieving this goal HUD will help increase the overall homeownership rate. Preliminary estimates show that in FY 1999 FHA lenders resolved 69,000 mortgage defaults without foreclosure, or 26 percent of claims. The FY 2001 goal is based on projected FY 2000 performance of 28 percent loss mitigation.

**Data source.** FHA's A43-C data system and the Single-Family Data Warehouse Loss Mitigation table.

**Limitations/advantages of the data.** No data limitations are known to affect this indicator.

**Validation/verification of measure.** FHA data are entered by the loan servicers with monitoring by FHA. FHA staff verify single-family mortgage transactions using quality assurance sampling methods.

***Programmatic Output Indicator 1.1.c: The FHA Mutual Mortgage Insurance Fund meets congressionally mandated capital reserve targets.***

**Indicator background and context.** FHA's Mutual Mortgage Insurance Fund (MMIF) funds all expenses, including insurance claims, incurred under FHA's basic single-family mortgage insurance program. The insurance program and fund are expected to be entirely self-financing from up-front and annual insurance premiums paid by borrowers obtaining FHA mortgage loans as well as from earnings on fund assets. Because the Department is expected to operate the program in an actuarially sound way, the fund is subject to an annual actuarial review that assesses the fund's current economic value, its capital ratio, and its ability to provide homeownership opportunities while remaining self-sustaining based on current and expected future cash flows. The capital ratio is an important indicator of the MMIF's financial soundness and of its continuing ability to make homeownership affordable to more renters when economic downturns increase insurance claims.

The capital ratio is defined as the sum of FHA's capital resources plus the net present value of expected future cash flows (resulting from premium collections, asset earnings, and insurance claim losses) divided by the amortized insurance-in-force. The MMIF program operated very successfully for over 50 years, but experienced significant losses during the 1980s. The National Affordable Housing Act of 1990 (NAHA) therefore directed FHA to achieve a minimum

MMIF capital ratio of 1.25 percent by FY 1992, thus adopting the minimum capital ratio recommended by Price Waterhouse, LLP based on its 1990 independent actuarial review of the MMI Fund. Beginning in FY 2000, NAHA requires a capital reserve target of 2.0 percent to serve as an additional cushion for the fund.

The MMIF's capital ratio, which was a negative 0.2 percent at the end of FY 1991, exceeded the 1.25 percent statutory target by FY 1993, when it reached 1.44 percent. By the end of FY 1995 the fund's capital ratio had grown to 2.05 percent, and it has been above the congressionally mandated 2 percent threshold for solvency ever since. This indicator thus tracks the MMI capital ratio as a measure of the fund's financial soundness.

**Data source.** Annual independent actuarial review of the MMIF.

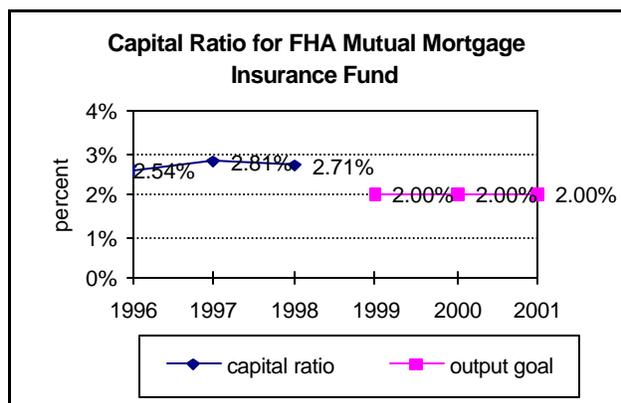
**Limitations/advantages of the data.**

The data are generated and solvency is assessed independently. FHA data are entered by direct-endorsement lenders and loan servicers with monitoring by FHA.

**Validation/verification of measure.**

The annual independent actuarial review of FHA's MMIF includes an estimate of the current and projected capital ratio.

FHA staff verify single-family mortgage transactions using quality assurance sampling methods.



**Programmatic Output Indicator 1.1.d: The net recovery of FHA real estate owned sales increases by 1 percentage point to 63.7 percent.**

**Indicator background and context.** When defaulted FHA loans go to foreclosure, HUD is forced to acquire real property, known as real estate owned (REO). Increasing the net recoveries on sales of REO will reduce FHA's insurance claim losses and strengthen the financial position of the FHA insurance funds. The net recovery is a ratio defined as the sales price net of expenses, divided by the acquisition cost. The FY 2001 performance goal is based on estimated performance of 62.7 percent in FY 2000.

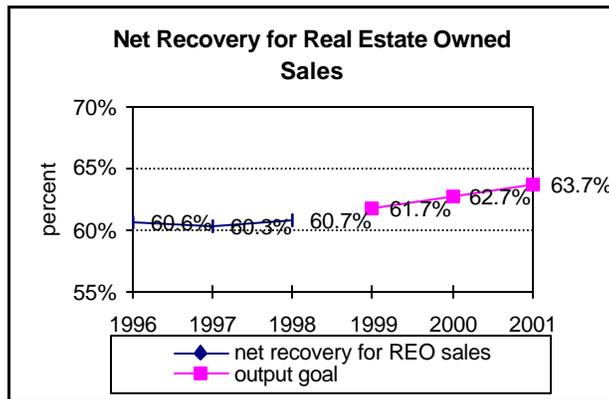
**Data source.** FHA's A43-C data system.

**Limitations/advantages of the data.**

HUD is not aware of significant data problems affecting this indicator.

**Validation/verification of measure.**

FHA data are entered by direct-endorsement lenders with monitoring by FHA. FHA staff verify single-family mortgage transactions using quality assurance sampling methods.



**Outcome Indicator 1.1.2:**

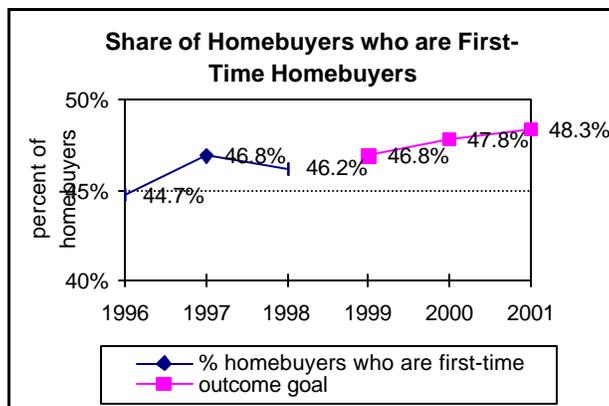
**The share of all homebuyers who are first-time homebuyers increases by 0.5 percentage point to 48.3 percent.**

**Indicator background and context.** The goal of raising overall ownership rates to a new high is intended, in large part, to increase homeownership opportunities for low- and moderate-income households that have not previously owned a home. To monitor overall progress for this important group, HUD will track the share of homebuyers who are first-time homebuyers. Increasing the share of first-time homebuyers directly increases the homeownership rate. This indicator is affected by a number of economic factors not controlled by HUD, particularly changes in mortgage interest rates. The FY 2001 performance goal is based on the assumption that the FY 2000 goal of 47.8 percent is met.

**Data source.** Chicago Title Insurance Company: annual data on the characteristics of homebuyers taking out mortgages, based on surveys in 18 large metropolitan areas. The American Housing Survey (AHS) is a source of biennial data.

**Limitations/advantages of the data.**

The Chicago Title data are the only annual data on first-time homebuyers. The AHS data provide a more comprehensive and representative sample of all homebuyers, but they are available only biennially with a time lag.



**Validation/verification of measure.** HUD verifies Chicago Title data by comparison with AHS data in alternate years.

**Programmatic Output Indicator 1.1.e: The number of FHA single-family mortgage insurance endorsements nationwide increases by 5 percent to 1.365 million endorsements.**

**Indicator background and context.** FHA insures mortgages issued by private lenders, increasing access to mortgage capital so homeownership opportunities increase. This indicator tracks FHA’s contribution to the homeownership rate through the annual volume of FHA-insured loans. The FY 2001 goal of 1.365 million is based on projected accomplishments of 1.300 million in FY 2000.

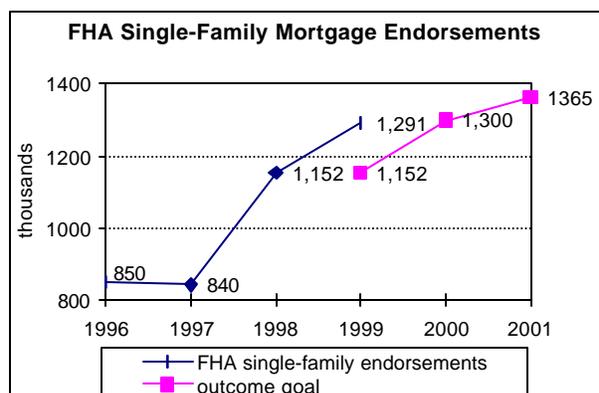
**Data source.** FHA’s F42 data system.

**Limitations/advantages of the data.**

The data have no deficiencies affecting this indicator.

**Validation/verification of measure.**

FHA data are entered by direct-endorsement lenders with monitoring by FHA. FHA staff verify single-family mortgage transactions using quality assurance sampling methods.



**Programmatic Output Indicator 1.1.f: The share of FHA-insured home-purchase mortgages for first-time homebuyers remains at least 80 percent.**

**Indicator background and context.** FHA is a major source of mortgage financing for first-time buyers as well as for minority and lower income buyers. HUD will help increase the overall homeownership rate and reduce the homeownership gap between whites and minorities by increasing FHA endorsements for first-time homebuyers. This indicator tracks the share of first-time homebuyers among FHA endorsements for home purchases – thus excluding loans made for home improvements. The FY 2001 performance goal is intended to perpetuate the high performance attained in FY 1999.

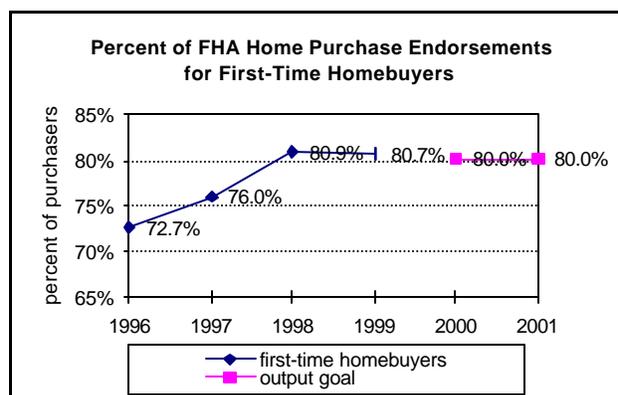
**Data source.** FHA’s F42 data system.

**Limitations/advantages of the data.**

FHA data on first-time buyers are more accurate than estimates of first-time buyers in the conventional market.

**Validation/verification of measure.**

FHA data are entered by direct-endorsement lenders with monitoring by FHA. FHA staff verify single-family



mortgage transactions using quality assurance sampling methods.

### **Outcome Indicator 1.1.3:**

#### **The homeownership rate among households with incomes less than median family income increases by 0.5 percentage point to 52.3 percent.**

**Indicator background and context.** Homeownership is advantageous because of its contributions to asset development, better neighborhoods and schools, stability of tenure, and wider choice of housing types. Holding other factors equal, homeownership improves outcomes for children on a number of dimensions, including school achievement and dropout rates. Through this indicator, HUD will monitor national progress in increasing homeownership among households earning less than the national median family income through improved partnering, marketing, and outreach, as well as the higher loan limits recently approved for FHA. The FY 2001 goal is based on projected results of 51.8 percent in FY 2000.

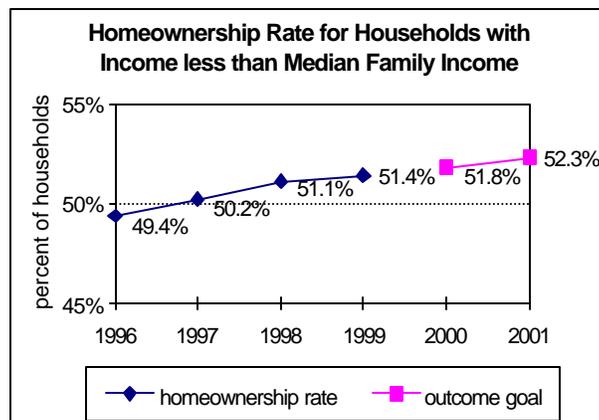
**Data source.** Third-quarter estimates from the CPS, conducted by the Bureau of Census.

#### **Limitations/advantages of the data.**

CPS data are free of serious problems and have the advantage of being widely recognized.

#### **Validation/verification of measure.**

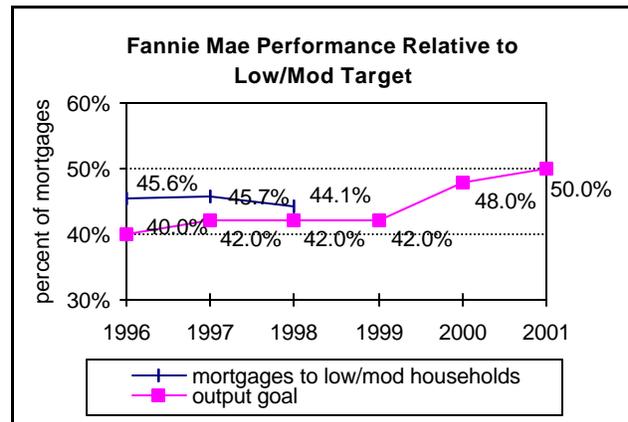
The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS data independently.



#### **Programmatic Output Indicator 1.1.g: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for low- and moderate-income mortgage purchases.**

**Indicator background and context.** These housing GSEs facilitate homeownership by providing a secondary market for home mortgages, thereby increasing available capital and reducing mortgage interest rates. In return for their quasi-governmental status, Fannie Mae and Freddie Mac are expected to achieve a number of public interest goals. Meeting HUD's targets for low- and moderate-income mortgage purchases aids in encouraging homeownership for these income groups (defined for the housing GSEs as households with incomes less than or equal to area median).

Since 1997 HUD has set the GSEs' goals so that at least 42 percent of each GSE's mortgage purchases finance homes for low- and moderate-income households. In 1998 both housing GSEs surpassed the goal: Fannie Mae with 44 percent and Freddie Mac with 43 percent. In July 1999, the Secretary announced the establishment of higher low- and moderate-income goals. The goal for 2000 will be 48 percent of each enterprises total mortgage volume and will increase to 50 percent for the years 2001 through 2003.



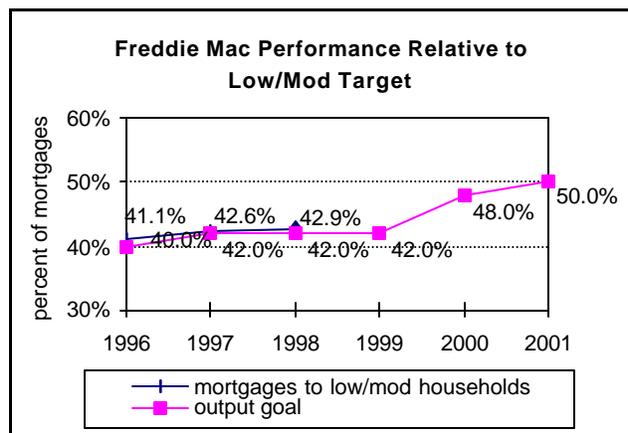
**Data source.** HUD's GSE database.

**Limitations/advantages of the data.**

The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures. GSE financial activities are verified by independent audits.



**Programmatic Output Indicator 1.1.h: The number of homeowners who have been assisted with HOME is maximized (see table under 1.2.d).**

**Indicator background and context.** HOME Investment Partnership block grants give communities flexibility to meet their housing needs in a variety of ways. Many Participating Jurisdictions (PJs) choose to use HOME funds to rehabilitate owner-occupied units and to help renters to become homeowners for the first time. This indicator tracks the number of homeowners assisted with HOME funds. The homeownership assistance figures represent projections based on past experience rather than HUD's attempts to change PJ strategy. The HOME homeownership data are presented under Outcome Indicator 1.2.d, "The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases."

**1.1.h.2: The number of homeowners who have used sweat equity to earn assistance with Self Help Opportunities Program (SHOP) funding increases (see table under 1.2.d).**

**Indicator background and context.** This indicator tracks the number of homeowners assisted with SHOP funding. HUD funds are combined with local funding and donated materials, and prospective homeowners perform construction-related work with volunteers, which vastly reduces labor costs. The estimates are presented under Outcome Indicator 1.2.d, "The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases."

**Outcome Indicator 1.1.4:**

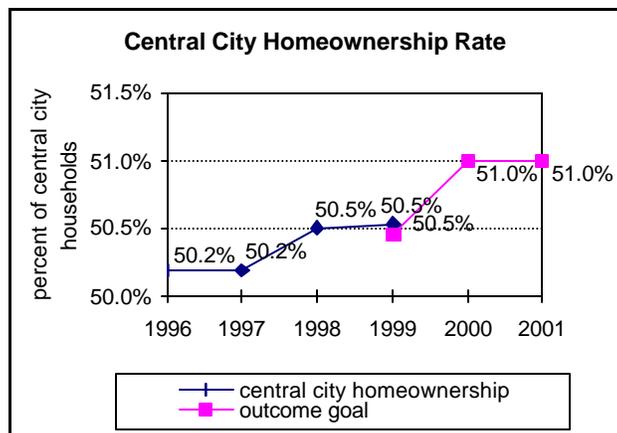
**The homeownership rate in central cities increases to 51 percent.**

**Indicator background and context.** Homeownership rates in central cities are below average in part because of higher density development and multifamily housing as well as losses of middle-class families in past decades. Low homeownership can contribute to neighborhood decline because absentee landlords and their tenants put forth less maintenance effort than homeowners. In such cases, low homeownership often leads to a shrinking municipal tax base. HUD is increasing marketing and outreach efforts to promote central city homeownership. Cities also are making efforts to increase homeownership rates as grantees increasingly use HOME funds to promote homeownership.

**Data source.** Third-quarter estimates from the CPS, conducted monthly by the Bureau of Census.

**Limitations/advantages of the data.** CPS data are free of serious problems and have the advantage of being widely recognized.

**Validation/verification of measure.** The indicator is verified by the Bureau of Census, so HUD will perform no further verification.

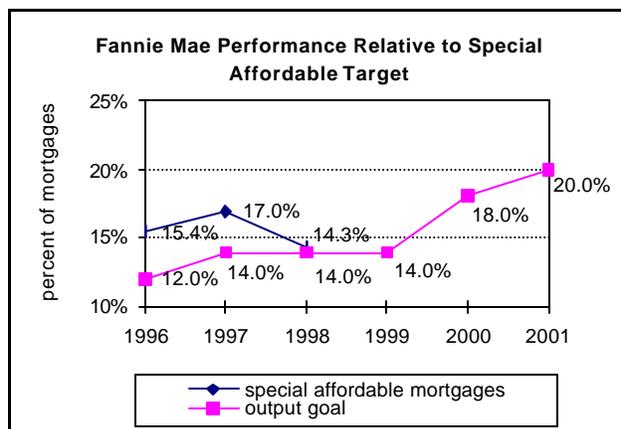


**Programmatic Output Indicator 1.1.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.**

**Indicator background and context.** One of the three public purpose goals that HUD sets for the housing GSEs involves the number of loans in the "special affordable" mortgage category. Qualifying mortgages support homes for very-low-income households with incomes up to 60 percent of area median, or to low-income households earning up to 80 percent of area median

located in low-income areas. Increasing homeownership in these groups will contribute to the outcome of increasing homeownership in central cities as well as among lower-income families. For this indicator, low income areas are defined as metropolitan census tracts where the median income does not exceed 80 percent of area median and nonmetropolitan counties where median income does not exceed 80 percent of the greater of state nonmetropolitan median or national nonmetropolitan median. This indicator also contributes to Strategic Objective 2.3, “Disparities in homeownership rates among racial and ethnic groups are decreased,” and is repeated as Programmatic Output Indicator 2.3.c.

HUD established the GSE special affordable goal at 14 percent of mortgage purchases for each year from 1997 through 1999. Both GSEs exceeded the goal in 1998, with 14.3 percent of Fannie Mae’s mortgages and 15.9 percent of Freddie Mac’s mortgages meeting the criteria. In July 1999 the Secretary announced that the GSEs’ special affordable goal would increase. The goal for 2000 will be 18 percent of each enterprises’ total mortgage volume and will increase to 20 percent for 2001 through 2003.



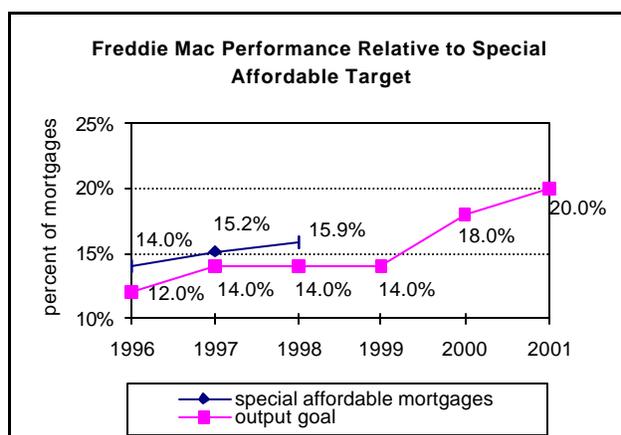
**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.**

The data are compiled directly from GSE records on single-family and multifamily loan purchases. This data is based on a calendar year, not a fiscal year.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures.



**Programmatic Output Indicator 1.1.j: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 39 percent.**

**Indicator background and context.** FHA has targets for underserved populations. FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the

number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. This indicator is discussed more completely in connection with Strategic Objective 2.3 (Disparities in homeownership rates among racial and ethnic groups are reduced) where it appears as Programmatic Output Indicator 2.3.a.

**Programmatic Output Indicator 1.1.k: At least 90 percent of EZs and ECs achieve local goals in promoting homeownership by residents.**

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to help zone residents become homeowners. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

**Outcome Indicator 1.1.5:**

**The monthly cost of homeownership of new homes decreases by 1 percent from 1998 levels by 2001.**

**Indicator background and context.** The Partnership for Advancing Technology in Housing (PATH) is a partnership between Federal agencies and private industry with a goal of reducing the monthly cost of new housing by 20 percent by FY 2010. PATH is developing and accelerating the diffusion of technology in the highly decentralized residential construction industry. These new and existing technologies reduce housing costs in the areas of planning, design, construction, operation, maintenance, repair and replacement. PATH efforts began in 1999 and results are expected to accelerate over the ten-year time frame.

The principal categories of monthly housing costs are (1) payments of principal and interest of the mortgage loan, (2) taxes and insurance premiums, (3) utility and other operating costs, and (4) maintenance and repair. This indicator tracks costs in each of these categories, except that taxes are excluded because they are outside the scope of PATH. Mortgage interest costs are included because it is necessary to pay for, over time, the initial costs of home improvements that create a long-term stream of savings. In order to reduce the influence of external factors, however, the indicator will control for changes in market interest rates. That is, past and present indicators will be calculated using a common mortgage interest rate so that changes in the indicator will reflect changes in factors other than the interest rate.

**Data source.** National Association of Home Builders, *Annual Builder Practices Survey (ABPS)*. The trend and baseline estimates will be determined in FY 2000.

**Limitations/advantages of the data.** The ABPS data are published with a two-year lag.

**Validation/verification of measure.** Further discussion with PATH partners may be necessary to validate the indicator and methodology. ABPS estimates of national average housing costs agree well with estimates from the “Characteristics of New Housing,” based on a survey by the Bureau of Census and HUD.

**Outcome Indicator 1.1.6:**

**Maintenance costs for homeowner-occupied dwellings decrease by 3 percent to \$0.22 per square foot per year.**

**Indicator background and context.** PATH has a goal of reducing the maintenance costs of homeowners by 50 percent by FY 2010. Demonstration projects and publication of research results promote adoption of cost-reducing products and innovative techniques. This indicator tracks progress toward increasing durability and reducing maintenance and repair costs, as measured by annual costs per square foot, controlling for age of the home. Controlling for dwelling size and age is necessary to maintain validity of the measure as the housing stock changes. The methodology for controlling for age of the stock has not yet been determined. This indicator excludes replacement costs because early replacement may be necessary to reduce maintenance costs over the life cycle of a dwelling.

The average single-family detached house cost \$453, or \$.24 per square foot, to maintain in 1997. The FY 2001 goal represents a 3 percent decrease from the FY 2000 goal of \$0.23 per square foot per year.

**Data source.** Bureau of Census, *Expenditures for Residential Improvements and Repairs* (C50 Reports). The trend and baseline estimates will be determined in FY 2000.

**Limitations/advantages of the data.** The C50 data are published quarterly with a lag of about three quarters. The survey excludes all manufactured housing.

**Validation/verification of measure.** HUD will not verify the data independently.

**Outcome Indicator 1.1.7:**

**Average residential energy consumption declines by 1 percent from 1999 levels by 2002.**

**Indicator background and context.** PATH has a goal of reducing energy consumption in new homes by at least 50 percent and in 15 million existing homes by at least 30 percent by FY 2010. As new homes are being built with larger floor areas and more energy-consuming features than typical existing homes, technological improvements are necessary to reduce average energy consumption. For purposes of this indicator, residential energy consumption will be measured in millions of British thermal units (mBtu) of energy per household, adjusted regionally for climate and annually for weather by multiplying by heating degree days and cooling degree days (HDDs, CDDs). The national average household energy consumption declined from 138 mBtu in 1978 to

104 mBtu in 1993 (one mBtu of electricity equals 293 kilowatt-hours). The specified goal of a 1 percent reduction in the 1999-2002 period represents an improvement equivalent to the goal for the 1996-1999 period.

**Data source.** Energy Information Administration, from Residential Energy Consumption Survey (RECS). The 1993 and 1996 trend will be estimated in 2000, and the 1999 baseline will be determined in 2002, when data become available.

**Limitations/advantages of the data.** Data are published triennially with a lag of several years. The 1993 RECS data were the most recent available in 1998, so 1999 baseline data should be available sometime after FY 2001, and 2002 performance data will be available at a substantially later date. RECS uses a regression model designed to produce national estimates with sampling error below 1.25 percent in 1993.

**Validation/verification of measure.** The American Housing Survey can be used to verify RECS data, but is limited by the need to convert reported energy costs to BTU equivalents. The method of standardizing consumption by HDD and CDD will require validation.

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

### **Overview**

For households unable to purchase homes or those preferring to rent, HUD is charged with increasing the availability of decent, safe, and affordable rental housing. Over the past five decades, the physical quality of rental housing has improved greatly, but housing has become less affordable overall, particularly for poor households. Growing numbers and shares of low-income renters now pay more than 30 percent – in many cases more than 50 percent – of their income for housing expenses. In 1997 (according to the latest available data), an all-time high of 5.4 million unassisted very-low-income renter households (with some 12.3 million persons) had “worst case needs” for housing assistance, most of whom paid more than half of their already very low income for housing. Another 6.1 million very-low- and low-income renters paid 31 to 50 percent of income for rent. The numbers of families paying such excessive rent burdens are rising mainly because of growing shortages of units affordable to renters with incomes below 30 percent of median (extremely-low-income renters). Nationally in 1997, there were 132 renters for every 100 such units, up from 112 renters per 100 units in 1989. Moreover, because many of those units were already occupied by renters with higher incomes, there were effectively 278 extremely-low-income renters competing for every 100 affordable and *available* units, up from 208 renters per 100 units in 1989.

HUD’s three basic rental assistance programs – public housing, project-based assisted housing (including that for the elderly or disabled under Sections 202 or 811), and Section 8 tenant-based vouchers – provide the most direct means of ensuring affordable housing. Under these subsidies, the 4.3 million households assisted typically pay 30 percent of income for housing. The rental assistance components of the HOME and Housing Opportunities for Persons With AIDS (HOPWA) program also support low-income families who, under these programs, pay 30 percent of their income for housing. A variety of programs, including HOME, HOPWA, and the Low-income Housing Tax Credit (LIHTC), provide subsidies that lower the costs of producing new rental housing or rehabilitating existing housing. Although the rents charged under these programs must be affordable to incomes between 50 and 60 percent of area median, they often are unaffordable to the extremely-low-income renters most likely to have worst case needs. The Rural Housing and Economic Development program also provides grants for a variety of housing activities, with a focus on the severe needs in reservations, colonias, small towns and other places left behind.

Native Americans on reservations have long suffered from a shortage of adequate housing. The Native American Housing Assistance and Self-Determination Act of 1996 provided Indian tribes with the opportunity to assess their tribe’s housing needs and develop programs that are responsive to those needs. Given the significant number of Native American families who are

unable to purchase a home due to a variety of factors including income, credit and lack of access to capital, tribes may elect to develop rental programs.

## **External factors**

Many external factors affect the supply of affordable rental housing, including tax policy, local rental markets, building codes and land use regulations, State and local program decisions, and the actions of HUD's many other partners. Although rental vacancy rates nationally have been unusually high for at least five years, local rental markets vary in the availability of housing with rents below local fair market rents (FMRs), and many large metropolitan areas have severe shortages of units that would be affordable to extremely-low-income renters without Section 8 vouchers. Under regulations from the Department of the Treasury, moreover, States administer two of the main federally funded programs now producing affordable rental housing: the LIHTC and tax-exempt rental revenue bonds. States and localities also decide, with citizen input, how they will use funds from CDBG, HOME, and HOPWA.

HUD's ability to provide access to affordable housing depends to a great extent on the state of the broader economy. Rises in unemployment, increases in the cost of developing and maintaining housing, or changes in personal income – factors over which HUD has little control – all affect housing affordability. Because tenant-paid rents are established as a percent of income in HUD's rental assistance programs, lower incomes necessitate greater subsidies. With the number of renters with worst case needs far exceeding the number of deep subsidies available and with the pressure of welfare reform, the success of HUD's efforts in this area will be highly dependent on the ability of the economy to continue to generate jobs with decent wages.

## **Means and strategies**

HUD's approach to this objective combines efforts to promote wider access to existing rental housing, retain existing housing in the affordable stock, increase supplies of affordable housing where they are needed most, and encourage and inform local activities appropriate to local needs and housing market conditions. Use of tenant-based assistance is most appropriate and cost effective in the many areas of the country that have ample supplies of units with below-FMR rents. In metropolitan areas with serious shortages of housing affordable to extremely-low-income renters and rising rents, however, increasing the supply of low-cost units increases opportunities for those low-income renters with and without vouchers and slows increases in FMRs over time. Doing so requires a multi-pronged approach. While HUD and its partners should work to increase the supply of affordable rental housing, HUD also must encourage PHAs to transform public housing and encourage private owners to transform HUD-assisted rental properties in ways that keep rents affordable to families using vouchers.

To increase the supply, FHA must endorse more multifamily loans and risk-sharing mortgages, and States and localities should continue to support rental housing with HOME and CDBG funds. Approximately 43 percent of units funded through the HOME program have been low-

income rental housing, and HOME has also funded over 50,000 units of tenant-based rental assistance. Likewise, CDBG entitlement communities spend approximately 30 percent of their funds on housing activities – many of these activities support development and rehabilitation of affordable rental housing. FHA has risk sharing agreements with a number of state Housing Finance Agencies (HFAs) to underwrite new multifamily mortgages. HUD is also delegating to HFAs HUD's subsidy layering analysis as a way to encourage the use of Low-Income Housing Tax Credits in FHA properties.

To maintain the supply of affordable housing that already exists HUD will restructure multifamily mortgages through the Mark-to-Market program and continue the Mark-up-to-Market program to preserve assisted multifamily units where an owner might otherwise opt out of a housing assistance contract. HUD will also issue Section 8 vouchers to replace housing units that leave the public or assisted housing inventory.

HUD will work to:

- Ensure greatest possible access to existing housing through Section 8 vouchers, particularly for extremely-low-income families – who are most likely to have worst case needs – and for those moving from welfare to work.
- Revitalize and transform public housing projects to retain them as affordable housing in decent neighborhoods.
- Retain subsidized and encourage newly created assisted FHA-insured projects as affordable housing in tight markets and attractive locations.
- Ensure that, as a result of changes in the stock of assisted housing, all eligible low-income tenants are protected from increases in rents and all project-based assisted units lost are replaced with housing vouchers or new units.
- Increase affordable housing and rental subsidies for older or disabled renters through Sections 202/811, and convert elderly housing or create new assisted living facilities to meet the growing needs of the oldest elderly.
- Reduce the cost of mortgage insurance for multifamily loans through FHA general and special risk insurance funds, thereby reducing the overall cost of developing affordable multifamily housing.
- Increase capital available for rental housing by increasing the special affordable multifamily goals for Fannie Mae and Freddie Mac.
- Aid States, localities, and PHAs in analyzing their housing markets, their most pressing needs for affordable housing, and their most cost-effective responses through Consolidated Plans, and PHA plans.
- Through CDBG and HOME, provide formula grants to States and large jurisdictions that may be used for producing, rehabilitating, or subsidizing rents of housing affordable to low-income households.

- Through the HOPWA program, provide funding for housing for low-income persons and families with HIV/AIDS to meet growing demand.
- Through Homeless Assistance Grants, provide funding for housing facilities for homeless families and individuals under the Continuum of Care holistic approach.
- Restructure projects with above-market rents and address their physical, financial, and management needs, reducing costs of renewing Section 8 project-based subsidies and reducing future FHA insurance claims while promoting the continued viability and availability of this stock.
- Through HUD's Community Builders, help PHAs reach out to additional groups of landlords and encourage them to participate in the Section 8 voucher program, and through Public Trust Officers, improve Section 8 program operations.
- Implement more effective approaches for assessing PHAs in order to identify troubled agencies, to turn around troubled agencies, and to prevent PHAs from reaching the troubled stage.

In FY 1999, HUD received its first incremental Section 8 vouchers in four years. Adding new incremental vouchers in FY 2001 will be a particularly cost-effective way of aiding groups most in need of affordable housing, including elderly individuals, families moving from welfare to work, homeless families and individuals, and others with worst case needs. Special initiatives for FY 2001 to increase the availability of affordable rental housing include 32,000 new Welfare-to-Work vouchers; 60,000 new fair share vouchers to be allocated based on the worst case housing needs of different parts of the country; 18,000 vouchers to provide permanent housing for the homeless; and 10,000 vouchers and \$8 million in one-time incentives for a Housing Production Program. These vouchers will be used in conjunction with FHA insurance and the Low-Income Housing Tax Credit. In addition, HUD is seeking rental assistance to be used for 5,000 units in assisted living facilities for the elderly, and a major increase in service coordinators for elderly residents of HUD projects.

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

(Dollars in Millions)

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Mississippi Delta Initiative	NA	NA	NA	[22]
HOME Investment Partnerships program	1,500	1,600	1,600	1,650
HOPWA	204	225	232	260
Homeless Assistance Grants	823	975	1,020	1,200
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Section 8 Project-based & Tenant-based Assistance)	11,322	10,327	11,481	14,128
Voucher Success Fund	0	0	0	[50]
Housing Production Fund	0	0	0	[58]
Housing Production Program Premium	0	0	0	[8]
Welfare to Work Voucher	0	[283]	0	[183]
Homeless Vouchers	0	0	0	[105]
Incremental Vouchers	0	0	[347]	[344]
Public Housing Operating Fund	2,900	2,818	3,138	3,192
Public Housing Capital Fund	2,500	3,000	2,869	2,955
Native American Housing Block Grants	600	620	620	650
Revitalization of Severely Distressed Public Housing	550	625	575	625
<b>Housing</b>				
Sections 202/811 (elderly and disabled)	839	854	911	989
Multifamily Housing Production (Community Renewal Fund)	0	0	0	58
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

## **Coordination with other Federal agencies**

- To ensure efficient use of the Low-Income Housing Tax Credit (LIHTC), HUD confers regularly with the **Department of the Treasury**. HUD has done significant research on the LIHTC to inform LIHTC policy. In addition, the Department sets the maximum LIHTC rents by publishing estimates of 60 percent of area median income, and identifies Difficult Development Areas and Qualified Census Tracts, in areas where tax-credits can be taken on a higher percentage of a project's "qualified basis." HUD's Office of Housing continues to work with Treasury to make the LIHTC program work better with FHA insurance – this is one component of the new Housing Voucher Production Program. HUD also works closely with the Treasury on tax-exempt bond regulations and other tax policy rulings that affect the continued provision of quality, affordable multifamily rental housing.
- HUD is in the process of signing a Memorandum of Understanding (MOU) with the **Rural Housing Service (RHS)** of the **Department of Agriculture**. The purpose of this MOU is to ensure an ongoing working relationship between HUD and the RHS in preserving affordable rental housing in rural America. The MOU will facilitate the processing of Multifamily Housing Assistance Payment contract renewals for RHS-financed projects. HUD and the RHS will coordinate their respective roles related to budget approval, determination of rents, and dissemination of information to project owners and other affected parties.
- HUD and the **Federal Housing Finance Board** signed a MOU in 1999 that sets forth the policy for approving the use of Federal Home Loan Bank (FHLB) Affordable Housing Program (AHP) funds for subordinate financing of Section 202 and Section 811 projects. The need for a policy was prompted because sponsors of these properties were increasingly approaching FHLBs for AHP subordinate financing, for a variety of reasons. The MOU streamlined the approval process and decreased the time that financing became available for these projects which house elderly and disabled persons.

## **Performance goals**

To measure progress toward this strategic objective, HUD will aim to achieve these outcomes:

- Decrease the number of households with worst case housing needs, particularly among families with children and the elderly.
- Reduce the share of very-low-income households with worst case housing needs in at least five States.
- Maintain the share of extremely-low-income renters living in HOME rental developments.
- Increase the number of affordable housing units relative to the number of extremely-low- and very-low-income renter households nationally.

*Goal 1: Increase the Availability of Decent, Safe, and Affordable Housing*

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- In States with shortages of housing affordable for extremely-low- and very-low-income households, increase the number of affordable units relative to renter households.
- Increase the number and satisfaction of elderly households who are able to age in place by living in service-enriched housing.

A crosswalk summarizing the programmatic output and outcome indicators we will use to measure progress toward this objective follows.

<p align="center"><b>Crosswalk for Strategic Objective 1.2: Affordable rental housing is available for low-income households</b></p>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>1.2.1: The number of households with worst case housing needs decreases by 3 percent by 2001 among families with children and elderly households.</p> <p>1.2.2: The share of very-low-income renter households with worst case housing needs declines by at least 1 percentage point in at least five States between 1990 and 2000.</p> <p>1.2.3: Among households living in HOME rental developments, the share with incomes below 30 percent of median at initial occupancy will be maintained at 45 percent.</p> <p>1.2.4: The number of elderly households living in a public or assisted housing development that is served by a service coordinator for the elderly increases, by 3 percent above FY 1999 levels for private assisted housing.</p> <p>1.2.4.5: Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments, and</p>	<p>1.2.a: Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 43 percent by 2001.</p> <p>1.2.b: The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units (also appears as 4.2.b.3).</p> <p>1.2.c: By helping housing authorities issue rental vouchers in timely fashion, HUD decreases the share of the program administered by housing authorities with substandard lease-up rates by 10 percent.</p> <p>1.2.d: The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases.</p> <p>1.2.e: The number of HOME production units that are completed within the fiscal year will increase by 4 percent.</p> <p>1.2.f: All households living in HOME-assisted rental units will be income eligible and pay appropriate rent.</p> <p>1.2.g: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 226 projects to initial closing under Sections 202 and 811.</p> <p>1.2.g.5: At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.</p>	<p>Economic cycles affect the number of worst case housing needs by changing the number of very-low-income households.</p> <p>Localized economic recessions could increase worst case needs in particular States and metropolitan areas.</p> <p>Decisions about whether to use CDBG funds for housing, how to target HOME funds, and whether to use HOME for homeownership or rental assistance are made locally.</p>

<p align="center"><b>Crosswalk for Strategic Objective 1.2: Affordable rental housing is available for low-income households</b></p>		
neighborhoods.	1.2.h: By FY 2002, assisted-living facilities in at least five States will house elders using vouchers combined with Medicaid or other third-party funding for services.	
<p>1.2.5: For extremely-low-income renters, the number of affordable units increases from 76 per 100 ELIR households to 78 by 2001.</p> <p>1.2.6: For very-low-income renters, the number of affordable units actually available increases from 68 per 100 VLIR households to 72 by 2001.</p> <p>1.2.7: Ratios of affordable units to extremely-low-income households will be higher for at least six of the 30 States that in 1990 had absolute shortages of units affordable to extremely-low-income households.</p> <p>1.2.8: Ratios of affordable units to rental households will be higher for at least four of the 16 States that in 1990 had absolute or relative shortages of units affordable to very-low-income households.</p>	<p>1.2.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.</p> <p>1.2.j: Ginnie Mae securitizes at least 66 percent of eligible FHA multifamily mortgages.</p> <p>1.2.k: Ginnie Mae credit enhancements on multi-class securities increase by 5 percent to \$57.5 billion in FY 2001.</p> <p>1.2.l: FHA endorses at least 700 multifamily mortgages.</p> <p>1.2.m: Among multifamily developments newly insured by the FHA General and Special Risk Insurance funds, the share of units that are affordable to households with incomes below 60 percent of median increases by 1 percentage point from FY 2000 levels.</p> <p>1.2.n: Approximately 1,400 projects (135,000 units) under the M2M program will have rents reduced and where appropriate will involve mortgage restructuring.</p> <p>1.2.o: Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease (also appears as 5.1.k).</p> <p>1.2.p: Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts reaches 90 percent (also appears as 3.2.b).</p> <p>1.2.q: The share of EZs and ECs achieving local goals is 85 percent for new affordable housing and 80 percent for rehabilitated affordable housing (see table under 4.2.b.5).</p>	<p>LIHTC currently is the major Federal housing subsidy for production and rehabilitation of rental housing. The units must be affordable to incomes at 50 or 60 percent of median.</p> <p>LIHTC is administered by the Department of Treasury and decisions are made by States. Most households with extremely low incomes that are served by LIHTC developments either have tenant-based assistance or high rent burdens.</p> <p>Demand for HUD multifamily programs depends to a great extent on broader economic conditions in the real estate market.</p> <p>States have the major responsibility for determining the affordability of units produced under LIHTC and rental revenue bonds.</p>

Performance goals are for FY 2001 unless otherwise noted.

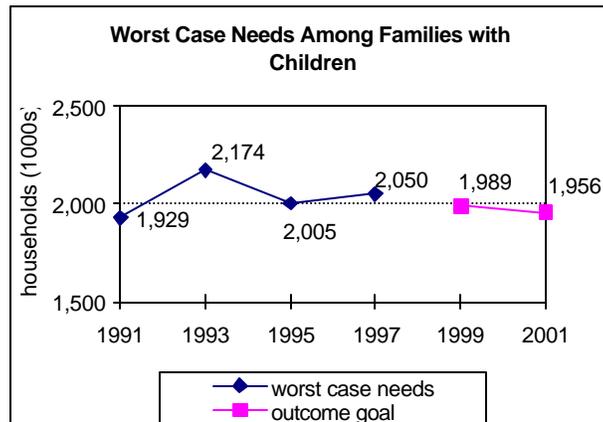
**Outcome Indicator 1.2.1:**

**The number of households with worst case housing needs decreases by 3 percent by 2001 among families with children and elderly households.**

**Indicator background and context.** Households with worst case needs – unassisted very-low-income renters who pay more than half of their income for housing or live in severely substandard housing – are those with the most severe needs for housing assistance. Despite robust economic growth between 1991 and 1997, the number with these severe needs reached an all-time high of 5.4 million households containing almost 12.3 million people. Although HUD has little influence over the *number* of households with very low incomes, the public housing and Section 8 programs provide them access to housing they can afford. Reducing the number with worst case needs among all household types is one of HUD's highest priorities.

In FY 1999 HUD made 50,000 welfare-to-work vouchers available to families with children to support their new independence from welfare, and repeal of the delay in reissuing vouchers when tenants leave the program made tenant-based assistance available to 40,000 more families with worst case needs. In FY 2000 HUD is allocating 60,000 vouchers to housing authorities based on relative needs for housing assistance across the country.

For FY 2001, the Administration is proposing an additional 120,000 vouchers: 32,000 welfare to work vouchers, 18,000 vouchers to homeless persons, 10,000 tied to housing construction under LIHTC and FHA multifamily programs, and 60,000 vouchers for locally determined use. Through such initiatives HUD aims to reduce needs among families with children (projected at 2 million in 1999) by 3 percent by 2001 to 1.9 million. Among the elderly, HUD's 3-percent goal implies that worst case needs will fall to 1.1 million in 2001. Overall, worst case needs are targeted to fall by 200,000 from their 1997 record high.



**Data source.** AHS, conducted for HUD by the Bureau of Census in 2001 and earlier years.

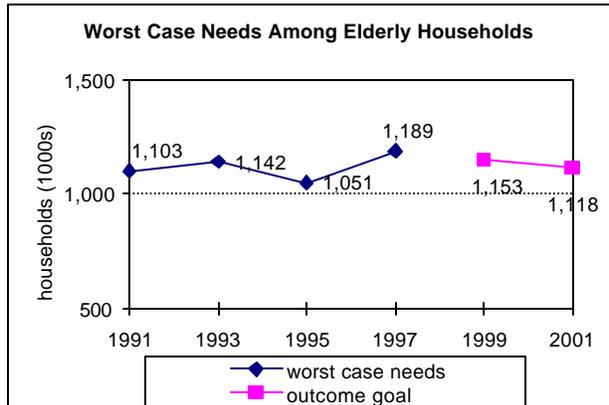
**Limitations/advantages of the data.**

AHS data are available for the Nation and regions only biennially, and for 47 metropolitan areas once every four to six years. HUD expects that AHS data from 2001 will be available by the end of FY 2002 because of the 1997

implementation of computer-aided interviewing. The new questionnaire required in 1997, along with changes in the questions on receipt of housing assistance, means that the estimates of worst case needs presented here differ

from all earlier estimates. Directly comparable data on worst case needs will not be available for 2000 from decennial Census data, although the number of very-low-income renters with severe rent burden provides a close proxy.

**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



**Outcome Indicator 1.2.2:**

**The share of very-low-income renter households with worst case housing needs declines by at least 1 percentage point in at least five States between 1990 and 2000.**

**Indicator background and context.** States and localities should aim in developing their Consolidated Plans to address worst case housing needs. State and local governments can direct the use of HOME and CDBG grants, as well as LIHTCs and State rental revenue bonds, to respond to housing needs. Regional and metropolitan differences in rents and income distributions make shares of worst case housing needs much higher in some States and metropolitan areas. In 1990, for example, severe rent burdens among very-low-income renters, which serve as a proxy for worst case needs, were highest in California, Florida, Nevada, Michigan, Arizona, and New York, where 48 percent or more of very-low-income renters paid more than half of their income in rent. This indicator will track the progress that States make in reducing severe rent burdens among very-low-income renters.

**Data source.** Decennial Census and American Community Survey (ACS). Census data from 2000 are expected to be available in 2002 for estimating changes since 1990. ACS data for State-level tabulations will be available annually beginning in 2003.

**Limitations/advantages of the data.** Because the ACS will be based on small annual rolling samples, sample sizes in small States may support only biennial estimates of worst case needs rather than annual estimates.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

### **Outcome Indicator 1.2.3:**

**Among households living in HOME rental developments, the share with incomes below 30 percent of median at initial occupancy will be maintained at 45 percent.**

**Indicator background and context.** Renters with extremely low incomes (below 30 percent of area median) have much more pressing needs for affordable housing than others eligible for HOME rental assistance. Households with incomes up to 80 percent of area median are eligible to live in HOME-assisted rental developments, but 90 percent of those households living in HOME-assisted rental units must have income below 60 percent of median. HOME exceeds this statutory requirement, and 45 percent of households in HOME rental developments had extremely low incomes in 1998. The Department would like to ensure the program's continued success in serving this population because in 1997 extremely-low-income renters accounted for 76 percent of worst case housing needs. This indicator tracks the contribution of HOME toward meeting the needs of households with incomes below 30 percent of median.

**Data source.** Integrated Disbursement and Information System (IDIS) and Departmental Grants Management System (DGMS).

**Limitations/advantages of the data.** HOME data concerning household characteristics are reported by PJs when the development is initially occupied. The income distribution of tenants at occupancy may not reflect incomes at later periods because of income changes and tenant turnover.

**Validation/verification of measure.** HUD is currently working to increase the accuracy and completeness of IDIS data. DGMS is the next-generation system and will incorporate more detailed reporting and data-quality enhancements.

***Programmatic Output Indicator 1.2.a: Among extremely-low-income renters, the ratio of assisted households to households with worst case needs or already assisted increases to 43 percent by 2001.***

**Indicator background and context.** HUD's public housing and Section 8 programs, along with USDA's similar rental assistance programs, provide the most direct way of meeting and solving worst case needs for households unable to afford market-rate housing. Because renters with incomes below 30 percent of area median are most likely to have worst case needs, Congress, in the Public Housing Reform Act of 1998, directed 75 percent of Section 8

vouchers and 40 percent of newly available public housing and project-based Section 8 units to this income group.

This indicator tracks the ratio of federally assisted households to the sum of potential needs – those already assisted plus those with worst case needs – to determine how well assistance is meeting needs. In 1997, there were 4.16 million extremely-low-income renters with worst case needs and 3.0 million extremely-low-income renters with housing assistance, so the ratio was 41.9 percent. Assisted households are determined by self-reporting by respondents to the American Housing Survey. Because this indicator counts only extremely-low-income households, the number of assisted households is lower than the total number of households assisted by HUD.

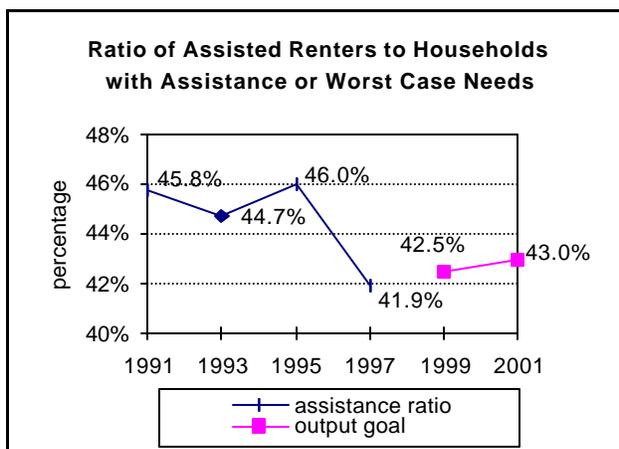
**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

National and regional AHS data are available only biennially. HUD expects that AHS data from 2001 will be available by the end of FY 2002 because of the 1997 implementation of computer-aided interviewing. Counts of assisted households in the AHS are known to be imperfect because survey respondents may be unsure of the source of

assistance. To improve this limitation, different questions about assistance were asked beginning in 1997, making the pre-1997 ratios shown above not directly comparable to the 1997 data.

**Validation/verification of measure.** Estimates of assisted households from the AHS will be compared with program data. The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance.



**Programmatic Output Indicator 1.2.b: The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units.**

**Indicator background and context.** HOPE VI is HUD’s primary program for eliminating the worst public housing by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles. Housing authorities have been slower in implementing HOPE VI redevelopment plans than was hoped because of the extensive planning and partnering involved. This indicator tracks the share of HOPE VI redevelopment plans that are being implemented on schedule in terms of four key outputs: tenants relocated to permit redevelopment, units demolished, new and rehabilitated units completed, and units occupied.

At the end of FY 1999, a cumulative total of 22,225 tenants had been relocated; 24,289 units demolished; 3,930 new and 2,376 rehabilitated units completed; and 4,964 completed units occupied. The FY 2001 goals reflect planned achievements based on HOPE VI plans submitted by PHAs.

<b>Cumulative HOPE VI Achievements</b>	<b>FY 1999 actual</b>	<b>FY 2000 est.</b>	<b>FY 2001 goal</b>
Tenants relocated	22,225	27,300	29,600
Units demolished	24,289	38,300	42,400
Units constructed	3,930	6,200	15,600
Units rehabilitated	2,376	3,400	6,000
Units occupied	4,964	10,800	21,900

Incremental goals may change if cumulative goals are achieved earlier than expected.

**Data source.** PIH's HOPE VI Progress Reporting System, consisting of quarterly reports submitted by grantees.

**Limitations/advantages of the data.** The data are believed to be reliable.

**Validation/verification of measure.** Field staff verify reports of redevelopment progress through site visits.

***Programmatic Output Indicator 1.2.c: By helping housing authorities issue rental vouchers in timely fashion, HUD decreases the share of the program administered by housing authorities with substandard lease-up rates by 10 percent.***

**Indicator background and context.** Funds for tenant-based housing assistance can be wasted if housing authorities are not efficient in their efforts to grant vouchers to families and help them find housing. Although on average most budgeted vouchers are used, some PHAs fail to issue, or lease up, significant numbers of potential vouchers. As a national average, 92.5 percent of units under budget were leased-up in 1998. Housing authorities with low lease-up rates are subject to sanctions under SEMAP. The new regulation that governs the renewal of funds for vouchers allocated to PHAs in prior years also creates a significant incentive by providing for the reallocation of units from low to high performers.

For this indicator, "substandard lease-up" means that fewer than 95 percent of a housing authority's budgeted vouchers were used to rent housing. The lease-up rate is defined as the number of units under Housing Assistance Payment (HAP) contracts divided by the number of units under budget. This indicator focuses on the largest substandard performers by applying unit weights: each PHA with substandard lease-up is multiplied by its budgeted vouchers, the products are summed, and the sum is divided by the national total of units under budget.

**Data source.** SEMAP, based on HUD Central Accounting Processing System (HUDCAPS). Lease-up is determined from housing authority budgets and HUD-approved year-end statements. Complete SEMAP data will be available in FY 2001. The FY 1999 baseline will be determined from HUDCAPS data in FY 2000.

**Limitations/advantages of the data.** Reports from PHAs with fiscal years ending December 31 are due in February, which creates difficulties in timely analysis, verification and reporting for GPRA purposes.

**Validation/verification of measure.** This component of housing authority records became subject to independent single audits (at auditor discretion) beginning in FY 1999.

***Programmatic Output Indicator 1.2.d: The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases.***

**Indicator background and context.** This indicator tracks both homeownership assistance and rental assistance because local communities decide whether to use HOME funds for homeownership, rental housing, or both. In the case of CDBG, HOPWA and Rural Housing and Economic Development (RHED) funds, housing assistance is one of several eligible activities among which grantees may choose. Analysis suggests that the share of CDBG funds used for housing and HOME funds used for rental housing may be declining. Because of widespread shortages of affordable housing and the need to maintain existing housing units, it is desirable to increase the number of households aided with housing assistance, including rental housing production. The level of these housing outputs is subject to appropriations as well as local discretion.

**Data source.** CDBG values in this table are based on historical accomplishments reported by grantees in IDIS and through annual performance reports with appropriated or requested budget authority. HOPWA data are based on annual performance reports from grantees.

Estimates for units produced by HOME (rental, homebuyer, and homeowner) are based on C/MIS data through 1996, and extrapolate a historical trend of a 4-percent annual increase in units committed in a fiscal year consistent with recent activity. Estimates for HOME tenant-based rental assistance are based on historical average commitments, which show no sustained trend. These estimates reflect units for which grantees commit funds during each fiscal year. They are not the same as estimates in the budget that project production over the life of the requested appropriation.

Section 184 data are the cumulative number of single-family mortgages endorsed, as recorded in the PIH Section 184 database. Baseline data for NAHASDA will be available from PIH in June 2000.

In the future, data for all of these programs will come from DGMS.

**Limitations/advantages of the data.** CDBG, HOME and HOPWA data come from grantees through IDIS/DGMS. Because grantees are not required to identify whether CDBG housing assistance or production is for homeownership or rental housing, this detail is lacking. Annual Progress Reviews (APRs) are being integrated into IDIS/DGMS, and over the next several years will capture actual CDBG accomplishments.

Households Assisted	1996 act.	1997 act.	1998 act.	1999 est.	2000 goal	2001 goal
CDBG households <sup>a</sup>	204,900	202,100	157,417	158,280	158,950	169,300
HOME tenant-based assistance	9,118	7,792	8,246	8,246	8,246	8,246
HOME rental units committed <sup>b</sup>	23,918	23,041	24,148	25,114	26,118	27,163
HOME new homebuyers committed <sup>b</sup>	26,098	28,403	29,514	30,695	31,922	33,199
HOME existing homeowners committed <sup>b</sup>	12,086	13,053	13,415	13,952	14,510	15,090
HOME total households	71,220	72,289	75,323	78,006	80,796	83,698
HOPWA households	32,200	35,845	43,798	41,500	42,900	48,000
RHED homeowners	-	-	-	-	-	TBD
RHED renters assisted	-	-	-	-	-	TBD
SHOP homeowners	0	432	558	1,983	1,200	1,400
Section 184 Native American homeowners <sup>c</sup>	-	-	414	590	810	1,085
Native Americans assisted with NAHASDA	-	-	-	baseline TBD	baseline +3%	baseline +6%

<sup>a</sup> CDBG values for 1998-2001 reflect a reduction in the share of funds that grantees use for housing activities from 30 percent to 24 percent.

<sup>b</sup> Trend analysis was used to estimate the number of units produced by HOME in FY 1998 and 1999 during the conversion to the new data system (IDIS).

<sup>c</sup> Section 184 values are cumulative endorsements.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

**Programmatic Output Indicator 1.2.e: The number of HOME production units that are completed within the fiscal year will increase by 4 percent.**

**Indicator background and context.** Historically the HOME program has reported on “committed units,” units for which HOME PJs had contractual obligations committing HOME funds. This indicator tracks the number of “units completed,” HOME-assisted units that have been put into service.

**Data source.** GMS/IDIS, containing completion reports submitted by PJs.

**Limitations/advantages of the data.** HUD relies on PJs to enter data into IDIS/DGMS. Historically there has been a time lag between the time when project construction is complete and the submission of a completion report.

HOME Units Completed	Total through FY 1998	FY 1998	FY 1999	FY 2000 goal	FY 2001 goal
HOME rental units produced	72,469	18,083	18,806	19,559	20,340
HOME new homebuyers	77,363	24,046	25,008	26,008	27,048
HOME existing homeowners	60,053	11,783	12,254	12,744	13,254
HOME total households assisted	209,885	53,912	56,068	58,311	60,643

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees, and grantee reports are subject to independent audits.

**Programmatic Output Indicator 1.2.f: All households living in HOME-assisted rental units will be income eligible and pay appropriate rent.**

**Indicator background and context.** Regulations for the HOME Investment Partnership program are complex, and PJs may not understand monitoring responsibilities nor allocate sufficient staff for monitoring responsibilities. This is significant because landlords may have incentives to circumvent rent requirements and/or to be lax on meeting housing quality standards. This indicator tracks the share of HOME rental households for which tenant incomes are eligible and rents are appropriate. HOME regulations require certifications by development owners during the period of affordability for each development.

**Data source.** The Office of Policy Development and Research (PD&R) has awarded a contract for a baseline survey of HOME rental developments to be conducted in FY 2000.

**Limitations/advantages of the data.** The survey will provide a representative sample of HOME rental households.

**Validation/verification of measure.** The procurement will contain provisions and controls that ensure that the research is valid and statistically representative within standard margins of error.

**Outcome Indicator 1.2.4:**

**The number of elderly households living in a public or assisted housing development that is served by a service coordinator for the elderly increases, by 3 percent above FY 1999 levels for private assisted housing.**

**Indicator background and context.** HUD evaluations of the Congregate Housing Service Program, HOPE for Elderly Independence, and the Service Coordinator Program all verified that service coordinators improve the quality of life of elders by helping them to remain as active and independent as their health permits. Service coordinators for public housing and assisted housing projects are funded in a number of ways: through grants made by the Office of Housing, from grants made as part of the Resident Opportunity and Supportive Services (ROSS) and predecessor programs, from assisted housing project budgets and reserves, from public housing Operating and Capital Funds, and from other resources raised in the community. ROSS grants for service coordinators currently are limited to renewals of expired elderly coordinator grants, so public housing has no programs intended to increase the number of service-enhanced elderly developments.

In 2000 HUD received a significant increase in funding for service coordinators in multifamily assisted housing, from \$13 million in FY 1999 to \$50 million in FY 2000, to help close the gap between the number of developments with service coordinators and those that need them for a population that is aging in place. HUD is requesting another \$50 million for FY 2001. Elderly households are defined as families or individuals with a head or spouse aged 62 or older.

**Data source.** Private multifamily projects with service coordinators will be identified from the Office of Housing service coordinator grants database. The number of elderly households in each of these projects will be determined from TRACS, which contains tenant records submitted by project owners and managers. The Office of Housing receives standardized voluntary reports from project managers that could be tabulated to provide more detailed information about the Service Coordinator program. The FY 1999 baseline will be developed in 2000. HUD will conduct an independent survey of public and assisted housing developments serving the elderly to find out how many have service coordinators, regardless of the source of funding.

**Limitations/advantages of the data.** Administrative data capture only projects with service enhancements funded under the Service Coordinator program. The number of public housing developments with service coordinators has not been aggregated at the project level, but this is not a significant limitation for this indicator because funding limited to renewals makes the number stable.

**Validation/verification of the measure.** The procurement will contain provisions and controls that ensure that the research is statistically valid.

**Outcome Indicator 1.2.4.5:**

**Service-enriched housing increases the satisfaction of elderly families and individuals with their units, developments, and neighborhoods.**

**Indicator background and context.** Two demonstration programs, the HOPE for Elderly Independence Demonstration and the Congregate Housing Services Program, as well as an evaluation of the Service Coordinator program have shown that frail elderly residents report higher quality of life and increased independence in developments that have service coordinators on staff. Even elderly persons who are not “frail” – defined as needing help with three activities of daily living – will have greater ability to age in place when service coordinators provide appropriate support for independent living.

This indicator tracks the satisfaction of elderly residents (62 and older) in privately-owned assisted housing, comparing the satisfaction of elderly households in developments with and without service coordinators. The FY 2001 performance goal will be determined following analysis of baseline data.

**Data source.** Data regarding reported satisfaction of elderly residents comes from the REAC Resident Assessment Subsystem (RASS), based on surveys of residents of public housing and private assisted housing. Assisted multifamily developments with service coordinators are identified from the Service Coordinator program administrative database. The FY 2000 baseline will be determined in FY 2001.

**Limitations/advantages of the data.** The data are statistically representative of the population. Sample sizes of the elderly subpopulation in developments with service coordinators may not support precise estimates in a single year, but precision will increase with annual replications of the survey. Public housing developments with service coordinators cannot be identified from national data bases.

**Validation/verification of the measure.** Pretests of resident survey instruments have established the validity of resident satisfaction surveys by demonstrating a high correlation between responses and objectively verifiable conditions in the development. Annual replications of the survey will verify results by drawing different samples.

***Programmatic Output Indicator 1.2.g: Increase the availability of affordable housing for the elderly and persons with disabilities by bringing 226 projects to initial closing under Sections 202 and 811.***

**Indicator Background and Context.** During 1996-1999, annual appropriations for Section 202 housing for the elderly averaged \$649 million. Section 202 and 811 projects can be difficult to bring to closing because sponsors usually must find other sources of funding for project features not fundable by the program but necessary to meet the needs of the population, and

because neighborhoods sometimes oppose the developments. This indicator tracks the number of projects each year that reach the closing stage (when the project design has been approved and all of the local community requirements have been met). Because of a declining pipeline, the FY 2001 performance goal represents a reduction from the 270 endorsements in FY 1999.

**Data source.** Office of Housing Development Application Processing (DAP) system.

**Limitations/advantages of the data.** The DAP system is under development in FY 2000.

**Validation/verification of measure.** HUD's central office receives copies of the closing document that will be used to verify data system entries.

***Programmatic Output Indicator 1.2.g.5:***

***At least 10 Section 202 developments will complete conversion of units to assisted living by FY 2003.***

**Indicator background and context.** HUD's FY 2000 appropriations included funds to convert Section 202 multifamily projects for the elderly to assisted living. The conversions may involve entire projects or a subset of their units. This funding supports HUD's continuum of care strategy for the elderly and responds to the projected increase in demand for assisted living accommodations caused by the aging of the baby boom generation.

Conversions to assisted living will be subject to state licensing requirements, creating potentially lengthy conversion timetables. This indicator tracks the number of Section 202 developments that complete their modifications under the Section 202 conversion program within a reasonable period.

**Data source.** Office of Housing's Section 202 conversion grant database, consisting of annual progress reports submitted by grantees.

**Limitations/advantages of the data.** Self-reported data require verification by field staff during monitoring visits.

**Validation/verification of the measure.** No historical data exist to support projections of the number, size and complexity of the funded projects. Therefore the validity of the performance goal is undetermined, and the goal may require recalibration as funds are awarded. Grantee reports will be verified by monitoring.

***Programmatic Output Indicator 1.2.h: By FY 2002, assisted-living facilities in at least five States will house elders using housing vouchers combined with Medicaid or other third-party funding for services.***

**Indicator background and context.** Currently just over half the States have approved Medicaid waivers for assisted living for the elderly. HUD will make these waivers usable in combination with housing subsidies because, in FY 2000, HUD was given authorization to allow housing authorities to use housing vouchers in assisted-living developments. This indicator tracks the number of states that implement this important policy to make assisted living affordable.

**Data source.** PIH Multifamily Tenant Characteristics System (MTCS) – household data submitted electronically by housing authorities. A data element will be added to this system identifying Section 8 tenant-based assistance used in assisted-living developments.

**Limitations/advantages of the data.** MTCS data for tenant-based programs are relatively complete, with reporting rates of about 94 percent of households.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

### Outcome Indicator 1.2.5:

**For extremely-low-income renters, the number of affordable units increases from 76 per 100 ELIR households to 78 by 2001.**

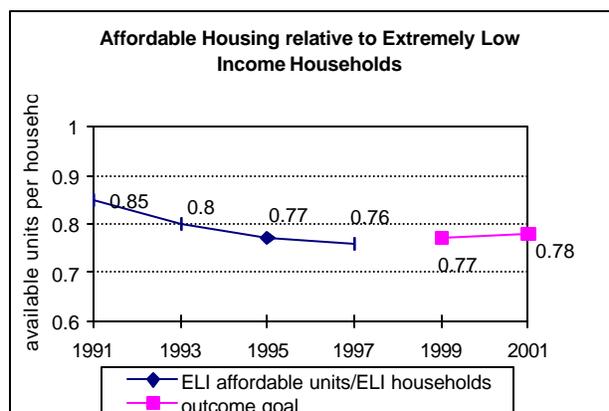
**Indicator background and context.** As a national average in 1990, there were fewer than four affordable units (renting for 30 percent or less of the extremely-low-income cutoff) for every five extremely-low-income renters (those with incomes below 30 percent of area median). Thirty States had shortages of affordable housing relative to their population of extremely-low-income renters. During the 1990s, as the figure illustrates, the shortage worsened as the ratio of units to renters continued to drop across the nation – falling from 85 units per 100 renters in 1991 to 76 units per 100 renters in 1997. As the figure shows, however, the rate of decline slowed between 1995 and 1997. Reversing this trend is essential to reducing worst case needs. The FY 2001 performance goal reflects an improvement above estimated accomplishments of 77 affordable units per 100 extremely-low-income households using 1999 data.

**Data source.** American Housing Survey and decennial Census.

**Limitations/advantages of the data.** AHS data are available for the Nation and the four Census regions only biennially, and for 44 metropolitan areas every 4 or 5 years. HUD expects that 2001 AHS data will be available by the end of FY 2002 because of recent implementation of computer-aided interviewing.

### Validation/verification of measure.

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



**Outcome Indicator 1.2.6:**

**For very-low-income renters, the number of affordable units actually available increases from 68 per 100 VLIR households to 72 by 2001.**

**Indicator background and context.** In 1990 the number of units affordable to very-low-income renters (that is, units with annual rents at or below 30 percent of 50 percent of area median) exceeded the number of renters both nationally, on average, and in all but three States. However, some 40 percent of these units were occupied by households with incomes *above* 50 percent of median, and thus were unavailable to very-low-income renters. During the 1990s, as the figure illustrates, the number of available units per 100 renters continued to drop, although the rate of loss slowed between 1995 and 1997. Because HOME, the LIHTC, and State rental revenue bonds can add to the supply of units with rents near this level, it should be possible for States and localities, working with HUD's Community Builders, to begin to improve the ratio. This indicator tracks national trends in the extent to which rental housing affordable for renters with incomes below 50 percent of area median is actually available to them. The FY 2001 performance goal is based on estimated accomplishments of 70 units per 100 very-low-income renter households using 1999 data.

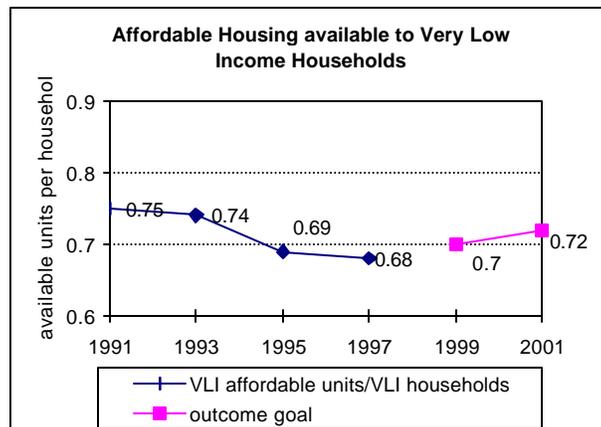
**Data source.** AHS and decennial Census.

**Limitations/advantages of the data.**

AHS data are available for the Nation and the four Census regions only biennially, and for 44 metropolitan areas every 4 or 5 years. HUD expects that AHS data from 2001 will be available by the end of FY 2002 because of recent implementation of computer-aided interviewing.

**Validation/verification of measure.**

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



**Outcome Indicator 1.2.7:**

**Ratios of affordable units to extremely-low-income households will be higher for at least six of the 30 States that in 1990 had absolute shortages of rental units affordable to extremely-low-income households.**

**Indicator background and context.** In 1990 there were nationally, on average, fewer than four affordable units for every five extremely-low-income renters (those with incomes below 30 percent of area median), with 30 States exhibiting such mismatches of affordable units relative to the number of households needing them. Shortages were worst in California (with only 0.43 units per renter), Nevada (0.60), New York (0.63), Michigan (0.63), and Florida (0.64). Because States and localities decide on the most appropriate use of LIHTC, HOME, and CDBG resources to meet local needs, tracking changes in this ratio at the State level is highly desirable. Community Builders will be active in promoting State and local commitments to address the severest shortages of affordable housing and worst case needs.

**Data source.** At present only the Comprehensive Housing Affordability Strategy (CHAS) database of 1990 Census data provides the needed data at the State level. HUD plans to obtain equivalent data from the 2000 Census, which will become available in 2002. After 2003, State data will be available annually or biennially from the American Community Survey.

**Limitations/advantages of the data.** Because the ACS will be based on small annual rolling samples, sample sizes in small States may support only biennial estimates rather than annual estimates.

**Validation/verification of measure.** HUD will not verify the data beyond Bureau of Census procedures.

**Outcome Indicator 1.2.8:**

**Ratios of affordable rental units to rental households will be higher for at least four of the 16 States that in 1990 had absolute or relative shortages of rental units affordable to very-low-income households.**

**Indicator background and context.** Affordable housing shortages are less severe and less common for very-low-income renters than for extremely-low-income renters. Nevertheless, relative shortages of very-low-income housing stock reduce the ability of the poorest (extremely-low-income) renters to find affordable, adequate housing. As very-low-income stock becomes more scarce, the competition for extremely-low-income stock tends to increase – displacing extremely-low-income renters.

In 1990 only three States had absolute shortages of units affordable to very-low-income households – California (with 0.62 units per renter household), Nevada (0.82), and Florida (0.86) – but high levels of worst case needs were strongly correlated with relative shortages (those worse than the U.S. average) as well. Because States and localities decide on the most

appropriate use of LIHTC, HOME, and CDBG funds, tracking changes in this ratio at the State level is highly desirable.

**Data source.** At present only the CHAS database of 1990 Census data provides the needed data at the State level. HUD plans to obtain equivalent data from the 2000 Census, which will become available in 2002. After 2003, data will be available annually or biennially from the American Community Survey.

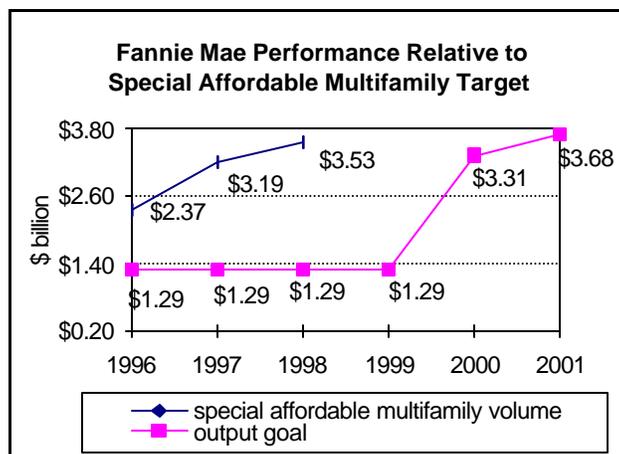
**Limitations/advantages of the data.** Because the ACS will be based on small annual rolling samples, sample sizes in small States may support only biennial estimates rather than annual estimates.

**Validation/verification of measure.** HUD will not verify the data beyond Bureau of Census procedures.

***Programmatic Output Indicator 1.2.i: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable multifamily mortgage purchases.***

**Indicator background and context.** Fannie Mae and Freddie Mac are housing GSEs established for the public purpose of creating a secondary market for residential mortgages. The multifamily mortgage market has traditionally been less well served by the secondary market and HUD established a special affordable multifamily subgoal. This indicator tracks the performance of the GSEs in providing capital, measured in billions of dollars, for affordable multifamily housing. Since 1997, HUD has set this goal at 0.8 percent of the GSEs' mortgage originations in 1994, which translates into \$1.29 billion for Fannie Mae annually and \$0.99 billion for Freddie Mac annually. Both entities have consistently met those goals. In July 1999, the Secretary announced the establishment of a higher multifamily subgoal. The goal for 2000 will be 0.9 percent of 1998 mortgage originations, or \$3.31 billion for Fannie Mae and \$2.46 billion for Freddie Mac. The special affordable multifamily subgoal will increase to 1.0 percent of 1998 mortgage originations for 2001-2003, or \$3.68 billion for Fannie Mae and \$2.73 billion for Freddie Mac.

Qualifying multifamily mortgages provide five or more units that are affordable at incomes less than or equal to 60 percent of area median, or less than or equal to 80 percent of area median located in low-income areas. Low-income areas are defined as metropolitan census tracts where the median income does not exceed 80 percent of area median and nonmetropolitan counties where median income does not exceed 80 percent of the greater of State nonmetropolitan



median or national nonmetropolitan median.

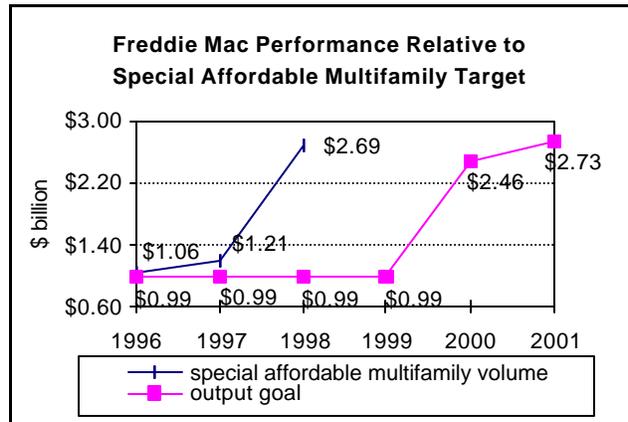
**Data source.** HUD’s GSE database.

**Limitations/advantages of the data.**

The data are compiled directly from GSE records on multifamily loan purchases. The data are based on a calendar year, not a fiscal year.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures.



**Programmatic Output Indicator 1.2.j: Ginnie Mae securitizes at least 66 percent of eligible FHA multifamily mortgages.**

**Indicator background and context.** Ginnie Mae makes the multifamily mortgage market more liquid by helping lenders package FHA-insured loans into secondary-market securities for investors. Increasing the amount of capital available for multifamily mortgages is desirable because loans become less costly and easier to obtain. Ginnie Mae-guaranteed securitizations are limited by the fact that some types of FHA multifamily loans (elder care facilities, risk sharing, and hospitals) are not eligible. Ginnie Mae volume also is constrained by the fact that many larger FHA multifamily mortgages are sold directly to investors who do not need the Ginnie Mae guaranty (for example, pension funds often do not require the Ginnie Mae guaranty to purchase an FHA-insured multifamily mortgage). In 1999 the share of eligible FHA loans securitized by Ginnie Mae reached 98 percent.

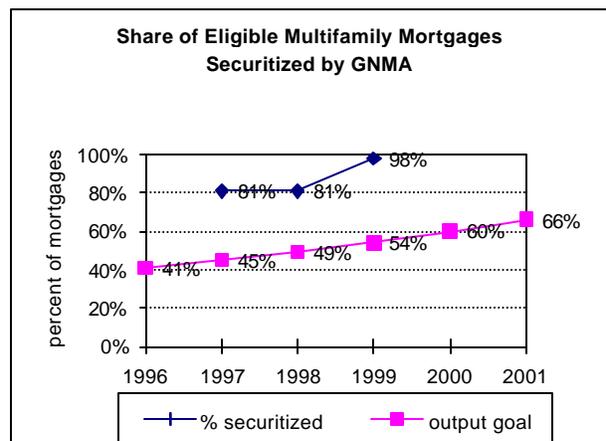
**Data source.** Ginnie Mae database of multifamily loan securities compared to FHA multifamily database adjusted to remove ineligible projects.

**Limitations/advantages of the data.**

Both Ginnie Mae and FHA/VA data are tabulations of activity that the organizations track continually.

**Validation/verification of measure.**

Both Ginnie Mae and FHA data are subject to annual financial audits because they represent an obligation on the part of the United States.



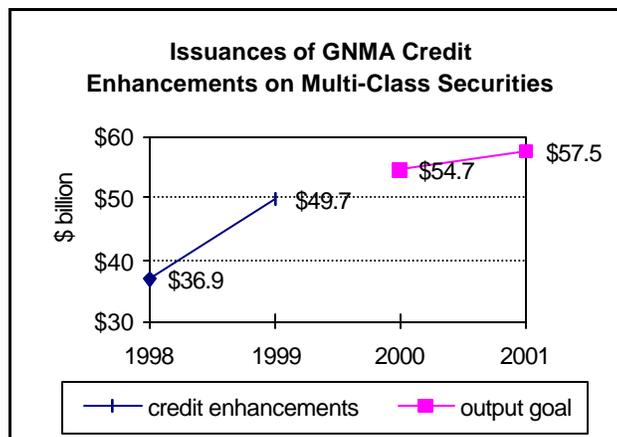
**Programmatic Output Indicator 1.2.k: Ginnie Mae credit enhancements on multi-class securities increase by 5 percent to \$57.5 billion in FY 2001.**

**Indicator background and context.** Real Estate Mortgage Investment Conduit (REMIC) securities were first issued by Ginnie Mae in 1994. A REMIC is a financing vehicle in which a pool of mortgages or mortgage-backed securities is sold as multiple-class securities. By spreading investor risk among the various security classes (tranches), REMICs increase the secondary mortgage market's liquidity, which can reduce the cost of capital for borrowers. This indicator tracks the extent of Ginnie Mae's contribution toward increasing the availability and decreasing the cost of multifamily mortgages through REMIC securities. The FY 2001 performance goal is based on projected FY 2000 accomplishments of \$54.7 billion, a 10 percent increase over actual FY 1999 performance.

**Data source.** Ginnie Mae database of REMIC issuances.

**Limitations/advantages of the data.** The data reflect actual securities issued.

**Validation/verification of measure.** Ginnie Mae data are subject to annual financial audits because they represent an obligation on the part of the United States. HUD will not verify the data further.



**Programmatic Output Indicator 1.2.l: FHA endorses at least 700 multifamily mortgages.**

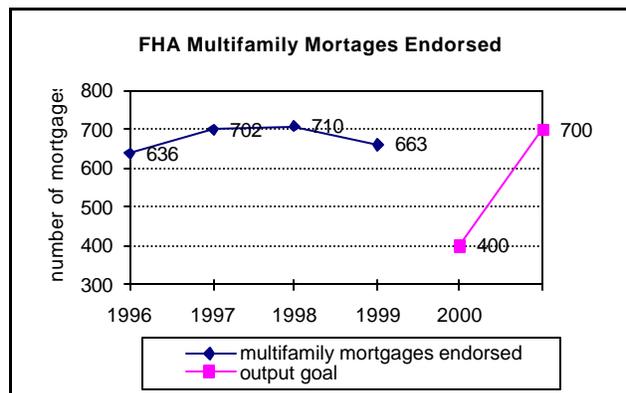
**Indicator background and context.** FHA multifamily mortgage insurance plays a definite role in the mortgage market. FHA insurance is vitally important to a number of higher risk segments in the housing industry, including small builders, buyers or owners of aging inner-city properties, and nonprofit sponsors. FHA offers many unique and valuable products in the market, including insurance that covers both the construction financing and long-term permanent financing of modest-cost rental housing, insurance for assisted living facilities, and a vehicle whereby lenders (including many with public purpose missions such as housing finance agencies) can gain access to the AAA rating of Ginnie Mae securities. FHA also brings stability to the market: many conventional loans that otherwise would have gone into default as they reached maturity during the credit crunch of the early 1990s were successfully refinanced with FHA. FHA also retains a leadership position in the market for high loan-to-value and long-term fully-amortizing multifamily loans, which can help in the provision of affordable rental housing.

The result of maintaining FHA multifamily volume will be more decent rental housing made available to consumers at modest cost. This indicator tracks FHA's annual output of initial multifamily endorsements.

**Data source.** FHA's Real Estate Management System (REMS), based on lender-submitted data from the F47 system.

**Limitations/advantages of the data.** The data are based on a straight-forward and easily verifiable count of endorsements completed.

**Validation/verification of measure.** FHA monitors the quality of data submitted by lenders, verifying multifamily mortgage transactions using quality assurance sampling methods.



**Programmatic Output Indicator 1.2.m: Among multifamily developments newly insured by the FHA General and Special Risk Insurance funds, the share of units that are affordable to households with incomes below 60 percent of median increases by 1 percentage point from FY 2000 levels.**

**Indicator background and context.** The vast majority (more than 95 percent) of multifamily rental units that are newly mortgaged, including those mortgaged conventionally, are affordable to households at or below area median income. Increasing the share of units insured by FHA that are affordable at 60 percent of area median income would increase the availability of decent housing to low-income households and to poorer families with rent vouchers.

Available preliminary data show that 36.3 percent of unassisted FHA multifamily units insured in FY 1997 were affordable at 60 percent of area median income. For multifamily insurance for existing developments only (Section 223(f)), the share was 44.7 percent.

**Data source.** Beginning in FY 2000, FHA's DAP system, used for processing multifamily development applications under Sections 221(d)3, 221(d)4, and 223(f). The FY 2000 baseline will be established in early FY 2001, after the DAP system is populated with rental cost data.

**Limitations/advantages of the data.** Data with which to determine the affordability of FHA-insured multifamily units were not available from HUD's automated data systems until 1998. For 1997, data were collected manually from case binders. The DAP system will not contain data for the Section 220 program, nor for risk-sharing endorsements.

**Validation/verification of measure.** The collection of data on FHA rent affordability depends on accurate geocoding of cases as well as accurately recording rents at the time of initial endorsement. Until 1998 this information was not collected by FHA's automated data systems. Therefore, HUD will verify the first year of automated data by comparison with FHA case binders.

***Programmatic Output Indicator 1.2.n: Approximately 1,400 projects (135,000 units) under the M2M program will have rents reduced and where appropriate will involve mortgage restructuring.***

**Indicator background and context.** The careful restructuring of assisted multifamily developments reduces the average cost of providing housing assistance and helps maintain the supply of good quality, affordable housing units. Multifamily housing developments eligible for mortgage restructuring are those having FHA-insured or HUD-held mortgages and Section 8 project-based assistance contracts that subsidize rents higher than market rates. Beginning in FY 1999, the Office of Multifamily Housing Assistance Restructuring (OMHAR) contracted with Participating Administrative Entities (PAEs) (legislative preference was given to State and local housing finance agencies) to restructure mark-to-market (M2M) eligible properties. As of January 10, 2000, OMHAR executed agreements with 39 public PAEs and six nonpublic PAEs. This production indicator tracks the efficiency of PAEs in dealing with oversubsidized multifamily developments. The FY 2001 goal is based on an OMHAR projection of anticipated workload, which is, in part, based on an estimate of market rents for contracts expiring in the future. These projections may be affected by owner decisions, real estate market trends, accuracy of the REMS data base, and future legislative changes relative to M2M eligible properties. This indicator tracks both regular rent reductions with mortgage restructuring and M2M (or OMHAR) Lites, which reduce rents without restructuring mortgages.

**Data source.** OMHAR's M2M management information system data.

**Limitations/advantages of the data.** The M2M system tracks the date that the HAP contract is amended, which signifies the completion of a M2M property that involves a rent reduction with no mortgage restructuring (M2M-Lite), and the closing date, which signifies the completion of a project involving a rent reduction with a mortgage restructuring.

**Validation/verification of measure.** PAE records are subject to independent audits. OMHAR is currently developing PAE oversight and audit procedures that will be used by OMHAR and/or contract staff in conducting periodic reviews of each PAE.

***Programmatic Output Indicator 1.2.o: Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease.***

**Indicator background and context.** REAC assesses the management risk of multifamily projects based on physical and financial factors. Physical trouble typically consists of high capital needs backlogs and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, or fraud in the form of equity skimming. Properties scored as high risk are referred to the Departmental Enforcement Center (DEC or EC) directly from REAC. The Office of Multifamily Housing also can refer properties identified as troubled to EC. The EC will work closely with the Office of Housing to determine appropriate remedies.

This indicator tracks the disposition of referrals to EC in terms of two components: the inventory of projects referred to EC but waiting for enforcement action, and the inventory of projects that remain under enforcement action for lengthy periods. “Aged” projects are defined as referred projects for which enforcement has not yet begun within 90 days, or for which enforcement has not been completed within 120 days, except in cases that the DEC refers for prosecution. Because prosecution can introduce uncontrollable delays, a referral from EC to the Department of Justice and Office of the Inspector General on criminal and civil proceedings stops the clock for purposes of this indicator. This indicator also appears in the context of increasing public trust as Programmatic Output Indicator 5.1.k.

**Data source.** REAC maintains the database of properties eligible for enforcement. The EC initially will provide data about the status of referred properties using the Real Estate Management System (REMS). EC is in the process of developing a case status module as part of its planned Departmental Tracking system (DTS). HUD will determine the FY 1999 baseline share of “aged” projects in FY 2000.

**Limitations/advantages of the data.** REAC uses objective criteria to identify high-risk projects so the denominator of this measure is largely independent.

**Validation/verification of measure.** DEC Satellite Offices will verify data collected by the contractor and ensure that documentation is adequate before entering data into REMS. EC will update data quality assurance procedures following implementation of REMS and DTS.

***Programmatic Output Indicator 1.2.p: Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts reaches 90 percent.***

**Indicator background and context.** Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, and the families served by housing authorities represent an important component of area needs. HUD also has an interest in promoting cooperation among housing authorities and local officials because the transformation of public and assisted housing increasingly relies upon forming partnerships and coordinating activities. For example, several communities are committing HOME Investment Partnership funds to retain private multifamily developments as assisted housing. This indicator tracks the share of Consolidated Plans that demonstrate that States or communities include officials from housing authorities in a decision-making role. This indicator also appears in the context of welfare reform as Programmatic Output Indicator 3.2.b.

**Data source.** CPD Grants Management Process (GMP) system. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** Communities potentially may mischaracterize the extent of participation by housing authority officials.

**Validation/verification of measure.** CPD field staff monitor communities to ensure accurate reporting.

***Programmatic Output Indicator 1.2.q: The share of EZs and ECs achieving local goals is 85 percent for new affordable housing activities and 80 percent for rehabilitated affordable housing.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals that rehabilitate deteriorated housing and construct new affordable rental housing. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

## **Objective 1.3: America's housing is safe and disaster-resistant.**

### **Overview**

A long-standing objective of Federal housing policy is to assure decent housing. Housing quality has improved markedly over the past five decades – a major success. By 1995 only 2 percent of renters and owners lived in housing categorized by the American Housing Survey as severely inadequate, down from 6 percent of renters and 3 percent of owners in 1978.

Housing in need of repair or rehabilitation, however, remains a frequent problem among the lowest-income renters and owners, and too often they must settle for inadequate housing to find units they can afford. In 1995, 1.8 million very-low-income renters (12 percent of such renters) and 1.1 million very-low-income owners (10 percent) lived in physically inadequate housing. Moreover, as of 1994, approximately 890,000 children under the age of 6 were estimated to have elevated blood lead (EBL) levels. Older housing, which is more often occupied by lower income households, is one of the primary environmental EBL hazards.

In recent years, the serious destruction caused by hurricanes, earthquakes, and other natural disasters also highlights the need for housing that is as resistant as possible to such stresses. Significant amounts of disaster assistance funds have been appropriated for this purpose. Through the Partnership for Advancing Technology in Housing, HUD coordinates federal agency and private industry efforts to encourage the development and widespread diffusion of new disaster-resistant technologies throughout the housing industry. HUD also works through the CDBG program to improve local building codes and through CDBG and related housing grant programs to reduce vulnerability to floods.

### **External factors**

A wide array of local factors, such as building codes and other regulations, affect the choices that builders make in constructing and rehabilitating American homes. Improving the physical condition of housing often requires funding for rehabilitation, in addition to public awareness of the importance of such actions. While HUD can encourage local communities to improve and enforce building codes and regulations, and can encourage private builders and owners to improve their properties, the Department cannot mandate these changes. Increasing building density and other land use factors also have major impacts on the vulnerability to natural disasters and the magnitude of associated risk.

Public awareness of hazards and of ways of reducing them is also important but often lacking. For example, although 93 percent of homes have smoke detectors, it is estimated that smoke detectors are inoperable in one-fifth of these homes.

## **Means and strategies**

Before HUD can act to reduce housing hazards and enforce quality standards in the housing programs it funds, it must first have complete, accurate and objective information describing the physical condition of its housing stock. One of the major components of HUD 2020 Reform was establishment of the Real Estate Assessment Center to provide this information. REAC assessments are now providing HUD program offices with credible information that they use to identify high risk properties, focus technical assistance and other resources, and carry out enforcement efforts.

Other strategies employed to make housing safer include funding housing rehabilitation, awarding grants to abate lead hazards, and encouraging the development of new housing technology. Both the HOME and CDBG programs fund a substantial amount of housing rehabilitation. Almost half of all housing activities funded by HOME are for rehabilitation of single and multi-family units.

Through PATH, HUD is responsible for coordinating federal agency activity as it relates to goals and objectives set forth by the Administration and Congress. PATH was established "to improve the quality, durability, environmental efficiency, and affordability of tomorrow's homes." It is a private-public partnership intended to accelerate dramatically the adoption of building technologies by the housing industry. PATH technologies will also provide benefits for rehabilitated housing. One PATH goal is to reduce by at least 10 percent by 2010 the risk of loss of life, injury and property destruction from natural hazards. PATH's approach to disasters combines promoting technological advances; improving the quality of housing and its resistance to disasters; and increasing public awareness of the problem.

To make housing safer and more resistant to disaster, HUD will:

- Regularly inspect the physical quality of public and assisted housing through the Real Estate Assessment Center (REAC) and enforce contracts that require housing to be kept in good condition through the new Enforcement Center. The new Troubled Agency Recovery Centers (TARCs) will address all public housing agencies that fail the physical, financial or management assessment conducted by REAC. REAC also will help identify geographic areas where the housing needs to be more disaster-resistant.
- Demolish the worst units of severely distressed, vacant public housing.
- Ensure that buyers of homes with HUD-insured single-family mortgages receive comprehensive property condition information as part of the FHA appraisal.
- Test smoke detectors in all units inspected by REAC, notifying owners about missing or inoperable detectors for immediate repair or replacement.
- Provide grants to remove lead-based paint hazards from older homes and apartments, undertake scientific research on lead-based paint, and conduct national and local public awareness campaigns.

*Goal 1: Increase the Availability of Decent, Safe, and Affordable Housing*

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- Evaluate lead abatement programs to determine whether mitigation is successful and to determine the most effective methods of abatement.
- Enforce lead paint disclosure regulations to ensure that the real estate market has the information necessary to address existing lead hazards.
- Campaign for greater consumer awareness of household hazards that contribute to childhood illnesses through the Healthy Homes Initiative. This includes encouraging adoption of safer building technologies and supporting research on how to reduce household hazards to children.
- Work closely with EPA and community partners to ensure that residents of HUD housing programs are not subjected to negative environmental conditions (e.g., toxic waste, Superfund sites).
- Ensure that properties assisted under HUD programs comply with applicable seismic standards and flood plain reduction strategies.
- Regulate manufactured housing to ensure production of safe and disaster resistant housing. Work with the manufactured housing industry and State and local governments through information and technical assistance to encourage dramatic improvement of the quality of the installation of manufactured housing to improve its disaster resistance.
- Encourage improved housing conditions and affordable housing opportunities for colonias, Indian tribes, and farm workers through the Rural Housing and Economic Development Program.
- Identify affordable disaster-resistant technologies through PATH demonstration projects, especially in disaster recovery settings.
- Through FHA, insure home windstorm shelters – also known as safe rooms – which can provide protection against winds of up to 250 miles per hour and against projectiles traveling at 100 miles per hour.

**Programs supporting Objective 1.3:  
America’s housing is safe and disaster-resistant.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
HOME Investment Partnerships	1,500	1,600	1,600	1,650

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-Based)	11,322	10,327	11,481	14,128
Public Housing Operating Fund	2,900	2,818	3,138	3,192
Public Housing Capital Fund	2,500	3,000	2,869	2,955
Revitalization of Severely Distressed Public Housing	550	625	575	625
Native American Housing Block Grants	600	620	620	650
<b>Housing</b>				
Section 811/202	839	854	911	989
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456
<b>Policy Development and Research</b>				
PATH	0	10	10	12
<b>Office of Lead Hazard Control</b>				
Lead-Based Paint Hazard Reduction	60	80	80	120
Healthy Homes Initiative	0	[10]	[10]	[10]

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

## Coordination with other Federal agencies

- Through PATH, HUD works closely with the **Departments of Energy, Commerce, and Agriculture**, as well as with the **Department of Labor's Occupational Safety and Health Administration, EPA, NSF, and FEMA** to increase homeownership and safety by making quality housing more affordable. By 2010, PATH goals include improving durability and reducing maintenance costs by 50 percent and reducing by at least 10 percent the risk of loss life, injury and property destruction from natural hazards. PATH interagency coordination includes: an interagency agreement with the **National Institute for Safety and Technologies** to research durability of housing; a cooperative agreement with the **Department of Defense** to demonstrate PATH weatherization technologies; an interagency agreement with **FEMA** to develop Safe Rooms for use in areas of the country at high risk of natural wind disasters; an interagency agreement with the **Department of Agriculture** for research on disaster resistant wood-frame homes; and an interagency agreement with the **Department of Energy** on wind safety.
- 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 **EPA** on the implementation of the Residential Lead-Based Paint Hazard Reduction Act, with the **Centers for Disease Control** on standards and reporting, and with the **Department of Justice** on enforcing lead-based paint rules.

## **Performance goals**

HUD aims to achieve these outcomes:

- Reduce the share of very-low-income households living in housing with physical problems.
- Increase the share of public and assisted housing units that meet HUD housing quality standards.
- Reduce the share of public and assisted housing with dangerous safety defects.
- Increase the number of units protected by the lead hazard control program.
- Reduce the number of young children with Elevated Blood Lead levels.
- Reduce the rate of deaths in residential fires.
- Increase the ratio of manufactured housing conforming to high-wind standards.

A crosswalk summarizing the programmatic output and outcome indicators and targets for FY 2001 that HUD will use to measure progress toward this objective follows.

<p align="center"><b>Crosswalk for Strategic Objective 1.3: America's housing is safe and disaster resistant</b></p>		
<p align="center">Outcome Indicators</p>	<p align="center">Programmatic Output Indicators</p>	<p align="center">External Factors</p>
<p>1.3.1: The share of very-low-income households living in units with moderate or severe physical problems decreases from 7.3 to 7 percent for owners and from 14 to 13 percent for renters by 2001.</p> <p>1.3.2: Among units occupied by low-income households, the share containing threats to health and safety decreases by 0.2 percentage points to 5.9 percent.</p>	<p>1.3.a: The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases (also appears as 1.2.d).</p>	<p>Physical housing problems have been declining for decades as homes with substandard utility systems are renovated or demolished, and as building codes improve and are better enforced.</p> <p>Inadequate utility systems and construction have regained prominence with the growth of colonias on the southern U.S. border since 1980.</p>
<p>1.3.3: The share of units that meet HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units (also appears as 5.1.7).</p> <p>1.3.4: The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing (also appears as 5.1.8).</p>	<p>1.3.b: As part of the effort to demolish 100,000 units of the worst public housing, demolish 12,000 units during FY 2001.</p>	
<p>1.3.5: As part of a ten-year effort to eradicate lead hazards, increase the cumulative number of housing units made lead safe by the Lead Hazard Control Grant Program by 26 percent to 34,020.</p> <p>1.3.6: The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.</p>	<p>1.3.d: The average percentage reduction of floor dust lead levels in units made lead-safe is 25 percent compared to baseline.</p> <p>1.3.e: The first 16 cooperative agreements and interagency agreements for the Healthy Homes Initiative become operational and an additional four agreements are awarded.</p>	<p>The number of children with EBL levels declined dramatically after lead was banned from gasoline, but residual lead in soil as well as in lead-based paint continues to put many young children at risk of long-term developmental problems.</p>

<b>Crosswalk for Strategic Objective 1.3: America's housing is safe and disaster resistant</b>		
1.3.7: The rate of deaths in residential fires declines by 0.02 to 1.14 fatalities per 100,000 persons by 1999 (potential interagency indicator).	1.3.f: The share of HUD-assisted units with functioning smoke detectors at time of inspection increases by 1 percentage point to 93 percent of public housing and 97 percent of assisted multifamily.  1.3.g: The share of developments that comply with specific fire safety standards increases by 3 percentage points to 82 percent for public housing and to 81 percent for multifamily housing.	The 7 percent of homes without smoke detectors in the United States account for nearly 50 percent of fires, and deaths occur in those fires about twice as frequently. Smoke detectors are inoperable in about 19 percent of homes with detectors.  The incidence of deaths from fires is higher for manufactured housing than for site-built housing.
1.3.8: The ratio of manufactured housing stock conforming to high-wind standards to total manufactured housing in coastal zones subject to hurricanes increases by 5 percentage points from 2000 levels by 2005.		

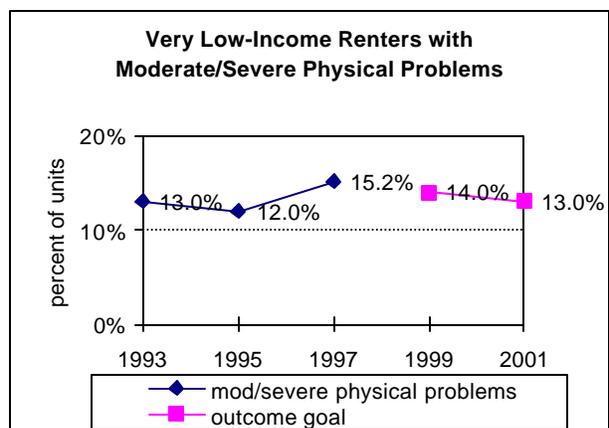
Performance goals are for FY 2001 unless otherwise noted.

### Outcome Indicator 1.3.1:

**The share of very-low-income households living in units with moderate or severe physical problems decreases from 7.3 to 7 percent for owners and from 14 to 13 percent for renters by 2001.**

#### Indicator background and context.

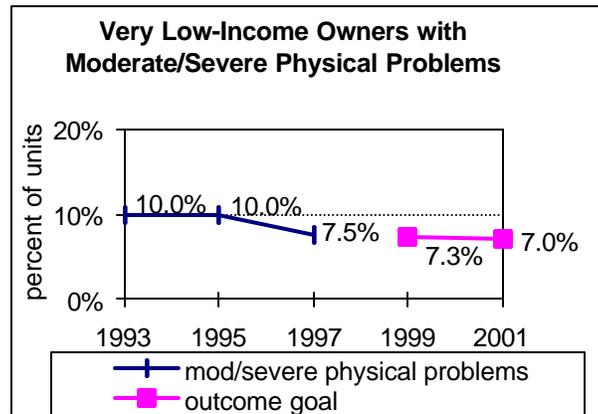
Rates of inadequate housing have declined greatly over the last 40 years. Nevertheless, 12 percent of all renters and 15 percent of very-low-income renters lived in units with moderate or severe physical problems in 1997. Among very-low-income homeowners, 7.5 percent had homes with moderate or severe physical problems. This indicator tracks reductions in physical problems for households with incomes below 50 percent of area median because very-low-income households have fewer resources to address these problems.



**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are available biennially, and 1999 data will be available in 2000. HUD expects that AHS data from 2001 will be available by the end of FY 2002 because of recent implementation of computer-aided interviewing. However, because questions on physical problems were made more precise in 1997, the 1997 data are not exactly comparable to earlier estimates. Definitions of severe problems and moderate problems determined from AHS data are not directly comparable to definitions used by REAC for the assisted housing stock.



**Validation/verification of measure.** HUD will not verify the data beyond standard AHS data quality procedures.

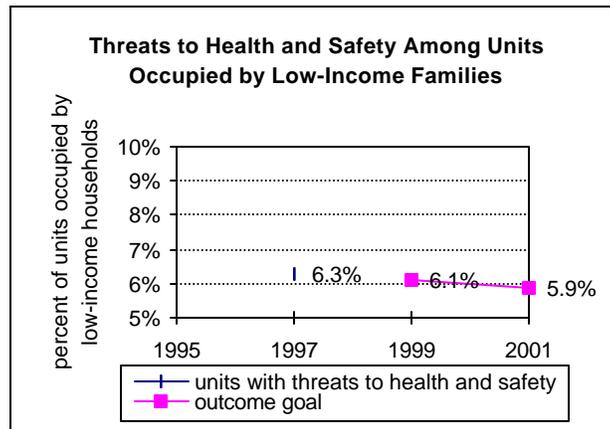
**Outcome Indicator 1.3.2:**

**Among units occupied by low-income households, the share containing threats to health and safety decreases by 0.2 percentage points to 5.9 percent.**

**Indicator background and context.** The physical problems indicator above (1.3.1) captures combinations of problems that may or may not be safety hazards. This indicator focuses on specific safety hazards found in housing units occupied by families with incomes below 50 percent of median. The problems may include any of these four: exposed wiring, unvented heaters used as the main source of heat, holes in the floors, or signs of rats. HUD block grant programs help reduce hazards in housing when communities use them for housing rehabilitation (see indicator 1.2.d) and code enforcement or other public services. The FY 2001 performance goal is based on achieving a reduction by FY 2000, as estimated using 1999 data.

**Data source.** AHS, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.** AHS data are available biennially. HUD expects that AHS data from 1999 will be available by the end of FY 2000 because of recent implementation of computer-aided interviewing. The fact that a single safety hazard causes failure makes this measure less consistent than the previous indicator because the statistical variance is higher.



**Validation/verification of measure.** HUD will not verify the data beyond standard AHS data quality procedures.

***Programmatic Output Indicator 1.3.a: The number of households receiving housing assistance with CDBG, HOME, HOPWA, RHED and NAHASDA increases.***

**Indicator background and context.** Many communities use HUD's block grant programs to rehabilitate substandard housing. This indicator appears under Strategic Objective 1.2 as Programmatic Output Indicator 1.2.d.

**Outcome Indicator 1.3.3:**

**The share of units that meet HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units.**

**Indicator background and context.** Housing authorities are required to inspect and maintain public housing to ensure compliance with HUD established standards, or with local codes if they are more stringent. Private owners of assisted housing also have a contractual obligation to meet physical standards. Some housing authorities and owners of assisted housing projects have poor performance records regarding inspection and maintenance. This indicator tracks the share of units that meet physical condition standards, as determined by REAC inspections.

In FY 1999, 62.5 percent of public housing units were in projects that met physical standards. Except for life-threatening deficiencies, which require immediate corrective action, these preliminary scores are non-binding for management purposes. Private multifamily projects that passed contained 77.3 percent of all units. The FY 2001 performance goal is based on projected FY 2000 improvements of 1 percentage point in each program.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and

facilities. PASS is a component of the overall PHAS performance measurement for public housing in FY 2001. Congress has requested HUD to delay implementation of PHAS while consulting with public housing industry representatives. PASS also is used, outside of PHAS, for private multifamily housing. Physical inspection procedures for Indian housing are being pilot tested in FY 2000.

**Limitations/advantages of the data.** Inspections are conducted independently and are statistically representative of public housing and private multifamily assisted housing. Because of the necessity of evaluating common areas, the number of passing units is determined by multiplying passing projects by the number of units they contain. Improvements to PASS may alter slightly the selection and weighting of individual inspection items from year to year.

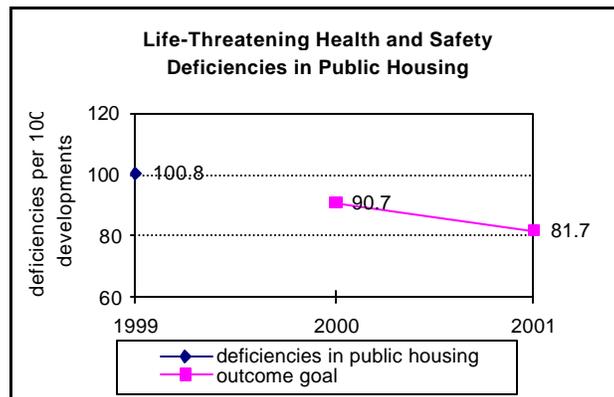
**Validation/verification of measure.** REAC reinspects units and properties on a sample basis for quality assurance. The inspection protocol is being validated by public housing industry representatives.

### Outcome Indicator 1.3.4:

**The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing.**

**Indicator background and context.** REAC conducts physical inspections that identify a number of health and safety deficiencies that are life threatening, such as frayed electrical wires, nonfunctional smoke detectors, and sharp edges on fencing. This indicator tracks reductions in such deficiencies nationwide as HUD implements physical inspection protocols. Multiple deficiencies may be observed in each development. The implementation of physical inspections by REAC is likely to promote sharp declines in the incidence of hazards in FY 2001.

In FY 1999, the 13,417 inspected public housing developments averaged 100.8 life-threatening deficiencies per 100 properties. Among 20,484 assisted multifamily developments, an average of 95.3 life-threatening deficiencies were observed per 100 properties. The FY 2001 goal is based on projected reductions of 10 percent during FY 2000 for both public housing and assisted multifamily housing.



**Data source.** REAC Physical

Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities. PASS produces an

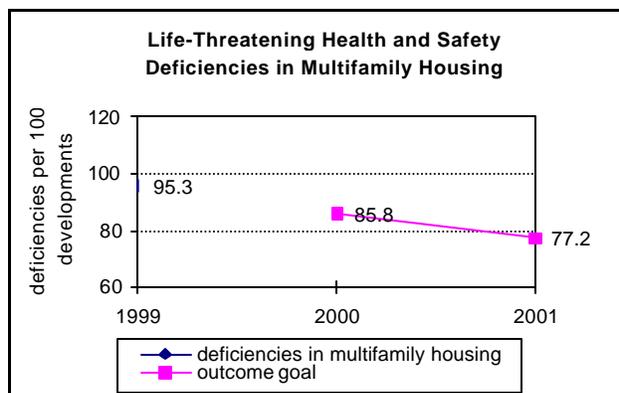
“Exigent Health and Safety Report” for each project inspected. The FY 1999 baseline is determined from inspections of PHAs with fiscal years ending between 9/30/1998 and 6/30/1999, and for multifamily owners over roughly the same period.

**Limitations/advantages of the data.**

High-performing properties are not inspected every year, so some inspections represented in this indicator may be 1-2 years old. The most recent inspection report is used for each property. Inspections are conducted independently and are statistically representative of the entire HUD stock.

**Validation/verification of measure.**

Owners and managers validate Exigent Health and Safety Report contents by acknowledging receipt at the time of inspection and reporting corrective actions. In addition, REAC reinspects units and properties on a sample basis for quality assurance.



**Programmatic Output Indicator 1.3.b: As part of the effort to eliminate 100,000 units of the worst public housing, demolish 12,000 units during FY 2001.**

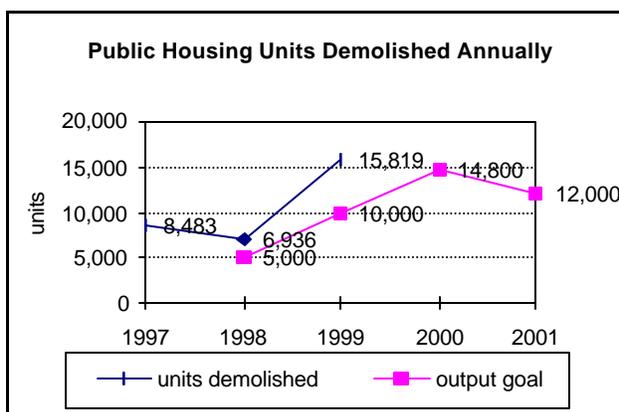
**Indicator background and context.** Many units of high-rise public housing for families with children already have been demolished. These developments, ill-designed for family occupancy, experienced crime and social breakdown that contributed to severe maintenance problems and excessive vacancies. The troubled stock in some cases is physically uninhabitable and in other cases drains housing authority resources because it is too costly to operate. Demolishing distressed stock is often a prerequisite for reconstruction and relocating families in safer and more humane environments.

HUD intends to demolish 100,000 units of severely distressed public housing by FY 2003. By the end of FY 1999, 46,237 units had been demolished.

**Data source.** PIH Integrated Business System (IBS).

**Limitations/advantages of the data.**

IBS is the basic resource for information on the public housing stock. No data problems are known to affect this indicator.



**Validation/verification of measure.** Field staff verify that units were demolished.

**Outcome Indicator 1.3.5:**

**As part of a ten-year effort to eradicate lead hazards, increase the cumulative number of housing units made lead safe by the Lead Hazard Control Grant Program by 26 percent to 34,020.**

**Indicator background and context.** HUD is playing a central role in the interagency initiative to eliminate lead poisoning of the Nation's children by 2010. HUD intends to eliminate lead hazards in housing by expanding the Lead Hazard Control Program. When Congress passed the 1992 Residential Lead Hazard Reduction Act, as many as 3.8 million homes with children contained lead-based paint hazards. The Centers for Disease Control and Prevention report that nearly 1 million children ages 1 to 5 have elevated blood lead levels – amounting to about 5 percent of all children in that age group. The majority of cases involve low-income children. Exposure to lead can cause permanent damage to the nervous system and a variety of health problems, including reduced intelligence and attention span, hearing loss, stunted growth, reading and learning problems, and behavior difficulties.

HUD's Office of Lead Hazard Control (OLHC) provides grants to state and local government agencies to control lead hazards in privately-owned assisted and unassisted housing. The program requires grantees to employ certified personnel to collect clearance (quality control) lead-dust samples in housing to confirm that it has been made lead safe, because lead dust is the major pathway by which children are exposed to lead-based paint.

Homes treated under the grant program have a relatively high average number of children of less than 6 years of age living in each treated unit. With new births and turnover of occupancy, additional children are protected. Lead mitigation programs also create potentially large, but unquantifiable, benefits through lead hazard education and outreach activities, as well as through programs that train workers and create jobs in the lead reduction field.

<b>Housing Units made Lead Safe by the Lead Hazard Control Grant Program</b>							
	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
Annual	400	2,294	4,325	5,527	7,471	7,000	7,000
Cumulative	406	2,700	7,025	12,252	20,023	27,020	34,020

**Data source.** OLHC administrative data.

**Limitations/advantages of the data.** The data represent estimated accomplishments over the life of the grants issued in a particular year.

**Validation/verification of measure.** The University of Cincinnati has conducted a series of program evaluations to validate the extent of lead-dust reduction in units declared lead safe.

**Outcome Indicator 1.3.6:**

**The number of children under the age of 6 who have elevated blood lead levels will be less than 260,000 by 2004, down from 890,000.**

**Indicator background and context.** Approximately 890,000 children under the age of six were estimated to have elevated blood lead levels (EBL) in the period from 1991-94. These children, especially those less than three years old, are vulnerable to permanent developmental problems because of the well-understood effect of lead on developing nervous systems. For this indicator, EBL is defined as blood lead levels exceeding 10 micrograms per deciliter (ug/dL).

**Data source.** National Health and Nutrition Examination Survey (NHANES). The Centers for Disease Control and Prevention are scheduling the fourth NHANES, with data projected to be available in 2004.

**Limitations/advantages of the data.** The NHANES is costly because it uses actual physical examinations of a nationally-representative sample of children to determine blood-lead levels, among other things. NHANES can not identify the source of EBL.

**Validation/verification of measure.** HUD will not verify NHANES results independently. NHANES is regarded as the best national estimate of a number of health outcomes, and incorporates a variety of quality control and verification procedures.

***Programmatic Outcome Indicator 1.3.d: The average percentage reduction of floor dust lead levels in units made lead-safe is 25 percent compared to baseline.***

**Indicator background and context.** OLHC has contracted for a series of evaluations of the lead abatement grant program to determine whether mitigation is successful and to determine the most effective methods. Elevated blood lead in children is highly correlated with lead dust levels, so this indicator tracks the percentage decrease in lead dust on floors achieved by lead-hazard control treatment. The decrease is measured in micrograms of lead per square foot prior to treatment and 1 year after treatment (because lead dust may reaccumulate. A sample of units is being followed for 3 years). Floors generally have lower pretreatment lead-dust levels than do window sills and window troughs, so percentage reductions tend to be greater for windows. However, if window paint is intact, lead dust on floors often poses greater hazards for young children.

**Data source.** Data are from the University of Cincinnati report of the program evaluation of the Lead Hazard Control Grant Program.

**Limitations/advantages of the data.** Data may not be representative of lead-hazard control efforts nationwide because they pertain to the units enrolled in the evaluation, which covers only the first 14 grantees. Grantees sometimes are able to reduce floor-dust lead levels below the threshold of detection for some laboratories, which means that reported reductions may be underestimated.

**Validation/verification of measure.** Grantee programs test the accuracy and reliability of participating laboratories by asking them to evaluate blind quality control samples with known quantities of lead.

***Programmatic Output Indicator 1.3.e: The first 16 cooperative agreements and interagency agreements for the Healthy Homes Initiative become operational and an additional four agreements are awarded.***

**Indicator background and context.** HUD is working closely with the Centers for Disease Control and Prevention, EPA, the National Institute for Occupational Safety and Health, the National Institute of Science and Technology, and the National Institute of Environmental Health Sciences to plan and develop the Healthy Homes Initiative. Under the initiative, OLHC is awarding grants to public and private organizations and making agreements with other Federal agencies for evaluation studies and demonstration projects to address housing conditions responsible for diseases and injuries. The purpose is to learn how best to prevent diseases related to toxic agents in housing and how to control the residential environment to prevent childhood health problems, such as asthma, unintentional injuries, and developmental problems. In FY 2001, the target is to have a cumulative total of 16 projects operational and to award four additional agreements. Principal outcomes of the projects in FY 2001 are public education, demonstration of new technologies, and determining a baseline number of households with allergens, which may establish a foundation for future outcome indicators.

**Data source.** OLHC Healthy Homes administrative data.

**Limitations/advantages of the data.** The success of interagency agreements may not become apparent for several years.

**Validation/verification of measure.** OLHC will certify the number of agreements awarded and made operational.

**Outcome Indicator 1.3.7:**

**The rate of death in residential fires declines by 0.02 to 1.14 fatalities per 100,000 persons by 1999.**

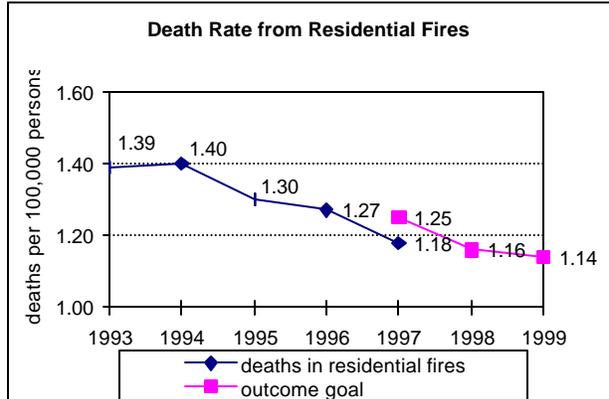
**Indicator background and context.** Residential fires occur primarily from accidents and defective conditions within homes. Death rates from residential fires have been declining in recent years because of increasing adoption of smoke detectors, which provide early warning of hazardous conditions. HUD contributes to fire safety by enforcing physical standards in public and assisted housing, by funding housing rehabilitation and public safety programs with block grants, and by regulating construction of manufactured housing, which can pose especially severe fire hazards.

This indicator tracks progress toward making homes safer from fire hazards. In 1997, the death rate was 1.18 per 100,000 persons. The FY 2001 performance goal (using 1999 data) is based on the FY 2000 goal of 1.16 deaths per 100,000 in 1998.

**Data source.** National Center for Health Statistics, *Vital Statistics*. Published by National Center for Injury Prevention and Control as *Unintentional Residential Fire and Flames Deaths and Rates per 100,000*.

**Limitations/advantages of the data.** Data are published annually with 2 years' lag.

**Validation/verification of measure.** Data that would make independent verification feasible are not available.



**Programmatic Output Indicator 1.3.f: The share of HUD-assisted units with functioning smoke detectors at time of inspection increases by 1 percentage point to 93 percent of public housing and 97 percent of assisted multifamily.**

**Indicator background and context.** Nationally, smoke detectors are inoperable in about 19 percent of homes with detectors. REAC's initial physical inspections of public and project-based Section 8 units showed that many smoke detectors had been disabled, creating an opportunity for rapid improvements in the share of units with operable smoke detectors. In FY 1999, 87.4 percent of public housing units and 91.3 percent of assisted multifamily units had functional smoke detectors. The FY 2001 goal for public housing is based on projected improvement to 92 percent of public housing units and 96 percent of assisted multifamily units in compliance in FY 2000.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities.

**Limitations/advantages of the data.** Inspections are conducted independently and are statistically representative of the entire HUD stock.

**Validation/verification of measure.** REAC reinspects units and properties on a sample basis for quality assurance.

**Programmatic Output Indicator 1.3.g: The share of developments that comply with specific fire safety standards increases by 3 percentage points to 82 percent for public housing and to 81 percent for assisted multifamily housing.**

**Indicator background and context.** Federal law requires functional sprinkler systems in multifamily residential buildings with four or more stories that are newly constructed after 1992 or rebuilt after 1994. Sprinkler systems have been found to fail during fires, on occasion

because the systems are not even connected to a water source. This indicator tracks the share of public housing and assisted multifamily developments where REAC inspections have verified the presence of a valid certificate of inspection from the Fire Marshal and that pass a visual inspection of external components of the sprinkler system, particularly the presence of functional sprinkler heads.

In 1999, approximately 76 percent of public housing developments and 75 percent of assisted multifamily developments had appropriate certifications. The FY 2001 goal is based on projected improvements of 3 percentage points in FY 2000.

**Data source.** REAC Physical Assessment Subsystem (PASS), consisting of electronically coded and transmitted results of independent physical inspections of units, common areas and facilities.

**Limitations/advantages of the data.** Inspections are conducted independently and are statistically representative of the entire HUD stock. REAC inspections are not complete inspections of compliance with fire safety standards. Not all multifamily buildings are required by law to have functional sprinkler systems.

**Validation/verification of measure.** Certificates of compliance are issued by independent state-certified inspectors. REAC reinspects units and properties on a sample basis for quality assurance.

### **Outcome Indicator 1.3.8:**

**The ratio of manufactured housing stock conforming to high-wind standards to total manufactured housing in coastal zones subject to hurricanes increases by 5 percentage points from 2000 levels by 2005.**

**Indicator background and context.** HUD has identified coastal areas subject to hurricanes as Zones 2 and 3, and has published Manufactured Home Construction and Safety Standards with high-wind-resistance requirements for manufactured housing sold in these zones. This indicator tracks the number of wind-resistant manufactured units as a share of all manufactured housing located in vulnerable zones.

**Data source.** High-wind-compliant units from HUD's Label, Distribution, and Reporting System (LDRS), managed under contract by the Housing and Building Technology division of the National Conference of States on Building Codes and Standards (NCSBCS). For manufactured housing stock totals with sufficient geographic detail, the decennial Census will be used and updated with American Community Survey data in the future. The baseline, using 2000 Census data, will be developed in FY 2001.

**Limitations/advantages of the data.** ACS will be available at the state level in 2003, but sample size will not be sufficient to identify zones 2 and 3 until 2005. No LDRS data are available for manufactured housing units that leave the stock, nor for the date of manufacture or design of those units. Furthermore, it is not clear that units placed on permanent foundations will be correctly identified as manufactured rather than site-built. Therefore, the ratio of compliant

units produced to total units in the region will be subject to error in both the numerator and denominator.

**Validation/verification of measure.** HUD will not verify decennial Census or ACS data beyond standard Bureau of Census procedures. The performance goal may need recalibration following determination of the baseline.



## **STRATEGIC GOAL 2: ENSURE EQUAL OPPORTUNITY IN HOUSING FOR ALL AMERICANS**

### **Strategic Objectives:**

**2.1 Housing discrimination is reduced.**

**2.2 Low-income people are not isolated geographically in America.**

**2.3 Disparities in homeownership rates among racial and ethnic groups are reduced.**

Since 1968, HUD and its predecessor agencies have been responsible for enforcement of the Fair Housing Act and for ensuring that HUD programs promote fair housing and comply with civil rights laws. The Fair Housing Act makes it unlawful to discriminate in housing against persons based on race, color, religion, sex, national origin, age, disability, or familial status.

Racial segregation has declined over the past three decades, but it remains very common, and studies continue to show discrimination against minorities seeking to buy or rent homes. Addressing this problem is more important than ever as shares of minorities continue to increase and much of our population growth and economic vitality stems from a large influx of diverse immigrant groups, most of them nonwhite and non-European. Census data show that, between 1970 and 1990, geographical concentration of poverty and isolation of low-income households worsened.

Research shows that large gaps in homeownership rates between minorities and whites exist regardless of income. Although minorities are now becoming homeowners at a faster rate than their white counterparts, there remains much to be done to close the gap.

### **Objective 2.1: Housing discrimination is reduced.**

#### **Overview**

Discrimination is a reality for many Americans – including poor people, racial and ethnic minorities, families with children, and persons with disabilities. A recent report from the Federal Financial Institutions Examination Council found that lenders are turning down African Americans, Hispanics and American Indians for home loans far more often than whites and Asians, regardless of income. The mission of HUD's Office of Fair Housing and Equal Opportunities is to enforce the Fair Housing Act and other civil rights laws to ensure the right of equal housing opportunity and free and fair housing choice without discrimination based on race, color, religion, sex, national origin, disability or family composition. Under President Clinton's "One America" initiative, launched in 1997, HUD was challenged to double the number of

housing discrimination enforcement actions. But HUD's efforts to promote equal housing opportunities go beyond enforcement of fair housing laws. HUD's programs and initiatives strive to provide housing, employment opportunities, and supportive services to disadvantaged Americans. All HUD programs targeted at lower income persons, including block grant programs such as CDBG and HOME, present opportunities to reduce barriers and promote equal opportunities.

## **External factors**

A key factor over which HUD has little direct influence is the nature and extent of discrimination in society in the future. As the share of minorities in the population continues to increase, Americans may become more accepting of these differences so that discrimination will diminish. It is conceivable, however, that housing discrimination may remain one of the country's most intractable problems – a key barrier to creating, from many peoples, "One America." The rate at which disadvantaged minority groups join the ranks of the middle class will also influence patterns of housing discrimination.

## **Means and strategies**

HUD is committed to enforcing fair housing and equal opportunity laws and to encouraging local creativity in promoting housing choice. Through its current nationwide Housing Discrimination Study (HDS), which will be the most comprehensive and sophisticated nationwide audit ever conducted, HUD is testing for and evaluating housing discrimination in urban, suburban and rural communities around the nation. The HDS will be a valuable tool in increasing public awareness about housing discrimination and will help HUD and its partners assess how best to use fair housing enforcement, education and technical assistance resources.

As part of the One America Initiative, President Clinton directed HUD to double enforcement actions brought against perpetrators of housing discrimination by the year 2000. HUD is now achieving a rate of 60 to 70 enforcement actions a month, compared with 25 to 30 enforcement actions during the Clinton Administration's first term.

To further reduce housing discrimination, HUD will work to:

- Expand housing opportunities and address discrimination by concentrating program resources of the Office of Fair Housing and Equal Opportunity (FHEO) in selected communities.
- Encourage the growth of a network of State and local agencies that enforce laws "substantially equivalent" to the federal Fair Housing Act.
- Encourage the development and support of private fair housing groups, particularly in underserved areas such as those not already served by "substantially equivalent" agencies.
- Educate protected groups, the housing industry, grantees, and project sponsors about the Fair Housing Act and the Americans with Disabilities Act.

- Enhance the REAC physical inspection protocol to include monitoring for compliance with the Americans with Disabilities Act.
- Develop guidelines for the TARC to assess and promote the accessibility of public and assisted housing to persons with disabilities.
- Monitor the housing GSEs' compliance with their responsibilities to further fair housing and fair access to credit.
- Support local efforts to address tensions that arise in communities when persons seek to expand their housing choices.
- Through HUD's Community Builders: promote Fair Housing Month; convene meetings with local governments and community groups to promote Fair Housing; meet with FHAP groups to discuss relationship of CDBG to FHAP funds used to meet fair housing needs; and initiate Best Practices Agreements with lenders and other housing industry groups to further affirmative marketing efforts.
- Empower communities to implement their own strategies for promoting housing choice through their Consolidated Plan and community development programs, and build upon collaborative grassroots efforts among local governmental agencies, fair housing organizations, and other community groups.

To advance progress toward this objective for FY 2001, HUD will continue to establish innovative Fair Housing Partnerships between State and local government fair housing enforcement agencies and private fair housing groups, thus combining the strengths of the public and private groups to enhance their joint impact. HUD will also give added resources to education and outreach through the establishment of a nationwide Project for Accessibility Training and Technical Assistance (PATTA) and a Fair Housing Training Academy.

**Programs supporting Objective 2.1: Housing discrimination is reduced.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	15	24	24	29
Fair Housing Assistance Program	15	16	20	21

Note: Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

**Coordination with other Federal agencies**

HUD chairs the **President's Council on Fair Housing**, which is an interagency group committed to promoting equal opportunity in mortgage lending, and serves on the **Interagency Task Force on Fair Lending**, which coordinates enforcement of fair lending laws across the federal government. Through the Interagency Task Force on Fair Lending, HUD works with the **Department of Justice, Department of the Treasury, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision** to provide guidance to lenders consistent with the Fair Housing Act and the Equal Credit Opportunity Act and their implementing regulations. HUD, as a member of the task force, joined with the other member agencies to issue a policy statement on discrimination in lending, which was published in the Federal Register. In 1999, the group jointly published a consumer advisory publication, "Looking for the Best Mortgage: Shop, Compare, Negotiate."

HUD and the **Department of Justice** have strengthened an existing agreement to crack down on hate acts involving housing discrimination. HUD will promptly refer appropriate cases to Justice for criminal prosecution. The Justice Department will notify HUD immediately if it decides a housing discrimination case does not warrant criminal prosecution, so that HUD can act quickly to file civil charges under the Fair Housing Act. DOJ will also promptly report to HUD incidents of housing-related hate violence or intimidation reported to the FBI and other Justice agencies and train HUD investigators to handle cases of housing-related violence and intimidation.

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, the Federal Reserve, the Federal Deposit Insurance Corporation** and the **National Credit Union Administration**. The **Federal Financial Institutions Examination Council** is the governing board that is responsible for collecting and disseminating this information. HMDA provides information

about how mortgage credit is provided across the country and is invaluable in assessing disparities in lending practices among mortgage lenders that affect underserved groups. HUD collects data on all FHA lenders that are not regulated by other government agencies and all other unregulated lenders. HUD works closely with FFIEC and other agencies on quality control and on joint research – for example, a data and policy analysis project with the OCC on mortgage denial rates.

### **Performance goals**

HUD aims to achieve these outcomes:

- Reduce instances of housing discrimination.
- Reduce racial segregation in American communities.
- Increase public awareness of fair housing rights and responsibilities under law.
- Increase the number of new multifamily buildings that are accessible to persons with disabilities.

A crosswalk summarizing the programmatic output and outcome indicators and targets for FY 2001 that HUD will use to measure progress toward this objective follows.

<p align="center"><b>Crosswalk for Strategic Objective 2.1: Housing discrimination is reduced.</b></p>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>2.1.1: Housing discrimination declines 2 percentage points from 1989 national levels by 2001.</p> <p>2.1.2: Racial and ethnic isolation declines from 1990 levels by 2000, as measured by segregation indices.</p> <p>2.1.3: The share of the population with adequate awareness of fair housing law increases.</p>	<p>2.1.a: HUD clients and partners have greater ability to promote fair housing, as shown by doubling enforcement actions by December 31, 2000.</p> <p>2.1.b: At least two new fair housing groups funded by the Fair Housing Initiatives Program (FHIP) will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of protected classes.</p> <p>2.1.c: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by five to a total of 93 agencies.</p> <p>2.1.d: At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 2000 levels.</p>	<p>Many people are not aware of their fair housing rights and responsibilities.</p> <p>Discrimination can be subtle as well as overt, which makes prevention and enforcement difficult.</p>
	<p>2.1.e.1: The percentage of fair housing complaints aged over 100 days will decrease by 33 percentage points from FY 1999 levels to 40 percent of the HUD inventory.</p> <p>2.1.e.2: The percentage of fair housing complaints aged over 100 days will decrease by 15 percentage points from FY 1999 levels to 45 percent of the inventory of substantially equivalent agencies.</p>	<p>FHAP agencies have the option of referring unusually complex cases to HUD for enforcement.</p>
<p>2.1.4: The share of newly constructed buildings that are accessible to persons with disabilities increases.</p>	<p>2.1.f: The number of state and local government representatives and housing professionals who are trained or provided with technical assistance regarding accessible design and construction requirements of the Fair Housing Act will increase by 5 percent over FY 2000 levels.</p>	

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 2.1.1:  
Housing discrimination declines 2 percentage points from 1989  
national levels by 2001.**

**Indicator background and context.** HUD's most recent audit of housing discrimination, conducted in 1989, revealed that the incidence of discrimination in the rental market is 53 percent for African Americans and 46 percent for Hispanics. In the sales market the rates are higher: 59 percent for African Americans and 56 percent for Hispanics. This research also revealed no evidence that the incidence of unfavorable treatment had either declined or risen from HUD's prior national audit, conducted in 1977. This indicator tracks progress in reducing the incidence of discrimination in rental and sales transactions by African Americans and Hispanics.

**Data source.** In FY 1999, HUD is implementing a 3-year 20-site national estimate of discrimination against African Americans and Hispanics in the rental and sales markets using methods based on the 1989 Housing Discrimination Study (HDS). The final report is due early in FY 2002. HUD intends to increase the sample to 40 sites in FY 2000 to produce more robust estimates of the incidence and severity of discrimination.

**Limitations/advantages of the data.** The new study will adopt core HDS methods and will provide findings that are comparable to those developed in 1989. It also will address the issue of racial steering in the sales and mortgage markets and include data on discrimination against Asian Americans and American Indians. The development of better methods will establish a more useful benchmark against which to measure future reductions in levels of racially based differential treatment.

**Validation/verification of measure.** The research will be carefully designed to produce statistically valid and reproducible estimates.

**Outcome Indicator 2.1.2:  
Racial and ethnic isolation declines from 1990 levels by 2000, as  
measured by segregation indices.**

**Indicator background and context.** Development and settlement patterns that isolate racial and ethnic minorities from broader social and economic forces have a multitude of causes, as well as many impacts. This indicator reflects HUD's mandate to enforce and promote fair housing, using two measures of segregation to track the nation's progress over the long term in integrating the population. HUD promotes housing mobility through tenant-based assistance, with housing counseling, through the development of mixed income housing that may also be racially diverse and through enforcement of fair housing law.

An index of dissimilarity is a type of segregation index that measures the extent to which minority households are unevenly distributed among geographic areas. An isolation index is another important measure of segregation that focuses on the likelihood of that a minority individual will

be exposed to non-minorities. The segregation indices used for this indicator are based on the distribution of minorities within census tracts of all metropolitan areas.

The table shows that between 1980 and 1990, African Americans experienced a modest decline in concentrations in particular neighborhoods, along with similar declines in isolation from non-minority populations. Hispanics experienced a negligible increase in concentration (i.e., a decrease in even distribution) and a substantial increase in their isolation from other groups.

	Dissimilarity (Evenness)		Isolation (Exposure)	
	1980	1990	1980	1990
Black	.736	.694	.659	.629
Hispanic	.500	.504	.451	.517
Asian and Pacific Islander	.397	.409	.205	.282
American Indian, Eskimo and Aleut	.363	.349	.065	.069

**Data source.** Tabulations of the decennial Census of Population and the American Community Survey performed by staff from the Bureau of Census. Estimates from 2000 Census data will be available in 2002.

**Limitations/advantages of the data.** The decennial Census provides the most complete and accurate data available for analyzing settlement patterns. Census data regarding race and ethnicity in 2000 are expected to be available by early 2001. The American Community Survey will begin in 2003, but sample sizes will not be adequate for tract-level estimates until 2008. ACS tract-level data eventually will be available every 5 years. Census data from 2000 may have limited comparability to earlier censuses because changes in racial and ethnic categories may lead survey respondents to identify their heritage differently. HUD will consider these issues when using and presenting the data.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. HUD will evaluate results in the light of independent research that addresses the issue of racial and ethnic comparability.

### **Outcome Indicator 2.1.3:**

#### **The share of the population with adequate awareness of fair housing law increases.**

**Indicator background and context.** Public awareness of the law concerning fair housing reduces discriminatory actions, but no nationally available data exist to estimate the extent of awareness. This indicator tracks the effect of fair housing enforcement activities and of public information campaigns funded by FHIP Education and Outreach grants on public understanding of their rights and responsibilities under the law.

**Data source.** In FY 2000, HUD is funding the first telephone survey to assess public knowledge of fair housing issues and law. Data from this survey will be used to establish a baseline for future performance goals.

**Limitations/advantages of the data.** Survey respondents could be confused by local fair housing ordinances that differ from national law, and this confusion could threaten the validity of policy conclusions. Opinions about fair housing issues also would be influenced by recent news events, which would tend to increase the statistical variance of public understanding.

**Validation/verification of measure.** The research will be carefully designed to produce statistically valid and reproducible estimates.

***Programmatic Output Indicator 2.1.a: HUD clients and partners have greater ability to promote fair housing, as shown by doubling enforcement actions by December 31, 2000.***

**Indicator background and context.** This performance indicator reflects the goal of doubling HUD enforcement actions to 2,170 during the second term of the Clinton/Gore administration (1997-2000) – compared with the 1,085 actions completed in the first term (1993-1996). HUD receives complaints of alleged housing discrimination from private citizens and interest groups throughout the nation. HUD investigates and resolves these complaints, or, as required by the Fair Housing Act, refers them for investigation to partner human rights agencies within state and local governments that have been judged to provide substantially equivalent protection from housing discrimination. (These agencies are participants in the Fair Housing Assistance Program and are known collectively as FHAP agencies).

HUD has worked diligently to increase public awareness of laws prohibiting discrimination in order to ensure that persons victimized by discrimination know how and where to file fair housing complaints. It is the Department's goal to motivate citizens who experience this kind of harm to act in order that discrimination can be identified and eliminated. In addition, HUD and its partners have worked to increase their capacity to effectively investigate a wide variety of civil rights complaints and to enforce the federal Fair Housing Act and equivalent laws. These increases in public awareness and in agency effectiveness are expected to result in larger numbers of enforcement actions being taken against discriminators. This indicator tracks the number of fair housing enforcement actions taken by HUD including charges filed against discriminators, enforcement agreements negotiated, and referrals to the Department of Justice.

**Data source.** FHEO's Title VIII Automated Paperless Office and Tracking System (TEAPOTS).

**Limitations/advantages of the data.** Tracking the number of enforcement actions taken by the Department is a valid measure of FHEO's success in reaching members of the public who have experienced discrimination and effectively processing their cases. However, this measure does not reflect work done by FHEO in accepting, investigating and bringing to appropriate close those complaints that do not merit enforcement activity.

**Validation/verification of measure.** The outcome of each complaint is recorded in TEAPOTS. Documents verifying that a particular outcome is properly considered an enforcement action are submitted to Headquarters for review and verification. In FY 2000 FHEO will develop a data quality plan to ensure that TEAPOTS data meet the Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

***Programmatic Output Indicator 2.1.b: At least two new fair housing groups funded by FHIP will serve geographic areas that are not sufficiently served by public or private fair housing enforcement organizations and that contain large concentrations of protected classes.***

**Indicator background and context.** Many communities do not have strong State or local legal protections from housing discrimination. HUD's Fair Housing Initiatives Program (FHIP) addresses this shortfall by helping independent fair housing groups to educate, to reach out, and to ensure compliance with the Fair Housing Act and the Americans with Disabilities Act. Although the number of agencies funded depends on the level of appropriations, HUD intends to increase the impact of FHIP by developing capacity in unserved or underserved areas. This indicator tracks the number of FHIP grantees newly funded in areas that are unserved or underserved either by FHIP agencies or by FHAP agencies enforcing "substantially equivalent" laws.

**Data source.** FHEO administrative data systems.

**Limitations/advantages of the data.** Grantees demonstrate in their applications that areas with defined jurisdictional boundaries are underserved.

**Validation/verification of measure.** FHEO staff independently verify that new agencies serve unserved or underserved areas.

***Programmatic Output Indicator 2.1.c: The number of enforcement agencies rated as substantially equivalent under the Fair Housing Act increases by five to a total of 93 agencies.***

**Indicator background and context.** HUD provides FHAP grants to "substantially equivalent" fair housing agencies to support fair housing enforcement. Substantially equivalent agencies are those that enforce State fair housing laws or local ordinances that are substantially equivalent to the Fair Housing Act. This indicator tracks the number of enforcement agencies that have been certified as substantially equivalent. The performance goal is based on an anticipated FY 2000 accomplishment of 88 agencies.

**Data source.** FHAP administrative data contained in FHEO's Title Eight Automated Paperless Office Tracking System (TEAPOTS).

**Limitations/advantages of the data.** This indicator uses a straight-forward and easily verifiable count of FHAP records.

**Validation/verification of measure.** Determinations of whether an agency is substantially equivalent are made by FHAP directors according to standardized decision rules. In FY 2000 FHEO will develop a data quality plan to ensure that TEAPOTS data meet the Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

***Programmatic Output Indicator 2.1.d: At least 25 percent of FHAP grantees increase enforcement actions by 20 percent above FY 2000 levels.***

**Indicator background and context.** Increasing the production of enforcement actions by fair housing agencies boosts the visibility of fair housing laws, forces potential violators to stop discriminating, and reduces HUD's enforcement workload. This indicator tracks the number of substantially equivalent FHAP grantees that post significant increases in enforcement activity. Memoranda of understanding with FHAP grantees will be modified to reflect this goal.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** Although the data are self-reported by FHAP agencies, TEAPOTS controls quality by tracking the progress of cases from receipt through closure.

**Validation/verification of measure.** FHEO will review the investigation reports of the agencies for comprehensiveness and completeness. In FY 2000 FHEO will develop a data quality plan to ensure that TEAPOTS data meet the Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

***Programmatic Output Indicator 2.1.e.1: The percentage of fair housing complaints aged over 100 days will decrease by 33 percentage points from FY 1999 levels to 40 percent of the HUD inventory.***

**Indicator background and context.** The efficiency of enforcement processing is an important dimension of the fair housing performance of HUD and of substantially equivalent agencies. Speedy processing encourages victims of discrimination to file complaints and increases the likelihood that violations will be punished. This indicator tracks processing time for fair housing complaints handled by HUD, including time for determination of jurisdiction and for conducting investigations and conciliation. At the end of FY 1999, 73 percent of fair housing complaints in the HUD inventory were aged over 100 days. The following indicator establishes a parallel goal for FHAP agencies.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** The data represent a "snapshot" of the fair housing case inventory carried by HUD as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints, without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.

**Validation/verification of measure.** TEAPOTS incorporates controls to ensure data quality. In FY 2000 FHEO will develop a data quality plan to ensure that TEAPOTS data meet the

Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

**Programmatic Output Indicator 2.1.e.2: The percentage of fair housing complaints aged over 100 days will decrease by 15 percentage points from FY 1999 levels to 45 percent of the inventory of substantially equivalent agencies.**

**Indicator background and context.** As in the above indicator, efficient enforcement processing by FHAP grantees, or substantially equivalent agencies, is an important dimension of fair housing enforcement. This indicator tracks processing time for fair housing complaints, including time for determination of jurisdiction and for conducting investigations and conciliation. At the end of FY 1999, 60 percent of fair housing complaints in the inventory of substantially equivalent agencies were aged over 100 days.

**Data source.** FHEO's TEAPOTS.

**Limitations/advantages of the data.** The data represent a "snapshot" of the fair housing case inventory carried by substantially equivalent agencies as of the last date of each fiscal year, and thus do not necessarily reflect typical case processing times throughout the year. The year-end snapshot measures overall efficiency in handling complaints without being unduly affected by a few complex or far-reaching cases requiring investigative periods extending far beyond 100 days.

**Validation/verification of measure.** TEAPOTS incorporates controls to ensure data quality. In FY 2000 FHEO will develop a data quality plan to ensure that TEAPOTS data meet the Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

**Outcome Indicator 2.1.4: The share of newly constructed buildings that are accessible to persons with disabilities increases.**

**Indicator background and context.** The Fair Housing Act requires public areas and some apartments in newly constructed multifamily housing to be accessible to persons with disabilities. A directive from the House Appropriations Committee requires HUD to work with fair housing advocates, advocates for the disabled, and users and providers of multifamily housing (planners, builders, developers, sellers, renters, architects and building code officials) to develop a plan for educating the latter group about the requirements of the Fair Housing Act regarding accessible housing. HUD must submit this plan to the House by February 29, 2000.

By the end of FY 2001, HUD will develop approaches to fair housing enforcement and educational policy to increase the accessibility of newly constructed housing. HUD has requested increased funding in FY 2001 associated with this initiative. Future refinements of this indicator will track the impact of HUD efforts upon the housing choices available to disabled citizens.

**Data source.** In FY 2000, HUD completed an initial study of compliance with accessibility standards that demonstrated an appropriate methodology for measuring compliance. HUD will use this methodology to track changes in the level of compliance with accessibility standards in newly constructed multifamily housing. Surveys will be replicated biennially.

**Limitations/advantages of the data.** The surveys will be the only nationally representative studies tracking trends in multifamily building practice regarding accessibility.

**Validation/verification of measure.** The research will be carefully designed to produce statistically valid and reproducible estimates.

***Programmatic Output Indicator 2.1.f: The number of state and local government representatives and housing professionals who are trained or provided with technical assistance regarding accessible design and construction requirements of the Fair Housing Act will increase by 5 percent over FY 2000 levels.***

**Indicator background and context.** HUD is analyzing an initial study of the extent of compliance with accessibility requirements by architects and builders, and also is attempting to determine causes of noncompliance – although a simple lack of understanding of the Fair Housing requirements is recognized as one of the most basic reasons that non-compliant housing is constructed. This indicator reflects the need to promote awareness of professional responsibilities in order to ensure that newly-constructed multifamily housing is accessible to persons with disabilities.

FHIP is providing funding for the Project for Accessibility Training and Technical Assistance and establishing a new Fair Housing Training Academy for providing accessibility education to fair housing professionals. FHIP and FHAP are jointly funding accessibility awareness through the Fair Housing Partnerships. The FHAP increase in the Fair Housing Partnership funds will focus efforts on accessibility awareness for state and local government fair housing agencies and private fair housing groups. FHEO also is establishing four regional technical assistance centers to respond to accessibility-related needs.

**Data source.** Fair Housing Training Academy administrative data. The FY 2000 baseline will be determined in FY 2000 as FHEO implements the pilot project.

**Limitations/advantages of the data.** The data system has not yet been developed and tested.

**Validation/verification of measure.** Output data for the training program are subject to audit. In FY 2000 FHEO will develop a data quality plan to ensure that program data meet the Chief Information Officer's criteria for completeness, accuracy, timeliness, validation and integrity.

## **Objective 2.2: Low-income people are not isolated geographically in America.**

### **Overview**

Reducing the geographic isolation of low-income people is key to HUD's Strategic Plan. The extent to which HUD succeeds in its other Strategic Objectives will depend greatly upon its successes in creating greater choice and housing mobility for lower income and minority families and in reducing concentrations of poverty.

### **External factors**

HUD's efforts to reduce concentrations of poverty include revitalization of distressed neighborhoods. The success of this revitalization will depend on an explicit and successful effort to attract new residents with a range of incomes to these neighborhoods. Yet many factors such as high taxes, crime, poor schools, and high density areas, discourage people from living in central cities, especially in poorer neighborhoods. Such factors affect HUD's ability to promote economic integration. Many inner-city minorities may fear that they will be displaced by white, middle-class "gentrifiers."

HUD also tries to reduce the isolation of low-income people by increasing affordable housing opportunities in low-poverty neighborhoods. Suburban communities frequently resist development of low-income housing or in-migration of households receiving rental assistance, fearing declines in community quality of life and property values. Such fears persist despite evidence from scholars showing that subsidized housing generally does not lead to neighborhood decline. Even when tenant-based rental vouchers provide very-low-income persons an opportunity to move to better neighborhoods, many prefer to remain in or nearer to familiar areas.

### **Means and strategies**

On this issue, HUD combines the roles of enforcer of fair housing laws with those of opportunity generator and awareness builder. HUD will continue to:

- Ensure that housing opportunities are available without discrimination, through compliance reviews and complaint investigations of entities receiving Federal financial assistance.
- Create housing opportunities in neighborhoods closer to jobs, good schools, and public transportation resources, through the use of Section 8 vouchers.
- Through HUD's Community Builders, help PHAs reach out to additional groups of landlords and encourage them to participate in the Section 8 voucher program.
- Seek to preserve project-based assisted housing in low-poverty neighborhoods.

- Encourage income mixing in existing and transformed public housing projects to reduce the isolation of extremely-low income families.
- Encourage the use of HOME funds for mixed-income rental projects that provide housing opportunities for extremely low-income families.
- Produce and support national research on poverty and deconcentration and on strategies for overcoming the isolation of low-income families.

**Regional Connections** is a FY 2000 budget initiative re-proposed in FY 2001 that furthers this objective. Regional Connections provides competitive funding to partnerships of local governments and States to develop and implement new, locally driven growth strategies across jurisdiction lines, strategies can include building affordable housing near jobs. Components of the **Community Empowerment Fund (CEF)** and the **American Private Investment Companies (APICs)** will also support this objective.

**Programs supporting Objective 2.2: Low-income people are not isolated geographically in America.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
HOME Investment Partnerships program	1,500	1,600	1,600	1,650
Regional Connections	0	0	0	25
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-Based)	11,322	10,327	11,481	14,128
Housing Production Program	0	0	0	[66]
Voucher Success Fund	0	0	0	[50]
Welfare-to-Work vouchers	0	[283]	0	[183]
Revitalization of Severely Distressed Public Housing (HOPE VI)	550	625	575	625
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	15	23	27	29
Fair Housing Assistance Program	15	17	20	21
<b>Housing</b>				
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount

devoted to this objective. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

### **Coordination with other Federal agencies**

Based on the Department's successful experiences with the pilot Bridges to Work program, the Department provides advice to the **Department of Transportation** on policy issues relate to their two new grant programs approved by Congress, Access to Jobs and Reverse Commute.

### **Performance goals**

HUD will achieve these outcomes:

- Reduce income isolation.
- Increase the share of Section 8 families with children living in low-poverty neighborhoods.
- Increase the share of households in public housing that live in mixed-income developments.

A crosswalk summarizing the indicators HUD will use to measure progress toward this objective follows.

<b>Crosswalk for Strategic Objective 2.2:                      Low-income people are not isolated geographically in America</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
2.2.1: Income isolation declines from 1990 levels by 2000, as measured by a segregation index.		As inner suburbs age they in turn are experiencing middle-class flight. Continued development of edge suburbs and gated communities is reinforcing patterns of income isolation. HUD's control over land use and development patterns is slight.
2.2.2: Among families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 1 percent annually to 62 percent, or 880,000 households.		
2.2.3: The share of households living in public housing family developments that have mixed incomes increases by 3 percentage points.		

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 2.2.1:  
 Income isolation declines from 1990 levels by 2000, as measured by a segregation index.**

**Indicator background and context.** An income segregation index (also called an index of dissimilarity) measures the extent to which poor households are unevenly distributed among geographic areas. In this case, the weighted average of the distribution across census tracts of all metropolitan areas would be used.

**Data source.** Tabulations of the decennial Census of Population and the American Community Survey performed by staff from the Bureau of Census. Estimates from 1990 Census data prepared by Census Bureau staff will be reviewed in FY 2000 for their usefulness as a baseline. Estimates using 2000 Census data will be available in 2002.

**Limitations/advantages of the data.** The decennial Census provides the most complete and accurate data available for analyzing settlement patterns. Economic data from the 2000 Census will be available in 2002. The American Community Survey will begin collecting rolling samples

in 2003, but sufficient data will not be available for tract-level estimates until 2008. ACS tract-level data eventually will be available every 5 years.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

**Outcome Indicator 2.2.2:**

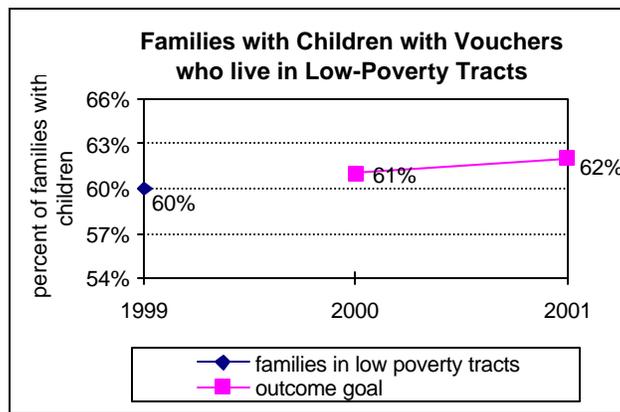
**Among families with children that receive Section 8 certificates or vouchers, the share that live in census tracts with poverty rates below 20 percent increases by 1 percentage point annually to 62 percent, or 880,000 households.**

**Indicator background and context.** The tenant-based Section 8 program provides rental assistance vouchers, which tenants can apply toward rent of housing in any area. Section 8 vouchers enable poor families to escape job-poor and distressed neighborhoods, but counseling is often necessary to inform recipients of their options. This indicator measures the impact of the housing choice provided by the tenant-based Section 8 program by tracking the share of families with children that use their vouchers in census tracts with poverty rates below 20 percent. In 1999, 60 percent of voucher-assisted families with children lived in these low-poverty tracts. The FY 2001 goal is based on projected FY 2000 accomplishment of 61 percent of the 1.42 million households living in sound neighborhoods with poverty rates below 20 percent.

**Data source.** Multifamily Tenant Characteristics System (MTCS). Tract poverty rates are from the decennial Census of Population and ACS. Estimates using of tract poverty using 2000 Census data will be available in 2002.

**Limitations/advantages of the data.**

MTCS data for Section 8 tenant-based programs are relatively complete, with reporting rates of about 94 percent of households. Tract poverty rates may change when updated with 2000 Census data. ACS will begin collecting rolling samples in 2003, but data will not be sufficient for tract-level estimates until 2008. ACS tract-level data eventually will be available every 5 years. Automatic Section 8 deconcentration reports at the PHA and tract levels were added to MTCS in FY 1999 to help field offices and housing authorities promote deconcentration.



**Validation/verification of measure.** The validity of tenant data, collected and submitted by housing authorities, is checked automatically by MTCS. The performance goal is likely to require recalibration when tract poverty data are updated with 2000 Census data.

**Outcome Indicator 2.2.3:**

**The share of households living in public housing family developments that have mixed incomes increases by 3 percentage points.**

**Indicator background and context.** The public housing reform law requires housing authorities to adopt admission guidelines to encourage income mixing and provides housing authorities with discretion to set rents in a way that attracts and retains working families and helps existing families to become self-sufficient.

For this indicator, a “mixed income” family development is defined as a public housing development where (1) at least 75 percent of households are families with children, and (2) extremely-low income households constitute no fewer than 20 percent nor more than 70 percent of households in the development. Preliminary analysis indicates that about 13 percent of family developments larger than 150 households currently meet this definition.

**Data source.** PIH Multifamily Tenant Characteristics System (MTCS), consisting of household data collected and submitted by housing authorities. The FY 2000 baseline will be determined in FY 2001.

**Limitations/advantages of the data.** MTCS data for public housing programs are relatively complete, with reporting rates of about 91 percent of households. Income data may not be reliable for some PHAs, but income matching studies are expected to lead to considerable improvements.

**Validation/verification of measure.** The validity of tenant data is checked automatically by MTCS.

## **Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced.**

### **Overview**

Homeownership rates remain substantially lower among minorities than among whites. In the third quarter of 1999, 47 percent of African-American households and 45.5 percent of Hispanic households were homeowners, compared with 73.5 percent of non-Hispanic white households. Research shows that these gaps exist regardless of income. Both higher income and lower income minorities are less likely to own their homes than white households of comparable incomes. Despite the remaining gaps, African-American and Latino households made faster gains in homeownership rates than other groups over the past seven years.

Reducing these disparities is an important objective of many of HUD's programs. FHEO fair lending activities include best practices agreements with mortgage banking institutions around the nation and voluntary affirmative marketing agreements with the National Association of Homebuilders, National Association of Real Estate Brokers, and the Association of Real Estate License Law Officials. In addition, HUD signed an agreement with the National Association of Realtors to develop a training and certification program for real estate professionals intended to dismantle barriers to homeownership and encourage real estate professionals to further the President's goal of One America.

Other programs that support this objective include: FHA insurance, Ginnie Mae's targeted lending initiative, CDBG and HOME homeownership activities, housing counseling, GSE regulation and homeownership through Section 8 vouchers and public housing. The many partners joining with HUD in the National Homeownership Strategy are also taking actions to close the homeownership gap and increase the overall homeownership rate by expanding opportunities to buy a home and by fighting discrimination against minorities and female-headed households. Finally, the Department has begun the One Million Homes Initiative, a private-public partnership between HUD, the National Association of Homebuilders and the U.S. Conference of Mayors that aims to construct an additional one million new homes in targeted urban areas across the nation over the next ten years.

### **External factors**

Historical patterns of discrimination and differences in schooling and income levels make it more difficult for minorities to secure the income and credit history needed to become homeowners. Also, many private lenders need to continue developing credit assessment tools and loan products for traditionally underserved groups to better reach these markets.

## **Means and strategies**

The responsibility to ensure equal opportunity in homeownership for racial and ethnic groups is a focus and responsibility for all program areas: housing, community development, public housing, and fair housing, as well as many of the core Community Builder activities. Most HUD homeownership programs and initiatives target assistance to low- and moderate-income Americans, who are disproportionately members of racial or ethnic minorities. Initiatives aimed at central cities and distressed neighborhoods typically also benefit minorities, as do virtually all of HUD's housing counseling and fair housing programs. The fair housing programs fulfill the dual mission of cracking down on discrimination and providing education and outreach to potential homeowners, lenders, and others involved in the home buying process.

HUD will continue to work to:

- Enforce fair housing laws to reduce the number of minority families denied mortgage credit and homeownership opportunities.
- Continue outreach nationally to lenders, real estate brokers, and builders, including signing best practices agreements, in support of fair mortgage lending.
- Support home purchase among minorities in central cities.
- Ensure equal treatment of minorities by HUD grantees.
- Through HUD regulation of housing GSEs, encourage more mortgage funds for minority homebuyers.
- Increase Ginnie Mae activities that increase capital available for targeted efforts to underserved areas.
- Expand homeownership units available nationally and to targeted distressed communities through HOPE VI, the HOME program and the One Million Homes initiative.
- Increase FHA endorsements for minority homebuyers through marketing, outreach and education.
- Continue comprehensive research on fair lending discrimination.
- Further the availability of information on homeownership assistance through HUD storefronts and kiosks.
- Through outreach by the Community Builders, initiate local best practices agreements, sponsor and participate in homeownership fairs, and work with local communities to promote and encourage Fair Housing and related issues.
- Through Public Trust Officers, ensure the efficient operation and use of HUD programs and funding.

**Programs supporting Objective 2.3: Disparities in homeownership rates among racial and ethnic groups are reduced.**

(Dollars in Millions)

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
HOME Investment Partnerships program	1,500	1,600	1,600	1,650
Regional Connections	0	0	0	25
<b>Public and Indian Housing</b>				
Native American Home Loan Guarantee Commitment Level	{62}	{69}	{72}	{72}
Native American Home Loan Guarantee Program Account	5	6	6	6
Revitalization of Severely Distressed Public Housing	550	625	575	625
<b>Housing</b>				
FHA:MMI Commitment Level	{100,245}	{123,546}	{140,000}	{160,000}
FHA:MMI Program Account	338	329	491	491
Housing Counseling Assistance	[20]	[18]	[15]	[24]
Oversight of housing GSEs (Fannie Mae and Freddie Mac)	0	0	0	0
<b>Ginnie Mae</b>				
Government National Mortgage Association/Commitment Level	{130,000}	{200,000}	{200,000}	{200,000}
Government National Mortgage Association/Program Account	9	9	9	9
Targeted Lending Initiative	0	0	0	0
<b>Fair Housing and Equal Opportunity</b>				
Fair Housing Initiatives Program	15	23	24	29
Fair Housing Assistance Program	15	17	20	21

Note: Brackets reflect funding as a set-aside and braces represent loan commitments supported by the specified program area. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

## **Coordination with other Federal agencies**

HUD coordinates the National Partners for Homeownership, which includes 66 national partners working to cut the costs of homeownership, and remove barriers, open markets and expand opportunities for homeownership. Federal Agencies that have joined this partnership include the Departments of **Agriculture, Veterans Affairs, Energy and Treasury**. One of the four main goals of the National Partners is to promote fair housing, fair lending and increase outreach to underserved groups.

HUD chairs the Interagency Task Force on Fair Lending. Through this Task Force, HUD works with the **Department of Justice, Department of the Treasury, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, and Office of Thrift Supervision** to reduce discrimination by lenders of all types. The task force addresses issues such as the impact on fair lending of predatory lending practices, and the effect of credit scoring and automated underwriting on the availability of mortgage credit to minorities.

## **Performance goals**

HUD aims to achieve these outcomes:

- Increase homeownership opportunities for minorities and reduce the disparity between homeownership rates of minorities and nonminorities of equal income.
- Reduce the disparity between mortgage disapproval rates of minorities and nonminorities.

<b>Crosswalk for Strategic Objective 2.3:                      Disparities in homeownership rates among racial and ethnic groups are reduced</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
2.3.1: The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 77.0 percent.  2.3.2: The ratio of mortgage disapproval rates between non-Asian minority and other applicants decreases by 1 percentage point in 2000.	2.3.a: The share of minority homebuyers among FHA mortgage endorsements increases by 1 percentage point to 39.1 percent (also appears as 1.1.j).  2.3.b: Section 184 mortgage financing is guaranteed for 275 additional Native American homeowners during FY 2001 (see table under 1.2.d).  2.3.c: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases (also appears as 1.1.i.).	Historical patterns of discrimination and differences in education and income levels make it difficult for some groups to become homeowners.

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 2.3.1:**

**The ratio of homeownership rates of minority and nonminority low- and moderate-income families with children increases by 0.4 percentage points to 77.0 percent.**

**Indicator background and context.** The President's National Homeownership Strategy and the National Homeownership Partnership have established the goals of increasing homeownership and removing barriers to homeownership by minorities. Homeownership rates are most susceptible to policy intervention among renters who are marginally creditworthy, discouraged by discrimination, or unaware of the economic benefits of homeownership. This indicator tracks progress in reducing these barriers to homeownership among racial and ethnic minorities, as measured by the ratio of minority homeownership rates to homeownership of non-Hispanic whites. The effects of income and household type are controlled by comparing homeownership rates for low- and moderate-income families with children (those with incomes of 51 to 120 percent of area median). The FY 2001 performance goal is based on projected achievement of 76.6 percent by FY 2000, as determined by 1999 data.

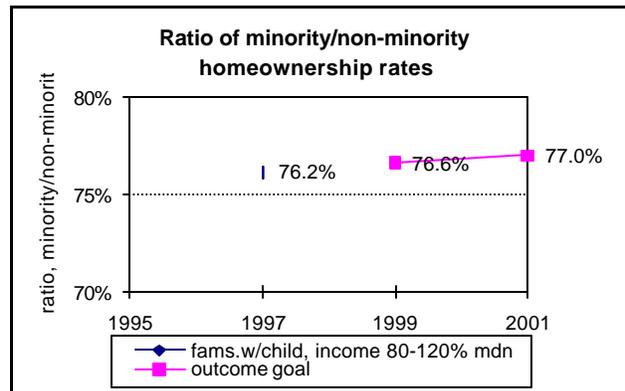
**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are published biennially. HUD expects that AHS data from 2001 will be available by the end of FY 2002 because of recent implementation of computer-aided interviewing. AHS sample sizes do not support detailed income and ethnicity breaks.

**Validation/verification of measure.**

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.



**Outcome Indicator 2.3.2:**

**The difference in home purchase mortgage disapproval rates between non-Asian minority and other applicants decreases by 1 percentage point in 2000.**

**Indicator background and context.** Equal access to home loans is critical for decreasing disparities in homeownership rates. Mortgage disapproval rates for minorities are an early indicator of trends in minority homeownership rates. In some cases lenders have been shown to discriminate against minority applicants for mortgages by disapproving their mortgages while approving nonminorities who were less creditworthy or had less income. FHEO with the assistance of Community Builders will continue to sign fair lending best-practice agreements with major mortgage lending institutions across the country. In addition, HUD oversees the two largest secondary mortgage market lenders, Fannie Mae and Freddie Mac, on housing goals that encourage increased lending to minorities. This indicator tracks home purchase mortgage disapproval rates of minorities that traditionally have had limited access to traditional housing markets – African Americans, Hispanics, Native Americans, and other minorities except Asians – and compares them to disapproval rates of nonminorities.

**Data source.** Home Mortgage Disclosure Act (HMDA) database, consisting of data submitted by lenders to the Federal Financial Institutions Examination Council (FFIEC) and HUD. This indicator will not include refinance mortgages, which have a higher proportion of subprime lenders, and will net out manufactured home mortgages because a recent increase of reporting by manufactured home lenders in HMDA causes difficulties in interpreting the overall data. HUD also will exclude loans made by lenders specializing in manufactured home loans because the large number of mortgage denials from these lenders would skew the overall data. A baseline will be determined in 2000 using calendar 1999 data.

**Limitations/advantages of the data.** The data are not able to fully demonstrate discriminatory practices because minority status is correlated with other factors that affect creditworthiness, and because lender outreach to minorities sometimes increases the denial rates even as it increases the number of minority homeowners. There is no reliable way to identify loans from subprime lenders in HMDA data, and the effect of subprime loan applications on home purchase denial rates is unclear.

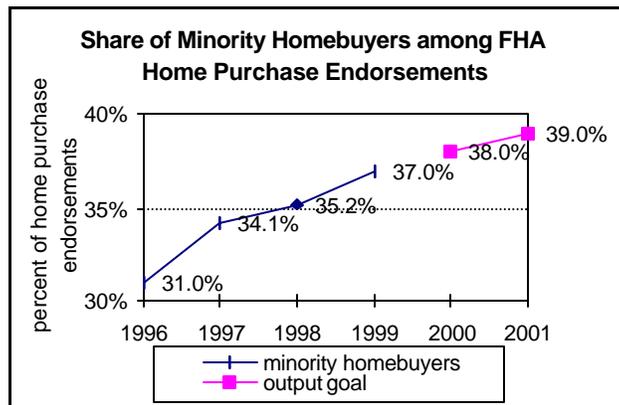
**Validation/verification of measure.** The FFIEC and HUD use automated data quality procedures to verify that data submissions are reasonable and accurate.

***Programmatic Output Indicator 2.3.a: The share of minority homebuyers among FHA home purchase endorsements increases by 1 percentage point to 39 percent.***

**Indicator background and context.** FHA is a major source of mortgage financing for minority as well as lower income buyers. Increasing the number of FHA endorsements for minority homebuyers will help reduce the homeownership gap between whites and minorities as well as increase the overall homeownership rate. In FY 1999, 37.0 percent of the 1.29 million home purchase endorsements were for minority or undetermined borrowers. The FY 2001 performance goal is based on expected accomplishments of 38.0 percent in FY 2000.

**Data source.** FHA's Single Family Data Warehouse, based on F42 Consolidated Single Family Statistical System, which contains data submitted by direct-endorsement lenders.

**Limitations/advantages of the data.** For this indicator, "minority" is defined as non-white non-Hispanic, and a small number of persons with race reported as "other" and "unknown." The share of borrowers with undetermined race or ethnicity may increase as more people claim multi-racial identity.



**Validation/verification of measure.** FHA data are entered by direct-endorsement lenders with monitoring by FHA. FHA staff verify single-family mortgage transactions using quality assurance sampling methods.

***Programmatic Output Indicator 2.3.b: Section 184 mortgage financing is guaranteed for 275 new Native American homeowners during FY 2001.***

**Indicator background and context.** Homeownership rates on reservations are low and housing needs are great. NAHASDA block grants provide housing assistance to many Native Americans. This indicator tracks the number of homeownership loans for Native Americans

under another program, the Section 184 Indian Home Loan program for families living on reservations. In FY 1999, 176 loans were guaranteed, raising the cumulative total to 590. The FY 2001 goal is an increase from the FY 2000 goal of 220 new loan guarantees. This indicator also contributes to Strategic Objective 1.1, “Homeownership is increased,” and data are presented under Programmatic Output Indicator 1.2.d.

**Data source.** Office of Native American Programs administrative data.

**Limitations/advantages of the data.** The indicator uses a straight-forward and easily verifiable count of administrative records.

**Validation/verification of measure.** Program directors will review administrative records.

***Programmatic Output Indicator 2.3.c: Fannie Mae and Freddie Mac meet or surpass HUD-defined targets for special affordable mortgage purchases.***

**Indicator background and context.** Special affordable mortgage purchases by GSEs contribute to minority homeownership because of the correlation of low incomes and minority status. This indicator is the same as Programmatic Output Indicator 1.1.i, discussed under Strategic Objective 1.1, “Homeownership is increased.”



**STRATEGIC GOAL 3:  
PROMOTE SELF-SUFFICIENCY AND ASSET DEVELOPMENT  
BY FAMILIES AND INDIVIDUALS**

**Strategic Objectives:**

- 3.1 Homeless families and individuals become self-sufficient.**
- 3.2 Poor and disadvantaged families and individuals become self-sufficient and develop assets.**

HUD has a mission and history of providing support to residents of public and assisted housing to help them attain self-sufficiency. HUD's efforts, which go back almost 20 years, predate recent changes resulting from welfare reform. The Department has long understood that with appropriate supports, families who live in public or assisted housing can make the transition from welfare to work, and in many cases can also move from assisted housing. Whether through programs for resident management and ownership of public housing or through direct education and skills training, these programs have focused on providing individuals with the wide array of skills necessary to achieve financial self-sufficiency and self-respect.

Recently, HUD has adjusted its self-sufficiency programs to give them a stronger focus on the work-first philosophy of welfare reform. An ongoing study by ICF Consulting of HUD's welfare-to-work programs assessed them in the context of the literature on welfare-to-work programs, and found that HUD's program designs reflect many of the most successful program elements described in the literature. HUD's role in encouraging self-sufficiency has been broader than simply providing education and training. Because the Department understands the importance of incentives to work, HUD has made changes in its income determination and rent-setting policies to reduce disincentives to work that result when rent is set at a percent of income. Thus, flat rents, ceiling rents, income disregards and other tools can help remove disincentives to increasing one's income. Further, to overcome the isolation often experienced by residents of public and assisted housing, HUD has forged partnerships at the Federal level to assure that HUD clients are well served by the self-sufficiency programs sponsored by its sister agencies.

HUD also has a long history of providing support to homeless individuals and families, and has increased its efforts to help them achieve self-sufficiency. The way communities work to address homelessness has been revolutionized by the Continuum of Care approach designed by HUD. The Continuum of Care strategy is used by communities nationwide to organize and deliver housing and services to homeless persons as they move off the streets, into stable housing, and towards self-sufficiency.

## **Objective 3.1: Homeless families and individuals become self-sufficient.**

### **Overview**

The need for homeless assistance remains acute. In 1987 an estimated 600,000 persons in the United States were homeless on any given night. A landmark study released in December of 1999, *Homelessness: Programs and the People They Serve*, reports that most people who become homeless have suffered severe hardships – including physical and sexual abuse, childhood trauma, poverty, poor education, disability, and disease. The report also shows that when homeless people get housing assistance and needed services – such as health care, substance abuse treatment, mental health services, education and job training – 76 percent of those living in families and 60 percent of those living alone end their homeless status and move to an improved living situation. HUD's Continuum of Care system, which coordinates Federal, State, and local resources and services for homeless people, is key to helping homeless persons to attain transitional and permanent housing.

The Continuum of Care approach is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of unmet needs – physical, economic, and social. The 1999 study confirms that homelessness is associated with a broad range of problems:

- **Serious problems since childhood are common among homeless people**, with 25 percent reporting childhood physical or sexual abuse, 33 percent reporting running away from home, and 27 percent saying they lived in foster care, a group home or other institution as a child.
- **Homeless people are among the poorest in the nation**, with incomes averaging half the federal poverty level. In the 30 days before they were surveyed, single homeless people reported a mean income of \$348, and homeless families reported a mean income of \$475. In addition, 40 percent of homeless people surveyed went without food one or more days in the previous month because they couldn't afford food, compared with 3 percent of other poor Americans.
- **Health and disability problems are common among homeless people**. When survey participants were asked about their health in the previous month, 46 percent said they had a chronic health problem such as arthritis or cancer, 39 percent reported a mental health problem, 38 percent reported an alcohol problem, and 26 percent reported a drug problem. Fifty-five percent said they had no medical insurance.
- **Homeless people have low educational levels**. The survey found that 38 percent of homeless people have less than a high school diploma, compared with 18 percent of the overall population. This makes it harder for homeless people to get jobs.

Because of this complex causality, the coordination of housing and supportive services is crucial to breaking the cycle of homelessness. Given the variety of individual needs and locally available resources, each community can best design its own strategies to help each homeless person and family achieve permanent housing and self-sufficiency. HUD's homeless assistance programs provide needed resources and set a framework to guide localities while encouraging innovation. HUD's Continuum of Care program – which recently won the prestigious Harvard University Kennedy School of Government/Ford Foundation Innovations in American Government Award – provides an effective approach to addressing homelessness.

In addition to the Homeless Assistance Grants Programs, HUD's Section 8 vouchers are a valuable resource to help homeless people move from transitional housing into the housing mainstream. Like many HUD programs, Section 8 is also a valuable tool in homelessness prevention – allowing families with extremely low incomes to remain well-housed. Other housing and community development programs, such as public housing, CDBG, HOME and HOPWA, provide resources that at local discretion may be targeted to aid the homeless.

### **External factors**

Success in aiding the homeless to become self-sufficient is affected by a variety of factors beyond HUD's control and depends critically on the efforts of a wide variety of community partners. The incidence of homelessness is affected by macroeconomic forces such as unemployment levels, structural factors such as the supply of low-skilled jobs and the availability of low-cost housing. Personal factors such as domestic violence, substance abuse, disabilities, and the extent of a person's educational or job skills may also underlie homelessness.

Participation levels by partners in the Continuum of Care effort – including State and local agencies, nonprofit organizations, service providers, housing developers, neighborhood groups, private foundations, the banking community, local businesses, and current and former homeless persons – will substantially determine the success of homeless families and individuals in becoming more self-sufficient. State and local governments also make critical decisions about zoning and the use of funds from programs such as CDBG, HOME, and tax-exempt bonds for rental housing, which may affect the local housing supply.

### **Means and strategies**

HUD will:

- Provide continued support for vital housing and service programs and new funding to fill housing and services gaps locally through Homeless Assistance Grants.
- Promote and facilitate a community-based process that responds comprehensively to the varying needs of homeless individuals and families by consulting with all relevant local and State groups to identify gaps and set priorities to meet those gaps.

- Encourage HUD Homeless Assistance Grantees that serve veterans to contact their local VA agency to link their programs with existing supportive service organizations that serve veterans.
- Train and fund communities to plan and execute a comprehensive, coordinated delivery system for homeless services – from outreach, intake, and assessment through emergency and transitional housing, to permanent independent or supportive housing.
- Aid in the transition to permanent housing through housing resources directed to the homeless, including incremental Section 8 vouchers.
- Encourage grantees to use CDBG, HOME, and HOPWA funds to aid the homeless and increase the supply of housing affordable to the poor.
- Through Community Builder efforts, assist communities in finding local partners and resources to leverage McKinney Homeless funds.

The FY 2001 budget requests increased funding for Homeless Assistance Grants (\$180 million), including \$105 million for 18,000 vouchers to help homeless persons move from transitional to permanent housing. The budget proposes that beginning in FY 2001 Shelter Plus Care renewals are funded in the Housing Certificate Fund, freeing \$185 million for the Homeless Assistance Grant account that would have gone to fund these renewals.

**Programs supporting Objective 3.1:  
Homeless families and individuals become self-sufficient.**

*(Dollars in Millions)*

Program	FY 1998 act.	FY 1999 act.	FY 2000 est.	FY 2001 est.
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
HOME Investment Partnerships Program	1,500	1,600	1,600	1,650
Homeless Assistance Grants	823	975	1,020	1,200
HOPWA	204	225	232	260
<b>Public and Indian Housing</b>				
Section 8 vouchers for the homeless	0	0	0	[105]

Note: Brackets reflect funding as a set-aside. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

**Coordination with other Federal agencies**

HUD chairs the Interagency Council on the Homeless which includes the **Departments of HHS, Agriculture, Commerce, Education, Energy, Justice, Labor, Defense, Interior**

and **Transportation** as well as **the Veterans' Administration**, 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 will join 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 and HCFA services to integrate homeless persons with severe mental disabilities and/or problems with substance abuse into the community rather than the traditional group home and 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.

In 1997, HUD and **HHS** provided funds for technical assistance to five cities for integrating local service systems to reach the most difficult to serve portion of the homeless population, those with multiple diagnoses. The results of these technical assistance efforts will be realized in FY 2001 when cities begin to use instruction manuals helping them think through how to integrate services and housing for this challenging population.

HUD is working with the **Veterans Administration** 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 are working together on a report to Congress, due in February 2000, which will address how well and to what extent homeless veterans are being served.

HUD and **HHS** are also jointly offering training on how to develop Safe Havens for mentally ill homeless.

## **Performance goals**

HUD will work to:

- increase the share of homeless persons moving from transitional to permanent housing and becoming self-sufficient.
- expand the Continuum of Care program.
- increase resources for homeless facilities.

<b>Crosswalk for Strategic Objective 3.1: Homeless families and individuals become self-sufficient</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>3.1.1: The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 1 percentage point to 37 percent.</p> <p>3.1.2: The number of formerly homeless persons who move into HUD McKinney-funded permanent housing increases.</p>	<p>3.1.a: The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point to 84.5 percent.</p> <p>3.1.b: The ratio of outside funds leveraged by HUD homeless funds remains at or above 3:2.</p> <p>3.1.c: The number of HUD-funded transitional housing beds increases.</p> <p>3.1.d: At least 90 percent of EZs and ECs achieve local goals in serving homeless persons (also appears at 4.2.b.5).</p>	<p>Homelessness has multiple and interacting causes including low job skills, substance abuse, mental illness and disabilities, and shortages of affordable housing.</p> <p>Homeless assistance is affected by the level of funding appropriated by Congress and by local use of funds.</p> <p>The Department of Health and Human Services has four programs that fund services for the homeless population, and the Veteran's Administration serves homeless veterans.</p>

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 3.1.1:**

**The share of those homeless persons leaving HUD transitional housing who move to permanent housing increases by 1 percentage point to 37 percent.**

**Indicator background and context.** The ultimate objective of homeless assistance is to help homeless families and individuals achieve permanent housing and self-sufficiency. The needs of the homeless subpopulations within a particular community are varied. Some need extensive supportive services while in permanent housing to maintain self-sufficiency. For others, market-rate housing with minimal services is adequate.

There also is a significant percentage of homeless persons living in transitional housing who drop out or fail to complete the program for various reasons such as simply disappearing, going back to homelessness or to live with their families, or failing to participate in their service plans. For some potential graduates there may not be sufficient permanent housing available to meet their needs, or the permanent housing may not have appropriate services. The frequency with which participants choose or are forced to accept these paths prevents rapid improvement in graduation rates. A Continuum of Care evaluation is being undertaken that will help improve understanding of the impact of local policies upon graduation rates.

This indicator tracks the percentage of persons who leave HUD-funded transitional housing whose lives are sufficiently stabilized to move to permanent housing each year. The Department's FY 1999 and FY 2000 appropriations language specified that at least 30 percent of Housing Assistance Grants funds be used for permanent housing for the homeless. A sample

of Annual Performance Reports for projects operating in 1997 shows that 35 percent of persons in transitional housing made the move to permanent housing. The FY 2001 goal is an increase over projected FY 2000 results of 36 percent.

**Data source.** Annual Performance Reports (APRs) submitted by recipients of Homeless Assistance Grants. In late 2001, grantees will begin submitting APRs electronically in DGMS, and the system is expected to be fully populated by the end of 2002.

**Limitations/advantages of the data.** Paper APRs are being entered in a database to provide reliable estimates on an interim basis. Conversion to direct electronic reporting will eliminate transmission lags of the paper-based reporting system and increase response rates, providing significantly more reliable estimates. APRs will continue to report results achieved with funding from previous years.

**Validation/verification of measure.** CPD field staff monitor grantees on a sample basis to verify APRs.

### **Outcome Indicator 3.1.2:**

#### **The number of formerly homeless persons who move into HUD McKinney-funded permanent housing increases.**

**Indicator background and context.** The assistance to homeless persons provided under the McKinney Act is an interagency effort that recognizes the multiple types of problems that the homeless face. HUD's use of McKinney funds for permanent housing is a critical element in the broader program because it provides long-term stability that is essential to full self-sufficiency. The supportive services available under Continuum of Care continue to be available to persons and families who have made the transition to permanent housing, whether they arrive from transitional housing, emergency shelters, or from non-housing situations such as the streets. HUD will address the need for permanent housing by funding 11,000 new beds in FY 2001, increasing the estimated cumulative total number of funded beds to 102,000, based on accomplishments projected in past Continuum of Care plans.

**Data source.** Currently, CPD's Grants Management System. In the future, HUD DGMS. In late 2001, grantees will begin submitting APRs electronically in DGMS, and the system is expected to be fully populated by the end of 2002. A baseline will be determined from existing APRs during FY 2000.

**Limitations/advantages of the data.** Current data are planning estimates; actual usage depends on local decisions. Conversion to direct electronic reporting will eliminate transmission lags of the paper-based reporting system and increase response rates, providing significantly more reliable estimates. APRs will continue to report results achieved with funding from previous years.

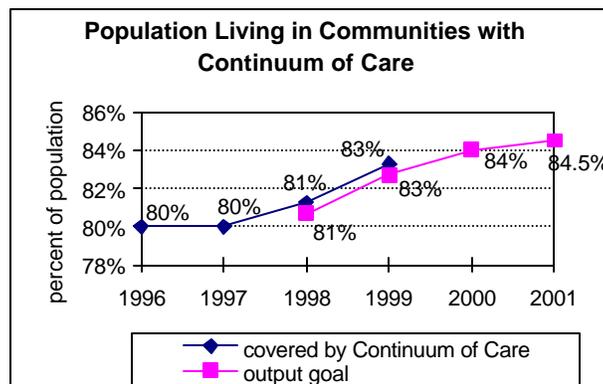
**Validation/verification of measure.** Field staff will monitor grantees on a sample basis to assess quality of data in grantee reports.

**Programmatic Output Indicator 3.1.a: The share of the population living in communities with a Continuum of Care system increases by 0.5 percentage point to 84.5 percent.**

**Indicator background and context.** HUD's Continuum of Care approach to homeless assistance allows communities to determine the local sources and solutions of homelessness and to respond appropriately. Continued participation in the planning process develops local capacity to identify and cooperatively resolve problems concerning populations that often remain largely invisible. HUD urges communities to develop comprehensive approaches that respond to the service needs of the homeless and develop their self-sufficiency. This indicator tracks the share of the population that lives in areas covered by these comprehensive systems.

**Data source.** CPD's Special Needs Assistance Programs/Continuum of Care (SNAPs/CoC) administrative data, containing data from local Continuum of Care plans.

**Limitations/advantages of the data.** The share of homeless persons living in Continuum of Care communities may be higher or lower than the share of the general population because homeless persons may be distributed differently.



**Validation/verification of measure.** CPD directors review the estimated geographic coverage of the system.

**Programmatic Output Indicator 3.1.b: The ratio of outside funds leveraged by HUD homeless funds remains at or above 3:2.**

**Indicator background and context.** This indicator tracks the amount of local funds contributed to Continuum of Care systems for each HUD dollar – essentially the resource inputs proposed to homeless projects. The leverage ratio demonstrates public support for the program objectives and encourages local involvement. Only continuum of care plans in which at least one project is funded are counted for purposes of this indicator.

**Data source.** CPD's Grants Management System, containing information from local Continuum of Care plans.

**Limitations/advantages of the data.** Estimates are difficult to verify because outside funds may include the value of in-kind services and because documentation of firm commitments is no longer required. Not all leveraged dollars are in funded projects.

**Validation/verification of measure.** HUD has undertaken an evaluation of the Continuum of Care program to assess this and other performance issues, and future findings are expected to inform discussion of options for improved performance indicators.

***Programmatic Output Indicator 3.1.c: The number of HUD-funded transitional housing beds increases.***

**Indicator background and context.** The heart of the Continuum of Care approach is the availability of transitional housing with supportive services to stabilize the lives of the homeless and prepare them for permanent housing. This indicator tracks the funding of HUD-awarded transitional housing beds. The FY 2001 goal is to increase the number of transitional beds funded by 14,500, increasing the total to 181,500 over the life of the program.

**Data source.** CPD's Grants Management System, containing information from local Continuum of Care plans. Beginning in FY 2002, HUD intends to use DGMS data to report actual accomplishments.

**Limitations/advantages of the data.** CPD's GMS system reports planned program results rather than actual results, and grantees may modify Continuum of Care plans.

**Validation/verification of measure.** CPD field staff verify quality of data in grantee reports when monitoring grantees.

***Programmatic Output Indicator 3.1.d: At least 90 percent of EZs and ECs achieve local goals in serving homeless persons.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to assist homeless persons. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

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

### **Overview**

Welfare reform has brought with it major changes in what is expected of poor families. Time limits on benefits, work requirements, and the possibilities of benefit sanctions for not cooperating with the new requirements have resulted in greatly reduced welfare caseloads and greater shares of income from earnings. Thanks to a strong job economy and active public-private partnerships at all levels, there has been a dramatic drop in caseloads nationwide. However, research to date shows that moving from welfare to work does not always increase overall family income.

There is considerable overlap between the families served by HUD programs and those that are recipients of other forms of third-party assistance for poor and disadvantaged families and individuals (e.g., Temporary Assistance for Needy Families, Food Stamps, and Welfare-to-Work Grants from the Department of Labor). In 1999, for example, some 745,000 families with children in public housing and project-based Section 8 developments received TANF assistance. In 1997, almost 1.1 million of the 5.4 million households with worst case needs for rental assistance had income from third-party sources. Thus, understanding how those other systems work and undertaking efforts to help ensure that recipients of HUD assistance succeed within these systems are important both for the families we serve and for the agencies that deliver our services.

HUD has a variety of tools available to help families achieve financial independence, not just gaining income but building assets as well. In many communities, HUD-supported facilities are located where other agencies can conveniently provide services to low-income families. In some cases HUD supports training and education programs to help people who leave welfare to gain the skills necessary to find and keep a job that pays enough to support themselves and their families. We also deliver, either directly or through service coordination, supportive services such as child care or transportation. In addition, PHAs may adjust their rent policies to reduce the financial disincentives to increasing a household's earnings that have been present in some of our programs. The escrow accounts allowed in the Family Self-Sufficiency (FSS) program support asset development, as do Section 8 Homeownership vouchers.

### **External factors**

A healthy economy with an increase of jobs in the service sector has made it easier for many low-skilled or inexperienced workers to enter the workforce in recent years. Should the economy slow, it may become more difficult to make this transition or to retain current employment. Opportunities for better paying jobs continue to be concentrated in technical fields

for which many recipients of HUD assistance are not prepared. Jobs continue to grow faster in suburban areas, while families making the transition from welfare are more likely to live in inner-city or rural areas. Many of the educational, training, and service programs available to help families make the transition to self-sufficiency are operated by local recipients of Federal funds from agencies other than HUD, and these agencies traditionally have not made special efforts to serve residents of public and assisted housing.

## **Means and strategies**

Like HUD, the recipients of HUD funds must make strategic use of their own resources to supplement and leverage the services offered elsewhere in the community. Thus, community-wide planning and strong cooperative relationships with local agencies must be developed so that HUD's clients may access all available self-sufficiency efforts. HUD will use its many available tools to:

- Disregard some or all income of newly employed families for a minimum of one year when setting public housing rents so families can keep more of their earnings as they meet the costs of going to work, and give PHAs discretion to continue disregards.
- Create site-based waiting lists that permit families to choose where they live in compliance with fair housing laws, thereby allowing them to live near jobs, transportation and facilities that support moving to work.
- Use Section 8 welfare-to-work vouchers and HOME funding for tenant-based housing assistance to help families move to neighborhoods with better access to jobs, transportation and other supportive services.
- Help families prepare for work and remain working through the Family Self-Sufficiency, Resident Opportunity and Supportive Services (ROSS), Neighborhood Networks, Step-Up, Youthbuild, and other HUD employment and training programs.
- Use the escrow accounts of the FSS program, Individual Development Accounts, and other programs to encourage saving.
- Expand homeownership opportunities for low-income families through regulation of Fannie Mae and Freddie Mac, the provision of FHA insurance and Section 8 vouchers, thereby creating more opportunities for asset building through the accumulation of equity in the home.
- Enforce requirements of Section 3 of the HUD Act of 1968 to expand employment and training opportunities for low-income residents through HUD-funded construction, rehabilitation, or other public construction.
- Through Jobs Plus and Moving to Work demonstration programs, identify best practices and replicable models in increasing the employment and earnings potential of public housing residents.

- Through Community Builder efforts, promote and facilitate community partnerships with businesses, community organizations and universities to support families and individuals in becoming self-sufficient through enhanced supportive services, Neighborhood Network capacity building, job creation, and participation in the Earned Income Tax Credit.
- Through Bridges to Work, link residents of low-income neighborhoods to employment in areas where low-skilled jobs are available through means such as transportation initiatives.

Self-sufficiency and asset development for disadvantaged families also will be supported through expanded funding for CDBG, HOME, and with continued funding for a second and third round of new Empowerment Zones.

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

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Community Empowerment Fund (CEF/EDI)	[38]	[35]	[24]	[100]
Youthbuild	[35]	[43]	[43]	[75]
Section 108 Loan Guarantees/Loan Commitments	{382}	{432}	{1,261} <sup>a</sup>	{1,217} <sup>a</sup>
Section 108 Program account	10	11	30	30
HOME Investment Partnerships program	1,500	1,600	1,600	1,650
Homeless Assistance Grants	823	975	1,020	1,200
Urban Empowerment Zones	5	45	55	150
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-based)	11,322	10,327	11,481	14,128
Welfare-to-Work Vouchers	0	[283]	0	[183]
Voucher Success Fund	0	0	0	[50]
Incremental Vouchers	0	0	[347]	[344]
FSS Coordinators	[24]	[25]	[25]	[45]
Public Housing Operating Fund	2,900	2,818	3,138	3,192
Public Housing Capital Fund	2,500	3,000	2,869	2,955
Resident Opportunity and Supportive Services	[55]	[55]	[55]	[55]

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
HOPE VI Revitalization of Severely Distressed Public Housing	550	625	575	625
<b>Housing</b>				
Neighborhood Networks	0	0	0	0
Elderly Housing	645	660	710	779

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

<sup>a</sup> Loan demand is projected to increase as a result of the established CEF “pool” and increase in CEF funding in FY 2001.

### Coordination with other Federal agencies

The Department works closely with a number of Federal agencies including the **Departments of Labor (DOL)** and **Health and Human Services (HHS)** to ensure the successful implementation of welfare reform.

- 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’s participation in the design of DOL’s program has resulted in many housing authorities receiving DOL grants individually or as part of local consortia.
- As required by law, DOL and HHS have cooperated on the design of HUD’s welfare to work voucher program and have provided letters of support to their state and local funding agencies. Other agencies, including **SBA, DOT, USDA**, had input as well.
- HUD is working with HHS to develop guidance and a model cooperative agreement for Public Housing Authorities and local welfare agencies to help PHAs meet the requirements for such an agreement in the public housing reform legislation. PHAs are encouraged to enter into cooperative agreements with local welfare agencies to target services and assistance to welfare families who receive housing assistance, and to reduce fraud and noncompliance with program requirements.
- DOL, HHS, and HUD have worked closely to cross-train their employees about related programs of the agencies. HUD also was co-sponsor with DOL and HHS of their 1999 Welfare to Work conferences.
- HUD and HHS are co-sponsoring a satellite broadcast to inform state TANF agencies and Community Development Corporations how TANF funds can be used for job training, job creation and economic development activities.
- HUD has an interagency agreement with the **Department of Health and Human Services** to study the impact of HUD housing assistance on families leaving welfare. This

study tracks the differences in the areas of housing quality, employment, and return to work between families who receive HUD housing assistance and those who do not. (See also objective 5.2.)

- HUD is a partner with the **Small Business Administration** on programs that support former welfare recipients and assure 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.
- HUD will continue working closely with the **Department of Transportation** on the implementation of DOT's Access to Jobs program.

## **Performance goals**

We aim to achieve these outcomes:

- Increase the earnings and employment of former welfare recipients.
- Increase the share of working households in public housing and assisted.
- Increase the share of public housing and Section 8 families with children who move from welfare to work.
- Increase the share of households on housing assistance that accumulate assets worth more than \$5,000.
- Reduce the unemployment rate among entry-level jobseekers in central cities.

<b>Crosswalk for Strategic Objective 3.2:                      Poor and disadvantaged families and individuals become self-sufficient</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>3.2.1: Increase the percentage rate of earnings gained by employed adult TANF recipients or former recipients over a six-month period by 1 percentage point to 28 percent (interagency indicator).</p> <p>3.2.2: The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases.</p>	<p>3.2.a: The lease-up rate of welfare-to-work vouchers reaches 50 percent in FY 2000 and 100 percent in FY 2001.</p> <p>3.2.a.5: At least 90 percent of EZs and ECs achieve local goals in providing social services (see table under 4.2.b.5).</p>	<p>The welfare time limits under welfare reform terminate assistance for many welfare recipients, sometimes when they have few employable skills. It is not clear whether recipients in States with stringent time limits will be more or less likely to escape poverty, but comprehensive supportive services are likely to be critical success factors.</p>
<p>3.2.3: Among public housing households with children, the share that derive more than 50 percent of their income from work increases by 1 percentage point to 47 percent.</p>		<p>The new public housing law permits housing authorities to pursue income-mixing policies, including establishing admission preferences for working families.</p> <p>General economic and labor market conditions directly influence rates of work, poverty, and welfare.</p>
<p>3.2.4: The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point to 30 percent.</p> <p>3.2.5: The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points to 34 percent.</p> <p>3.2.5.5: The share of welfare families that move from welfare to work each year while assisted by project-based Section 8 increases.</p>	<p>3.2.b: Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts reaches 90 percent (also appears as 1.2.p).</p>	

<b>Crosswalk for Strategic Objective 3.2:                      Poor and disadvantaged families and individuals become self-sufficient</b>		
3.2.6: The share of households that accumulate assets exceeding \$5,000 in cash value while receiving housing assistance increases by 2 percentage points.	3.2.c: The share of housing authorities scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points in 2001.	Bankable assets may not reflect all the activities that families undertake to increase self-sufficiency. They may determine that education, for example, is a more productive use for their income.
3.2.7: Unemployment rates among young entry-level jobseekers in central cities decline by 0.5 percent annually to 17.5 percent by 2001 (potential interagency indicator; also appears as 4.1.5).	3.2.d: A total of 256,500 jobs will be created or retained through CDBG and Section 108 (also appears as 4.1.e).  3.2.e: A total of 14,100 youths are trained in construction trades through Youthbuild.	

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 3.2.1:**

**Increase the percentage rate of earnings gained by employed adult TANF recipients or former recipients over a six-month period by 1 percentage point to 28 percent.**

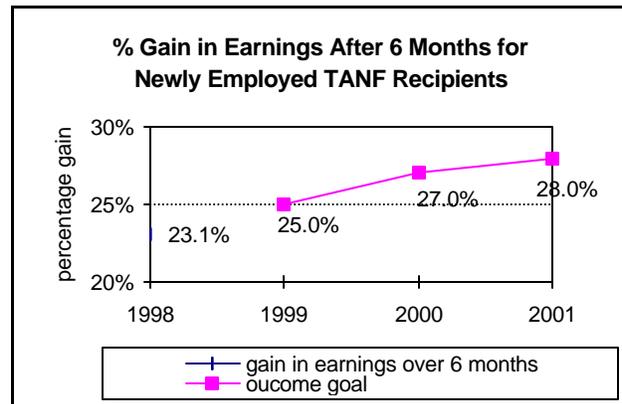
**Indicator background and context.** This outcome indicator measures the improvement in TANF recipients' income six months after becoming employed, and represents an interagency goal with HHS, which administers the Temporary Assistance for Needy Families (TANF) welfare program. The goal is significant to HUD because of the Nation's need to increase self-sufficiency and because of the large overlap of the welfare and housing-assisted populations. When TANF replaced the AFDC program in 1997, about one-fourth of the welfare population had housing assistance and about one-fourth of the housing-assisted population was on welfare. Welfare recipients who lose public assistance under welfare reform time limits and then fail to obtain adequate employment will reduce their rent contribution, increasing operating subsidies for public housing. More importantly, HUD wants welfare terminees to become self-sufficient to free assisted housing resources for other families.

The 1998 baseline for this indicator was a 23.1 percent gain in quarterly earnings over six months, comparing a base quarter with the second subsequent quarter. The goal for 2001 is to increase the gain to 28 percent in an equivalent period, building on goals of 25 percent gains in 1999 and 27 percent gains in 2000.

**Data source.** Tabulations provided by the HHS, based on TANF administrative data from most States and Unemployment Insurance data in remaining States.

**Limitations/advantages of the data.** TANF administrative data typically are not clean, so HHS engages in extensive data quality efforts. No further analysis by HUD is necessary.

**Validation/verification of measure.** HUD has no independent data for verification of HHS data or analysis.



### **Outcome Indicator 3.2.2:**

#### **The share of recipients of welfare-to-work vouchers who hold jobs at time of annual recertification increases.**

**Indicator background and context.** HUD's welfare-to-work vouchers provide a major source of support to help former welfare recipients obtain and keep jobs. Housing assistance provides stability and housing security at a critical point in the transition to work, when work experience is too low to obtain a job paying a living wage. This indicator tracks the work success of former welfare recipients who are assisted by welfare-to-work vouchers, as determined by the share of recipients employed when housing authorities recertify their incomes after one year.

**Data source.** Multifamily Tenant Characteristics System (MTCS), consisting of household data submitted electronically by housing authorities. The baseline for households receiving vouchers in FY 2000 will be determined in FY 2001.

**Limitations/advantages of the data.** MTCS data for tenant-based programs are relatively complete, with reporting rates of about 94 percent of households.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

#### ***Programmatic Output Indicator 3.2.a: The lease-up rate of welfare-to-work vouchers reaches 50 percent in FY 2000 and 100 percent in FY 2001.***

**Indicator background and context.** This indicator tracks progress in promoting self-sufficiency by providing welfare-to-work vouchers in a timely fashion. Housing authorities will have to make special efforts to select families for whom vouchers are needed to move to work and to implement partnerships with other agencies that are helping families move to work. The lease-up rate is defined as the number of units under HAP contracts divided by the number of units under budget. The FY 1999 vouchers were allocated in September 1999, and the

program is starting up in FY 2000. The Department expects fifty percent of the FY 1999 vouchers will be under contract in FY 2000 and 100 percent by the end of FY 2001.

**Data source.** For the number of units under contract, MTCS household data submitted by housing authorities. For the number of units under budget, HUDCAPS.

**Limitations/advantages of the data.** HUDCAPS is unable to identify welfare-to-work vouchers under contract separately from other vouchers. Therefore, identification of households with welfare-to-work vouchers will be made through MTCS, which depends on accurate reporting by housing authorities. PIH will instruct housing authorities how to use a reserved field in the MTCS system to identify welfare-to-work vouchers specifically. MTCS data for tenant-based programs are relatively complete, with reporting rates of about 94 percent of households. PHAs have the ability to influence the denominator of this indicator by budgeting fewer units than they contract with HUD.

**Validation/verification of measure.** PHA records regarding units under contract became subject to independent single audits (at auditor discretion) in FY 1999. Housing authorities will be informed of estimated lease-up rates and will be given the opportunity to verify that households with welfare-to-work vouchers were identified correctly.

***Programmatic Output Indicator 3.2.a.5: At least 90 percent of EZs and ECs achieve local goals in providing social services.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to improve health care, serve the elderly and youth, and provide other social and supportive services tailored to local needs. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

**Outcome Indicator 3.2.3:**

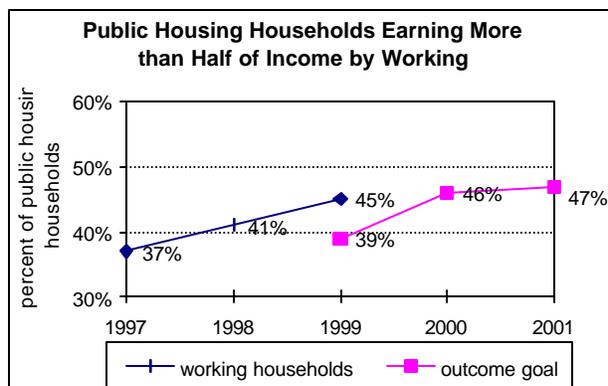
**Among public housing households with children, the share that derive more than 50 percent of their income from work increases by 1 percentage point to 47 percent.**

**Indicator background and context.** The public housing reform legislation passed in 1998 allows housing authorities to admit some higher income families, which usually are working households. The legislation also permits PHAs to exclude new earned income from tenant rent calculations and gives tenants the option of paying flat rents that do not increase as income increases. The FSS and ROSS programs also help PHAs promote work among public housing families. This indicator tracks the success of housing authorities in attracting working families as role models and in promoting work participation among existing residents. In 1999, 45 percent of families with children in public housing received a majority of their income from earnings, up

from 41 percent in 1998. The FY 2001 performance goal is based on a projected accomplishment of 46 percent working families in FY 2000.

**Data source.** PIH Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing authorities. The FY 1999 baseline will be determined in FY 2000.

**Limitations/advantages of the data.** MTCS reporting rates for public housing households are relatively high, at 91 percent. Improvements in reporting may introduce errors in estimates of change if former non-reporters differ systematically from reporters.



**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

### Outcome Indicator 3.2.4:

**The share of welfare families that move from welfare to work each year while residing in public housing increases by 1 percentage point to 30 percent.**

**Indicator background and context.** HUD wants housing authorities to help public housing residents move from welfare to work by helping families obtain needed services and by building work incentives into the administration of the public housing program. PHAs have a variety of self-sufficiency programs that promote work. Under the recently enacted public housing reform law, housing authorities are required to use best efforts to coordinate efforts with local welfare agencies.

This indicator tracks the work participation outcomes for welfare families while they reside in public housing, as determined by primary income source. Primary income source is defined as welfare income or wage income exceeding 50 percent of total income. Among public housing families with children who were on welfare in 1998, 28 percent of those who still resided in public housing a year later were working. The FY 2001 goal is based on anticipated improvement to 29 percent moving from welfare to work in the 1999-2000 period. (This indicator excludes Section 8 Welfare to Work Vouchers.)

**Data source.** PIH Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing authorities.

**Limitations/advantages of the data.** Annual recertifications of tenant income for MTCS may not capture short spells of work or welfare. MTCS reporting rates for public housing

households are relatively high, at 91 percent. Improvements in reporting may introduce errors in estimates of change if former non-reporters differ systematically from reporters.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data. Because older MTCS data are biased by poor reporting, the performance goal may require recalibration when additional data become available.

### **Outcome Indicator 3.2.5:**

**The share of welfare families that move from welfare to work each year while assisted by tenant-based Section 8 increases by 2 percentage points to 34 percent.**

**Indicator background and context.** Tenant-based Section 8 assistance is one of HUD's best tools to help families escape welfare dependency, because families are free to move to neighborhoods that are close to jobs. In addition, most housing authorities administering Section 8 have implemented Family Self-Sufficiency programs to help families become economically independent. This indicator tracks work participation outcomes for welfare families assisted by tenant-based Section 8 vouchers. Primary income source refers to welfare income or wage income exceeding 50 percent of total income.

In the tenant-based program during the 1998-1999 period, 32 percent of all families with children who were on welfare in 1998 were working a year later. The FY 2001 performance goal is based on anticipated improvement to 33 percent moving to work in the 1999-2000 period.

**Data source.** PIH Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing authorities. When MTCS annual data permit, both baseline and goal will be measured in terms of annual rather than biennial rates.

**Limitations/advantages of the data.** Annual recertifications of tenant income for MTCS may not capture short spells of work or welfare. MTCS data for tenant-based programs are relatively complete, with reporting rates of about 94 percent of households.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data. Because older MTCS data are biased by poor reporting, the performance goal may require recalibration when additional data become available.

### **91Outcome Indicator 3.2.5.5:**

**The share of welfare families that move from welfare to work each year while assisted by project-based Section 8 increases.**

**Indicator background and context.** Welfare families in assisted multifamily developments are also subject to the new rules of TANF, and their transition to self-sufficiency is beneficial for

both the assisted residents and the Section 8 program. The Neighborhood Networks program strongly promotes self-sufficiency in the assisted multifamily program by helping property owners, managers, and residents develop computer centers where residents can learn job skills, telecommute, and even develop microenterprises. As private businesspersons, assisted multifamily owners have fewer responsibilities than do PHAs regarding promotion of self-sufficiency, but a fundamental responsibility exists nevertheless. This indicator tracks movement to work among welfare recipients who receive project-based Section 8 rent subsidies in privately-owned multifamily housing.

**Data source.** Office of Housing's F87 Tenant Rental Assistance Certification System (TRACS), consisting of household data submitted electronically by multifamily managers. The baseline change in employment status for the 1998-1999 period will be determined in FY 2000.

**Limitations/advantages of the data.** TRACS has fairly good reporting rates in the range of 80-90 percent of assisted renters.

**Validation/verification of measure.** TRACS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

***Programmatic Output Indicator 3.2.b: Among Consolidated Plan jurisdictions with housing authorities, the share that have included housing authority representatives in consolidated planning efforts reaches 90 percent.***

**Indicator background and context.** Both States and cities are required to develop Consolidated Plans to assess needs and determine strategies for allocating HUD grants. Consolidated Plans must consider the full range of community needs to be valid guidelines, and the families served by housing authorities represent an important component of area needs. This indicator is discussed in the context of promoting affordable rental housing as Programmatic Output Indicator 1.2.p.

**Outcome Indicator 3.2.6:**

**The share of households that accumulate assets exceeding \$5,000 in cash value while receiving housing assistance increases by 2 percentage points.**

**Indicator background and context.** Public housing historically was transitional housing that enabled assisted renters to become economically self-sufficient because housing stability aids in job retention and lower housing costs permit greater rates of saving. The lack of an asset test that excludes relatively well-off households from public and assisted housing encourages asset accumulation. (Imputed earnings from assets are included in the income on which rents are based.)

The Family Self-Sufficiency program requires housing authorities to sign self-sufficiency progress contracts with specified numbers of Section 8 and public housing tenants. Under the FSS contract, a portion of any earnings increase is deposited into an escrow account on behalf

of the family. The public housing reform law freed housing authorities from the requirement to offer FSS programs to new tenants beyond the originally specified numbers. However, PHAs must complete existing programs by attaining the original target for the number of graduates of FSS. The Resident Opportunity and Supportive Services program (ROSS) likewise contributes to asset accumulation. Unlike FSS, ROSS may not be used to fund escrow accounts.

This indicator tracks the success of public housing and Section 8 tenant-based housing assistance programs in helping non-elderly families become economically self-sufficient, by measuring whether assisted renters accumulate wealth. In 1999, 9 percent of households in public housing and with tenant-based assistance had asset income as their primary income source, but this estimate includes elderly households.

**Data source.** Multifamily Tenant Characteristics System, consisting of household data submitted electronically by housing authorities. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** Housing authorities have limited incentive to probe deeply or verify tenant-reported assets. As a result, the quality of the MTCS asset data is not yet clear. This indicator will not capture FSS assets because HUD does not count FSS escrow savings as assets for purposes of determining rent.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors, and HUD performs quality control studies to verify the accuracy of tenant income data.

***Programmatic Output Indicator 3.2.c: The share of housing authorities scoring at least 8 points under the SEMAP indicator for FSS increases by 5 percentage points in 2001.***

**Indicator background and context.** The Family Self Sufficiency (FSS) program requires housing authorities to sign self-sufficiency progress contracts with specified numbers of Section 8 and public housing tenants. FSS helps tenants build assets by funding escrow accounts with increased tenant rent payments resulting from increased earnings. The Public Housing Reform Act freed housing authorities from the requirement to offer FSS programs to new tenants beyond the originally specified numbers. However, PHAs still must complete existing programs by attaining the original target for the number of graduates of FSS. This indicator uses one component of the SEMAP system to track PHA compliance with FSS obligations for tenant-based programs. To score at least eight points, at least 60 percent of mandatory FSS slots must be filled and at least 30 percent of FSS families must have escrow account balances.

**Data source.** Section Eight Management Assessment Program, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The baseline will be determined in FY 2000 from audited SEMAP and (in some cases) from unaudited preliminary SEMAP scores. Preliminary scores are based on self-reporting by those housing authorities whose fiscal years do not end early enough to obtain independent audits in HUD's FY 2000. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

**Limitations/advantages of the data.** MTCS data for tenant-based programs are relatively complete, with reporting rates of about 94 percent of households. SEMAP is new and imposes an extensive set of new standards that some auditors may lack the knowledge to implement.

**Validation/verification of measure.** MTCS has automated edits to prevent input errors and invalid data by housing authorities. SEMAP data are reviewed by independent auditors.

### Outcome Indicator 3.2.7:

#### Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 17.5 percent by 2001.

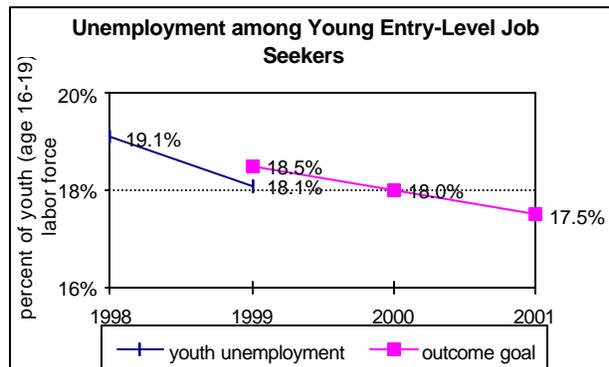
**Indicator background and context.** The unemployment rate of youth indicates the extent to which entry-level or unskilled jobseekers are finding employment. Youth have higher rates of unemployment than other age groups. The unemployment rate is defined as the percentage of those who want to work (the labor force) but who do not have jobs. This indicator tracks the unemployment rate for the 16- to 19-year-old labor force in central cities. HUD contributes to job readiness for entry-level workers through Youthbuild training and creates jobs through Section 3 enforcement, economic development grants and Empowerment Zone programs. The FY 2001 goal is based on projected accomplishment of 18.0 percent unemployment in FY 2000.

**Data source.** Annual estimates by the Bureau of Labor Statistics (BLS) using data from the Current Population Survey and unemployment insurance program data.

**Limitations/advantages of the data.** BLS does not publish this data for individual central cities and metropolitan areas, but unpublished data are available annually for the aggregate of all central cities. Youth are not a perfect proxy for

all entry-level unemployed persons because they may have more computer-related skills or other differences in human capital.

**Validation/verification of measure.** It is not feasible for HUD to verify Bureau of Labor Statistics data independently.



#### Programmatic Output Indicator 3.2.d: A total of 256,500 jobs will be created or retained through CDBG and Section 108.

**Indicator background and context.** Many communities choose to use a significant portion of their CDBG grants to improve the local economy and help their citizens find productive work.

This indicator also appears in the context of increasing the number of jobs in urban and rural communities, as Programmatic Output Indicator 4.1.e.

The current baseline is the expected number of jobs created or retained as a result of the FY 2000 appropriation, based on the average job creation or retention per grant dollar as reported by grantees. The indicator will be converted to actual full-time-equivalent jobs created or retained with cumulative outlays as HUD enhances data systems.

**Data source.** Estimates based on the Integrated Disbursement Information System (IDIS). The FY 2000 baseline of actual accomplishments will be determined from the Departmental Grants Management System (DGMS) in FY 2001.

**Limitations/advantages of the data.** HUD is currently working to increase the accuracy and completeness of IDIS data. DGMS is the next-generation system that will incorporate more detailed reporting, data-quality enhancements, and fuller reporting.

**Validation/verification of measure.** Field staff review grantee reports to assess accuracy and monitor to ensure that reported jobs are directly related to expenditure and that low- and moderate-income persons receive the required share of positions.

***Programmatic Output Indicator 3.2.e: A total of 14,100 youths are trained in construction trades through Youthbuild.***

**Indicator background and context.** Youthbuild offers 16- to 24-year-old high school dropouts general academic and skills training, as well as apprenticeships in housing construction and rehabilitation. The \$75 million budget request for FY 2001 is expected to train 5,100 youth, creating a cumulative total of 14,100.

**Data source.** CPD's Youthbuild database, containing accomplishments data submitted by grantees in semi-annual progress reports. Beginning in FY 2001, DGMS, based on accomplishments reported electronically by grantees.

**Limitations/advantages of the data.** Data do not indicate the quality of completed apprenticeship training.

**Validation/verification of measure.** Field staff verify data quality by monitoring grantees.

## **STRATEGIC GOAL 4: IMPROVE COMMUNITY QUALITY OF LIFE AND ECONOMIC VITALITY**

### **Strategic Objectives:**

- 4.1 The number, quality, and accessibility of jobs increase in low-income urban and rural communities.**
- 4.2 Disparities in well-being among neighborhoods and within metropolitan areas are reduced.**
- 4.3 Communities are safe.**

Despite recent gains, many communities, cities and metropolitan regions still face the triple threat of concentrated poverty, shrinking populations, and middle-class flight. Population losses frequently translate into a shrinking municipal tax base. Poverty is higher in cities and distressed rural areas than in the suburbs, and poverty remains highly concentrated in certain neighborhoods. Cities face three fundamental opportunity gaps – jobs, housing, and education – that are critical to reducing poverty and attracting and retaining middle-class families. 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. Many of these areas have alarmingly high unemployment and poverty rates.

The Administration’s New Markets Initiative is meant to stimulate private capital investments in economically challenged areas that have not fully reaped the benefits of the current economic expansion. As part of this initiative, HUD will administer the America’s Private Investment Companies (APICs) program. The strategy is to build a network of private investment institutions to supply capital and technical expertise in distressed communities.

Promoting economic competitiveness in the 21st century while making communities more livable is a cross-cutting challenge – the challenge not just of growing but of growing smarter. Effectively addressing this challenge will support reduction in disparities between cities and suburbs and will increase job growth and accessibility.

Our mission of creating communities of opportunity requires more than just administering programs efficiently and effectively. HUD’s programs, particularly CDBG, CEF, EDI and Section 108 grants provide many of the tools and resources that localities need to improve quality of life and economic vitality in poorer neighborhoods. HUD therefore must take a proactive leadership role in partnering with America’s communities.

## **Objective 4.1: The number, quality, and accessibility of jobs increase in low-income urban and rural communities.**

### **Overview**

While the problems confronting struggling communities cannot be reduced to merely economic terms, the search for solutions usually begins with one word: jobs. 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, diverse, local economies are better able to handle the shocks and challenges of a changing global marketplace.

Communities use HUD funds for physical development projects, such as roads, sewers, and other infrastructure that make them more attractive locations for business investment and job creation. They use HUD funds to provide loans and other financial assistance directly to businesses looking to create or retain jobs within their borders. They also use HUD funds for education, job-training, and other services that support the workforce in targeted low-income communities to make the area more attractive to prospective employers.

### **External factors**

The country's recent economic growth has produced millions of new jobs, including many in central cities and other older communities. Still, 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.

Local shortages of low-skilled jobs are compounded by mismatches between the locations of available jobs and the residences of the unemployed. Many older communities across the country have adopted aggressive strategies to alleviate these mismatches but they face numerous barriers to success. Their tax rates generally exceed rates in newer communities because they struggle to provide quality services despite declining tax bases. Land development is complicated by scarcity of land, scattered and/or absentee ownership, real or perceived contamination, and the need for clearance or rehabilitation of existing physical structures. Job development is complicated by large concentrations of poor residents. School systems attempt to provide the education and job skills essential for their students (who often face greater obstacles to learning), but have fewer resources as tax bases decline and capital maintenance costs increase. Crime, whether real or perceived, deters businesses from locating in these communities. The extent to which residents of areas of concentrated poverty are increasingly minorities adds barriers of racial discrimination to the mix. Rural communities face additional challenges because of the changing structure of the farming industry, underinvestment, weak

infrastructure, limited services, and few community institutions. Rural labor forces are more narrowly based and are more dispersed. Clearly, the ability of individual communities to control their own destinies in the area of job creation is limited. Both urban and rural communities are further affected by the extent to which their State provides financial assistance to overcome these obstacles. While ultimately job creation is dependent upon the investment decisions of the private sector, the coordinated efforts of all levels of government, along with the private sector, are needed to address these challenges.

Community Development Block Grant funds, by far the largest HUD expenditure for this objective, are used for a variety of eligible activities at the discretion of the participating jurisdiction (entitlement city or State). While HUD can encourage certain uses of funds, such as job creation, each jurisdiction makes its own decision about how to use CDBG funds. When communities do choose to address job growth for low-income individuals, there are wide variations of approaches which are difficult to measure. For example, one community may support infrastructure to increase business development in certain areas, while others may directly apply CDBG funds to readying individuals for employment.

### **Means and strategies**

HUD targets economic development grants and loan guarantees to distressed areas in order to leverage much larger job creation and retain investments from the private, nonprofit, and public sectors. CDBG grants – HUD’s largest source of community and economic development funding – redistribute resources toward poorer, slow-growing, distressed cities. Within these cities, funds are targeted to low- and moderate-income residents as the primary beneficiaries. HUD’s Community Builders work with communities, non-profits, and business to develop community 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.

Through Community Builders, HUD works to promote relationships between EZ/ECs and potential partners including other federal agencies, industry groups and non-profits. Other HUD programs complement these efforts by encouraging training for low-income individuals, improving access to metropolitan jobs, and recycling contaminated industrial lands.

In administering these programs, HUD will continue to:

- Encourage communities to use CDBG grants to leverage private, nonprofit, and other public funding for economic development efforts and infrastructure investments that increase the number of quality jobs.
- Designate new Empowerment Zones and Enterprise Communities and support current EZ/ECs to create jobs and business opportunities for residents of economically distressed parts of urban and rural America.

- Encourage communities to use loan guarantees, Community Empowerment Fund, Brownfields Grants and other economic development tools to create and retain jobs, particularly jobs for low-income persons.
- Continue to develop Community 2020 software and consolidated planning processes to help communities determine spending priorities and how HUD dollars can be used to create comprehensive approaches to job development and community revitalization.
- Encourage communities to use program incentives and comprehensive planning to implement geographically targeted strategies, such as those in Empowerment Zones and Enterprise Communities, to address the employment needs of entire distressed neighborhoods.
- Link job-creation efforts to training and other services for low-income individuals to qualify them for newly created jobs. (See objective 3.2.)
- Encourage regional strategies for job creation and workforce development to better link jobs and potential workers.
- Through the Community Outreach Partnership Centers (COPC), help colleges and universities develop partnerships with local governments, private companies and nonprofit organizations working on community revitalization and economic development.

HUD has also been increasing its efforts in rural areas and will continue to support these areas through CDBG funding to States and small cities:

- Within HUD, the Rural Housing and Economic Development program has been established to create jobs, spark economic development and build and improve housing in rural communities.
- Approximately 30 percent of HUD's CDBG funds go to small towns in rural America. These State and Small Cities CDBG funds support public facilities and economic development to an even greater extent than their Entitlement City counterparts. Public facilities and economic development spending frequently support job creation.
- HUD also funds technical assistance to build capacity and develop innovative approaches to housing and economic development in rural areas.

In addition, HUD proposes to:

- Enhance CEF programs by providing needed technical assistance to communities.
- Encourage significant private capital investment in distressed urban and rural areas by providing loan guarantees to America's Private Investment Companies, which will, in turn, invest capital in large businesses seeking to locate or expand in such areas.
- Encourage community development and economic revitalization efforts in the Mississippi Delta Region as part of the President's Mississippi Delta Initiative.

**Programs supporting Objective 4.1:  
The number, quality, and accessibility of jobs increase in low-income urban and rural communities.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Youthbuild	[35]	[43]	[43]	[75]
Mississippi Delta Initiative	0	0	0	[22]
Community Empowerment Fund (CEF/EDI)	[38]	[35]	[24]	[100]
Community Development Loan Guarantees/Loan Commitments	{382}	{432}	{1,261} <sup>a</sup>	{1217} <sup>a</sup>
Community Development Loan Guarantees Program Account	10	11	30	30
Brownfields	25	25	25	50
Regional Connections	0	0	0	25
Urban Empowerment Zones	5	45	55	150
APICs/Commitment Level	{0}	{0}	{541}	{1,000}
APICs Program Account	0	0	20	37
Rural Housing and Economic Development	[25]	25	25	27

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

<sup>a</sup> Loan demand is projected to increase as a result of the established CEF “pool” and increase in CEF funding in FY 2001.

**Coordination with other Federal agencies**

Significant interagency coordination is occurring through the White House National Economic Council to develop programs for the New Markets Initiative. These programs will increase job development and private investment in high poverty areas. 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. **EDA** provides grant money to localities, primarily for planning and public works construction associated with economic development. **HUD** brings its 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.

This interagency coordination led to various New Markets proposals for the FY 2000 budget: APICs (modeled after SBA's Small Business Investment Corporation (SBIC) programs and administered by HUD with consultation by SBA); the New Markets Tax Credit (SBICs and APICs would be eligible); New Markets Venture Capital Firms (similar to APICs but for smaller companies and administered by SBA); and SBICs targeted to New Markets areas. The coordination has continued for the FY 2001 budget process, leading to the refinement of proposals to ensure that the low-income communities targeted for investment under these initiatives truly benefit from the investment.

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. The 2001 budget contains funding for Round II EZs and adds 10 new EZs (eight urban and two rural) for a third round.

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 **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 bring their skills in cost benefit analysis, site planning and construction to lower the cost of brownfields redevelopment. Communities can use HUD CDBG funds as the non-federal match for Army Corps of Engineer programs, thereby leveraging federal resources to redevelop these properties.

HUD has signed, along with over 16 other Federal agencies, the "**Mississippi Delta Regional Initiative Interagency Memorandum of Understanding.**" This MOU will create a basic framework for cooperation among the agencies on economic revitalization initiatives in the Delta region. Activities will include both direct assistance and technical assistance to the communities in this area.

### **Performance goals:**

We aim to achieve these outcomes:

- Ensure that city job growth supports population growth.
- Reduce differences in city/suburban unemployment rates.
- Reduce differences in city/suburban median income.
- Reduce differences in city/suburban poverty rates.

A crosswalk summarizing the performance indicators we will use to measure progress toward this strategic objective follows.

<p align="center"><b>Crosswalk for Strategic Objective 4.1: The number, quality, and accessibility of jobs increase in low-income urban and rural communities</b></p>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>4.1.1: Maintain or increase the number of jobs accessible to city residents by keeping the three-year average ratio of city job growth to city population growth at least 100 percent (potential interagency indicator).</p>	<p>4.1.a: At least 90 percent of EZs and ECs achieve local goals in helping residents find jobs (see table under 4.2.b.5).</p> <p>4.1.b: The CEF Pilot will securitize at least \$50 million in business loans in distressed areas by the end of FY 2001, and the CEF Trust will securitize \$300 million more by the end of FY 2002.</p>	<p>Decentralizing land use creates new jobs in outer-ring suburbs that cannot be reached by transit-dependent unemployed persons in central cities.</p> <p>The Small Business Administration is the largest Federal source of capital for small business creation and expansion. Currently SBA programs are not targeted to central cities, with the exception of the One Stop Capital Shop program for EZs.</p>
<p>4.1.2: The ratio of city to suburban unemployment rates within metropolitan areas decreases to 137 percent.</p>	<p>4.1.d: APIC-guaranteed venture capital investments produce significant business formation, job creation, and secondary economic activity and predominately serve targeted low- and moderate-income areas.</p>	
<p>4.1.3: The national average ratio of central city to suburban median household income will reach 73 percent.</p>		<p>Average income is affected by residential location decisions as well as employment opportunities. Improving city quality of life and city schools would slow or reverse middle-class flight from central cities.</p>
<p>4.1.4: The national average ratio of central city to suburban poverty rates decreases from 209 to 207 percent.</p> <p>4.1.5: Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 17.5 percent by 2001 (also appears as 3.2.7).</p>	<p>4.1.e: A total of 256,500 jobs will be created or retained through CDBG and Section 108 (also appears as 3.2.d).</p>	

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 4.1.1:**

**Maintain or increase the number of jobs accessible to city residents by keeping the three-year average ratio of city job growth to city population growth at least 100 percent.**

**Indicator background and context.** Cities historically have been job centers, but the capacity of suburban areas for commercial and industrial development has led to a decline in city job growth, especially for jobs needed by low-income city residents. Cities have about 43 percent of metropolitan area jobs, but only 23.6 percent of low-skill job growth from 1993 to 1996. Over the three-year period between 1993 and 1996, a period of extremely rapid job growth, the ratio of job growth to population growth in central cities was 652 percent. During the period of 1991 to 1993, a time of very slow job creation, jobs in central cities actually declined. To ensure that cities remain job centers and continue to provide accessible jobs for low-income residents, HUD intends to maintain or increase the ratio of job creation to population growth in central cities at or above 100 percent over the long term. The FY 2001 performance goal is established as a retrospective rolling average, using available data from the 1995-1998 period.

**Data Source.** Special tabulations of the Census Bureau's County Business Patterns data for 114 central cities and their associated 101 metropolitan areas.

**Limitations/advantages of the data.** The data are available annually with a 3-year lag. The data cover only the 100 largest central cities plus 14 additional central cities to ensure at least one city in every State. The business cycle and demographic trends make this measure volatile on an annual basis and limit the validity of precise performance targets, but the three-year rolling average helps reduce the variance substantially.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify County Business Patterns independently.

***Programmatic Output Indicator 4.1.a: At least 90 percent of EZs and ECs achieve local goals in helping residents find jobs.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to create jobs for zone residents and others. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

***Programmatic Output Indicator 4.1.b: The CEF Pilot will securitize at least \$50 million in business loans in distressed areas by the end of FY 2001, and the CEF Trust will securitize \$300 million more by the end of FY 2002.***

**Indicator background and context.** The Community Empowerment Fund (CEF) combines two programs, the Economic Development Initiative and the Section 108 Loan Guarantees. Beginning in 2000 the CEF Pilot will pool business loans made by communities with Section 108 funding and form a loan-loss reserve with EDI funds. The standardized underwriting, meticulous tracking of loan performance, and development of a viable pooling structure will create the necessary foundation for a secondary market for economic development loans in distressed areas. This indicator tracks the volume of loans packaged by the CEF Pilot and the CEF Trust. Distressed areas are defined as areas meeting CDBG low- and moderate-income benefit criteria.

**Data source.** The CEF Pilot will provide financial reports to HUD on the performance of the Pilot's portfolio (including number and amounts of loans).

**Limitations/advantages of the data.** The data system is untested but is being developed and maintained by Harris Trust Company of New York and is similar in structure and content to data systems routinely used by financial markets.

**Validation/verification of measure.** Field staff will review financial reports to verify accuracy and completeness. The performance goal may require recalibration following analysis of FY 2000 implementation and progress.

**Outcome Indicator 4.1.2:**

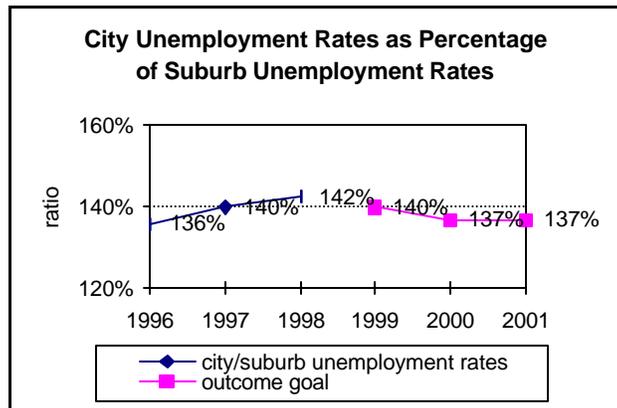
**The ratio of city to suburban unemployment rates within metropolitan areas decreases to 137 percent.**

**Indicator background and context.** The ratio of city to suburban unemployment rates indicates the extent to which city residents are sharing in national economic growth. Cities have higher rates of unemployment and welfare dependency than suburbs. Higher unemployment rates in cities increase the difficulty of welfare-to-work initiatives because welfare recipients must compete with more non-recipient jobseekers. HUD programs that create jobs in poor communities, those that promote job mobility, and those that develop self-sufficiency all contribute to reducing concentrations of unemployment.

**Data source.** Monthly statistical estimates by BLS using data from the Current Population Survey and Unemployment Insurance program data.

**Limitations/advantages of the data.**

BLS does not publish data for central cities that had 1990 populations below 25,000 or for the area defined as the central city of the Honolulu, Hawaii, metropolitan area. Therefore suburb data calculated as the residual of metropolitan area less the central city (cities) may not match suburb data in other sources. The data are not seasonally adjusted, so valid comparisons can be made only between corresponding months of different years. An advantage is that the data are available monthly with only a 2-month lag.



**Validation/verification of measure.** The Bureau of Labor Statistics employs rigorous data quality standards. It is not feasible for HUD to verify CPS or Unemployment Insurance data independently.

***Programmatic Output Indicator 4.1.d: APIC-guaranteed venture capital investments produce significant business formation, job creation, and secondary economic activity and predominately serve targeted low- and moderate-income areas.***

**Indicator background and context.** In FY 2001, the America's Private Investment Companies (APICs) program will begin to generate an estimated \$834 million annually of large-scale venture capital targeted to low- and moderate-income communities. Five APICs will be established, and they will achieve their investment goals by guaranteeing \$556 million in private debt and leveraging it with \$278 million of private equity investments. Following program authorization, performance goals will be established for job creation, leveraged funds, and business formation.

**Data source.** Administrative data systems will track the dollar value of guaranteed debentures issued, the share of capital resources targeted to low- and moderate-income areas, job creation and business formation. The decennial Census and American Community Survey provide data concerning unemployment and poverty outcomes in census tracts affected by APICs investments.

**Limitations/advantages of the data.** There may be difficulties in measuring job creation that results directly and indirectly from the equity capital guarantee. Rolling samples will make ACS data available at the tract level at five-year intervals beginning in 2008.

**Validation/verification of measure.** Consideration will be given to an early evaluation of the program design and impact that will include an assessment of possible performance indicators.

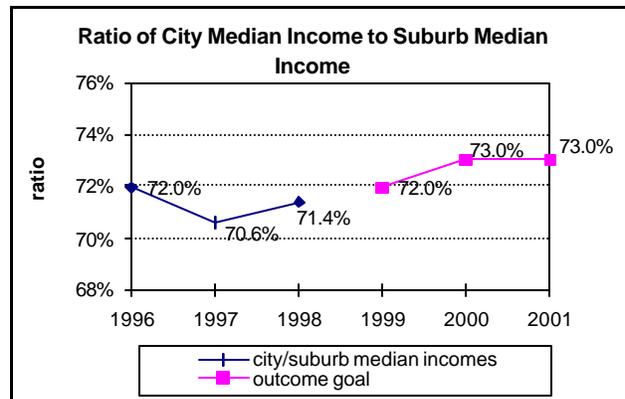
**Outcome Indicator 4.1.3:**

**The national average ratio of central city to suburban median household income will reach 73 percent.**

**Indicator background and context.** Historically, low-income households have been concentrated in central cities. Thus median household incomes for central cities are lower than suburban median household incomes. Many community and economic development programs are designed to increase incomes of central city residents. The design of the CDBG program gives it a redistributive impact by creating more economic activity in low- and moderate-income neighborhoods. Community development programs that make the central city a more desirable place to live also are intended to increase this income ratio by attracting middle-class families back to the city.

**Data source.** Census Bureau's Current Population Survey.

**Limitations/advantages of the data.** Data are available annually as a national aggregate only. There are no data currently available for individual cities and their suburbs except from the decennial Census. After 2003, American Community Survey data will be available annually or biennially for the largest metropolitan areas.



**Validation/verification of measure.**

The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS or ACS data independently.

**Outcome Indicator 4.1.4:**

**The national average ratio of central city to suburban poverty rates decreases from 209 to 207 percent.**

**Indicator background and context.** Historically, the poor have been concentrated in central cities. Thus poverty rates for central cities are higher than suburban poverty rates. Community and economic development programs are designed to alleviate central city poverty by providing jobs for previously unemployed families. This indicator measures the success of economic and community development programs in reducing the disparity in poverty rates within metropolitan areas.

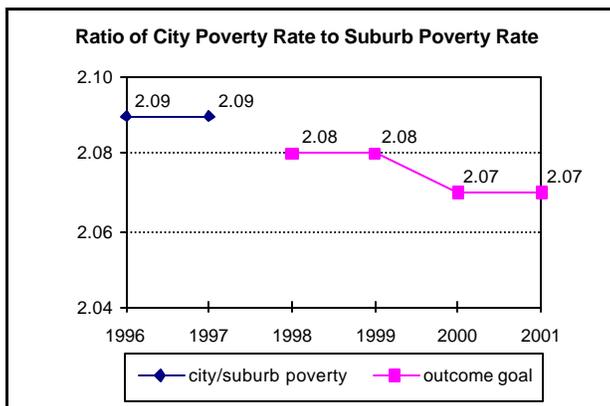
**Data source.** Census Bureau's Current Population Survey.

**Limitations/advantages of the data.**

Annual data are available as an aggregate only. There are no data available for individual cities and their suburbs except from the decennial Census. After 2003, American Community Survey data will be available annually or biennially for the largest metropolitan areas.

**Validation/verification of measure.**

The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify CPS or ACS data independently.



**Outcome Indicator 4.1.5:**

**Unemployment rates among young, entry-level jobseekers in central cities decline by 0.5 percentage point annually to 17.5 percent by 2001.**

**Indicator background and context.** Entry-level jobseekers, including many persons moving from welfare to work, are having increasing difficulty finding well-paying work in an age when skills command increasing premiums. Yet on-the-job training is one of the best ways to develop skills, especially for persons who struggled in school. This indicator tracks the mismatch between the low-skilled labor force and the opportunities available to them, and is described in full under Strategic Objective 3.2, “Poor and disadvantaged families and individuals become self-sufficient and develop assets,” as Outcome Indicator 3.2.7.

**Programmatic Output Indicator 4.1.e: A total of 256,500 jobs will be created or retained through CDBG and Section 108.**

**Indicator background and context.** This indicator is included under Strategic Objective 3.2, “Poor and disadvantaged families and individuals become self-sufficient and develop assets,” as Programmatic Output Indicator 3.2.d.

## **Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced.**

### **Overview**

As the centers of metropolitan regions that are home to 85 percent of America's people and nearly 80 percent of its jobs, cities are vital to the state of our union. However, despite recent gains, many central cities and their residents remain disadvantaged compared to their suburban counterparts in most social and economic dimensions, such as the extent and concentration of poverty, education levels, and income. Such differentials fuel flight of middle-class and higher income households from central cities, followed by businesses that cater to such households. As flight continues, the tax bases of these cities deteriorate substantially. These communities are then less able to meet either the mounting capital costs of an aging infrastructure or the changing service demands of the remaining population. This results in a decline of vital services, such as education, a deteriorating physical environment, and a substantial increase in tax rates. The concentration of poverty in such communities often increases, and the cycle continues. The remaining residents face fewer opportunities for personal and economic growth, and social and economic disparities grow between these communities and those to which many businesses and residents have moved.

Concern about growth, disinvestment, and decline has moved far beyond the central cities' borders. Older, inner-ring suburbs – often forgotten in the simplified “city versus suburb” distinction – are beginning to display the signs of decline that were once typical only of central cities. As population and businesses move outward to create new suburbs, development often occurs more quickly than existing infrastructure and social systems can handle. Businesses open to accommodate the expanding population, but those that require low-wage, unskilled workers are unable to find them. Roads built for quiet suburbs quickly become congested. Parents spend time in their cars instead of at home with their families. Schools become overcrowded, taxes increase, and open space is lost. Even rural areas, the home of small town America, are exhibiting new concern about development patterns. The U.S. Department of Agriculture reports that America has more than doubled the development of farmland, forests, and other open space, converting roughly 3.2 million acres of land for development annually from 1992 to 1997, compared with 1.4 million acres per year from 1982 to 1992. Targeting resources to help improve quality of life in distressed communities enables these communities to accommodate a larger share of future growth and thereby reduces growth pressures on all communities.

HUD was founded with the intention of focusing resources in deteriorating communities to help eliminate the disparities that were becoming evident decades ago. CDBG is the most flexible aid provided by the Federal Government to localities, and a significant proportion of CDBG funds goes to improving neighborhood livability in low-income communities. HUD also supports the redevelopment of places left behind through its Empowerment Zones and Enterprise

Communities, through Brownfield Economic Development Grants, Regional Connections, APICs, Section 108 and through the HOME programs. HUD's 1999 report, *The State of the Cities*, shows that past negative trends for central cities slowed substantially, but that continued efforts are needed to ensure future progress in this area.

HUD plays an increasing role in focusing public attention on livability issues. HUD has funded a "Growing Smart" initiative to help States and local governments create model planning statutes and has convened local government practitioners, federal policy makers, and academics to discuss how the federal government can foster regional cooperation. Through participation in interagency working groups HUD works to incorporate housing and economic development issues into all policy discussions on smart growth and livability.

### **External factors**

CDBG, HUD's primary source of community and economic development funding, redistributes resources toward poorer, slow-growing, distressed cities. 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 decision about how to use CDBG funds. Therefore HUD's direct impact on specific and measurable results under this objective is somewhat limited.

Cities and older suburbs face significant obstacles beyond their control when trying to alleviate disparities in quality of life. Services, such as education and public safety, that can have the most significant long-term impact on such disparities become increasingly expensive as cities age and their populations become poorer. These services also are frequently in higher demand by residents of these communities. At the same time, the resources available for such services decrease as tax bases decline or fail to keep pace with the growth experienced in newer jurisdictions. Such communities often become dependent upon State governments for resources, although rural and suburban representatives may be reluctant to provide such funds. The decision at the State level about whether to direct resources towards deteriorated neighborhoods will have a major impact on results under this objective.

Even communities that are not experiencing significant deterioration face fierce competition from newer communities that can provide newer homes, open space, and other amenities to their residents. However, to the extent that freedom to move is available only to those who can afford it, low-income persons remain in and tend to become the majority in older communities.

Neighborhood quality and disparities between neighborhoods will be directly affected by State and local decisions to address growth issues. States, as regional decision makers, have a distinct role in overcoming jurisdictional disparities relating to economic development, infrastructure, housing and transportation. Several State governments have begun to adopt smarter growth strategies that promote quality of life improvements in older communities. Whether States adopt such policies will affect the outcomes under this objective.

## **Means and strategies**

HUD will continue efforts to reduce disparities among neighborhoods and between cities and their suburbs, and to improve livability in all poor neighborhoods, both urban and rural. HUD will:

- Focus CDBG funds and Section 108 loans on low- and moderate-income neighborhoods to improve neighborhood conditions and infrastructure there.
- Through the Consolidated Plan process, identify poorer areas and encourage communities to use Federal grants and local resources for priority needs.
- Ensure that more housing capital is available to promote homeownership in underserved areas by establishing suitable GSE goals.
- Encourage use of FHA and Ginnie Mae resources in poorer neighborhoods to improve housing conditions and raise homeownership rates there.
- Revitalize badly distressed public housing projects through the HOPE VI program.
- Focus an array of tools and the attention of public and private partners on distressed communities through EZ/EC designation.
- Through Community Builder efforts, encourage metropolitan-wide planning and implementation of revitalization and growth strategies, particularly in the areas of affordable housing and job and workforce development.
- Clean up and redevelop underutilized, contaminated land through the Brownfields Economic Development program.

Important new initiatives directed at this objective will strengthen city-suburb connections and increase investment in distressed communities. Through them, HUD plans to:

- Support smarter regional growth strategies, such as interjurisdictional planning for growth areas, reinvestment in built-up, infrastructure-rich areas, and regional approaches to job and workforce development through Regional Connections.
- Use loan guarantees to leverage private capital for large businesses seeking to locate or expand into distressed urban and rural areas through a second year of funding for the America's Private Investment Companies initiative.
- Continue to make enhancements to the Community Empowerment Fund.
- Train State and local governments on Community 2020 mapping software, a tool that enables localities to identify and target resources effectively to distressed communities.

**Programs supporting Objective 4.2: Disparities in well-being among neighborhoods and within metropolitan areas are reduced.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Mississippi Delta Initiative	0	0	0	[22]
Community and Interfaith Partnerships Initiative	0	0	0	[20]
Community Development Loan Guarantees/Commitment Level	[382]	[432]	[1,261] <sup>a</sup>	[1,217] <sup>a</sup>
Community Development Loan Guarantees/Program Account	10	11	30	30
HOME Investment Partnerships program	1,500	1,600	1,600	1,650
Urban Empowerment Zones	5	45	55	150
Regional Connections	0	0	0	25
Brownfields Redevelopment	25	25	25	50
America's Private Investment Companies (APICs) Commitment Level	{0}	{0}	{541}	{1,000}
APICs Program Account	0	0	20	37
<b>Public and Indian Housing</b>				
Public Housing Operating Fund	2,900	2,818	3,138	3,192
Public Housing Capital Fund	2,500	3,000	2,869	2,955
Revitalization of Severely Distressed Public Housing	550	625	575	625
<b>Housing</b>				
FHA:MMI Commitment Level	{100,245}	{123,546}	{140,000}	{160,000}
FHA:MMI Program Account	338	329	491	491
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective.

<sup>a</sup> Loan demand is projected to increase as a result of the established CEF "pool" and increase in CEF funding in FY 2001.

## **Coordination with other Federal agencies**

HUD participates in the interagency **White House Task Force on Livable Communities**, composed of federal agencies that have missions and resources that can 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 help improve quality of life in distressed communities. Through this Task Force HUD meets regularly with 16 other federal agencies and White House staff to ensure that new and existing initiatives that address quality of life and other livability issues are integrated across agencies. HUD has worked with other agencies on this Task Force to create new legislative, administrative, and budgetary proposals designed to help reduce disparities in quality of life among communities. Through the Task Force, HUD participates in the Partnership for Regional Livability and Community Partnership initiatives, which focus on providing more responsive, integrated, and seamless federal assistance to communities that are implementing locally-driven livability initiatives. HUD's participation in this Task Force 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's participation has helped ensure that the unique needs of older, distressed communities are explicitly addressed in new livability policy proposals from the Administration. It has also helped improve the understanding of these needs by other agencies participating on the Task Force.

HUD's work on the President's **New Markets Initiative** involves significant interagency coordination through the National Economic Council. Through the New Markets Initiative, HUD has designed the **APICs** to increase private investment in high poverty areas. Working with **Treasury** on tax incentives, **SBA** on small business financing, and **EDA** on economic development grants, HUD will coordinate the **APICs** program. HUD brings its expertise in large-scale development, particularly development that links job creation with other important elements of community development.

As part of the multi-agency **Community Empowerment Board** headed by Vice President Gore, HUD has the lead on urban Empowerment Zone/Enterprise Communities. In this role, HUD designates urban EZ/ECs, promotes participation in EZ/ECs by other agencies, and seeks funding preferences and waivers for other agency programs in EZ/ECs. The 2001 budget contains funding for Round II EZs and adds 10 new EZs for a third round.

## **Performance goals**

We aim to achieve these outcomes:

- Stabilize or increase homeownership rates in older and distressed neighborhoods.
- Decrease disparities in city/suburban housing values.
- Increase economic and social well-being in distressed neighborhoods affected by New Market, CDBG, and HOPE VI investment.

- Improve opinions among low- and moderate-income residents about their neighborhoods.
- Reduce the expansion of urbanized land to levels proportional to population growth.
- Make more capital available to rehabilitate housing in distressed neighborhoods.
- Increase the acreage of reclaimed and redeveloped brownfields.

A crosswalk summarizing the programmatic output and outcome indicators we will use to measure progress toward this objective follows.

<b>Crosswalk for Strategic Objective 4.2:                      Disparities in well being among neighborhoods                      and within metropolitan areas are reduced</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
4.2.1: The homeownership rate in underserved neighborhoods ceases to decline by 2005. 4.2.1.3: Household income increases faster in New Market neighborhoods than in other neighborhoods. 4.2.1.5: The share of all households located in neighborhoods with extreme poverty decreases from 1990 levels. 4.2.1.7: Neighborhoods with substantial levels of CDBG investment will show improvements in such dimensions as household income, employment, business activity, homeownership and housing investment. 4.2.1.9: Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.	4.2.a: Increase FHA single-family mortgage lending in underserved communities by 10 percent from FY 1999 levels to 494,000. 4.2.b: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas. 4.2.b.3: The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units (also appears as 1.2.b). 4.2.b.5: EZs and ECs achieve local goals in six activities.	Unstable property values in distressed neighborhoods create incentives to purchase homes elsewhere.

<b>Crosswalk for Strategic Objective 4.2: Disparities in well being among neighborhoods and within metropolitan areas are reduced</b>		
<p>4.2.2: The ratio of central city to suburban median values of owner-occupied homes increases by 0.3 percentage points to 78.6 percent in 2001.</p> <p>4.2.3: The rate of growth in urban land per decade or per year decreases to be equal to, or less than, the rate of growth in U.S. population between 2000 and 2005 (potential interagency goal).</p>	<p>4.2.c: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases (also appears as 5.1.c).</p>	
<p>4.2.4: Among low- and moderate-income residents, the share with a poor or fair opinion of their neighborhood decreases in cities, suburbs, and nonmetropolitan areas.</p>	<p>4.2.c.5: The number of Neighborhood Revitalization Strategy Areas identified in Consolidated Plans increases.</p> <p>4.2.d: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.</p> <p>4.2.e: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.</p> <p>4.2.f: Among all CDBG direct beneficiaries identified, the share that have low incomes remains at or exceeds 56 percent.</p> <p>4.2.g: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.</p>	<p>Communities have discretion in the types of activities undertaken with block grant funds.</p>
<p>4.2.5: The capital used to rehabilitate housing in underserved neighborhoods increases by 1 percent.</p>	<p>4.2.h: The number of single-family properties rehabilitated under Section 203(k) increases by 2 percent to 19,000.</p> <p>4.2.i: The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent to 6,000.</p>	<p>The Community Reinvestment Act creates incentives to increase private lending activity in distressed neighborhoods, resulting in estimated commitments by private lenders of a trillion dollars to low-income communities in the latter half of the 1990s.</p> <p>Market interest rates and rent levels affect the volume of loans, the location of developments for which loans are sought, and the level of default risk.</p>
<p>4.2.6: Through the use of the</p>		

<b>Crosswalk for Strategic Objective 4.2: Disparities in well being among neighborhoods and within metropolitan areas are reduced</b>		
Brownfields Economic Development Initiative and Section 108 loan guarantees, the number of brownfield sites being reclaimed and redeveloped increases by 45 to 110 (potential interagency indicator).		

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 4.2.1:**

**The homeownership rate in underserved neighborhoods ceases to decline by 2005.**

**Indicator background and context.** This indicator goes beyond HUD's goal of increasing homeownership in central cities and aging inner suburbs to recognize the value of homeownership in preventing neighborhood blight. Many communities use the CDBG and HOME programs to stabilize and encourage homeownership. FHA Section 223(e) mortgage insurance also supports homeownership in underserved neighborhoods. This indicator tracks the success of communities in slowing or reversing declining homeownership rates in underserved neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

**Data source.** Bureau of Census, decennial Census and American Community Survey. Baseline estimates using 1990 Census data will be created in FY 2000, and estimates using 2000 Census data will be available in 2002. ACS annual data will support national summary estimates of homeownership in identified tracts.

**Limitations/advantages of the data.** ACS will begin to collect rolling samples in 2003, and sample sizes will be sufficient to update determinations of underserved tracts in 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify ACS data independently.

**Outcome Indicator 4.2.1.3:  
Household income increases faster in New Market neighborhoods  
than in other neighborhoods.**

**Indicator background and context.** Analysts have focused increasing attention on the unfulfilled market potential of poor neighborhoods and on the economic development opportunities they represent. HUD is playing a central role in the interagency New Market initiative to identify and develop the neighborhoods where opportunities and needs are greatest. This indicator will assess the success of the New Market initiative in terms of whether people who live in targeted neighborhoods advance economically at a rate greater than other comparison neighborhoods. The performance goal for this indicator will be determined following analysis of baseline data and of methodological issues.

New Market neighborhoods are defined as census tracts where (1) the poverty rate is 20 percent or more; or (2) where 50 percent or more of families have incomes below the greater of 80 percent of metropolitan area median family income or 80 percent of statewide median family income.

**Data Source.** Decennial Census, and beginning in 2003, the American Community Survey. In FY 2002, HUD will contract with the Bureau of Census to use 1990 and 2000 Census data to determine the baseline income change in census tracts eligible for New Market programs.

**Limitations/advantages of the data.** The Census has the most reliable income data available at the census tract level, but they are available infrequently. Beginning in 2008, ACS will provide tract-level data of similar quality every five years.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

**Outcome Indicator 4.2.1.5:  
The share of all households located in neighborhoods with extreme  
poverty decreases from 1990 levels.**

**Indicator background and context.** The most recent data show that nationwide in 1998, 12.7 percent of all persons lived in impoverished households, down from 13.3 percent in 1997. However, poverty is not evenly distributed – state poverty rates varied from 9 percent to 23 percent – so in many neighborhoods the poverty rate is much higher. Areas that are occupied predominantly by poor families have expanded dramatically in both cities and suburbs over the past two decades. Accumulating evidence shows that high-poverty neighborhoods can have long-term negative impacts on upon residents, and especially upon children whose experience is limited to poor neighborhoods. Children growing up in poverty-stricken neighborhoods have few neighbors who can model middle-class lifestyles and provide opportunity networks to improve life-chances. Concentrations of poor families create tipping effects that drive away more and more middle-income households, reducing the tax base while increasing needs for local services.

This indicator institutes tracking of progress in helping poor residents find neighborhoods with greater income diversity and in making poor neighborhoods more attractive to higher-income families by FY 2001 and beyond. In 1990, more than one in five Americans lived in areas defined by poverty rates of 20 percent or higher. This indicator uses extreme-poverty neighborhoods, defined as census tracts where the poverty rate is 40 percent or higher. About one in 25 persons lived in extreme-poverty areas in 1990 – but the share of households in these areas will differ.

**Data source.** From the Bureau of Census, the decennial Census and American Community Survey. Baseline estimates using 1990 Census data will be obtained in FY 2000, and estimates using 2000 Census data will be available in 2002.

**Limitations/advantages of the data.** The Census is free of sampling error because it contains results of interviews with every household, but is available infrequently. The ACS will have the advantage of providing tract-level estimates every five years beginning in 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. Although the appropriate threshold for tipping effects from poverty concentration has not been definitively established, the 40 percent threshold used here is the highest threshold commonly used in the literature on neighborhood outcomes.

#### **Outcome Indicator 4.2.1.7:**

#### **Neighborhoods with substantial levels of CDBG investment will show improvements in such dimensions as household income, employment, business activity, homeownership and housing investment.**

**Indicator background and context.** The impact of Community Development Block Grants on low-income neighborhoods is difficult to determine because grantees have extensive flexibility to allocate funds according to local needs and priorities. This indicator begins the process of fully utilizing available data to evaluate program outcomes in impacted neighborhoods. The performance goals will be determined following analysis of baseline data. Identifying concentrations of funding in individual neighborhoods may require aggregation of funding data from three or more fiscal years.

**Data source.** CDBG investment levels for years beginning in FY 1999 will be determined from IDIS/DGMS for activities with address data. The CDBG activities and funding will be matched with census tracts and linked with data from the decennial Census, and with HMDA data in the case of housing investment impacts. The American Community Survey will provide data comparable to the Census.

**Limitations/advantages of the data.** Grantees are not required to report addresses for some activities. Some eligible CDBG activities cannot be identified with geographic locations because the activities are citywide or because the activities serve individuals. In some cities, CDBG funds are distributed across eligible areas uniformly without targeting particular neighborhood. HMDA

data include both home purchases and rehabilitation activity, but represent only that portion of housing investment that is financed with mortgages. ACS data will be available at the tract level beginning in 2008.

**Validation/verification of measure.** The methodology for identifying meaningful thresholds for “substantial investment” and for defining neighborhood boundaries is undetermined, and will need careful validation. The Bureau of Census performs extensive data quality procedures on Census data, and HUD will not verify the data independently.

**Outcome Indicator 4.2.1.9:**

**Neighborhoods with substantial levels of HOPE VI investment will show improvements in such dimensions as household income, employment, homeownership and housing investment.**

**Indicator background and context.** The HOPE VI Revitalization Partnership program is HUD’s program with the greatest inherent potential to bring concentrated improvement to low-income neighborhoods with distressed public housing developments. The program encourages partnerships with communities and housing developers to rebuild mixed-income neighborhoods and transform lives where only extreme poverty existed. This indicator begins the process of fully utilizing available data to evaluate program outcomes in affected neighborhoods. The performance goals will be determined following analysis of baseline data.

**Data source.** HOPE VI investment levels will be determined from HOPE VI administrative data. The addresses of existing public housing developments are known, and the addresses will be matched with census tracts and linked with data from the decennial Census for household demographic and economic data, and with HMDA data to determine housing investment impacts. The American Community Survey will provide data comparable to the Census. MTCS will provide additional information about the characteristics and incomes of public housing residents before and after redevelopment.

**Limitations/advantages of the data.** Some HOPE VI developments may disperse public housing residents into scattered site housing, making analysis of change more difficult. HMDA data include both home purchases and rehabilitation activity, but represent only that portion of housing investment that is financed with mortgages. ACS data will be available at the tract level beginning in 2008.

**Validation/verification of measure.** The methodology for identifying meaningful thresholds for “substantial investment” and definition of neighborhood boundaries is undetermined, and will need careful validation. The Bureau of Census performs extensive data quality procedures on Census data, and HUD will not verify the data independently.

**Programmatic Output Indicator 4.2.a: Increase FHA single-family mortgage lending in underserved communities by 10 percent from FY 1999 levels to 494,000.**

**Indicator background and context.** FHA's role in the mortgage market is to extend homeownership to families that otherwise might not achieve homeownership. There is substantial evidence that lower income and minority neighborhoods are less well served by the conventional mortgage market than are more affluent and nonminority neighborhoods. FHA lending in these neighborhoods increases the homeownership rate.

While it is extremely important that FHA loans be available in underserved communities for those who otherwise might not become homeowners, it is also important that FHA be a complement to, and not a substitute for, conventional lending. A healthy housing market requires the availability of conventional mortgages as well. A goal for increasing FHA lending in such neighborhoods should not involve an increased FHA share of the total mortgage market in these communities, but should be accompanied by increased conventional lending as well.

FHA markedly increased lending in underserved areas in both FY 1998 and FY 1999. The FY 2001 performance goal reflects an achievable target of continued high performance in an economic climate that may moderate substantially.

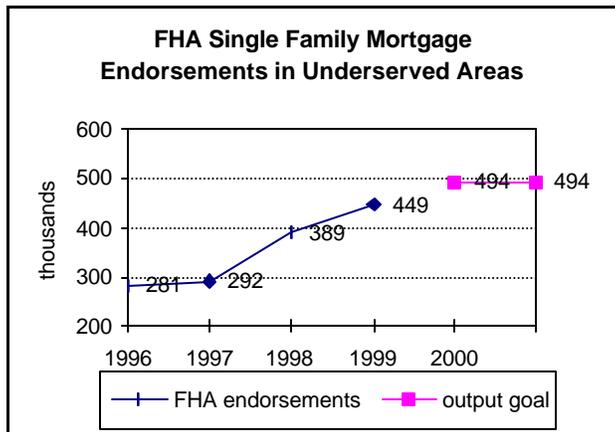
**Data source.** FHA's Consolidated Single Family Statistical System (CSFSS, F42).

**Limitations/advantages of the data.**

HUD is not aware of significant data problems affecting this indicator.

**Validation/verification of measure.**

HUD verifies FHA data for underserved communities by comparison with Home Mortgage Disclosure Act data. FHA staff verify single-family mortgage transactions using quality assurance sampling methods.



**Programmatic Output Indicator 4.2.b: Fannie Mae and Freddie Mac meet or surpass HUD-defined geographic targets for mortgage purchases in underserved areas.**

**Indicator background and context.** One of the three public purpose goals that HUD sets for the housing GSEs involves increasing the share of mortgages purchased from "central cities, rural areas and other underserved" areas. HUD's definition of such areas is based on census tracts with below-average income and/or above-average shares of minority households. These neighborhoods historically have been underserved by the mortgage market, as shown by high mortgage denial rates and low mortgage origination rates. About half of the population in underserved areas live in central cities.

Thus, success of the GSEs in meeting HUD-defined targets is central to meeting the outcome goal of stabilizing homeownership in underserved neighborhoods. In July 1999, the Secretary announced that the geographically targeted goal for FY 2000 will be 29 percent and will increase to 31 percent of each enterprise's total mortgage volume for 2001 through 2003.

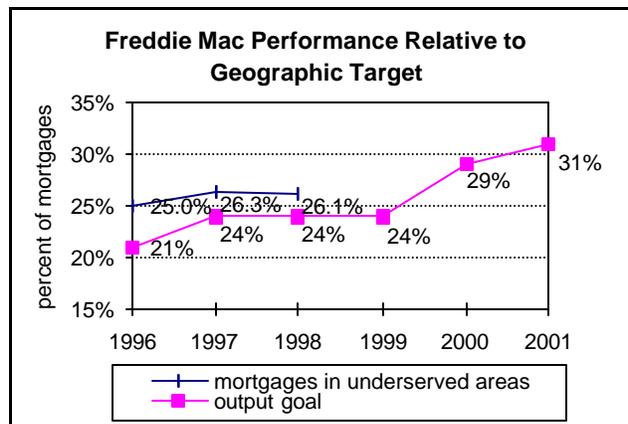
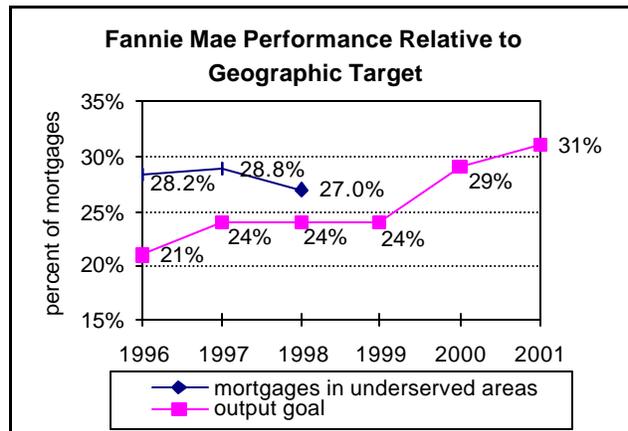
**Data source.** HUD's GSE database.

**Limitations/advantages of the data.**

The data are compiled directly from GSE records on single-family and multifamily loan purchases. The data are based on calendar year rather than fiscal year lending.

**Validation/verification of measure.**

GSEs apply appropriate quality control measures to data elements provided to HUD. HUD verifies the data through comparison with independent data sources, replication of GSE goal performance reports, and reviews of GSE data quality procedures. GSE financial activities are verified by independent audits.



**Programmatic Output Indicator 4.2.b.3: The HOPE VI Revitalization Development program for public housing relocates 2,300 families, demolishes 4,100 units, completes 12,000 new and rehabilitated units, and occupies 11,100 units.**

**Indicator background and context.** HOPE VI is a major initiative to restore the troubled neighborhoods that have grown up around large public housing developments. Housing authorities work with communities to plan and implement plans by demolishing unsustainable developments and rebuilding in accordance with community-sensitive principles including income mixing and defensible space. This indicator is the same as Programmatic Output Indicator 1.2.b, which is discussed in detail under Strategic Objective 1.2 in the context of increasing affordable housing for low-income households.

***Programmatic Output Indicator 4.2.b.5: EZs and ECs achieve local goals in six activities.***

**Indicator background and context.** The Empowerment Zone/Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. The 89 designated communities develop their own performance plans for revitalization of EZs and ECs, and HUD awards grants on the basis of the quality of their plans. This indicator reflects HUD's commitment to empowerment with accountability for its partners, because communities are assessed in terms of the performance relative to the benchmarks in their plans. This indicator is based on Implementation Plans completed during the performance year. Each EZ and EC is assessed in terms of their performance relative to the output measures identified in their plans. The data represent the percentage of communities achieving goals in each category, where "achieving" is defined as completing at least 95 percent of goals that each grantee has identified in their Implementation Plan, measured at the time the plan is declared complete.

- Residents receiving homeownership assistance (Programmatic Output Indicator 1.1.k);
- New and rehabilitated affordable housing units completed (Programmatic Output Indicator 1.2.q);
- People served under homeless assistance programs (Programmatic Output Indicator 3.1.d);
- Residents served by social service programs (Programmatic Output Indicator 3.2.a.5);
- Residents that find gainful employment (Programmatic Output Indicator 4.1.a);
- Residents served by public safety and crime prevention programs (Programmatic Output Indicator 4.3.a).

**Data source.** CPD's Performance Measurement System (PERMS) for EZs and ECs, based on annual progress reports submitted by grantees following the June 30 program year end.

**Limitations/advantages of the data.** Grantees report cumulative achievements to PERMS, so measuring incremental progress requires additional analysis. Grantees have the ability to reduce performance goals to reflect implementation difficulties, and local benchmarks may not establish high enough standards to stimulate outstanding performance.

**Validation/verification of measure.** Regulations establish criteria for valid local benchmarks. Field staff verify a sample of data entries representing a majority of program dollars for each EZ/EC. An evaluation of the EZ/EC program will provide comparison data for verification.

Goals Identified in Implementation Plans	Percent of EZ/EC Communities Achieving Planned Goals		
	1999 (act.)	2000 (est.)	2001 (goal)
Residents receiving homeownership assistance	79%	85%	90%
New affordable housing completed	75%	80%	85%
Rehabilitated affordable housing completed	70%	75%	80%
Homeless residents served by homeless assistance programs	100%	90%	90%
Residents served by social service programs	91%	90%	90%
Residents find gainful employment	81%	85%	90%
Residents served by public safety and crime prevention programs	94%	90%	90%

**Outcome Indicator 4.2.2 :**

**The ratio of central city to suburban median values of owner-occupied homes increases by 0.3 percentage points to 78.6 percent in 2001.**

**Indicator background and context.** Real estate values capture many dimensions of quality of life, because people will pay more for homes in better neighborhoods. This indicator tracks the differences in real estate values between cities and suburbs. The ratio has fallen steadily during the 1990s, from 79.2 percent in 1991 to 78.1 percent in 1995. A rise in city property values relative to suburbs implies that older central neighborhoods are becoming more desirable places to live. HUD programs – such as HOME, CDBG, and Homeownership Zones – that promote central city revitalization and homeownership are intended to increase demand in these neighborhoods, increasing their value relative to newer areas. The FY 2001 performance goal is based on projected accomplishment of 78.3 percent by 1999.

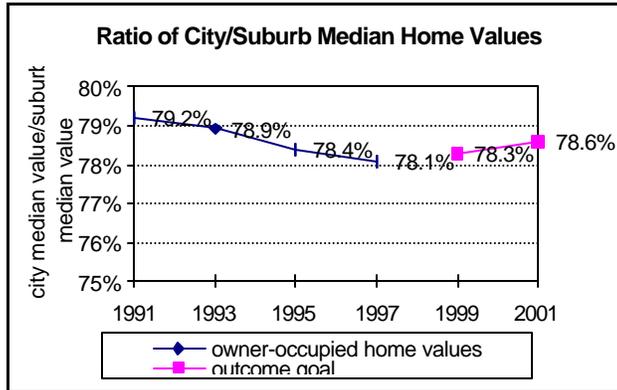
**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are available biennially. HUD expects that AHS data from 1999 will be available by the end of FY 2000 because of recent implementation of computer-aided interviewing.

**Validation/verification of measure.**

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data. This indicator may require validation to determine how to control appropriately for housing characteristics.



**Outcome Indicator 4.2.3:**

**The rate of growth in urban land per decade or per year decreases to be equal to, or less than, the rate of growth in U.S. population between 2000 and 2005.**

**Indicator background and context.** Sprawl in urban development is generally acknowledged to be undesirable and an inefficient use of scarce resources. It contributes to population loss in central cities, loss of farmland and open space, expensive additions to infrastructure and traffic congestion.

This potential interagency indicator tracks the extent to which growth in the number of acres located in urbanized areas diminishes to equal, or preferably even be less than, the growth in U.S. population. According to this indicator of sprawl, excessive conversion of land to urban use has been falling, although the rate of growth in urban land still exceeded U.S. population growth during the 1980s. Between 1970 and 1980, when population grew by 11 percent, the amount of urban land grew by 37 percent. Between 1980 and 1990, population grew almost as quickly as in the previous decade, by 10 percent, while growth in urban land area fell to 18 percent, less than half that of the previous decade.

Between 1990 and 2000, U.S. population is projected to again increase by 10 percent. Although growth in the land in urbanized areas should be less than 18 percent during the 1990s because of smart growth initiatives, it is unlikely that it will be as low as 10 percent. To continue progress in this indicator, the goal for the 2000-2005 period is that land area of urbanized areas increase at a rate less than or equal to actual population growth – projected to increase by 4.5 percent during the 2000-2005 period, according to the most recent “middle” series of Census Bureau projections.

**Data source.** Estimates of U.S. population are available annually from the U.S. Census Bureau, but at present urbanized areas, which are defined in terms of density, are only identified once per decade. The American Community Survey will produce reliable estimates of population by census tract at mid-decade, allowing redefinition of urbanized areas as of 2005.

**Limitations/advantages of the data.** The data should be the most reliable available for this purpose, despite the disadvantage of being available so infrequently.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.

***Programmatic Output Indicator 4.2.c: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.***

**Indicator background and context.** Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA grants. Grantees are able to choose from a wide array of activities, so the quality of planning for self-defined objectives is critical. Consolidated Plans that contain specific goals for housing and for community development encourage community leaders to plan more carefully and to be more responsive and accountable to citizens over the life of the plans.

**Data source.** CPD's Grants Management Process (GMP) system. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** Qualitative judgments about plan quality are necessarily subjective. CPD continually seeks to improve the objectiveness of its assessment tools including defining the parameters for measurement.

**Validation/verification of measure.** Plan assessments will be verified by random resampling to determine the variance of scores.

**Outcome Indicator 4.2.4:**

**Among low- and moderate-income residents, the share with a poor or fair opinion of their neighborhood decreases in cities, suburbs, and nonmetropolitan areas.**

**Indicator background and context.** "Overall opinion of neighborhood" is a proxy measure of whether a community is a good place to live. Neighborhood satisfaction of low- and moderate-income residents (incomes less than 80 percent of median) is especially significant to HUD because of the statutory targeting of block grants. This indicator tracks opinion of neighborhood separately for central city, suburban, and nonmetropolitan residents.

The FY 2001 performance goals reflect anticipated improvements by FY 2000, using 1999 data, and aim for proportionally larger improvements for central city neighborhoods. For this

indicator, "poor or fair opinion of neighborhood" is defined as a response of 1 through 6 on a 10-point scale assessing "overall opinion of neighborhood."

**Data source.** American Housing Survey, conducted by the Bureau of Census.

**Limitations/advantages of the**

**data.** AHS data are available biennially as national averages. HUD expects that AHS data from 1999 will be available by the end of FY 2000 because of recent implementation of computer-aided interviewing. Levels of satisfaction with the economy and with life in general may cause fluctuations from year to year.

Location of Neighborhood	Share of Residents with Poor or Fair Opinion of Neighborhood		
	1997 actual	1999 est.	2001 goal
Cities	31.8%	31.0%	30.0%
Suburbs	19.0%	18.6%	18.2%
Non-metropolitan areas	16.4%	16.2%	16.0%

**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data. For this indicator, HUD will compare results with independent survey evidence regarding quality of life and general satisfaction.

***Programmatic Output Indicator 4.2.c.5: The number of Neighborhood Revitalization Strategy Areas identified in Consolidated Plans increases.***

**Indicator background and context.** Neighborhood Revitalization Strategy Areas (NRSAs) are an optional feature of Consolidated Plans. An evaluation of the CDBG program showed that a strategic focus on neighborhoods helped grantees achieve better results with grant dollars compared with communities that spread funds more thinly. HUD has published two notices regarding the identification of NRSAs, and provided training in the use of Community 2020 mapping software to delineate them. Approved NRSAs benefit from regulatory incentives similar to those that apply in Empowerment Zones.

**Data source.** CPD's Grants Management Process (GMP) system. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** Determination of whether to approve proposed NRSAs requires qualitative and sometimes subjective judgments. CPD continually seeks to improve the objectiveness of its assessment tools including defining the parameters for measurement.

**Validation/verification of measure.** Plan assessments will be verified by random resampling to determine the variance of scores.

***Programmatic Output Indicator 4.2.d: The share of CDBG entitlement funds that benefit low- and moderate-income persons remains at or exceeds 92 percent.***

**Indicator background and context.** Entitlement communities are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** The correlation of the share of CDBG that benefits low- and moderate-income persons with the extent to which CDBG benefits the neediest neighborhoods is not high.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

***Programmatic Output Indicator 4.2.e: The share of State CDBG funds that benefit low- and moderate-income persons remains at or exceeds 98 percent.***

**Indicator background and context.** States are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents. CDBG grantees historically have exceeded this requirement, and HUD has an interest in encouraging continuing strong performance in this area so the greatest local needs are met.

**Data source.** CPD program data compiled from Annual Performance Reports submitted by grantees.

**Limitations/advantages of the data.** The correlation of the share of CDBG that benefits low- and moderate-income persons with the extent to which CDBG benefits the neediest neighborhoods is not high.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

***Programmatic Output Indicator 4.2.f: Among all CDBG direct beneficiaries identified, the share that have low incomes remains at or exceeds 56 percent.***

**Indicator background and context.** States and entitlement grantees are required to use at least 70 percent of their Community Development Block Grant funds for activities that benefit low- and moderate-income residents, as defined by geographic areas. Direct beneficiary activities are those that benefit low- and moderate-income persons directly rather than serving a geographic area. Direct beneficiary activities include “limited clientele” activities that serve a group that is demonstrated or reasonably presumed to be at least 51 percent made up of low-

and moderate-income persons. Other types of direct benefit activities are job creation and retention and the provision and rehabilitation of housing.

An evaluation has shown that in 1989 about one-third of all households in CDBG cities were classified as low income (below 50 percent of median), and of the CDBG funds spent for direct benefit activities, 56 percent of all of the beneficiaries were low income. This implies that CDBG recipients target CDBG benefits to low-income residents at a level greater than their proportion of the population.

**Data source.** Integrated Disbursement Information System and Departmental Grants Management System. Baseline estimates will be generated from DGMS in FY 2001.

**Limitations/advantages of the data.** Grantees must document that a majority of beneficiaries of housing and job programs meet low/mod income thresholds, and similarly document limited clientele activities unless the clientele can be generally presumed to have low- and moderate-incomes. Grantees may submit inaccurate data for a number of reasons including internal record-keeping problems, data entry errors, or limited experience in using HUD data systems. Also, because of certain statutory presumptive low/mod benefit provisions, some job creation and retention activities may qualify as meeting the low/mod benefit requirements without having to collect household income data for employees hired to fill low and moderate income jobs. Thus, data on low income beneficiaries will not be available.

**Validation/verification of measure.** CPD field staff monitor grantees on a risk-priority basis, including checks to ensure that data reported in IDIS correspond to source documents.

***Programmatic Output Indicator 4.2.g: COPC grantees will receive an extra 20 percent in non-Federal funds above the match amount originally claimed in their application between the times they start and complete their projects.***

**Indicator background and context:** The Community Outreach Partnership Centers (COPC) program provides funds to colleges and universities for a wide variety of technical assistance and applied research activities. The underlying purpose of these activities is to build a community's human infrastructure by building the capacity of community-based organizations and to create a series of best practices that can serve as role models for other community-based organizations and universities. This indicator will demonstrate the satisfaction community-based organizations, local governments, foundations, private businesses, and the schools themselves have with these activities by measuring new financial commitments to continue and expand the work. In addition, because COPC funding is designed to be a stimulus for permanent commitments to these kinds of activities by institutions of higher education, new funding sources coming into these projects will demonstrate the permanency of these activities. The baseline has been established by the 16 COPC grantees whose grants closed in 1999, for whom non-Federal resources represented 132 percent of the \$4,951,000 originally committed.

**Data source.** COPC administrative data, consisting of semiannual and final progress reports submitted by grantees, augmented in some cases by applications for the FY 1999 "New Directions" COPC competition.

**Limitations/advantages of the data.** Estimates reflect COPC grants that have closed since the last performance reporting period. The value of more intangible contributions (e.g., pro bono services) may tend to be inflated.

**Validation/verification of measure.** Financial statements of grantees are subject to independent audits. PD&R staff monitor grantees on a random sample basis.

#### **Outcome Indicator 4.2.5:**

#### **The capital used to rehabilitate housing in underserved neighborhoods increases by 1 percent.**

**Indicator background and context.** Historically, deterioration of aging and distressed neighborhoods has been exacerbated by the unwillingness of private banks to extend credit in declining neighborhoods. The Community Reinvestment Act promotes lending for rehabilitation in such neighborhoods, which is often combined with funding from HUD programs such as CDBG and HOME. This indicator tracks the volume of private lending in underserved neighborhoods, defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

**Data source.** For lending data, the Home Mortgage Disclosure Act database. For neighborhood characteristics, the decennial Census of Population, with future updates from the American Community Survey. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** HMDA data are available annually. The 2000 Census will be available in 2002 to update tract data. ACS data will have sample sizes sufficient to update tract data by 2008.

**Validation/verification of measure.** The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently. No comparable data support independent verification of HMDA data.

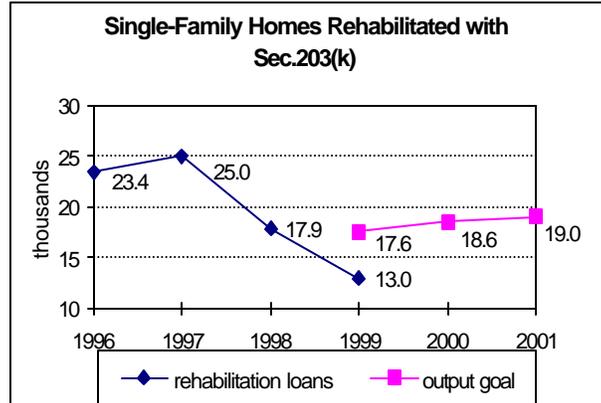
#### ***Programmatic Output Indicator 4.2.h: The number of single-family properties rehabilitated under Section 203(k) increases by 2 percent to 19,000.***

**Indicator background and context.** FHA's Section 203(k) program addresses the problems that homebuyers often face when they want to buy a home that is in need of repair – either first mortgage financing is not available because the property does not meet code, or else the buyer has to obtain a high-cost second mortgage to finance the repairs. With a 203(k) insured loan, both the property acquisition and the repairs can be financed in a single loan at costs comparable to those of a first mortgage. This makes additional existing homes affordable for moderate-income families and improves older urban neighborhoods. The performance goal is based on projected accomplishments of 18,600 loans in FY 2000.

**Data source.** FHA's Computerized Homes Underwriting Management System (CHUMS, F17), which tracks single family mortgage insurance applications from initial receipt through endorsement.

**Limitations/advantages of the data.** The data represent a simple and easily verifiable count of endorsements.

**Validation/verification of measure.** FHA performs computerized checks of data quality, and FHA staff verify loan transactions using quality assurance sampling methods.



***Programmatic Output Indicator 4.2.i: The number of multifamily rental units in underserved areas newly insured by FHA increases by 5 percent to 6,000.***

**Indicator background and context.** FHA insures loans for new construction and substantial rehabilitation of multifamily rental units under Sections 221(d)(3), 221(d)(4), and 220, and risk-sharing under 542(b) and (c). Section 223(f) insures mortgages for existing multifamily properties, either to refinance an existing mortgage or to facilitate the purchase of a property. A moderate amount of rehabilitation cost may be included in the mortgage. These programs improve the quality and affordability of rental housing, and increasing their availability in underserved neighborhoods will promote revitalization of those neighborhoods.

This indicator tracks the number of units in properties within underserved neighborhoods that are newly endorsed by FHA. To focus on newly financed housing, endorsements for refinanced mortgages are excluded, as are Section 202 and Section 811 properties. Underserved neighborhoods are defined in metropolitan areas as census tracts either with a minority population of 30 percent and median family income below 120 percent of the metropolitan area median, or with median family income at or below 90 percent of area median (irrespective of minority population percentage). A similar definition of underserved applies to nonmetropolitan areas, using counties rather than tracts.

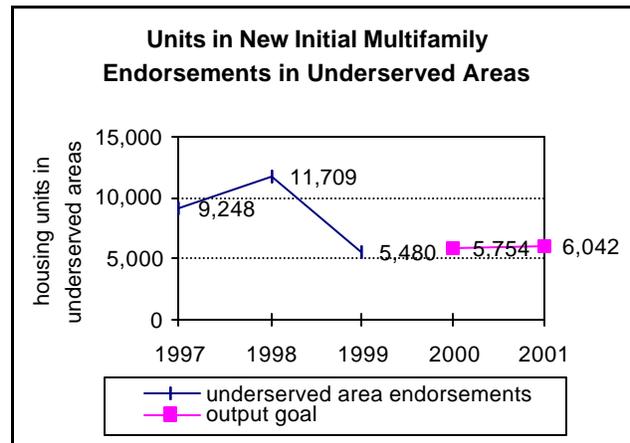
**Data source.** For project locations, FHA's DAP system. For tract poverty rates and minority share, the Census of Population, updated with the American Community Survey. PD&R determines which census tracts meet the definition of "underserved" for HUD's role in oversight of Freddie Mac and Fannie Mae.

**Limitations/advantages of the data.**

HUD is not aware of significant data problems affecting this indicator.

**Validation/verification of measure.**

FHA performs computerized checks of data quality, and FHA staff verify multifamily mortgage transactions using quality assurance sampling methods. The Bureau of Census has rigorous data quality standards, and it is not feasible for HUD to verify Census or ACS data independently.



**Outcome Indicator 4.2.6:**

**Through the use of the Brownfields Economic Development Initiative and Section 108 loan guarantees, the number of brownfield sites being reclaimed and redeveloped increases by 45 to 110.**

**Indicator background and context.** The Brownfields National Partnership Action Agenda established a comprehensive Federal approach to redevelop contaminated or potentially contaminated commercial and industrial land (brownfields) and return it to productive use. The FY 1999 appropriations bill also made cleanup and redevelopment of brownfields permanently eligible activities for CDBG funds. In FY 2001, HUD estimates that brownfield funds will be committed for approximately 45 sites. This potential interagency indicator will track the progress of this program in remediating environmental contamination and redeveloping brownfields. The FY 2001 performance goal is based on estimated achievement of 21 new sites in FY 2000, building on the 44 sites being remediated with FY 1998 and FY 1999 funding.

**Data source.** DGMS, currently under development, will incorporate fields for CDBG grantees to report brownfield sites remediated and redeveloped with CDBGs, the Brownfields Economic Development Initiative, and Section 108. The baseline will be established in FY 2001.

**Limitations/advantages of the data.** Self-reported data are subject to distortion by grantees. The definition of “brownfields” may be subject to interpretation.

**Validation/verification of measure.** CPD field staff verify program data when monitoring grantees.

## **Objective 4.3: Communities are safe.**

### **Overview**

One of the major success stories of recent years has been the steady drop in crime rates, both nationally and in most large cities. Between 1991 and 1997, crime rates fell by 27 percent. From 1997 to 1998 alone, the total crime index fell by 6 percent in cities with populations over 1 million, including an 11 percent reduction in murders and motor vehicle theft, a 12 percent decline in robberies, and 14 percent drop in arson. The next largest group of cities – those with a population between 500,000 and 999,999 – recorded a 9 percent reduction in violent crime between 1997 and 1998. But further reducing crime is essential to both the individual well-being of all American citizens and the future of American cities. Surveys consistently cite fear of crime as one of the major reasons that movers leave cities.

On a neighborhood scale, HUD sees reducing crime around public and assisted housing as essential to revitalizing these neighborhoods and retaining affordable housing. Experience suggests that even actions to clean up neighborhoods by reducing trash and litter have the effect of reducing crime rates, since disorder and crime frequently go hand-in-hand. Reducing crime in public housing is a high priority not only to revitalize public housing, but also because of the public perception that links public housing to crime.

### **External factors**

Many societal factors – including the age distribution, unemployment, discrimination, family problems, and social inequality – influence crime. Many federal, State and local players other than HUD are involved in the effort to make communities safer.

### **Means and strategies**

HUD's particular responsibilities in realizing this critical national objective are to enforce safety standards and high standards of resident behavior in HUD-assisted housing, to demolish vacant HUD-assisted structures that cannot be salvaged as safe and livable dwellings, and to promote community-based crime prevention in partnership with local, State, and Federal actors. HUD will continue to:

- Enforce the Administration's "one strike and you're out" policy, screening applicants and evicting residents who commit crimes or peddle drugs, because living in public housing or receiving housing assistance is a privilege, not a right.
- Promote the Office of the Inspector General's Operation Safe Home, which coordinates crime reduction efforts of PHA residents and managers with those of Federal and local law enforcement agencies.

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

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- Provide funding for the demolition and revitalization of the worst public housing developments.
- Reduce crime in public housing through Public Housing Drug Elimination Program (PHDEP) Grants.
- Build safer communities by promoting residency by law enforcement officers in distressed communities through the Officer Next Door program.
- Participate in the Administration's crime prevention initiatives, including Community Oriented Policing Services and the Community Prosecutors Initiative.
- Participate in gun buy-backs through local police departments as part of a national crime prevention initiative to prevent violence.
- Modernize public housing with operating and capital funding.

HUD's FY 2001 budget requests an important new way in which HUD and its partners can advance this objective: the government-wide Anti-Drug Diversion Program to help steer youth away from drugs and into long-term employment. The expanded funds requested for Youthbuild will also contribute to this goal.

**Programs supporting Objective 4.3: Communities are safe.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Community Planning and Development</b>				
Community Development Block Grants	4,675	4,743	4,781	4,900
Youthbuild	[35]	[43]	[43]	[75]
<b>Public and Indian Housing</b>				
Housing Certificate Fund (Sec. 8 Project-based & Tenant-based)	11,322	10,327	11,481	14,128
Public Housing Operating Fund	2,900	2,818	3,138	3,192
Public Housing Capital Fund	2,500	3,000	2,869	2,955
HOPE VI Revitalization of Severely Distressed Public Housing	550	625	575	625
Drug Elimination Grants/Anti-Drug Diversion program	310	310	310	345
Community Gun Safety and Violence Reduction	0	0	0	[30]
<b>Housing</b>				
FHA:GI/SRI Commitment Level	{15,513}	{16,924}	{18,100}	{21,000}
FHA:GI/SRI Program Account	319	308	311	456

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
Officer Next Door*	0	0	0	0
Neighborhood Networks	0	0	0	0

Note: Brackets reflect funding as a set-aside. Braces indicate loan commitments supported by the specified program. Dollars shown represent the total for the program, not necessarily the amount devoted to this objective. The funding for the Housing Certificate Fund does not include any Rescissions or Advanced Appropriations.

\* Provides incentives for police officers to live in the communities where they work by offering a 50-percent discount on the purchase of HUD-owned foreclosed properties in locally designated revitalization areas.

## **Coordination with other Federal agencies**

An interagency effort particularly relevant to this goal is the **Office of National Drug Control Policy's Interagency Demand Reduction Working Group**. HUD has worked with this group since its inception in support of education and treatment to reduce the demand for illegal drugs.

HUD also 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 National Crime Information Center data.

## **Performance goals**

We aim to achieve these outcomes:

- Decrease the share of households who report that there is crime in their neighborhoods.
- Improve the perception of neighborhood security among public housing residents in projects served by PHDEP grants.
- Increase the share of PHAs with PHDEP grants that achieve their crime-reduction goals.
- Decrease the share of central city residents reporting accumulations of trash on their streets, because visibly distressed neighborhoods become a magnet for crime.

Crosswalk for Strategic Objective 4.3: Communities are safe		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>4.3.1: The share of households reporting “crime in neighborhood” declines by 0.2 percentage points to 16.8 percent in 2001 (potential interagency indicator).</p> <p>4.3.2: Among residents of public housing developments targeted by PHDEP grants, average satisfaction regarding neighborhood security increases.</p> <p>4.3.2.3: For a majority of Public Housing Authorities receiving PHDEP grants, the number of FBI Classified Part I crimes continues to decrease at an equal or greater rate in PHA properties than in the localities in which they are located.</p> <p>4.3.2.5: The share of housing authorities with PHDEP grants who achieve their crime reduction goals increases.</p>	<p>4.3.a: At least 90 percent of EZs and ECs achieve local goals in serving residents with public safety and crime prevention programs (see table under 4.2.b.5).</p>	<p>Crime rates have been declining in general because of changing demographics, the ebbing of the crack trade, and improvements in law enforcement strategies.</p> <p>Changes in national economic conditions and drug usage and distribution, as well as local fluctuations in crime patterns and law enforcement, may affect crime reduction outcomes.</p>
<p>4.3.3: The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.4 percentage points to 15.0 percent in 2001.</p>		

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 4.3.1:**

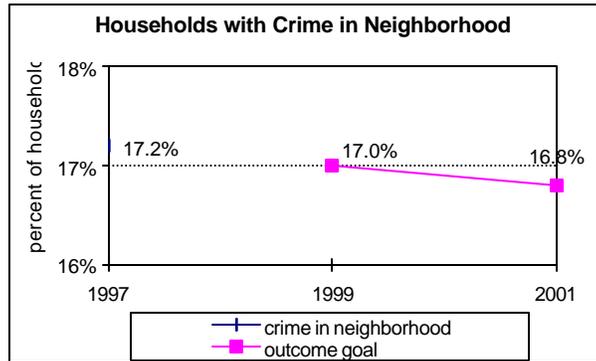
**The share of households reporting “crime in neighborhood” declines by 0.2 percentage points to 16.8 percent in 2001.**

**Indicator background and context.** Crime is one of the most important factors motivating decisions to flee an area. CDBG grantees have flexibility to use a portion of block grants to enhance public safety and security, both with physical facilities and with equipment and services benefiting eligible areas. Housing authorities use Drug Elimination grants to control crime near public housing developments, and also use capital grant funds for security and safety programs. This indicator measures the impacts of crime on quality of life for the nation as a whole. In 1997, 17.2 percent of households reported crime in their neighborhoods. The FY 2001 goal is based on achieving the revised FY 2000 goal of 17 percent based on 1999 data.

**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

National AHS data are available biennially. HUD expects that AHS data from 1999 will be available by the end of FY 2000 because of recent implementation of computer-aided interviewing. Modifications to the survey question regarding crime improved the quality of responses in the 1997 survey, but prevent comparisons with 1995 and earlier surveys. AHS sample sizes are insufficient to support detailed local analysis.



**Validation/verification of measure.** The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance. HUD verifies AHS estimates by comparison with earlier surveys and by intermittent structured comparisons with SIPP, CPS, or Census data.

**Outcome Indicator 4.3.2:**

**Among residents of public housing developments targeted by PHDEP grants, average satisfaction regarding neighborhood security increases.**

**Indicator background and context.** The Public Housing Drug Elimination Program provides grants to housing authorities and resident management councils for initiatives to reduce crime. Typical grants fund security personnel, physical investments promoting security, and drug treatment and other services at targeted housing developments. This indicator tracks the success of this program in solving crime- and drug-related problems in public housing and surrounding neighborhoods, as measured by the satisfaction of assisted residents with their environment.

**Data source.** Grantee-administered resident surveys, mandated under PHDEP. The results of the FY 1999 surveys will be electronically submitted in early 2000.

**Limitations/advantages of the data.** The surveys are administered before and after implementation of grant-funded drug elimination programs. Surveys may not control effectively for external causes of change in neighborhood crime patterns, such as declines in municipal crime rates overall or tactical innovations by police. Isolated incidents may create short-term distortions in long-term tenant satisfaction.

**Validation/verification of measure.** HUD also is assessing a broader sample of residents regarding perceptions of safety, through a new survey administered for REAC's Resident Satisfaction Assessment Subsystem (RASS), and results from RASS surveys will be used to verify PHDEP survey results.

**Outcome Indicator 4.3.2.3:**

**For a majority of Public Housing Authorities receiving PHDEP grants, the number of FBI Classified Part I crimes continues to decrease at an equal or greater rate in PHA properties than in the localities in which they are located.**

**Indicator background and context.** Part I Crimes constitute the Crime Index of the FBI's Uniform Crime Reports (UCR). They include the violent crimes of homicide, rape, robbery, and aggravated assault. The Index also includes the property crimes of burglary, larceny, and auto theft. Localities also submit available data on arson. HUD has collected Part I data from the top 100 housing agencies for the last few years and compared it to citywide crime data. The FBI estimates that approximately 70 percent of homicides are firearm related, as are approximately 23 percent of aggravated assaults and 40 percent of robberies. All three of these categories are related to illegal drug trafficking.

Approximately 17,000 city, county, and state law enforcement agencies representing 96 percent of the U.S. population currently participate in the UCR system. These law enforcement agencies submit Uniform Crime data to track a variety of criminal activities. HUD has worked closely with the Department of Justice on developing a system for tracking crime in public housing communities that receive Public Housing Drug Elimination Program (PHDEP) grants. PHDEP makes funding available to Public Housing Agencies to assist in reducing and eliminating drug related and violent crime in public housing. Eighty percent of the 1998 grantees were able to submit corresponding data on crime in their public housing communities. The Department expects this reporting rate to increase because of a strong Departmental focus on upgrading the data collection capacity of participating PHAs and their local law enforcement partners.

**Data source.** Drug Elimination Reporting System (DERS), including UCR crime data compiled by local law enforcement agencies. Beginning July 1, 1999, all PHDEP grantees were required to submit their semiannual reports electronically using DERS, which replaced narrative progress reports. The new system requires grantees to report on their progress toward reaching measurable goals, including crime reduction goals, which they will establish for each of the various elements of their drug elimination programs.

**Limitations/advantages of the data.** Data are submitted directly from the PHAs using UCR crime data compiled by local law enforcement agencies. Data accuracy will depend on consistent and accurate reporting by both law enforcement agencies and PHAs.

**Validation/verification of measure.** HUD will not verify data independently. Citywide comparative data are collected by the FBI, which is currently conducting a voluntary Quality Assurance Review pilot for the UCR program.

### **Outcome Indicator 4.3.2.5:**

#### **The share of housing authorities with PHDEP grants who achieve their crime reduction goals increases.**

**Indicator background and context.** To monitor the results of the PHDEP program as it undergoes a conversion from competitive grants to formula grants, HUD has developed an Internet-based semi-annual performance reporting system. Grantees identify locally-important performance goals, and they must enter results in the system before they can draw down future grants.

Police departments in most metropolitan areas where PHAs receive PHDEP grants have implemented geographic information systems (GIS) to effectively focus police resources on crime hotspots. PHAs can use PHDEP funds in partnership with police to use GIS to track crime and to demonstrate crime reduction outcomes for public housing residents and their neighborhoods.

**Data source.** PIH Drug Elimination Reporting System (DERS), containing semi-annual reports submitted electronically by grantees. The FY 1999 reports will be submitted in early 2000, and the FY 1999 baseline and performance goals for FY 2000 and FY 2001 will be determined on the basis of these reports by mid-2000.

**Limitations/advantages of the data.** The locally-determined goals will not support standardized comparisons of progress relative to other grantees. The level of effort that specified goals require may vary, and grantees may have incentive to define easily obtainable goals. The relationship of reporting to drawdown of funds encourages complete reporting.

**Validation/verification of measure.** Housing authorities are required to demonstrate the validity of proposed measures for assessing effectiveness of PHDEP-funded activities. Field staff monitor the timeliness, thoroughness and validity of performance information.

#### ***Programmatic Output Indicator 4.3.a: At least 90 percent of EZs and ECs achieve local goals in serving residents with public safety and crime prevention programs.***

**Indicator background and context.** The Empowerment Zone and Enterprise Community program is one of HUD's primary tools for economic and community development in distressed communities. Many EZ/EC Implementation Plans include local goals to prevent crime, enhance law enforcement and improve public safety. This indicator is discussed fully and all EZ/EC performance data are presented under Programmatic Output Indicator 4.2.b.5, which supports Strategic Objective 4.2, "Disparities in well-being among neighborhoods and within metropolitan areas are reduced."

**Outcome Indicator 4.3.3:**

**The share of central city households reporting accumulations of trash, litter, or junk on the streets decreases by 0.4 percentage points to 15.0 percent in 2001.**

**Indicator background and context.** Accumulations of trash and junk create hazards to public health and safety by supporting vermin and by endangering pedestrians and motor traffic. Visibly distressed neighborhoods become a magnet for crime. Communities have flexibility to use CDBG funds for neighborhood improvement. Community Builders will encourage cities to improve the physical safety and visual appearance of neighborhoods.

In FY 1997, 15.8 percent of central city households reported accumulations of trash within 300 feet of their units. The FY 2001 goal is based on projected accomplishments of a 0.4 percentage point reduction in the 1999 survey data.

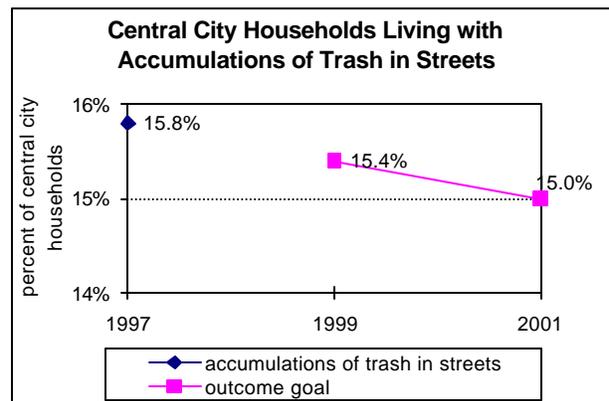
**Data source.** American Housing Survey, conducted for HUD by the Bureau of Census.

**Limitations/advantages of the data.**

AHS data are published biennially. HUD expects that AHS data from 1999 will be available by the end of FY 2000 because of recent implementation of computer-aided interviewing. Changes in the survey instrument make estimates from pre-1997 surveys uncomparable.

**Validation/verification of measure.**

The Bureau of Census has quality control procedures in place for the AHS, including reinterviews of small subsamples for quality assurance.





## **STRATEGIC GOAL 5: ENSURE PUBLIC TRUST IN HUD**

### **Strategic Objectives:**

**5.1 HUD and HUD’s partners effectively deliver results to customers.**

**5.2 HUD leads housing and urban research and policy development nationwide.**

For the Department to achieve its mission, it must continually demonstrate that it has the organizational competence and capacity to deliver effective and responsive programs and services to the public. HUD’s stewardship of the billions of taxpayers dollars it administers must be credible, and earn the confidence of Congress and the public.

The scope and complexity of this stewardship is evidenced by the challenges HUD faces to utilize its budgeted resources and 9,300 employees to more effectively deliver and control vitally needed housing and community development programs that represent \$32 billion of annual grant, subsidy and loan expenses, \$102 billion of long-term contractual commitments, \$425 billion of mortgage insurance risk exposure, \$3.3 billion of HUD-held mortgage notes, \$3.6 billion of HUD-owned real estate, and \$542 billion of mortgage-backed securities risk exposure.

The HUD 2020 Management Reform Plan fundamentally overhauled HUD’s programs and operations to make them more efficient and responsive. The 2020 reforms, as implemented, 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 is also continuing to better target its research efforts towards timely and relevant policy issues and evaluation of HUD programs that supports performance measurement under GPRA.

### **Objective 5.1: HUD and HUD’s partners effectively deliver results to customers.**

#### **Overview**

The Department is proud of the progress made to date in addressing its management challenges and making HUD a high-performing agency. The improvements are reflected in real performance accomplishments and have created a Department that works. Specific areas of

progress, which are more fully discussed at the end of this chapter, include resource allocation, data improvement, compliance and monitoring activities, enforcement activities, and procurement reforms. These efforts dovetail with the Department's establishment of performance-based systems for HUD's programs and performance-based requirements for HUD's managers.

HUD has adopted a businesslike structure to better achieve its public purposes – to better support its partners and its own lines of business. 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 making information on HUD's programs and resources more widely available through the Internet and other technology. In addition, HUD has pushed its Strategic Planning activities down to the field office level, by establishing internal annual Business and Operating Plans, directly linked to the APP, for each of its field and headquarters offices.

Through its Financial Systems Integration Project, HUD dramatically improved the financial capabilities of the Department, starting with the complete modernization and integration of previously outdated, multiple financial systems into a single financial system that reflects state-of-the-art capabilities. This has already resulted in a first-time clean and approvable audit of the Department's finances. The accuracy and usefulness of financial reporting for HUD's insured, assisted and public housing have been vastly improved through the newly established Section 8 Financial Management Center, the Single Family Homeownership Centers, and the Multifamily HUB and Program Centers.

HUD is examining the financial conditions of the entire public and assisted housing inventories through the Real Estate Assessment Center and the Enforcement Center. These streamlined efforts are becoming models for similar kinds of assessments done in private industry and will give the Department a clear understanding of the financial conditions of these housing providers and produce the kinds of remedial actions needed.

The HUD Training Academy has used a sophisticated mix of multimedia distance learning and on-the-job training to develop new employee skills in information systems management, procurement, civil rights enforcement, asset development and management, program and real estate administration, and economic development and customer service.

The Community Builders serve as HUD's link to communities. They assist communities in identifying their needs, and develop action plans that cross program lines to meet community needs. HUD is empowering its partners in communities through provision of new technology tools and through new partnerships at the national and local levels.

The Department is currently working with National Academy of Public Administration (NAPA) to develop the optimum methodology for resource management throughout the Department. This tool will enable the Department to effectively estimate, allocate, and monitor its workforce resources. At the same time, HUD is putting new emphasis on enforcement of contractual

obligations by HUD's agents and is implementing a broad set of performance measures to ensure that communities are meeting program objectives and using program resources appropriately.

Quality assurance and data integrity are part of the development and verification of performance measurement data. Throughout this Plan, validation and verification efforts have been described in the context of performance indicators.

The Department has also dramatically improved its procurement procedures and operations. HUD has installed a Chief Procurement Officer, who reports directly to the Deputy Secretary. Key procurement reforms include: establishing a Contract Management Review Board to review and approve each program office's strategic procurement plan and individual contracts exceeding \$1 million; requiring legal reviews and inputs on significant contract actions; designating 81 staff to perform full-time Government Technical Representative (GTR) duties; implementing a GTR Certification Program to train GTRs in contract oversight and monitoring.

HUD is committed to quality management of its programs and has established this strategic objective, with related performance goals and measures, to ensure that HUD remains focused on the continuous improvement of the organization and functions and on producing results for customers.

## **External factors**

The large number of HUD agents and grantees implementing HUD's programs in the field greatly complicates monitoring and performance measurement. The assumption underlying grants distributed by formula is that local housing needs and market conditions make local choices of activities most cost effective, but devolution to local strategies complicates monitoring. The Department is investing staff and resources towards better exploiting the possibilities of electronic monitoring and expanding on-sight monitoring, and is developing new roles for independent auditors.

## **Means and strategies**

Continued attention to upholding the public trust in HUD is crucial to the future of the agency. HUD will act to:

- Build upon the successful implementation of HUD 2020 through the new Real Estate Assessment Center and teamwork between Community Builders and Public Trust Officers.
- Support accomplishment of HUD's APP by helping all HUD managers shape business and operating plans that achieve results for customers and local communities.
- Expand the customer service impacts of HUD 2020 by building more storefront offices, installing electronic kiosks and sharing best practices for housing and community development across the country.

- Through REAC, rate the quality of single family appraisers and work with the Enforcement Center to remove poor appraisers from the FHA appraisal registry.
- Through REAC, rate the performance of Independent Public Accountants that perform financial audits of PHA and multifamily assisted properties and work with the Enforcement Center to debar poor performing CPAs.
- Train employees and improve equipment for higher productivity.
- Conduct regular surveys of employees, partners, and customers regarding experience with 2020 reforms, and use results to target program enhancements.
- Through REAC, rate key partners, including PHAs and private owners of assisted housing, for financial management and physical upkeep, take remedial actions as necessary, and focus on improvements by low performers.
- Increase the effectiveness of Consolidated Plans in promoting high performance.
- Increase citizen access to information on HUD programs and their local implementation, both through citizen participation in the Comprehensive Plan process and through electronic means such as Community 2020 mapping software and HUD's award-winning World Wide Web home page.
- Improve data quality and certify compliance of program data systems with OCIO standards.
- Implement a new performance based appraisal process for all managers and executives that links performance objectives and standards to strategic goals and objectives.
- Put in place a sound internal management process that ties the full cycle of management operations to HUD's strategic objectives – long-range planning, annual planning, budgeting, operational plans, management oversight and performance evaluation.

**Programs supporting Objective 5.1: HUD's workforce and partners are empowered, capable, and accountable for results.**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Management and Administration</b>				
Salaries and Expenses*	1,005	990	1,005	1,094

\* Includes Salaries and Expense Appropriation and transfers from FHA, Ginnie Mae, and CPD.

**Performance goals**

To measure progress toward these objectives, HUD aims to:

- Empower HUD employees and increase their ratings of personal and organizational effectiveness.
- Increase the capability of HUD partners.
- Reduce the share of assisted renters living in public and Indian housing or Section 8 units managed by PHAs deemed “troubled.”
- Reduce the share of households living in multifamily properties that have substandard financial management.
- Achieve improvements in HUD’s automated data quality systems that are recognized by users and rating entities.
- Increase satisfaction of HUD customers with HUD’s service.

FY 2001 goals for these outcomes and key indicators of programmatic outputs follow.

<p align="center"><b>Crosswalk for Strategic Objective 5.1: HUD and HUD's partners effectively deliver results to customers</b></p>		
Outcome Indicators	Programmatic Output Indicators	External Factors
<p>5.1.1: HUD's workforce is empowered, capable and focused on results.</p>	<p>5.1.a.0: HUD continues to receive unqualified audit opinions.</p> <p>5.1.a: HUD increases overall work force diversity by raising the representation of under-represented groups.</p> <p>5.1.b: Ensure that contractors produce results by increasing annual obligations under contracts with performance-based features by 25 percent to \$30 million.</p>	<p>Adequate staff levels and appropriations may not be provided to HUD.</p> <p>Restricted outside recruitment and hiring due to limited financial resources can adversely impact the Department's ability to improve its representation of minorities and women in the work force.</p>
<p>5.1.2: HUD partners are empowered, capable and focused on results.</p>	<p>5.1.c: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases (also appears as 4.2.c).</p> <p>5.1.d: Among Consolidated Plan grantees, 100 percent are reviewed remotely and 20 percent are reviewed onsite for compliance with their plans.</p> <p>5.1.e: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 179.</p>	<p>The large number of HUD agents and grantees vastly complicates monitoring and performance measurement.</p> <p>Devolution of decisions regarding priority needs and preferable tools to local grantees is appropriate for CDBG, HOME, and other grant programs because of the variety of housing market conditions, but complicates monitoring and performance measurement.</p>
<p>5.1.3: The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases.</p> <p>5.1.4: The share of public housing units managed by troubled housing authorities decreases by 5 percentage points.</p> <p>5.1.5: The share of tenant-based Section 8 assistance managed by troubled housing authorities decreases by 5 percentage points.</p> <p>5.1.6: Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 5 percentage points.</p> <p>5.1.7: The share of units that meet</p>	<p>5.1.f: The unit-weighted average PHAS score increases.</p> <p>5.1.g: The household-weighted average SEMAP score increases.</p> <p>5.1.h: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for income verification increases.</p> <p>5.1.i: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for determination of rent reasonableness increases.</p> <p>5.1.j: The share of households for which rent determinations are correct increases for public housing and for project-based Section 8.</p>	

<b>Crosswalk for Strategic Objective 5.1: HUD and HUD’s partners effectively deliver results to customers</b>		
<p>HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units (also appears as 1.3.3).</p> <p>5.1.8: The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing (also appears as 1.3.4).</p>	<p>5.1.k: Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease (also appears as 1.2.o).</p>	
<p>5.1.9: HUD automated data systems are rated highly for usefulness, ease of use, and reliability.</p>	<p>5.1.L.1: By the end of FY 2001, an increased number of mission-critical data systems will earn data quality certifications based on objective criteria.</p> <p>5.1.L.5: Office of Housing field staff review a statistically valid sample of transactions in each of seven categories for compliance with data quality standards.</p> <p>5.1.m.1: The share of HOME-assisted rental units for which occupancy information is reported increases by 5 percentage points to 80 percent.</p> <p>5.1.m.5: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.</p> <p>5.1.n: Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.</p>	<p>Development and improvement of electronic monitoring systems can disrupt and confuse established patterns of reporting at first during “growing pains.”</p>

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 5.1.1:  
HUD’s workforce is empowered, capable and focused on results.**

**Indicator background and context.** The implementation of management reform has changed HUD’s organization and everything about HUD’s culture, moving the focus from process to customer-driven results. To support continued empowerment that serves customers, we will use

periodic employee surveys 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.

**Data source.** A new biennial employee satisfaction survey will be developed and administered by PD&R in 2001 to assess ongoing impacts of HUD 2020 management reform.

**Limitations/advantages of the data.** Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some employees and dissatisfy others. Therefore the performance goal will establish an acceptable level of employee satisfaction to attain over time rather than constantly increasing satisfaction.

**Validation/verification of measure.** The survey instrument will be pretested to determine appropriate validation and verification procedures.

***Programmatic Output Indicator 5.1.a.0: HUD continues to receive unqualified audit opinions.***

**Indicator background and context.** In FY 1999, auditors issued an unqualified or “clean” audit opinion on HUD’s FY 1998 financial statements, reflecting substantial progress in resolving issues that resulted in qualified opinions for previous audits. This accomplishment represents a major milestone in HUD’s efforts to improve financial data systems and internal controls, and shows the impact of management reforms upon HUD’s internal culture and organizational performance. HUD intends to make further improvements in these areas to build upon this success.

**Data source.** Audits are performed by independent auditing firms using Federal standards.

**Limitations/advantages of data.** Audits are Inspector General determinations of the soundness of data systems and internal controls.

**Validation/verification of measure.** Federal audit standards are prescribed and reviewed by OMB.

***Programmatic Output Indicator 5.1.a: HUD continues to improve the workforce to reflect the nation’s diversity by increasing the representation of under-represented groups by 0.3 percentage points.***

**Indicator background and context.** It is the policy of HUD to prohibit discrimination in employment because of race, color, religion, sex, national origin, age, and disability, and to promote the full realization of equal employment opportunity through a continuing Affirmative Employment Program. HUD’s Hispanic representation of 6.8 percent has consistently remained below the Hispanic Civilian Labor Force (CLF) representation of 8.1 percent for the past several years. HUD’s first diversity goal is to increase the share of Hispanics to 7.4 percent of employees in FY 2001, based on estimated achievement of 7.1 percent representation in FY 2000. Similarly, HUD intends to increase the representation of white females to 28.3 percent to close the gap with the CLF representation of 35.5 percent.

Because HUD’s women and minorities constitute 72 percent of HUD’s total work force, the Equal Employment Opportunity Commission (EEOC) ranks HUD highly, as eighth out of 41 Federal agencies in total employment of women, Blacks, and Hispanics. However, progress toward better representation of women and minorities among managers is desirable. In FY 1999, 33.8 percent of HUD’s women and minority employees were employed at and above the GS-13 level, and in FY 2001 HUD intends to increase the representation to 34.4 percent, based on estimated achievement of 34.1 percent in FY 2000.

**Data source.** HUD employment data tabulated in the Department’s Equal Employment Opportunity Management Analysis System (EEOMAS).

	<b>FY 1997 act.</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 goal</b>
Hispanic representation	6.4%	6.6%	6.8%	7.1%	7.4%
White female representation	28.4%	28.0%	27.7%	28.0%	28.3%
Share of women and minorities at GS-13 or higher	22.1%	32.3%	33.8%	34.1%	34.4%

**Limitations/advantages of the data.** EEOMAS data are believed to be accurate and reliable.

**Validation/verification of measure.** EEOMAS data are reviewed by the EEOC.

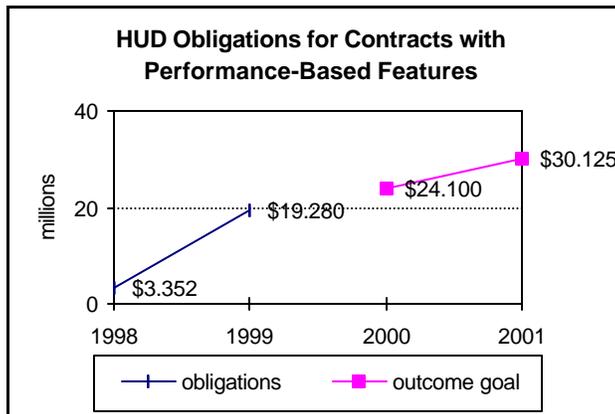
***Programmatic Output Indicator 5.1.b: Ensure that contractors produce results by increasing annual obligations under contracts with performance-based features by 25 percent to \$30 million.***

**Indicator background and context.** The procurement of contract services is essential to the accomplishment of HUD’s mission. As recommended by the Inspector General and the General Accounting Office, HUD has made improvements to ensure that contracts for services are timely, cost-effective and produce specified results. The Department will follow contracting methods that focus on results rather than process and that place a financial incentive on the achievement of desired outcomes. These objectives are at the heart of performance-based contracting (PBC), an initiative sponsored by OMB’s Office of Federal Procurement Policy for application throughout the Executive branch. PBC is designed to ensure that contractors are given the freedom to determine how to meet the Government’s performance objectives, that appropriate levels of quality are achieved, and that payment is made only for services that meet these levels. This measure will track the annual obligations of active HUD contracts with performance-based features. The FY 2001 performance goal is based on increases above the FY 2000 goal.

**Data source.** The HUD Procurement System (HPS), an automated database containing information about all procurement contracts awarded by the Department.

**Limitations/advantages of the data.** Contracting staff enter data into HPS as they complete each contract action. The system has a data field to identify that a contract has performance-based features.

**Validation/verification of measure.** CPO staff analysts will verify that contracts identified in HPS as performance-based contain required features and are accurately recorded in HPS.



### **Outcome Indicator 5.1.2:**

#### **HUD partners are empowered, capable and focused on results.**

**Indicator background and context.** HUD partners and stakeholders include housing authorities, nonprofit organizations, multifamily development managers, city executives, and community development directors. Increasing their satisfaction with HUD makes them more willing to support HUD and achieve common objectives. Some partners also need assistance to become more capable or empowered to perform well. This indicator tracks partner perceptions about their capability to achieve intended results, and assesses their level of satisfaction as well.

**Data source.** New biennial stakeholder satisfaction survey under development by PD&R. Baseline data will be available late in 2000.

**Limitations/advantages of the data.** Sources of satisfaction or dissatisfaction may be difficult to identify, and a single policy or event may satisfy some partners and dissatisfy others. Therefore the performance goal will establish an acceptable level of partner satisfaction to attain over time rather than constantly increasing satisfaction.

**Validation/verification of measure.** The survey instrument will be pretested to determine appropriate validation and verification procedures. Focus groups are being conducted in early 2000 to assess partner needs and opinions as they relate to reporting program results.

### **Outcome Indicator 5.1.3:**

#### **The average satisfaction of assisted renters and public housing tenants with their overall living conditions increases.**

**Indicator background and context.** The recipients of HUD housing assistance form one of the largest groups of direct customers of HUD. HUD influences resident satisfaction by

demanding quality management from housing authorities and private multifamily developments. In FY 1999 HUD instituted its first nationwide effort to directly assess resident satisfaction with public housing. REAC developed and implemented a survey instrument that randomly samples tenant opinion at each of the nation's 3,300 PHAs. REAC is currently adapting the public housing survey protocol for multifamily housing use and will begin assessing this tenant group in FY 2000. This indicator tracks the percentage of respondents who are satisfied or very satisfied with "overall living conditions."

**Data source.** Data regarding resident satisfaction come from the REAC Resident Satisfaction Assessment Subsystem (RASS), based on surveys of residents of public housing and assisted multifamily housing. The baseline will be established with the first full year of survey results, obtained during FY 1999 and FY 2000. A PIH resident satisfaction survey will provide the FY 2000 baseline for tenant-based Section 8 recipients.

**Limitations/advantages of the data.** RASS is based on a statistically valid sample of households. The response rate is well above average for similar survey instruments.

**Validation/verification of measure.** Analysis of results of a pilot survey showed good correlation between resident satisfaction scores and physical condition scores. Annual survey samples will verify estimates and increase confidence in their statistical reliability.

#### **Outcome Indicator 5.1.4:**

#### **The share of public housing units managed by troubled housing authorities decreases by 5 percentage points.**

**Indicator background and context.** REAC uses the Public Housing Assessment System (PHAS) to evaluate the management capability of housing authorities based on four categories: physical condition, management operations, financial condition, and resident satisfaction. Housing authorities with composite scores below 60 percent are classified as "troubled" under both PHMAP and PHAS rating systems, but under PHAS a low score for physical condition, management operations, or financial condition alone also triggers a "troubled" designation. This indicator tracks the share of public housing stock that is vulnerable to egregious mismanagement by troubled housing authorities.

**Data source.** REAC's PHAS, comprising scores determined by PASS, MASS, FASS, and RASS assessment subsystems. REAC will establish the baseline in FY 2001 using PHAS advisory scores.

**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively. Congress has requested HUD to delay implementation of PHAS while consulting with public housing industry representatives. The first round of PHAS scores were preliminary and not a valid baseline because PHAs were awarded full points for the tenant survey component, RASS.

**Validation/verification of measure.** MASS and FASS use independently audited data. PASS verifies physical inspections with quality assurance reinspections. The PHAS weighting system will be validated through consultation with industry representatives.

**Outcome Indicator 5.1.5:**

**The share of tenant-based Section 8 assistance managed by troubled housing authorities decreases by 5 percentage points.**

**Indicator background and context.** This indicator tracks the share of tenant-based Section 8 assistance that is vulnerable to egregious mismanagement. SEMAP designates a housing authority as troubled if its composite SEMAP score is below 60 percent or an independent auditor is unable to provide a clear opinion of conformance with generally accepted accounting principles. SEMAP rates housing authorities based on documented policies for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, MTCS reporting, and correct rent calculations.

**Data source.** Section Eight Management Assessment Program (SEMAP), based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The baseline will be determined in FY 2000 from audited SEMAP and (in some cases) from unaudited preliminary SEMAP scores. Preliminary scores are based on self-reporting by those housing authorities whose fiscal years do not end early enough to obtain independent audits in HUD's FY 2000. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

**Limitations/advantages of the data.** SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

**Validation/verification of measure.** REAC financial assessment data may be used to validate the SEMAP score in the future. The performance goal may need recalibration when complete SEMAP data are available.

**Outcome Indicator 5.1.6:**

**Among households living in public housing and subsidized multifamily properties, the share living in developments that have substandard financial management decreases by 5 percentage points.**

**Indicator background and context.** REAC is evaluating the financial management of both public housing agencies and privately owned multifamily properties based on generally accepted accounting principles. REAC plans a similar assessment of tribal properties. The REAC Financial Assessment Subsystem (FASS) involves Internet-based submission of audited financial information in a standardized format. Data are validated, reviewed, and scored,

resulting in standard and substandard designations. PHA scores represent an aggregate of all properties owned or controlled by the agency. Multifamily financial scores are project based estimates for every subsidized development – meaning properties that have Section 8 contracts, outstanding mortgages with interest subsidies, or both. This indicator tracks the share of public housing and the share of multifamily tenants who live in developments with financial management rated as substandard by the REAC assessment.

**Data source.** REAC Financial Assessment Subsystem (FASS). Baseline data will be available in FY 2000.

**Limitations/advantages of the data.** FASS is relatively new, and further testing may be necessary. FASS scores for public housing are relatively “lumpy” because scores represent entire PHAs. As a result, a few very large PHAs may generate substantial movement in this measure.

**Validation/verification of measure.** FASS incorporates extensive data checks and both targeted and random review by independent auditors. The performance goal may need recalibration when data become available.

#### **Outcome Indicator 5.1.7:**

**The share of units that meet HUD-established physical standards increases by 1 percentage point to 64 percent of public housing units and 79 percent of assisted multifamily units.**

**Indicator background and context.** This indicator contributes to increasing the public trust because deteriorated public and assisted housing creates poor perceptions of HUD management capability. The indicator also appears in the context of increasing safe and affordable rental housing as Outcome Indicator 1.3.3.

#### **Outcome Indicator 5.1.8:**

**The average number of life-threatening health and safety deficiencies observed per 100 properties inspected decreases by 10 percent annually between 1999 and 2001, from 100.8 to 81.7 in public housing and from 95.3 to 77.2 in assisted multifamily housing.**

**Indicator background and context.** This indicator appears in the context of increasing safe and affordable rental housing as Outcome Indicator 1.3.4.

***Programmatic Output Indicator 5.1.c: The share of Consolidated Plans that contain measurable performance goals for housing activities and for community development activities increases.***

**Indicator background and context.** This indicator is also included under Strategic Objective 4.2 as Programmatic Output Indicator 4.2.c.

***Programmatic Output Indicator 5.1.d: Among Consolidated Plan grantees, 100 percent are reviewed remotely and 20 percent are reviewed onsite for compliance with their plans.***

**Indicator background and context.** Communities develop 5-year Consolidated Plans to guide their use of CDBG, HOME, Emergency Shelter, and HOPWA formula grants, following a process that includes and documents citizen participation. Consolidated Plans must include action plans that set forth specific goals for meeting community needs. This indicator tracks the extent of monitoring activity by HUD field staff to ensure that grantees implement their plans to ensure that low-income families are helped and distressed neighborhoods are redeveloped.

**Data source.** CPD administrative data systems.

**Limitations/advantages of the data.** Administrative data do not support assessments of the quality of reviews.

**Validation/verification of measure.** Field supervisors review monitoring activity and reporting by field staff.

***Programmatic Output Indicator 5.1.e: The number of CDBG entitlement grantees that fail to meet regulatory standards for timeliness of expenditure decreases by 10 percent to 179.***

**Indicator background and context.** Entitlement communities have extensive flexibility to use CDBG for locally defined purposes. However, they must use funds for national objectives and implement their activities in fiscally responsible ways. To meet timeliness standards, grantees may not have undrawn funds in their line of credit exceeding 1.5 times the value of the most recent grant, as measured 60 days before the following grant. In FY 1999, there were 273 grantees that failed to meet the 1.5 timeliness standard. The FY 2001 goal is based on successfully reducing the number to 179 grantees in FY 2000.

**Data source.** CPD's Integrated Disbursement Information System, and DGMS beginning in FY 2001.

**Limitations/advantages of the data.** Determinations of compliance are reliable because the data represent actual disbursements.

**Validation/verification of measure.** There is little evidence that slow spend-out is correlated with the type of activities that grantees select, but complex projects or activities may lead to slow spend-out for some grantees. Field staff verify that grantees document expenditure of funds by performing on-site monitoring. Monitoring is being increased, and conforms to both sound quality assurance practices and risk-based principles that focus on weak performers.

***Programmatic Output Indicator 5.1.f: The unit-weighted average PHAS score increases.***

**Indicator background and context.** This indicator tracks HUD progress toward increasing the capability and accountability of public housing authority partners and increasing the

satisfaction of residents. The PHAS system provides an indication of the quality of the housing stock and management conditions that each public housing resident lives with. Each Public Housing Assessment System (PHAS) score at the PHA level is weighted by multiplying by the number of public housing units in the PHA and then weighted scores are averaged across all public housing units. The performance goal will be determined when baseline data are available.

**Data source.** REAC's PHAS, comprising scores determined by PASS, MASS, FASS, and RASS assessment subsystems. REAC will establish the baseline in FY 2001 using FY 2000 PHAS advisory scores.

**Limitations/advantages of the data.** PASS and RASS are statistically representative of public housing projects and households respectively. Congress has requested HUD to delay implementation of PHAS while consulting with public housing industry representatives.

**Validation/verification of measure.** MASS and FASS use independently audited data. PASS verifies physical inspections with quality assurance reinspections. The PHAS weighting system will be validated through consultation with industry representatives.

***Programmatic Output Indicator 5.1.g: The household-weighted average SEMAP score increases.***

**Indicator background and context.** This indicator tracks HUD progress toward increasing the capability and accountability of housing authority partners and increasing the satisfaction of residents. Section Eight Management Assessment Program (SEMAP) scores are multiplied by the number of households in the housing authority and then averaged across all households. The performance goal will be determined when baseline data are available.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The baseline will be determined in FY 2000 from audited SEMAP and (in some cases) from unaudited preliminary SEMAP scores. Preliminary scores are based on self-reporting by those housing authorities whose fiscal years do not end early enough to obtain independent audits in HUD's FY 2000. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

**Limitations/advantages of the data.** SEMAP is new and imposes an extensive set of new standards that some auditors may lack the knowledge to implement initially. SEMAP does not capture some important indicators of good management, such as timeliness of payments to landlords and timeliness of inspections. However, performance on such unmeasured dimensions is expected to be correlated with SEMAP scores.

**Validation/verification of measure.** SEMAP data are reviewed by independent auditors.

***Programmatic Output Indicator 5.1.h: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for income verification increases.***

**Indicator background and context.** Tenant income verification is a critical tool that housing authorities have to control the costs of providing tenant-based assistance by preventing tenant fraud. The income verification component of SEMAP awards a high score of 20 points when incomes of 90 percent of households have been verified by third parties and income allowances are calculated correctly. The FY 2001 performance goal will be determined following analysis of baseline data.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The baseline will be determined in FY 2000 from audited SEMAP and (in some cases) from unaudited preliminary SEMAP scores. Preliminary scores are based on self-reporting by those housing authorities whose fiscal years do not end early enough to obtain independent audits in HUD's FY 2000. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

**Limitations/advantages of the data.** SEMAP is new and imposes an extensive set of new standards that some auditors may lack the knowledge to implement initially.

**Validation/verification of measure.** HUD undertakes biennial quality control surveys to verify income calculations, and these samples can be used to verify national SEMAP scores. SEMAP data are reviewed by independent auditors. In FY 2000, REAC is determining the extent of misreported income by performing computerized matches of tenants with IRS records. This study will indicate the success of auditors in identifying income discrepancies.

***Programmatic Output Indicator 5.1.i: The share of tenant-based Section 8 assistance managed by housing authorities that score highly for determination of rent reasonableness increases.***

**Indicator background and context.** Determination of whether rents are reasonable (not greater than the market value of the housing unit) is another tool that housing authorities have to control costs in the Section 8 program by ensuring that landlords do not charge excessive rents. HUD awards housing authorities a high score of 20 points for the rent reasonableness component of SEMAP when 98 percent of randomly-sampled tenant files have documented determinations that the rent for the unit is reasonable in accordance with the housing authority's written method.

**Data source.** SEMAP, based on data reported by PHAs to MTCS and on findings of independent audits of PHA records. The baseline will be determined in FY 2000 from audited SEMAP and (in some cases) from unaudited preliminary SEMAP scores. Preliminary scores are based on self-reporting by those housing authorities whose fiscal years do not end early enough to obtain independent audits in HUD's FY 2000. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

**Limitations/advantages of the data.** SEMAP is new and imposes an extensive set of new standards that some auditors may lack the knowledge to implement initially.

**Validation/verification of measure.** SEMAP data are reviewed by independent auditors.

***Programmatic Output Indicator 5.1.j: The share of households for which rent determinations are correct increases for public housing and for project-based Section 8.***

**Indicator background and context.** Housing authorities and assisted multifamily managers determine tenant incomes and allowable deductions and calculate appropriate rents. Because rents typically are determined as a percentage of income, tenants have incentive to underreport income and assets, which directly increases subsidy costs. Program sponsors have incentives to simplify the treatment of income and deductions from income, or may do so because of lack of knowledge of HUD requirements.

HUD undertakes biennial quality control studies to measure the accuracy of income and rent determination procedures, which complements efforts to measure income determination errors resulting from tenant fraud. This indicator tracks the results of these rent verification studies for public housing and assisted private multifamily programs. Rents are considered to be correct if they are within \$5 of the quality control rent. Tenants who choose to pay flat rents rather than a percentage of income are excluded from the measure.

**Data source.** Assisted housing quality control studies, conducted biennially under contract by PD&R. The data collection for the FY 2000 baseline will be completed by June 2000 and the analysis will be complete in early FY 2001.

**Limitations/advantages of the data.** The quality control study is based on a nationally representative sample of developments in public housing, Section 236, and Section 8 programs. The study will incorporate an income matching component to obtain a more comprehensive measure of error and to determine if fraud-prone households can be better identified. Earlier quality control studies were conducted at irregular intervals.

**Validation/verification of measure.** The quality control study provides statistically valid verification of rent calculations by housing authorities and multifamily managers. It represents a complete replication of the income and rent determination process for tenants in the sample, and thus provides a sound basis for evaluating the accuracy of the process other than for problems resulting from tenant fraud.

***Programmatic Output Indicator 5.1.k: Among high-risk or troubled multifamily projects referred to EC, the share that have aged pending enforcement and the share that have aged during enforcement processing will decrease.***

**Indicator background and context.** REAC assesses the management risk of multifamily projects based on physical and financial indicators. Physical trouble typically consists of high capital needs, backlogs, and deferred and inadequate maintenance. Financial trouble can involve mortgage defaults, high vacancy rates, inadequate rent roll, or fraud in the form of equity

skimming. Properties scored as high risk are referred to the EC directly from REAC. Other troubled properties, as identified by Multifamily, can also be referred to the EC by Multifamily. This indicator first appears in the context of increasing affordable housing as Programmatic Output Indicator 1.2.o, where it is discussed more completely.

### **Outcome Indicator 5.1.9:**

#### **HUD automated data systems are rated highly for usefulness, ease of use, and reliability.**

**Indicator background and context.** The Office of Information Technology has issued a task order: (1) to assess the business processes, data ownership, life cycle plans and costs for five production systems based on a customized business measurement methodology; and (2) conduct an independent review to assess whether or not the five identified systems' life cycle products are adhering to HUD's system development methodology (SDM). The five systems to be assessed are:

- Grants Management Process (GMP);
- Real Estate Management System (REMS);
- Integrated Disbursement Information System (IDIS);
- Title Eight Automated Paperless Office Tracking System (TEAPOTS);
- Integrated Business System (IBS).

Data analysis for the task order will include assessment of data quality, accuracy, timeliness and usefulness for management reporting, as well as determination of whether users find the system a productive tool.

**Data source.** The task order will establish workable assessment methodologies for expanded analysis of data systems in FY 2001.

**Limitations/advantages of the data.** The usefulness of the methodologies for HUD systems has not been proven.

**Validation/verification of measure.** Verification procedures will be determined on the basis of the pilot study.

#### ***Programmatic Output Indicator 5.1.L.1: By the end of FY 2001, an increased number of mission-critical data systems will earn data quality certifications based on objective criteria.***

**Indicator background and context.** Over the years HUD's program offices have developed a large number of data systems for a variety of business purposes such as controlling financial resources, tracking administrative procedures and recording program impacts. Program offices ultimately are responsible for the quality of their data, including data provided by business partners. By the end of FY 2000, the program offices will submit to the OCIO their data quality plans according to OCIO Data Quality Plan Guidelines.

The Office of the Chief Information Officer (OCIO) oversees information technology investments and ensures that information systems support core business processes and achieve mission critical goals. OCIO will identify mission-critical data systems – those that are vital to HUD’s mission – by March 2000. OCIO is developing a data quality plan that establishes standards for data quality in HUD information systems. The standards will address issues of data completeness, accuracy, timeliness, validation and integrity.

In FY 2001, OCIO will evaluate program office Data Quality Plans to ensure that they support the standards, and program offices will budget for and begin to implement their OCIO approved Data Quality Plans, starting with HUD’s mission critical data systems. OCIO will begin to certify the program data systems that meet the standards in FY 2001.

**Data source.** OCIO administrative database. The FY 2000 baseline and a measurable FY 2001 performance goal will be established in FY 2000.

**Limitations/advantages of the data.** The baseline may be established at a low level because of the planned rigor of the certification process.

**Validation/verification of measure.** The OCIO database will identify the objective criteria for evaluating data quality and the results of the assessment. Some data systems are independently validated by GAO and IG audits.

***Programmatic Output Indicator 5.1.L.5: Office of Housing field staff review a statistically valid sample of transactions in each of seven categories for compliance with data quality standards:***

- Previous-year single-family existing property endorsements.
- Single-family appraisals.
- Single-family servicing transactions.
- Single-family data verification entries.
- Multifamily development originations.
- Multifamily servicing transactions.
- Multifamily data verification entries.

**Indicator background and context.** For appraisals, the Office of Housing is shifting from field staff review to automated systems. In addition to assessing data quality, these indicators track the ability of field staff to keep up with production needs so that fraud does not occur and losses to the FHA mortgage insurance funds are minimal.

**Data source.** Office of Housing administrative data systems.

**Limitations/advantages of the data.** Administrative data systems do not support evaluation of the quality of staff reviews.

**Validation/verification of measure.** Senior housing staff will review a random sample of reviews to assure quality.

***Programmatic Output Indicator 5.1.m.1: The share of HOME-assisted rental units for which occupancy information is reported increases by 5 percentage points to 80 percent.***

**Indicator background and context.** This indicator tracks the level of reporting by Participating Jurisdictions (PJs) of household occupancy data for HOME rental units into the IDIS, and into the next-generation system, DGMS. IDIS/DGMS collects data for HUD's block grant and formula grant programs that serve local jurisdictions – CDBG, HOME, ESG and HOPWA. Reporting rates for HOME are based on reporting of HOME rental household data at project completion for those households moving into completed HOME rental developments. The historical average reporting rate for these households is 70 percent. The FY 2001 performance goal is based on projected achievement of 75 percent reporting in FY 2000. HUD intends to achieve full reporting over time, allowing for normal vacancies and initial rent-up.

**Data source.** Integrated Disbursement Information System, and beginning in 2001, the Departmental Grants Management System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Unanticipated data problems may appear upon implementation of DGMS. Completeness of reporting is only one criterion of data quality.

**Validation/verification of measure.** CPD field staff will monitor grantees on a random-sample basis.

***Programmatic Output Indicator 5.1.m.5: The share of completed CDBG activities for which grantees satisfactorily report accomplishments increases to 90 percent.***

**Indicator background and context.** This indicator tracks the level of reporting of CDBG grant activities into the IDIS system, and to the next-generation system, DGMS. The IDIS/DGMS system collects data for HUD's block grant and formula grant programs that serve local jurisdictions – CDBG, HOME, ESG and HOPWA.

Reporting for CDBG is measured by the proportion of completed activities for which grantees have reported accomplishments data, based on activities justified under three national objectives that serve residents with low and moderate incomes: low/mod jobs (LMJ), low/mod housing (LMH) and low/mod limited clientele (LMC). To meet the threshold for satisfactory reporting, grantees must report accomplishments for at least 90 percent of activities funded under these objectives within three months after project completion. Typical accomplishments reported for the three objectives are numbers of jobs created, units constructed, and minority persons served. The remaining national objectives, low/mod area benefit and slums/blight, are not included in this indicator. Reporting rates for accomplishments data currently stand at about 50 percent of activities under the three national objectives.

**Data source.** Integrated Disbursement Information System, and beginning in 2001, the Departmental Grants Management System.

**Limitations/advantages of the data.** HUD relies on grantees to enter data into IDIS. Unanticipated data problems may appear upon implementation of DGMS. Completeness of reporting is only one criterion of data quality.

**Validation/verification of measure.** CPD field staff will monitor grantees on a random-sample basis.

***Programmatic Output Indicator 5.1.n: Sanctions are taken or forbearance is granted for cause for every PHA that reports less than 85 percent of its program recipients into the MTCS according to MTCS standards.***

**Indicator background and context.** MTCS data about the renters assisted with public housing or tenant-based Section 8 are necessary for several outcome indicators in this APP. Field staff use MTCS data to monitor housing authorities. The level of MTCS reporting is a criterion in both the PHAS and the SEMAP assessment systems for housing authorities. Housing authorities that reach the 85 percent threshold have few barriers to full reporting. This indicator tracks HUD's internal progress in improving the quality of this important data system. In December 1999, 96 percent of Section 8 households and 92 percent of public housing households were reported. Continuing progress in FY 2000 and FY 2001 will allow this indicator to be relocated to HUD's Business Operating Plan for FY 2002 and no longer tracked as part of the Annual Performance Plan.

**Data source.** Low reporting rates are identified by automated MTCS reports that specify reporting rates for each housing authority and flag poor reporters.

**Limitations/advantages of the data.** The identification of poor reporters is straightforward and easily verifiable.

**Validation/verification of measure.** MTCS verifies the quality of tenant data by performing checks on data ranges and internal consistency. MTCS data and summary statistics, updated monthly, are electronically available to housing authorities and field offices for verification, validation, analysis and monitoring purposes.

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

### **Overview**

The Department of Housing and Urban Development Act of 1965 gave HUD a clear legislative mandate 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.” Fulfilling this mandate requires relevant, thorough research on local conditions, national and international trends and on the strengths and weaknesses of HUD’s current programs. It also requires timely, objective recommendations on policy and program improvements. Research improves HUD’s abilities to monitor and evaluate its programs and helps program managers make better decisions to overcome problems and seize opportunities as American communities grow and change. Research, monitoring and evaluation also support many components of the Government Performance Results Act (GPRA), by enabling the Department to report its successes, identify areas of concern, and better target its resources to the changing needs of America’s communities.

### **Means and strategies**

Supporting the Secretary as well as decision makers in HUD’s program offices, HUD’s Office of Policy Development and Research (PD&R) takes the lead in designing and overseeing research, monitoring and evaluating current programs, recommending program reforms and developing new policy and program proposals.

As part of its research agenda, HUD will:

- Monitor national and local economic, housing, and demographic trends affecting housing and urban policies and programs.
- Ensure availability and accuracy of essential data on housing and demographic trends and help disseminate this information to the public.
- Provide annual estimates of critical program parameters such as fair market rents and median family incomes for all local areas in the U.S.
- Monitor and improve program databases.
- Evaluate existing programs through both quick-turnaround studies and long-term systematic research to determine what works and what fails to work.
- Establish targeting criteria for households and geographic areas to direct program resources to best meet needs and reduce housing and community problems.
- Ensure that international experiences are considered when developing HUD policies and programs.

- Test approaches to the creation of international networks for the exchange of data and information.
- Design GPRA measurements and establish and assess performance goals for all HUD programs.
- Work with outside experts and HUD’s partners to identify priorities for the research agenda.
- Design, conduct, or oversee path-breaking research to expand the knowledge base and monitoring tools needed for improved policy and practice nationwide.
- Improve dissemination of relevant research to all interested audiences.
- Work through interagency groups to achieve consensus on housing and urban issues.

**Programs supporting Objective 5.2: HUD leads housing and urban research and policy development nationwide**

*(Dollars in Millions)*

<b>Program</b>	<b>FY 1998 act.</b>	<b>FY 1999 act.</b>	<b>FY 2000 est.</b>	<b>FY 2001 est.</b>
<b>Policy Development and Research</b>				
PATH	NA	10	10	12
Research and Technology	37	38	35	50
Hurricane Reconstruction Supplemental	0	0	10	0
<b>Management and Administration</b>				
Salaries and Expenses*	502	538	541	649

\* Salaries and Expense Appropriation and transfers including legislative, market analysis, and research and development S&E.

**Coordination with other Federal entities**

HUD runs cross-cutting research projects jointly with a variety of federal agencies. Examples include:

- PD&R led the National Survey of Homeless Assistance Providers and Clients, which was co-directed by the **Department of Health and Human Services**. Participating agencies were the Departments of **Veterans Affairs, Agriculture, Commerce, Education, Energy, Justice, Labor, and Transportation**, plus the **Social Security Administration** and the **Federal Emergency Management Agency**. This national survey provided updated information about the providers of homeless assistance and the characteristics of homeless persons who use services.

- HUD has an interagency agreement with the **Department of Health and Human Services** to study the impact of HUD housing assistance on families leaving welfare. This study tracks the differences in the areas of housing quality, employment, and return to welfare between families who are receiving HUD housing assistance and those who are not.
- Through its Bridges to Work demonstration program, HUD works 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.
- HUD is leading development of the U.S. national report to the **United Nations Commission of Human Settlements** in conjunction with a range of Federal agencies including the **Environmental Protection Agency**, the **U.S. Agency for International Development** and the **State Department**. The report summarizes the United States' success over the last five years in achieving the goals identified at the Second Global Habitat Conference.
- HUD advises the **Department of Labor** on the development of evaluations of their Welfare to Work Grants.
- HUD has an Interagency Agreement with the **Department of Justice's National Institute of Justice** to evaluate drug elimination strategies.

<b>Crosswalk for Strategic Objective 5.2:                      HUD leads housing and urban research and policy development nationwide</b>		
Outcome Indicators	Programmatic Output Indicators	External Factors
5.2.1: PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.	5.2.a: HUD research products are used more widely, as measured by the number of citations in the policy literature.	

Performance goals are for FY 2001 unless otherwise noted.

**Outcome Indicator 5.2.1:**

**PD&R work products are rated more highly for usefulness, ease of use, reliability, objectivity, and influence.**

**Indicator background and context.** HUD partners include housing authorities, nonprofit organizations, multifamily development managers, city executives, and community development directors, as well as Congressional partners (staff of HUD's appropriations and authorization committees). This indicator tracks the opinions of stakeholders and persons who request PD&R products on whether PD&R research makes a difference in policy discussions. Products are

defined as research publications, data files, and internal work products in support of program disciplines.

**Data source.** Surveys of HUD stakeholders, HUD internal customers, and persons requesting data from PD&R's HUD User Web site. PD&R will procure the survey research in FY 2000.

**Limitations/advantages of the data.** Respondent opinions about the influence of PD&R products will be highly subjective.

**Validation/verification of measure.** The performance goal will be established when baseline data become available.

***Programmatic Output Indicator 5.2.a: HUD research products are used more widely, as measured by the number of citations in the policy literature.***

**Indicator background and context.** The academic community frequently uses the number of citations of a paper to indicate its policy relevance and usefulness. This indicator tracks the citations of published HUD reports in the policy literature. The performance goal will be established following analysis of baseline data.

**Data source.** Social Science Citation Index. The baseline will be determined in FY 2000.

**Limitations/advantages of the data.** The index is widely recognized and trusted by researchers.

**Validation/verification of measure.** No other source of aggregated citation data is known that would support verification.

## **Management Challenges**

During the past three years, the Department has made considerable progress in addressing its management challenges as identified in prior reviews and recommendations by the Congress, General Accounting Office and the Inspector General. The HUD 2020 Management Reforms are now solidly in place and are transforming HUD into a high performing Department. While there is more work to be done and a continuing need for management attention, the progress HUD has made is substantively mitigating the risk in these areas.

## **Long-standing Management Challenges**

In 1994, the General Accounting Office reported 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 June 1997, HUD's 2020 Management Reform Plan was initiated to specifically address these long standing management deficiencies and to ensure HUD's relevance and effectiveness well into the 21<sup>st</sup> Century by fundamentally overhauling the culture and program operations of the agency. The reforms included organizing the agency by function rather than by program, establishing a new customer-friendly structure for local offices, modernizing and integrating HUD's financial management systems, creating an enforcement authority, retraining HUD's workforce to carry out our revitalized mission, and establishing performance-based systems for program operations and employees.

In their January 1999 report on HUD's "Major Management Challenges and Program Risks," the GAO recognized HUD's progress in implementing these reforms reporting that :

"HUD is making significant changes and has made credible progress since 1997 in laying the framework for improving the way the Department is managed....A major contributor to this progress is HUD's June 1997 2020 Management Reform Plan, a set of proposals intended to, among other things, correct the management deficiencies that we and others identified."

In their July 1999 follow-up report, GAO also noted:

"In other recent reports and testimonies, we have recognized HUD's continued emphasis on and progress toward addressing its long-standing management deficiencies. HUD's Secretary and leadership team have given top priority to addressing the Department's management deficiencies...."

During the past year, the Department has successfully implemented all key elements of the HUD 2020 Management Reform, as summarized in the overview of Strategic Objective 5.1. The solid foundation laid by these accomplishments represents significant progress in addressing the management challenges identified by the GAO and the related material weakness areas reported by the Inspector General. HUD will remain committed to quality management of its programs and service and to producing results that meet customer needs. HUD will use the performance

measures established for this Strategic Goal to track the results of our management reforms in laying the foundation for lasting success.

### **FY 1998 Consolidated Financial Statement Audit**

In its independent audit report, “HUD Audit of Fiscal Year 1998 Consolidated Financial Statements” (March 1999), the Inspector General issued to HUD its first ever unqualified audit opinion on HUD’s financial statements. This accomplishment represents substantial progress in resolving issues that resulted in qualified opinions for previous audits. Retention of an “unqualified opinion” is an important continuing performance measure for HUD.

The 1998 audit also noted material weaknesses that the Department continues to address to strengthen its internal management controls. The Department has developed corrective action plans for eliminating each of these material weaknesses. Considerable progress has been made in resolving these material weaknesses as a result of our work in addressing the broad GAO high risk areas. The Deputy Secretary will meet regularly with Principal Staff to ensure accountability for progress on these important management issues. As part of this program, the Chief Financial Officer will administer a tracking system to ensure the timely completion of corrective actions to eliminate all identified material weaknesses by HUD managers. These management challenges and plans are summarized below, and details follow.

Management Challenges	Current Status and Strategies for FY 2000 and FY 2001
1. HUD needs to complete organizational changes to more effectively manage HUD resources.	All major organizations have been restructured and realigned with a new integrated cross-program approach to carrying out HUD's mission. HUD believes that this Material Weakness (MW) will be eliminated or at least downgraded as a MW in the OIG's FY 1999 HUD Audit Report.
2. FHA must address staff and administrative resource issues.	Significant progress has been made, including: marketing and management (M&M) contracts on HUD-owned properties; servicing of single family Secretary-held mortgage notes; implementation of HOCs; improvement of staff skills through training; and implementation of REAC and EC to better use HUD's resources through automated remote monitoring systems, risk based targeting of asset management and specialized compliance enforcement activities. This MW has been eliminated based on the FY 1999 FHA financial statement audit work. Planned actions include completing the Real Estate Management System (REMS) and further analysis of baseline REAC assessment data for resource allocation and program planning purposes.
3. Improve monitoring of multifamily housing projects.	Substantial progress has been achieved through implementation of REAC and EC. The Office of Housing will transfer the Housing Assistance contract workload to Contract Administrators. These actions, to be implemented by the end of FY 2000, should resolve this MW.
4. FHA must continue to place more emphasis on early warning and loss prevention for insured mortgages.	FHA and REAC have made significant progress in providing automated systems and tools to identify at-risk multifamily projects. This area has been downgraded to a Reportable Condition (RC) based on the FY 1999 FHA financial statement audit work. Other progress includes improvements in the quality of Single Family appraisals and initiation of a system development effort for a lender assessment subsystem for all FHA lenders. In FY 2000 and 2001, further progress will be made on portfolio engineering, complete development of the REMS system and REMS data cleanup, and improved automated risk assessment tools over appraisers and lenders.

Management Challenges	Current Status and Strategies for FY 2000 and FY 2001
5. HUD needs to do more to ensure that subsidies are based on correct tenant income.	Significant progress includes completion of the Tenant Assessment Subsystem which allows HUD to conduct computer matching of tenant-reported income maintained in HUD's tenant databases with tenant Federal tax data; and obtaining 1998 Federal tax data and computer-matching 2.1 million households to identify potential tenant income discrepancies. Program administrators will be required to submit online status reports regarding their resolution of tenant income discrepancies and their recovery of excess rental assistance. The MW should be eliminated upon completion of large scale matching and establishment of a process for periodic matching.
6. HUD needs to complete improvements in its Financial Management Systems.	The Department has made recognized progress in our financial systems integration efforts. During FY 2000, the Department will further implement the FSI plan to eliminate the existing Material Nonconformance.
7. FHA information technology systems must be improved to support business processes more effectively.	Housing has made progress toward an integrated multifamily system through the implementation of REMS. Further, housing data will be in the enterprise data warehouse which will allow reporting by program, geographic area, or other variations. An FHA document, <i>Vision of Financial Management</i> , was produced to model the current state and document several phases of needed improvement. Specific plans and target dates for improved systems will be developed and implemented, including linkage to HUD's Enterprise Architecture.
8. FHA Federal Basis & Budgetary Reporting must be improved	Progress has been made, as efforts continue to improve the documentation of processes implemented to conform to general accepted accounting principles applicable to Federal entities. The issue of controls over estimating the FHA Liability for Loan Guarantee has been removed from this area and downgraded to a RC in the FY 1999 FHA financial statement audit work. FHA accounting will be further improved to ensure full compliance with the standard general ledger at the transaction level, with improved integration with the Department's core accounting system, HUDCAPS.

The following discussion highlights HUD's accomplishments and planned efforts in these critical management areas.

### Organizational and Resource Management Changes

The Department's management resource deficiencies were principally based on organization, staffing allocation and training inadequacies. HUD has addressed these areas through the full implementation of the HUD 2020 Management Reform plan.

HUD established consolidated centers for Enforcement, Troubled Agency Recovery, Real Estate Assessment, Section 8 Financial Management, Accounting, Multifamily Development, Home Ownership, Grants Management, Special Applications, Administrative Service, Employee Service, and Title I Financial Operations. This consolidation has streamlined program administration and management functions.

The organization of “back office” processing centers was completed to consolidate HUD’s expertise and capacity for handling high volumes of repetitive transactions or specialized services, on a national scale. Additional functions where HUD had insufficient staff capacity were outsourced for performance by contractors. The increased outsourcing and operation of the new processing centers freed remaining HUD field office staff to focus on the performance of constituent service and program monitoring functions.

### **Business and Operating Plan (BOP)**

To provide increased accountability, a new Business and Operating Plan (BOP) process was established to involve and unify the entire Department – both headquarters and field – in the development, coordination and implementation of office goals and action plans that achieve the goals identified in the Strategic and Annual Performance Plans (APP). The BOP produces the intermediate outputs and outcomes that support the Department’s strategic goals and specific program indicators. The BOP process allows the Department to manage its processes and resources to accomplish specific goals, and is monitored monthly to assure progress and make necessary adjustments.

### **Resource Management**

The Department is currently working with the recommendations of the National Academy of Public Administration (NAPA) to develop and implement the optimum methodology or approach for resource management throughout the Department. The approach chosen will allow the Department to estimate, allocate and validate resource requirements for effective and efficient program administration and management. The approach was pilot tested in two areas. The methodology should become the backbone for implementing the Department’s Resource Estimation and Allocation Process (REAP), as envisioned under the HUD 2020 Management Reform Plan. An automated information system will be developed to support the Department-wide implementation of the methodology.

### **Data Quality**

The Office of the Chief Information Officer (OCIO) is developing a data quality plan that establishes standards for data quality in HUD information systems, including standards for data completeness, accuracy, timeliness, validation and integrity. By the end of FY 2000, the program offices will submit to the OCIO their data quality plans. In FY 2001, OCIO will evaluate program office data quality plans to ensure that they support the standards, and program offices will begin to implement their plans for mission critical data

systems. OCIO will begin to certify the program data systems that meet the standards in FY 2001.

## **Financial Management Systems and IT Improvements**

The Financial Systems Integration (FSI) project has helped achieve the HUD 2020 Management Reform goals by implementing a core accounting and financial management system that provides department-wide financial information; improves financial management and integration of financial and programmatic systems; and provides necessary management information to carry out HUD's mission.

Under FSI, HUD modernized and integrated HUD's financial systems to produce a single Department-wide general ledger with interfaces with the Government National Mortgage Association, Federal Housing Administration, and legacy accounting systems. HUDCAPS facilitated the preparation of statements that supported the annual audit of HUD's finances resulting in an unqualified audit opinion.

HUD has a pilot of the Departmental Grants Management System underway with three grantee areas. The system will go into production in July, 2000, with an implemented interface to HUD's core accounting system, HUDCAPS. HUD's Travel Management System with an on-line interface with HUDCAPS also will be available Department-wide in FY 2000.

HUD has implemented management information systems, the Empowerment Information System and Community 2020 geographic information system, to better manage HUD's programs. HUD has also standardized data elements to provide accurate and timely information from the financial management and Community 2020 systems.

Significant improvements have been made in HUD's funds control over its substantial Section 8 Programs rental subsidies and in other areas.

HUD also has made progress in improving HUD's program systems. For example, the Office of Housing successfully implemented the first three phases of its Real Estate Management System (REMS) to provide operational support for more effective monitoring and oversight of HUD's multifamily housing mortgage insurance and other assistance programs. As further discussed below, substantial progress has also been made in the implementation of Internet-based applications for collecting and assessing program performance monitoring data on HUD's extensive housing programs participant universe.

Improvements have also been made in the areas of IT investment decisions, systems project planning and management, and data quality controls.

## **Management Control Program**

Under the direction of the CFO, the revised Management Control Program and Audits Management System Handbooks were issued in February 1999, to strengthen HUD's Management Control Program. The Deputy Secretary, Principal Staff, Office of the CFO and

program elements have instituted a system to track and implement corrective actions on areas of significant management concern. The Department has extended an effort to focus program managers on the performance of Front-End Risk Assessments (FERAs) to identify and mitigate risks by planning to provide adequate controls in new or substantially revised programs. A total of five FERAs were approved, with another 13 FERAs underway or planned this year. Additionally, the Department has completed a series of initiatives designed to increase HUD's ability to apply remote monitoring and risk-based on-site monitoring techniques.

### **Strengthened Internal Controls in Major Programs**

A primary theme cutting across the past reported material weaknesses and reportable conditions in HUD's housing programs is that HUD's internal controls do not provide reasonable assurance that:

- Housing quality standards are met,
- Program beneficiaries and costs are in accordance with tenant income eligibility requirements, and
- Other program statutory and regulatory requirements are adhered to.

REAC has developed and implemented automated assessment subsystems that provide a basis to address each of these concerns across the entire portfolio of over 33,000 public and multifamily housing program participants. Extensive data quality controls are built into the subsystems and corresponding processes. HUD has also developed an automated system to assess all agencies administering Section 8 vouchers so the Department can better address these concerns.

### ***Physical Inspections***

REAC's Physical Assessment Subsystem (PASS) processes have been in operation since October 1998. PASS covers the universe of 44,000 housing projects related to the 33,000 owning entities participating in HUD's many public housing, FHA multifamily housing mortgage insurance, direct loan, capital grant and project-based rental assistance programs. The uniform inspection standards and automated collection methodology provide a consistent assessment of compliance with defined housing quality standards across the entire portfolio, nationwide.

Life-threatening or exigent health and safety violations observed during inspections are issued on-site citations with required resolution within 72 hours. Over 10,000 such citations have been issued and acted upon to provide safer tenant living conditions since inspections began in October 1998. In addition to detailed observations on specific items that need action to meet housing quality standards, the subsystem also applies a standard scoring methodology that can be used to prioritize HUD's technical assistance, enforcement and other follow-up actions.

Baseline physical inspection data on the entire HUD-supported housing portfolio of 44,000 projects is scheduled to be completed in the Spring of 2000. As of January 2000, inspections had been completed on 20,484 of the 30,000 HUD-supported multifamily housing projects.

Projects with scores of 30 or below are referred to HUD's Enforcement Center for appropriate action to improve tenant living conditions. Projects owners with scores in the 31-60 range must enter into improvement plans with HUD housing field staff to ensure that physical deficiencies are corrected to return the project to housing quality standards. Project owners with scores above 60 can self-certify as to their completed corrective actions. The results of REAC's inspections are integrated with the Office of Housing's new Real Estate Management System (REMS) to enable Housing's Project Managers to act on inspection results, and to provide Office of Housing management with a basis for tracking activities and holding staff accountable for necessary actions to assure that quality housing is being provided by housing program participants.

REAC's physical inspection data support a powerful performance measure to track improvements in the physical stock over time.

### ***Multifamily Housing Financial Assessments***

For the 20,000 multifamily housing projects participating in one of HUD's FHA multifamily insurance programs or direct loan or capital grant programs for housing the elderly or handicapped (Sections 202 and 811), program participants are contractually required to submit annual project financial statement and supplemental compliance information. This information serves as a basis for HUD's monitoring of its risk exposure and the participant's compliance with HUD program requirements. REAC has developed and implemented an Internet-based Financial Assessment Subsystem for Multifamily Housing (FASS-MFH) to collect and assess this essential program monitoring data.

Under FASS-MFH, project owners or their authorized representatives directly send their annual financial statement, supplementary compliance data, and related audit information to HUD electronically through a secured Internet site. The data must first pass a validation process to assure the quality of the data before it is accepted into the data base.

The financial data on multifamily projects receiving over \$300,000 in federal support are required to be audited by Independent Public Accountants (IPAs). The IPAs perform tests of compliance with major HUD program requirements as part of their audit engagements, in accordance with HUD compliance audit guidance. FASS-MFH provides a national data base on compliance audit findings, which is integrated with REMS to provide the Office of Housing with information for automated tracking and oversight of the resolution of all compliance deficiencies. To better assure the quality of the IPA compliance testing and reporting, REAC has reinstated quality assurance review of IPA audit work on all public and multifamily financial and compliance audits.

As of January 2000, 15,101 financial submissions have been processed by FASS-MFH. In an estimated 2.5 percent of the submissions, REAC referred significant noncompliance issues to

the Enforcement Center for action. Curing noncompliance issues and reducing future noncompliance findings are performance goals to be achieved by the Department.

The FASS-MFH risk rating is for internal HUD use in prioritizing compliance workload, as well as asset and portfolio management activity. Having a national data base on the financial condition of 20,000 multifamily projects provides HUD with the ability to perform peer group comparative analysis and portfolio analysis to develop better underwriting standards, detect equity skimming situations, and determine debt restructuring and rehabilitation funding needs for portions of the portfolio. Plans are also underway to carry out resident satisfaction surveys in multifamily projects receiving project-based rental subsidies.

### ***Public Housing Assessment System (PHAS)***

REAC has replaced the old Public Housing Management Assessment Program (PHMAP), under which PHAs “self-certified” their performance, with a more comprehensive and credible Public Housing Assessment System (PHAS). PHAS combines reliable, standardized data from four new REAC subsystems covering each public housing authority’s physical and financial condition, management performance and resident satisfaction, to produce an overall score to indicate how well the PHA is being managed:

**Physical Inspections:** PHAS uses input from the REAC’s new PASS processes. Baseline physical inspection data on all 14,000 properties at 3,300 PHAs will be completed by the Spring of 2000. In FY 1999, REAC completed 15,222 inspections on 13,559 properties administered by 3,162 different PHAs.

**Financial Assessments:** Using an Internet-based submission model similar to FASS-MFH, the REAC developed and implemented the Financial Assessment Subsystem for Public Housing (FASS-PH). To standardize PHA financial reporting, a new rule was issued requiring all PHAs to conform to generally accepted accounting principles (GAAP). PHAs with fiscal years ending September 30, 1999 and thereafter are required to submit entity-wide, GAAP-based financial statement data to HUD electronically through the FASS-PH. PHAs receiving in excess of \$300,000 per year in Federal assistance are also required to have their financial statements audited by IPAs. FASS-PH provides the Office of Public and Indian Housing (PIH) with the basis for follow-up and tracking the resolution of specific compliance deficiencies disclosed by IPAs. Financial ratios are applied to the data to assess the financial condition of the PHA and provide the financial scoring piece of the overall four-part PHAS score.

**Management Assessments:** The Management Assessment Subsystem (MASS) collects and scores information on six indicators of management performance, such as vacancy rate, and factors the information into the composite four-part PHAS score.

**Resident Satisfaction Assessments:** The REAC also carries out the resident service and satisfaction survey component of PHAS through the Resident Assessment Subsystem (RASS). Pilot survey results indicated that 75 percent of PHA residents were satisfied or very satisfied with their public housing.

In FY 1999 and the first two quarters of FY 2000, REAC produced advisory scores for the Office of Public Housing's information and use. Beginning with PHA fiscal years ending March 31, 2000, official complete PHAS scores will be issued on PHAs. Those first scores will be produced in June 2000. PHAs scoring below 60 on a 100-point PHAS score will be referred to one of HUD's two new Troubled Agency Recovery Centers (TARCs) for assistance and intervention to improve the PHAs performance. Replacement of the troubled PHA's management can occur if sufficient improvement is not made within a year. Upon full implementation, improvements in PHAS scores will represent an important performance goal for HUD.

**Tenant Income Verification:** During FY 1999, REAC was given responsibility for more fully implementing a large scale computer matching program as HUD's primary control over tenant eligibility for HUD housing subsidies. REAC has prepared a detailed guide to help program administrators resolve tenant income discrepancies. This guide will be mailed with the deficiency notifications. This initiative substantially aids program administrators in detecting and correcting past unreported income and excess rental assistance, and in preventing and deterring these problems in the future. REAC will deploy auditors to review program administrators to ensure the integrity of their income discrepancy resolution activities. These initiatives ensure that program beneficiaries and costs are in accordance with tenant income eligibility requirements

**Section Eight Management Assessment Program (SEMAP)**

In FY 2000, HUD is implementing the Section Eight Management Assessment Program (SEMAP) to provide a clear and objective assessment of housing authority performance with respect to the Section 8 voucher program. SEMAP creates accountability for the Section 8 program that parallels the PHAS for public housing. SEMAP rates housing authorities based on documented policies for tenant selection, rent reasonableness, income determination, housing quality inspections and enforcement, expanding housing opportunities and deconcentration, lease-up rates, FSS participation, MTCS reporting, and correct rent calculations. Housing authorities are designated as troubled if composite SEMAP scores fall below 60 percent or if an independent auditor is unable to provide a clear opinion of conformance with generally accepted accounting principles. SEMAP scores in 2001 will include the results of independent audits for every housing authority.

\* \* \* \* \*

HUD management's efforts of the past year represent significant progress in mitigating the four HUD "high risk" areas identified by the General Accounting Office (GAO), and in correcting the related material management control weaknesses and systems nonconformance areas reported by the HUD OIG. With this progress, HUD is becoming a "high performing" agency.



## **APPENDIX I: SUMMARY OF ACRONYMS**

<b>Acronym</b>	<b>Definition</b>
ABPS	Annual Builder Practices Survey
ACA	Annual Community Assessment
ACS	American Community Survey
AHS	American Housing Survey
AI	Analysis of Impediments (to fair housing)
APP	Annual Performance Plan
APICs	America's Private Investment Companies
APR	Annual Performance Report (Annual Progress Report for homeless programs)
BLS	Bureau of Labor Statistics, U.S. Department of Labor
BOP	Business and Operating Plan
BOSS	Budget Outlay Support System
CDBG	Community Development Block Grant (program)
CDD	cooling degree days
CFO	Chief Financial Officer
CHAS	Comprehensive Housing Affordability Strategy
CMHI	Cooperative Management Housing Insurance Fund
CPD	Community Planning and Development (HUD Office of)
DAP	Development Application Processing
DGMS	Department Grants Management System
EBL	Elevated Blood Lead (levels)
EC	Enforcement Center
EC	Enterprise Communities
EDI	Economic Development Initiative
EDSS	Economic Development and Supportive Services
EIS	Executive Information System
EPA	U.S. Environmental Protection Agency
ESG	Emergency Shelter Grants
EZ	Empowerment Zones
FEMA	Federal Emergency Management Administration
FFS	Federal Financial System
FHA	Federal Housing Administration
FHAP	Fair Housing Assistance Program (FHEO program)
FHEO	Fair Housing and Equal Opportunity (HUD Office of)

<b>Acronym</b>	<b>Definition</b>
FHIP	Fair Housing Initiatives Program (FHEO program)
FMR	fair market rent (maximum rent for Section 8 rental assistance)
FSI	Financial Systems Integration
FSS	Family Self Sufficiency program
FTE	full-time equivalent (employee)
FY	fiscal year
GI	General Insurance Fund (of FHA)
Ginnie Mae	Government National Mortgage Association
GIS	geographic information system
GMP	Grants Management Program
GMS	Grants Management System
GSE	Government-sponsored enterprises (Fannie Mae and Freddie Mac)
HAP	Housing Assistance Payments
HDD	heating degree days
HHS	Health and Human Services (U.S. Department of)
HMDA	Home Mortgage Disclosure Act
HOC	Homeownership Center
HOME	Home Investment Partnerships
HOPE VI	Revitalization of Severely Distressed Public Housing Program
HOPWA	Housing Opportunities for Persons with AIDS
HUD	U.S. Department of Housing and Urban Development
HUDCAPS	HUD Central Accounting Processing System
IBS	Integrated Business System
IDAs	Individual Development Accounts
IDIS	Integrated Disbursement and Information System
IHAs	Indian Housing Authorities
LIHTC	Low Income Housing Tax Credit
MBE	minority business enterprise
MIS	Management Information System
MLIS	Mortgage Lending Information System
MMIF	Mutual Mortgage Insurance Fund
MOU	Memorandum of Understanding
MTCS	Multifamily Tenant Characteristics System
NAHASDA	Native American Housing Assistance Self-Determination Act
NAHBG	Native American Housing Block Grants
NAPA	National Academy of Public Administration
NCHS	National Center for Health Statistics

<b>Acronym</b>	<b>Definition</b>
NCSBCS	National Conference of States on Building Codes and Standards
NIBS	National Institute of Building Sciences
NSF	National Science Foundation
OGC	(HUD) Office of General Counsel
OLHC	(HUD) Office of Lead Hazard Control
OMB	U.S. Office of Management and Budget
OMHAR	Office of Multifamily Housing Assistance Restructuring
PAE	participating administrative entity
P&F	program and funding (budget table)
PATH	Partnership for Advancing Technology in Housing
PD&R	Policy Development and Research (HUD Office of)
PHA	public housing authority
PHAS	Public Housing Assessment System
PHDEP	Public Housing Drug Enforcement Program
PHMAP	Public Housing Management Assessment Program
PIH	Public and Indian Housing (HUD Office of)
PJs	Participating Jurisdictions (in HOME program)
PTR	Post Technical Reviews
REAC	Real Estate Assessment Center
REAP	Resource Estimation and Allocation Process
RECS	Residential Energy Consumption Survey
REMIC	Real Estate Mortgage Investment Conduit
REMS	Real Estate Management System
REO	real estate owned
ROSS	Resident Opportunity and Supportive Services
S&E	salaries and expenses
SEMAP	Section 8 Management Assessment Program
SRI	Special Risk Insurance Fund (of FHA)
TANF	Temporary Assistance to Needy Families
TARC	Troubled Agency Recovery Center
TDHEs	tribally designated housing entities
TEAPOTS	Title VIII Paperless Office and Tracking System
TLI	Targeted Lending Initiative (of Ginnie Mae)
USDA	U.S. Department of Agriculture
VA	Veterans Affairs (U.S. Department of)



## **APPENDIX II: BRIEF DESCRIPTION OF HUD PROGRAMS**

### **Community Planning and Development**

#### **America's Private Investment Companies**

APICs significantly expand private equity capital for the creation or relocation of large-scale businesses in distressed central cities and rural areas. For FY 2001, APICs will support the leveraging of an estimated \$1.5 billion in private debt and equity investment. This will support the creation of thousands of jobs through direct job stimulus and spillovers. APICs will be administered by HUD with consultation from the Small Business Administration, combining HUD's expertise in large-scale urban revitalization with SBA's expertise at raising private equity capital for business development.

APICs are modeled after the SBA's Small Business Investment Company program, which has been effective in making equity available and can be targeted to distressed areas but is limited in the size of projects that it can serve. APICs would provide a financing mechanism for venture capital funds that could be invested in larger businesses that relocate or expand into distressed areas. An APICs venture fund would issue debentures and take equity positions in businesses needing equity capital of \$10 million or more.

#### **Brownfields**

The Brownfields Redevelopment Program makes competitive economic development grants in conjunction with Section 108 loan guarantees for qualified projects. These grants are targeted to the 450,000 former vacant or underutilized industrial and commercial properties that may contain low to moderate levels of contamination. The grants are used to redevelop and clean up brownfields so that the areas can be returned to productive, job-creating uses and to address the economic development needs of communities in and around such sites. Economic development grants are used to enhance the security of Section 108 guarantees or to improve the feasibility of proposed projects, and to support business development activities. Section 108 loans enable communities to borrow funds from the primary market and repay loans over time.

Eligible brownfields activities are CDBG-eligible activities that support cleanup and economic redevelopment. These include: (1) assistance to private, for-profit entities for economic redevelopment projects; (2) acquisition of property; (3) clearance, demolition, removal, and rehabilitation of buildings and improvements; (4) rehabilitation of buildings or construction of real property improvements, including construction, reconstruction, or installation of public and other site improvements; and (6) the investigation and cleanup of environmental contamination in connection with any of these eligible activities.

## **Capacity Building for Community Development and Affordable Housing**

This program supports the National Community Development Initiative (NCDI) which is a public/private partnership that helps build the capacity of community-based development organizations. The current phase of the program will expand the efforts of Community Development Corporations (CDCs) into investments in economic development, workforce development, child care and community safety.

## **Communities in Schools**

Communities in Schools provides comprehensive services to at-risk children and their families. This program empowers local communities to work through collaborative public/private partnerships involving schools, public housing communities, and community organizations to prevent youngsters from dropping out of school, while involving youth in local community building, job training and neighborhood revitalization projects.

## **Community Development Block Grant Program**

Community Development Block Grant (CDBG) is a formula program that allocates 70 percent of grants to units of general local government and 30 percent to States for the funding of local community development programs.

The primary objective of the program is to develop viable urban communities by providing decent housing and a suitable living environment and by expanding economic opportunities. Activities undertaken with the grants must meet one of the three broad national objectives: 1) benefit low- and moderate-income persons; 2) aid in the prevention or elimination of slums and blight; or 3) meet other particularly urgent community development needs. In addition, at least 70 percent of all CDBG funds received by a grantee must be used for activities that benefit persons of low and moderate income (those with incomes below 80 percent of area median family income). Through the Consolidated Plan process, recipients select eligible activities that are appropriate to their needs and that reflect local priorities, and they determine how their performance will be measured.

## **Community Empowerment Fund**

CEF will support critical economic development in distressed communities in tandem with the Section 108 Loan Program to bring economic opportunity to their residents. In FY 2001, many projects will be eligible to participate in the CEF Trust, which enables the pooling of loans and the creation of a private-sector secondary market for economic development loans. The CEF Trust provides a vehicle for establishing and implementing standard underwriting; documentation and servicing guidelines; and seasoning loans, monitoring their performance, and perhaps eventually selling them off to private-sector investors.

## **Community and Interfaith Partnerships Initiative**

This initiative will provide technical assistance and capacity building to community and faith-based organizations in their efforts to supply affordable housing, create economic opportunity, promote the goal of fair housing, and increase the effectiveness of HUD programs like Section 8 vouchers.

## **Habitat for Humanity**

This funding supports capacity building efforts for Habitat for Humanity through which additional staff are trained and made available to local affiliates. This expands Habitat's ability to help families reach their homeownership goals.

## **HOME Investment Partnerships Program**

The main purpose of the HOME program is to increase the supply and affordability of housing and to promote homeownership for low-income families.

States and localities have the flexibility to use HOME funds for a wide range of affordable housing activities for low- and very-low-income families. The jurisdictions outline how they will use the grants in their Consolidated Plan submissions. Eligible activities include rehabilitation, new construction, acquisition for homeownership and rental housing, and tenant-based rental assistance. The funds are allocated by formula:

60 percent to local governments and 40 percent to States.

## **Homeless Assistance Grants**

The purpose of this program is to break the cycle of homelessness and to move homeless persons and families to permanent housing. This is done by providing rental assistance, emergency shelter, transitional and permanent housing, and supportive services to homeless persons and families.

Homeless assistance grants provide Federal support to one of the Nation's most vulnerable populations. These grants assist localities in establishing systems that can address the needs of different homeless populations while providing a coordinated "Continuum of Care" system that ensures the support necessary to help those who are homeless attain housing and move toward self-sufficiency.

## **Housing Opportunities for Persons with AIDS**

HOPWA provides States and localities with resources and incentives to devise long-term, comprehensive strategies for meeting the housing needs of persons with HIV/AIDS and their families. Statutorily, 90 percent of appropriated funds are distributed by formula to qualifying States and metropolitan areas on the basis of the number and incidence of AIDS cases reported to the Centers for Disease Control and Prevention by March 31 of the year preceding the

appropriation year. The remaining 10 percent of funds are distributed through a national competition.

Competitive grants (10 percent of the appropriation) are available to States and local governments and private, nonprofit entities for projects of national significance. They are also available to States and local governments for projects in areas that do not qualify for a formula allocation. Recipients of either formula or competitive grants must use HOPWA assistance consistent with a HUD-approved Consolidated Plan, except for activities undertaken on a nationwide basis. Eligible activities include: housing information and coordination services; short-term supported housing and services; rental assistance; single-room occupancy dwellings; community residences and services; program development; and administrative costs.

### **Mississippi Delta Initiative**

This initiative is part of a broader government effort to jump start the economy of a significant region of the country. HUD will work in partnership with other Federal agencies to provide assistance in housing and economic development to help revitalize the region's economy.

### **Native American Community Development Block Grants**

This program targets aid to Native American communities to generate commercial activity, housing, and job opportunities. It will also support the development of a new Native American Economic Development Access Center which will provide information and technical assistance concerning economic development assistance.

### **Regional Connections**

Regional Connections will provide competitive funding to States and partnerships of local governments (where at least one member is a CDBG entitlement community) to develop and implement new, locally driven "smarter growth" strategies that create more livable communities by addressing economic and community development needs across jurisdictions.

Regional Connections will complement existing Federal programs, including other HUD programs that promote local and regional partnership as well as those of the Department of Transportation, EPA, and others that influence growth and investment patterns. Regional Connections builds on HUD's Consolidated Planning requirements and SuperNOFA process, both of which encourage more coordinated application of HUD programs within a single jurisdiction. It offers new resources as financial incentives to overcome the inherent motivations against cooperation. It encourages funding of regional entities and analyses, which can support long-term cooperation. It enables those currently cooperating within their region to expand the scope of their cooperation, and encourages further cooperation by providing concrete success stories.

## **Rural Housing and Economic Development**

This program will award competitive grants to assist rural communities, Native American communities, and colonias in capacity building for the development of rural housing and for conducting rural economic development activities.

HUD will work closely with the U.S. Department of Agriculture and other Federal agencies (Economic Development Administration, Appalachian Regional Commission and Department of the Interior) to structure a more effective response to the housing and economic development needs of the Nation's rural areas.

## **Section 108 Loan Guarantees**

The Section 108 loan guarantee program provides communities with a means of leveraging their CDBG grants to obtain financing for large community revitalization projects. The commitment level requested for FY 2001 will include Section 108 loan guarantees made in conjunction with the Community Empowerment Fund (CEF) initiative, the accelerated Brownfields Redevelopment Program, as well as all other loan guarantee applications received in connection with the regular CDBG program.

Section 108 of the Housing and Community Development Act of 1974, as amended, authorizes the Secretary to issue Federal loan guarantees of private-market loans used by entitlement and nonentitlement communities to cover the costs of acquiring real property, rehabilitating publicly owned real property, housing rehabilitation, and certain economic development activities. In addition, guaranteed loan funds have been used to finance construction of housing by nonprofit organizations when undertaken as part of a project that is also financed under the Rental Housing Development Grants or Nehemiah Housing Opportunity Grants programs.

## **Self-Help Homeownership Opportunity Program**

The Self-Help Homeownership Opportunity Program (SHOP) provides competitive grants to nonprofit housing organizations that use significant amounts of "sweat equity" to produce affordable single-family homes for new homebuyers. These funds are used for land acquisition and infrastructure improvements, and homebuyers contribute a significant amount of their own hard work toward the construction of the new dwellings.

## **Urban Empowerment Zones**

There are three rounds of Empowerment Zones/Enterprise Communities (EZ/ECs). The first two rounds combine tax incentives with direct funding for physical improvements and social services. The third round includes only tax incentives. Grants can be used for a broad range of activities that assist residents, businesses, and organizations. Eligible activities include workforce preparation and job creation efforts linked to welfare reform; neighborhood development; support for financing of capital projects; financing of projects in conjunction with the Section

108 loan guarantee program and other economic development projects; community policing; and health care.

## **Youthbuild**

The Youthbuild program encourages at-risk youth to engage in remedial education, including leadership and skills training. Youthbuild serves 16- to 24-year-old high school dropouts. The program provides disadvantaged young adults with education and employment skills through rehabilitating and building housing for low-income and homeless people. This helps to expand the Nation's supply of affordable housing. The program includes both onsite construction work and offsite academic and job skills training. Youthbuild activities are also eligible activities under CDBG.

Funds are awarded on a competitive basis using the selection criteria in the statute along with other factors published by HUD in the regulations and the Notice of Funding Availability.

## **Public and Indian Housing**

### **Community Gun Safety and Violence Reduction Initiative**

This program has three components: public education and outreach that promotes responsible gun ownership and addresses the hazards posed by firearms; technical assistance and matching funds to implement innovative, performance-driven gun violence reduction programs; and support for computerized gun-violence tracking and mapping partnerships.

### **Housing Certificate Fund: Section 8 Contract Renewals/Amendments**

Contract renewals provide funding to renew expiring Section 8 rental assistance contracts covering certificates, vouchers, moderate rehabilitation, loan management, new construction/substantial rehabilitation, property disposition, and preservation. This funding is required to maintain the current inventory of assisted rental housing.

### **Incremental Vouchers**

Vouchers and certificates provide rental assistance to both tenant-based and project-based programs to expand affordable housing opportunities for very low-, low-, and moderate-income target populations. The voucher program is based on the tenant generally paying a standard 30 percent of adjusted income for rental purposes and the voucher and certificate subsidizing the remaining adjusted costs. The FY 2001 voucher program includes vouchers targeted specifically to the homeless and welfare-to-work populations and some dedicated to housing production. The remaining are fair share vouchers that are distributed to PHAs to meet locally

defined requirements. Vouchers are also targeted to other specific activities including the Family Unification Program, litigation-related needs, and portability requirements.

### **Indian Homeownership Intermediary Initiative**

This program will support the development of non-profit homeownership intermediaries in Indian country that will serve as a catalyst for the creation of a private homeownership market.

### **Indian Housing Block Grants**

This program provides grants to Indian tribes and Tribally Designated Housing Entities (TDHEs) to provide and maintain housing for low-income Native Americans. IHBG provides housing services through six eligible activities and provides training and technical assistance:

- Development - acquisition, new construction, reconstruction, and moderate or substantial rehabilitation of affordable housing;
- Indian Housing Assistance - modernization and operating assistance for housing previously developed or operated under a contract between HUD and a TDHE;
- Housing Services - housing counseling for rental or homeownership assistance, establishment and support of resident management organizations;
- Housing Management Services- management services that may include preparation of work specifications, loan processing, inspections, tenant selection;
- Crime Prevention and Safety Activities - safety, security, and law enforcement measures and activities;
- Model Activities - approval of housing activities under model programs that are designed to develop and support affordable housing using a variety of creative approaches (e.g., leveraging public and private funds); and
- Law Enforcement - housing for law enforcement officers on Indian reservations of other Indian areas.

### **Indian Housing Loan Guarantee Fund**

This program provide loan guarantees for Native American families and Tribally Designated Housing Entities (TDHEs, formerly IHAs) to purchase, construct, and/or rehabilitate single-family homes on restricted land and in designated Indian areas.

### **New Approach Anti-Drug Program**

This is similar to the Public Housing Drug Elimination Grants program except that funds are used by housing entities other than Public Housing Authorities. Funded activities include augmented

security presence, investigation and/or prosecution of drug-related criminal activity, and security-related capital improvements.

### **Operation Safe Home**

These funds are used to combat violent crime in public housing complexes by bringing together a coalition of Federal and local crime-fighting forces.

### **Public Housing Capital Fund**

This program provides funds to Public Housing Authorities (PHAs) for capital improvements (e.g., developing, rehabilitating, and demolishing units) and for management improvements (e.g., management and community services, supportive services, resident activities, and economic development) at public housing developments for low-income families.

The allocated funds may be used for redesign, reconstruction, rehabilitation, renovation, nonroutine maintenance, lead-based paint testing and abatement, accessibility improvements for the disabled, and alterations to increase marketability by adding amenities. Demolition or disposition are authorized for buildings or entire developments that are not viable. Funds may also be used for replacement housing.

### **Public Housing Drug Elimination Grants**

This program provides grants to PHAs and Tribally Designated Housing Entities (TDHEs) for their anticrime, antidrug efforts to reduce and eliminate drug-related crime in and around public housing developments.

### **Public Housing Operating Fund**

This program provides subsidies to assist Public Housing Authorities (PHAs) in funding the operation and maintenance of their properties for low-income families. The Performance Funding System formula determines the level of funding necessary to enable PHAs to provide a reasonable level of services, including maintenance, utilities, and protective services, to residents of public housing.

### **Resident Opportunity and Supportive Services**

Resident Opportunity and Supportive Services (ROSS) program provides residents of public housing with services that are necessary to improve their quality of life, including academic skills training, health care, micro-enterprise and small business development, and social services.

## **Revitalization of Severely Distressed Public Housing (HOPE VI)**

This program provides grants to public housing agencies, which will enable them to demolish obsolete public housing projects, revitalize where appropriate, project sites, and provide replacement housing for those families displaced by demolition so as to lessen the concentrations of very-low-income families. Section 8 vouchers and certificates are also used by public housing families to enable them to choose their housing circumstances.

## **Title VI Federal Guarantees for Tribal Housing**

This program provides loan guarantees for Indian Housing Block Grant recipients, Indian tribes, and Tribally Designated Housing Entities who need additional funds to engage in eligible affordable housing activities but are unable to borrow from other sources.

## **Voucher Success Fund**

In some areas, some vouchers have not always been used – because residents may be unfamiliar with suburban neighborhoods, may be unable to come up with a security deposit, or may have difficulty finding landlords who are knowledgeable about the Section 8 program. This highly flexible fund is intended to help PHAs help families overcome these barriers. Funds may be used to assist families with mobility counseling, create revolving funds to assist with security deposits, or provide technical assistance and outreach.

## **Housing**

### **Federal Housing Administration**

Despite historic prosperity and record levels of homeownership in our Nation, for some groups, homeownership remains unattainable. The Federal Housing Administration (FHA) provides help for families including first-time homebuyers, minorities, and central-city residents. FHA helps these groups by insuring mortgages, making it much easier for homeowners to borrow the funds they need. Borrowers are more willing to provide loans because they know that, in the case of a borrower default, the Federal Government will restore their losses.

Most FHA loans for homeownership are insured through the Mutual Mortgage Insurance (MMI) Fund. Other loans for purchasing homes, such as manufactured housing and condominiums, are insured through the GI/SRI Fund. The GI/SRI Fund also insures loans to rehabilitate, develop, and refinance multifamily housing including assisted living facilities, nursing homes, and hospitals.

## **Housing Counseling Assistance**

The Housing Counseling program provides a broad range of counseling services to tenants, prospective homeowners, and homeowners to improve housing opportunities with an emphasis on obtaining and maintaining homeownership.

The Department certifies and/or recertifies public and private nonprofit agencies that provide HUD approved counseling assistance. Counseling can cover property maintenance, financial management, and other matters to assist tenants and homeowners in improving their housing conditions and meeting their homeownership responsibilities.

## **Housing for Special Populations**

(Housing for the Elderly or Disabled Program)

Sections 202 of the Housing Act of 1959 and 811 of the National Affordable Housing Act (NAHA) of 1990 authorized the use of capital grants and rental assistance to eligible private nonprofit organizations to construct, rehabilitate, or purchase housing for very-low-income elderly or disabled individuals. In addition, Section 8 tenant-based assistance is provided for supportive housing for disabled renters to allow them to search for and rent a standard unit in the private market.

**Service Coordinators.** Section 808 of NAHA authorized the use of service coordinators within existing projects for the elderly or frail elderly to enable residents who are elderly, especially those who are frail or handicapped, to live independently. Services provided include meal services, housekeeping and chore assistance, personal care, laundry assistance, transportation services, and health-related services.

**Assisted Living Production.** This program provides operating subsidies to assisted living units for the elderly to spur the construction of mixed-income assisted living facilities.

**Conversion to Assisted Living.** These funds will be available as competitive grants to existing HUD elderly subsidized (Section 202) projects that convert some or all units to assisted living.

## **Manufactured Home Inspection and Monitoring Program**

This program establishes standards and safety requirements for all manufactured homes that are produced. Under the Act, the Secretary establishes appropriate Federal manufactured home standards that meet the needs of the public, including quality, durability, and safety for the construction, design, and performance of manufactured homes.

Every company that builds manufactured homes must provide HUD with the plans for each model produced. The manufacturer must issue a certification that each section built meets Federal standards. If the Department determines that any manufactured home does not comply with standards or contains a defect constituting a significant safety hazard, it may require the producer to notify the purchaser of the defect. In certain cases, HUD may require repair or replacement of the defective section(s), or a refund.

The Act also created a 24-member Advisory Council that consults with the Secretary on manufactured home construction and safety standards. Enforcement of the standards is accomplished mainly by third-party primary inspection agencies. These agencies can be private or State agencies and are approved and monitored by HUD.

## **Government National Mortgage Association**

### **Mortgage-Backed Securities Program**

Ginnie Mae was created in 1968 through amendment of Title III of the National Housing Act. Ginnie Mae, a wholly-owned government corporation within HUD, was established to support Federal housing initiatives by providing liquidity to the secondary mortgage market and to attract capital from the Nation's capital markets into the residential mortgage markets.

Through its Mortgage-Backed Securities Program (MBS), Ginnie Mae guarantees the timely payment of principal and interest on securities issued by private institutions and backed by pools of federally insured or guaranteed mortgage loans. Ginnie Mae's guaranty is backed by the full faith and credit of the United States. The securitization of Federal Housing Administration (FHA), Rural Housing Service, and Veterans Affairs (VA) mortgages increases the liquidity of funds available to lenders making these loans and thereby decreases the costs associated with making and servicing loans. This decrease in costs helps lower mortgage interest rates for homebuyers using Federal Government housing credit.

Ginnie Mae's multiclass securities program guarantees Real Estate Mortgage Investment Conduits (REMICs) and Platinum securities. REMICs are multiple-class securities with different maturities, typically between two and 20 years, or with payments based on fractions of the MBS income stream. The Platinum security consolidates Ginnie Mae MBS pools with the same interest rate into larger pools, which are then sold to investors.

Ginnie Mae's targeted lending initiative reduces the fees charged to lenders by up to 50 percent for making mortgage loans in any of the Nation's 72 Empowerment Zones or Enterprise Communities and adjacent eligible central city areas. This initiative increases the liquidity of mortgage investments leading to an increase in mortgage lending in these areas.

## **Policy Development and Research**

### **Partnership for Advancing Technology in Housing (PATH)**

In FY 2001, PATH supports both a public-private partnership and an integration of Federal efforts to reduce the time to market of new housing technologies, cutting the energy use and environmental impact of new homes, increasing housing durability, reducing natural hazard risk, and reducing the monthly cost of housing and the cost of new housing.

## **Research and Technology (R&T)**

PD&R funds are used for research and policy analysis. There are seven categories of activities undertaken with R&T funds. The largest is housing market surveys. These housing and financial market data are essential for the formulation of HUD's housing and community development policies.

The next largest category is program evaluation and monitoring, with \$5 million in obligations in 1998. These activities help old and new programs operate more effectively by providing independent information about program implementation and impacts.

## **Fair Housing and Equal Opportunity**

### **Fair Housing Assistance Program (FHAP)**

The FHAP provides assistance to State and local agencies that administer fair housing laws certified by the Department as substantially equivalent to Title VIII of the Civil Rights Act of 1968, as amended by the Fair Housing Amendments Act of 1988. The assistance includes support for enforcement activities including complaint processing, training, technical assistance, data and information systems, and joint activities to increase fair housing enforcement. The program is designed to build coordinated intergovernmental enforcement of fair housing laws and provide incentives for States and localities to assume greater responsibility for administering fair housing laws.

### **Fair Housing Initiatives Program (FHIP)**

The FHIP was established by the Housing and Community Development Act of 1987 for the purpose of eliminating and preventing housing discrimination. This program provides a coordinated approach to: (1) further the purposes of the Fair Housing Act; (2) guarantee the rights of all people to seek housing in an open market free of discrimination; and (3) inform the public and the housing industry of its rights and obligations under the Fair Housing Act. FHIP provides funding to help private, nonprofit fair housing organizations and public entities that are formulating or carrying out programs to prevent or eliminate discriminatory housing practices. The Department provides funding under three distinct categories of FHIP: the Private Enforcement Initiative, the Education and Outreach Initiative, and the Fair Housing Organizations Initiative.

## **Office of Lead Hazard Control**

### **Healthy Homes Initiative**

Under the healthy homes initiative, HUD is implementing a multifaceted program to provide grants to organizations to demonstrate and pilot test affordable new maintenance, renovation, and construction methods; implement a new public education campaign to prevent both emerging and well-recognized housing-related childhood diseases and injuries; conduct research; and assemble an interagency task force. In implementing the initiative, HUD is working closely with its Federal partners, as well as with State and local governments and private-sector organizations.

### **Lead-Based Paint Hazard Reduction Program**

The Lead Hazard Control Grants are made competitively to States and local governments with an approved Consolidated Plan and to Native American Tribes to empower them to perform lead-hazard reduction activities in private low-income dwellings. These grants stimulate the development of a national abatement/hazard control infrastructure by promoting State legislative action to establish LBP contractor certification programs, stimulating State and local efforts at hazard reduction, and creating demand for such credentials by private contractors.

The technical studies component of the program contains five types of activities:

(1) technical assistance for State and local agencies, private property owners, HUD programs and Field Offices, and professional organizations; (2) quality control to ensure that the evaluation and control of lead-based paint hazards are done properly in HUD-associated housing; (3) the development of standards, technical guidance materials, and regulations to provide for sensible, cost-effective hazard evaluation and control procedures, and technical information that encourages fair and professional competition for such work; (4) technical studies and evaluation to develop streamlined methods of testing, hazard control, cleanup, clearance, and public education; and (5) support for right-to-know activities.



**APPENDIX III:  
SUMMARY OF HUD'S COORDINATION WITH OTHER  
FEDERAL AGENCIES BY STRATEGIC OBJECTIVE**

Agency	Strategic Objective										
	1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2	4.1	4.2	4.3
Agriculture	x	x	x	x		x	x	x	x	x	
Commerce	x		x				x	x	x	x	
Education							x				
Energy	x		x				x				
EPA	x		x								x
FDIC	x										
FEMA	x		x				x				
Fed Reserve Board	x										
Fed Trade Comm.	x										
FHFB	x	x									
HHS	x		x		x		x	x	x	x	x
Justice	x		x	x	x	x	x			x	x
Labor	x		x		x		x	x	x	x	
NSF	x		x								
Transportation							x	x	x	x	
Treasury	x	x							x	x	
VA	x						x				



## **APPENDIX IV: RESOURCE ALLOCATION**

This appendix includes three tables that describe how HUD's resources contribute to its strategic goals and objectives.

- Table 1 lists the amount of budget authority in each of the Department's major programs and allocates them to each strategic goal. In some cases, such as the block grant programs, grantees have discretion with how funds are used. In these cases, estimates are made based on historical trends. In other programs, resource estimates were based on the statutory authority of the program and balanced judgment. Many program efforts contribute to multiple or even all of the Department's strategic goals. We have endeavored to reflect these resources in the predominant strategic goal when clear distinctions are not available. The Department is continuing to analyze and measure program activities as they relate to our Strategic Plan and Annual Performance Plan. The Department anticipates significant refinements in these efforts over time.
- Table 2 allocates staff of major programs by strategic goal based on the historical distribution of staff necessary to carry out the Department's workload. Most staff contribute to several goals. For instance, every HUD employee contributes to Goal #5 "Ensure the Public Trust in HUD." Therefore, the values in the table reflect the number of staff whose primary task is achieving the corresponding strategic goal.
- Table 3 lists the Department's programs and matches them with the strategic objectives to which they contribute.

Tables 1 and 2 represent the Department's first effort at detailed resource allocation in the Annual Performance Plan. In the future, implementation of the NAPA-guided Resource Estimation and Allocation Process (REAP) will build on these efforts making them more specific and more accurate.

<b>Table 1: Budget Allocation</b>		<b>Strategic Goals</b>				
		Discretionary BA (\$ in millions)	Increase availability of decent, safe, and affordable housing in American communities	Ensure equal opportunity in housing for all Americans	Promote self-sufficiency and asset development of families and individuals	Improve community quality of life and economic vitality
<b>RELEVANT P&amp;F</b>						
<b>Public And Indian Housing</b>						
Housing Certificate Fund	\$14,128	\$8,477	\$2,826	\$2,119	\$706	-
Public Housing Capital Fund	2,955	2,069	443	148	295	-
Public Housing Operating Fund	3,192	2,394	-	160	638	-
HOPE VI	625	344	125	31	125	-
Indian Housing Block Grants	650	487	-	-	163	-
Indian Home Loan Fund	6	5	-	-	1	-
Drug Elimination Grants	345	-	-	-	345	-
Sub-Total	21,901	13,776	3,394	2,458	2,273	-
<b>Community Planning And Development</b>						
CDBG	4,900	1,470	490	980	1,960	-
HOME	1,650	1,320	165	-	165	-
Homeless Assistance Grants	1,200	288	-	912	-	-
HOPWA	260	120	-	140	-	-
Urban Empowerment Zones (Mandatory BA)	[150]	-	-	[70]	[80]	-
Housing Certificate Fund	[41]	[41]	-	-	-	-
Other CPD Programs	174	57	30	35	52	-
Sub-Total	8,184	3,255	685	2,067	2,177	-
<b>Housing</b>						
FHA-MMI/CHI	491	491	-	-	-	-
FHA-GI/SRI	456	456	-	-	-	-
Housing Certificate Fund	[3,655]	[3,655]	-	-	-	-
Housing For Special Populations	989	889	-	100	-	-
Other FHA	(355)	(355)	-	-	-	-
Sub-Total	1,581	1,481	-	100	-	-
<b>FHEO</b>						
Fair Housing Assistance (FHAP)	21	-	21	-	-	-
Fair Housing Initiatives (FHIP)	29	-	29	-	-	-
Sub-Total	50	-	50	-	-	-
<b>Ginnie Mae</b>	9	9	-	-	-	-
<b>Office Of Lead Hazard Control</b>	120	120	-	-	-	-
<b>Policy Development &amp; Research</b>	62	32	4	8	8	10
<b>Administration (Salaries and Expenses)</b>	649	-	-	-	-	649
<b>Total (Gross)</b>	32,556	18,673	4,133	4,633	4,458	659
Offsetting Receipts/Rescissions/Adjust	(514)					
<b>Total (Net)</b>	\$32,042					

Table 2: Staff Allocation

RELEVANT P&F	Discretionary BA (\$ in millions)	Salaries and Expense (\$ in millions)	STAFF	Staffing Estimates by Strategic Goals				
				Increase availability of decent, safe, and affordable housing in American communities	Ensure equal opportunity in housing for all Americans	Promote self- sufficiency and asset development of families and individuals	Improve community quality of life and economic vitality	Ensure the public trust in HUD
<b>Public And Indian Housing</b>								
Housing Certificate Fund	\$14,128	\$36	333	40	10	40	40	203
Public Housing Capital Fund	2,955	19	181	32	10	10	33	96
Public Housing Operating Fund	3,192	37	352	57	10	5	57	223
HOPE VI	625	19	176	41	9	41	41	44
Indian Housing Block Grants	650	20	184	75	10	10	6	83
Indian Home Loan Fund	6	1	6	5	-	-	-	1
Drug Elimination Grants	345	17	163	9	10	-	143	1
Sub-Total	21,901	149	1,395	259	59	149	277	651
<b>Community Planning And Development</b>								
CDBG	4,900	34	324	34	11	23	46	210
HOME	1,650	10	98	27	3	-	4	64
Homeless Assistance Grants	1,200	13	118	10	-	31	-	77
HOPWA	260	2	21	3	-	4	-	14
Urban Empowerment Zones (Mandatory BA)	[150]	2	15	-	-	3	3	9
Housing Certificate Fund	[41]	-	-	-	-	-	-	-
Other CPD Programs	174	20	184	21	11	13	19	120
Sub-Total	8,184	81	760	95	25	74	72	494
<b>Housing</b>								
FHA –MMI/CHI	491	129	1,203	963	60	-	120	60
FHA –GI/SRI	456	129	1,208	967	60	-	121	60
Housing Certificate Fund	[3,655]	46	434	347	22	-	43	22
Housing For Special Populations	989	37	350	279	-	18	35	18
Other Housing Programs	(355)	26	239	-	-	-	24	215
Sub-Total	1,581	367	3,434	2,556	142	18	343	375

**Table 2: Staff Allocation**

<b>Table 2: Staff Allocation</b>				<b>Staffing Estimates by Strategic Goals</b>				
				Increase availability of decent, safe, and affordable housing in American communities	Ensure equal opportunity in housing for all Americans	Promote self-sufficiency and asset development of families and individuals	Improve community quality of life and economic vitality	Ensure the public trust in HUD
<b>RELEVANT P&amp;F</b>	Discretionary BA (\$ in millions)	Salaries and Expense (\$ in millions)	STAFF					
<b>FHEO</b>								
Fair Housing Assistance (FHAP)	21	3	30	-	10	10	10	-
Fair Housing Initiatives (FHIP)	29	3	25	-	8	9	8	-
Section 3 Program	-	3	25	-	-	-	25	-
Other FHEO Programs	-	60	570	-	470	20	10	70
Sub-Total	50	69	650	-	488	39	53	70
<b>Ginnie Mae</b>	9	8	72	18	18	-	18	18
<b>Office Of Lead Hazard Control</b>	120	2	23	12	-	-	-	11
<b>Policy Development &amp; Research</b>	62	17	163	82	2	25	25	29
<b>Supporting Organizations</b>								
Enforcement Center	-	23	215	107	-	-	-	108
Assessment Center	-	23	211	105	-	-	-	106
Office of M/F Hsng Assis. Restructuring	-	11	101	50	-	-	-	51
Community Builders/Field Management	-	100	933	233	233	233	234	-
Chief Financial Officer	-	24	220	44	11	22	22	121
Chief Procurement Officer	-	16	148	-	-	-	-	148
Chief Information Officer	-	1	5	-	-	-	-	5
General Counsel	-	37	349	76	46	60	16	151
Dept. Mgmt	-	12	113	23	23	23	23	21
Dept Equal Employment Opportunity	-	2	19	-	-	-	-	19
Administration	-	46	431	70	30	30	30	271
Reserve	-	6	58	-	-	-	-	58
Salaries and Expenses Appropriation	649							
<b>Total (Gross)</b>	32,556	994*	9,300	3,730	1,077	673	1,113	2,707
Salaries and Expenses (including transfers)	[1,094]							
Offsetting Receipts/Rescissions/Adjust	(514)							
<b>Total (Net)</b>	\$32,042							

\*Total S&E appropriation of \$1,094 million less \$100 million for ADP services results in a net appropriation of \$994 million for S&E

**Table 3: Relationship between HUD Programs and Strategic Objectives**

Mission Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.		Strategic Goal 1 Increase the availability of decent, safe, and affordable housing in American communities.			Strategic Goal 2 Ensure equal opportunity in housing for all Americans.			Strategic Goal 3 Promote self-sufficiency and asset development of families and individuals.		Strategic Goal 4 Improve community quality of life and economic vitality.			Strategic Goal 5 Ensure Public Trust in HUD.	
		1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2	4.1	4.2	4.3	5.1	5.2
HUD Programs	FY 2001 Budget (millions)													
<b>Community Planning and Development</b>														
America's Private Investment Companies (APICs) Limitation	[1,000]								x	x	x			
APICs Program Account	37								x	x	x			
Brownfields Redevelopment	50									x	x			
Community Development Block Grants	4,900	x	x	x		x	x	x	x	x	x	x		
Community Empowerment Fund (CEF/EDI)	[100]								x	x				
Native American Community Development Block Grant	[69]	x	x	x		x	x	x	x	x	x	x		
National Community Development Initiative	[24]	x	x	x		x	x	x	x	x	x	x		
Self Help Homeownership Opportunities (SHOP)	[18]	x				x	x	x	x					
Habitat for Humanity	[8]	x				x	x	x	x					
Mississippi Delta Initiative	[22]	x	x	x		x	x	x	x	x	x	x		
Community and Interfaith Partnerships Initiative	[20]								x	x	x	x		
Youthbuild	[75]								x		x	x		
Community Development Loan Guarantee Limitation	[1,217]								x	x	x			
Community Development Loan Guarantee Program Account	30								x	x	x			
HOME Investment Partnerships Program	1,650	x	x	x		x	x	x	x		x			
Homeless Assistance Grants	1,200		x					x	x					
Section 8 Vouchers for the Homeless	[105]		x					x	x					
Housing Opportunities for People With AIDS	260		x					x						
Regional Connections/Smart Growth	25					x	x			x	x			
Rural Housing and Economic Development	27	x								x				
Urban Empowerment Zones (Mandatory Program)	[150]								x	x	x			
Communities in Schools	5								x					
Subtotal - CPD	8,184													
<b>Fair Housing and Equal Opportunity</b>														
Fair Housing Assistance Program	21				x	x	x							
Fair Housing Initiative Program	29				x	x	x							
Subtotal - FHEO	50													

Key to Strategic Objectives				
1.1 Homeownership is increased	2.1 Housing discrimination is reduced	3.1 Homeless families and individuals become self-sufficient	4.1 The number, quality, and accessibility of jobs increases in low-income urban and rural communities	5.1 HUD's workforce and partners are empowered, capable, and accountable for results
1.2 Affordable rental housing is available for low-income households	2.2 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 Disparities in well-being among neighborhoods and within metropolitan areas are reduced	5.2 HUD leads housing and urban research and policy development nationwide
1.3 America's housing is safe and disaster-resistant	2.3 Disparities in Homeownership rates among racial and ethnic groups are reduced		4.3 Communities are safe	

Government National Mortgage Association

HUD's FY 2001 Annual Performance Plan

Mission		Strategic Goal 1			Strategic Goal 2			Strategic Goal 3		Strategic Goal 4			Strategic Goal 5	
Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.		Increase the availability of decent, safe, and affordable housing in American communities.			Ensure equal opportunity in housing for all Americans.			Promote self-sufficiency and asset development of families and individuals.		Improve community quality of life and economic vitality.			Ensure Public Trust in HUD.	
HUD Programs	FY 2001 Budget (millions)	1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2	4.1	4.2	4.3	5.1	5.2
Mortgage-Backed Securities Commitment Level	[200,000]						x				x			
Mortgage-Backed Securities Program Account	9						x				x			
<b>Housing</b>														
FHA:GI/SRI Commitment Level	[21,000]	x	x	x			x				x	x		
FHA:GI/SRI Program Account	456	x	x	x			x				x	x		
FHA:MMI Commitment Level	[160,000]	x					x				x			
FHA:MMI Program Account	491	x					x				x			
Other FHA	(355)	x												
Neighborhood Networks	N/A								x			x		
Officer Next Door	N/A											x		
Section 202/811 (Elderly and Disabled)	989	x	x				x		x					
Housing Counseling Assistance (Funded in HOME)	[24]	x												
Government-Sponsored Enterprises	N/A	x	x								x			
Subtotal - Housing	1,581													
<b>Office of Lead Hazard Control</b>														
Lead-Based Paint Hazard Reduction	120			x										
Healthy Homes Initiative	[10]			x										
Subtotal - OLHC	120													
<b>Policy Development and Research</b>														
PATH	12			x										x
Research and Technology	50													x
Subtotal - PD&R	62													
<b>Public and Indian Housing</b>														
Drug-Elimination Grants	345											x		
New Approach Anti-Drug	[20]											x		
Operation Safe Home	[20]											x		
Community Gun Safety and Violence Reduction	[30]											x		
Indian Home Loan Guarantee Commitment Level	[72]	x					x							
Indian Home Loan Guarantee Program Account	6	x					x							
Indian Housing Block Grants	650	x	x				x			x		x		
Public Housing Capital Fund	2,955		x	x	x				x		x	x		
Resident Opportunity and Supportive Services	[55]								x					

Key to Strategic Objectives				
1.1 Homeownership is increased	2.1 Housing discrimination is reduced	3.1 Homeless families and individuals become self-sufficient	4.1 The number, quality, and accessibility of jobs increases in low-income urban and rural communities	5.1 HUD's workforce and partners are empowered, capable, and accountable for results
1.2 Affordable rental housing is available for low-income households	2.2 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 Disparities in well-being among neighborhoods and within metropolitan areas are reduced	5.2 HUD leads housing and urban research and policy development nationwide
1.3 America's housing is safe and disaster-resistant	2.3 Disparities in Homeownership rates among racial and ethnic groups are reduced		4.3 Communities are safe	

Public Housing Operating Fund	3,192		x	x					x		x	x		
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Mission Promote adequate and affordable housing, economic opportunity, and a suitable living environment free from discrimination.		Strategic Goal 1 Increase the availability of decent, safe, and affordable housing in American communities.			Strategic Goal 2 Ensure equal opportunity in housing for all Americans.			Strategic Goal 3 Promote self-sufficiency and asset development of families and individuals.		Strategic Goal 4 Improve community quality of life and economic vitality.			Strategic Goal 5 Ensure Public Trust in HUD.	
		1.1	1.2	1.3	2.1	2.2	2.3	3.1	3.2	4.1	4.2	4.3	5.1	5.2
HUD Programs	FY 2001 Budget (millions)													
Revitalization of Severely Distressed Public Housing	625	x	x	x		x			x		x			
Housing Certificate Fund	14,128		x			x		x	x			x		
Incremental Vouchers	[344]		x			x			x					
Voucher Success Fund	[50]		x			x			x					
Housing Production Program	[58]		x			x								
Welfare to Work Vouchers	[183]		x			x		x	x					
Family Self-Sufficiency Coordinators	[45]					x		x	x					
Title VI Federal Guarantees for Tribal Housing	[5]		x	x					x	x		x		
Subtotal - PIH	21,901													
<b>Salaries and Expenses</b>														
Departmental Salaries and Expenses	649												x	x
Other adjustments, offsetting receipts	(514)													
<b>TOTAL</b>	<b>32,042</b>													

Key to Strategic Objectives				
<b>1.1</b> Homeownership is increased <b>1.2</b> Affordable rental housing is available for low-income households <b>1.3</b> America's housing is safe and disaster-resistant	<b>2.1</b> Housing discrimination is reduced <b>2.2</b> Low-income people are not isolated geographically in America <b>2.3</b> Disparities in Homeownership rates among racial and ethnic groups are reduced	<b>3.1</b> Homeless families and individuals become self-sufficient <b>3.2</b> Poor and disadvantaged families and individuals become self-sufficient and develop assets	<b>4.1</b> The number, quality, and accessibility of jobs increases in low-income urban and rural communities <b>4.2</b> Disparities in well-being among neighborhoods and within metropolitan areas are reduced <b>4.3</b> Communities are safe	<b>5.1</b> HUD's workforce and partners are empowered, capable, and accountable for results <b>5.2</b> HUD leads housing and urban research and policy development nationwide



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