COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
2013 Summary Statement and Initiatives
(Dollars in Thousands)

HOME INVESTMENT PARTNERSHIPS PROGRAM	Enacted/ Request	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Outlays
2011 Appropriation	$1,610,000	$265,371[a]	-$3,220[b]	$1,872,151[c]	$1,494,588[d]	$2,852,617[e]
2012 Appropriation/Request	1,000,000	354,969[f]	...	1,354,969	1,222,043	1,931,407[g]
2013 Request	1,000,000[h]	132,926	...	1,132,926	996,246	1,611,123
Program Improvements/Offsets	...	-222,043	...	-222,043	-225,797	-320,284

a/ This number includes carryover into fiscal year 2011 of $243.72 million of HOME funds and $16.412 million of Tax Credit Assistance Program funds, as well as $5.239 million of HOME funds that were recaptured in fiscal year 2011. Of the funds recaptured, $4.484 million were grants, $735 thousand were technical assistance, and $20 thousand were management information systems funds.
b/ The appropriation reflects an across-the-board rescission of 0.2 percent enacted by the Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10; April 15, 2011).
c/ This number includes $16.068 million of funds that were transferred to the Transformation Initiative Fund.
d/ This number includes $10.188 million of Tax Credit Assistance Program obligations.
e/ This number includes $1.05 billion of Tax Credit Assistance Program outlays.
f/ This number excludes $16.068 million of funds that were transferred to the Transformation Initiative Fund and $6.224 million of 2009 Tax Credit Assistance Program funds that were rescinded in accordance with Dodd-Frank (P.L. 111-203; July 21, 2010), as well as $302.9 thousand of fiscal year 2009/2011 funds that expired at the end of fiscal year 2011.
g/ This number includes $165 million of estimated Tax Credit Assistance Program outlays.
h/ This number includes an estimated Transformation Initiative (TI) transfer of $5 million in fiscal year 2013; The TI transfer may be up to 0.5 percent of Budget Authority.

1. What is this request?

For fiscal year 2013, the Department requests $1 billion for the HOME Investment Partnerships Program, the same as appropriated in fiscal year 2012, and which reflects the difficult fiscal environment for discretionary programs.

HOME Investment Partnerships Program

An appropriation of HOME funds at the requested level of $1 billion will result in the following production over time:

- 18,348 units of affordable housing for new homebuyers;
- 16,545 units of newly constructed and rehabilitated affordable rental units;
- 8,494 units of owner-occupied rehabilitation for low-income homeowners; and
- 10,550 low-income households assisted with HOME tenant-based rental assistance.

Moreover, funding HOME at the requested level would require HOME PJs to provide $250 million in matching contributions and, based on historical leverage data, would result in $4 billion in public and private leverage. Also, for every $1 million in HOME funds, 17.87 jobs are created. The fiscal year 2013 appropriation of $1.0 billion would preserve create an approximately 17,870 jobs.

In addition, the fiscal year 2013 funding request includes the Department's proposal that the Self-Help Homeownership Opportunity Program (SHOP) be integrated into the HOME program. The Department is not proposing a set-aside of any HOME funds for self-help housing; however, HOME participating jurisdictions (PJs) would have the discretion to provide this assistance if there are self-help housing organizations active in their communities. The eligible costs under SHOP--land acquisition and infrastructure improvements-- are eligible costs of the HOME program, meaning there would be no change in the types of assistance available for low- and very low-income households seeking to become homeowners through sweat-equity programs.

The fiscal year 2013 requests also proposes statutory changes that would: (1) allow recaptured Community Housing Development Organization (CHDO) funds to be reallocated by formula as regular HOME funds; and (2) facilitate eviction of HOME rental unit tenants who pose a direct threat to tenants or employees of the housing or an imminent, serious threat to the property.

Because the budget proposes funding below $1.5 billion, a statutory requirement would be triggered that would, in effect, decrease the minimum allocation to, as well as increase the number of, participating jurisdictions. Specifically, by statute, should the HOME appropriation fall below $1.5 billion, the dollar threshold used in the formula for participation would drop from $500,000 to $335,000, potentially resulting in increases in the number of HOME participating jurisdictions qualifying for funding. Any newly created PJs would continue to receive an allocation each year thereafter. The addition of smaller, less experienced PJs would increase monitoring responsibilities of field offices and, given the limited staffing capacity at smaller PJs, may lead to a greater number of noncompliance issues. Therefore, the Department requests continuation of provisions in the fiscal year 2012 appropriations that would prevent these statutory provisions from taking effect.

Also, in fiscal year 2013, the Department renews its request for the Transformation Initiative, which provides the Secretary the flexibility to undertake an integrated and balanced effort to improve program performance and test innovative ideas. Up to 0.5 percent of the funds appropriated for this account may be transferred to the Transformation Initiative Fund account for the following purposes: research, evaluations, and program metrics; demonstrations; technical assistance and capacity building and information technology. Department-wide, no more than $120 million is estimated to be transferred to the Transformation Initiative Fund account in fiscal year 2013, although transfers could potentially total up to $214.8 million. More details on the overall Transformation Initiative and these projects are provided in the justification for the Transformation Initiative Fund account.

2. What is this program?

Program Description

The HOME Investment Partnerships Program (http://www.hud.gov/homeprogram/) is the largest Federal block grant to state and local governments designed exclusively to produce affordable housing for low-income families. HOME was authorized in 1990 as Title II of the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C 12701 et seq; program regulations are at 24 CFR Part 92) to provide participating jurisdictions, (PJs) on a coordinated basis, with various forms of Federal housing assistance, including capital investment, mortgage insurance, rental assistance, and other Federal assistance, needed to expand the supply of decent, safe, sanitary, and affordable housing; to make new construction, rehabilitation, substantial rehabilitation, and acquisition of such housing feasible; and to promote the development of partnerships among the Federal government, States and units of general local government, private industry, and nonprofit organizations to effectively coordinate all available resources to provide more of such housing.

HOME funds may only be used for four primary purposes: production of new single or multifamily housing units, rehabilitation of housing, direct homeownership assistance, or time-limited tenant-based rental assistance (for up to 2 years with possibility of renewal). HOME provides funding to 643 PJs, which include state and local governments and consortia consisting of contiguous local governments. For most of these jurisdictions, HOME is the only reliable stream of affordable housing development funds and their principal tool for the production of rental and for-sale housing for low- to extremely low-income families, including mixed-income housing and housing for persons with special needs. HOME is also used in supportive housing projects for homeless persons.

The HOME Investment Partnerships program is the primary departmental program, and principal tool of state and local governments, for the production of affordable housing for low- to extremely low-income families and those with special needs, such as the homeless and persons with HIV-AIDS. For many states and local governments, HOME is the only reliable stream of affordable and special needs housing development funds available to them. In addition, HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits or other Federal, state, or local housing projects feasible. Because of the reduced demand in the investor market for low-income housing tax credits, HOME funding currently comprises a larger than normal share of Federal resources available for building affordable housing.

How Funds are Allocated

HOME Investment Partnerships Program

Annual HOME allocations to States and eligible local government PJs are determined by a formula that reflects the severity of local affordable housing needs. The formula ensures that PJs with the greatest housing needs receive the most funding. The greater of 0.2 percent, or $750 thousand, is set aside for Insular Areas, with 60 percent of the remaining funds awarded to participating local governments and 40 percent awarded to States. All States receive a minimum annual allocation of at least $3 million. The following 6 formula factors, using the most recent data from the American Community Survey, will be used:

- vacancy-adjusted rental units in which the head of household is at or below the poverty level;
- occupied rental units with at least one of four problems (overcrowding, incomplete kitchen facilities, incomplete plumbing, or high rent costs);
- rental units built before 1950 occupied by poor households;
- a ratio of the jurisdiction's costs of producing housing divided by the national cost;
- the number of families at or below the poverty level; and
- the population of a jurisdiction multiplied by the net per capita income.

<u>Program Requirements</u>

- <u>Eligible Activities</u>. PJs may use HOME funds to help renters, new homebuyers, or existing homeowners through rehabilitation of substandard housing, acquisition of standard housing (including down payment assistance), new construction, or Tenant-Based Rental Assistance (TBRA). By statute, funds may not be used to provide TBRA for certain special purposes of the existing Section 8 program, to provide non-Federal matching requirements for other programs, or to finance public housing operating subsidies or modernization.

- <u>Low-Income Benefit</u>. HOME makes homeownership affordable to lower-income households. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income.

- In addition, the HOME statute requires that at least 90 percent of the households occupying HOME-assisted rental units or receiving HOME-funded rental assistance have incomes that do not exceed 60 percent of the area median income. The HOME program consistently exceeds this income-targeting requirement. A total of 99.3 percent of households receiving TBRA and 97 percent of households occupying assisted rental units have incomes below 60 percent of the area median.

- <u>Matching Requirements</u>. Effective with the 1993 appropriation, PJs must provide matching contributions of at least 25 percent of HOME funds spent for TBRA, rehabilitation, acquisition, and new construction. To be considered eligible as match, a contribution must be made from non-Federal sources and must be a permanent contribution to a HOME project or to HOME match-eligible housing. Consequently, not all leveraged funds can be considered match. The Housing and Community Development Act of 1992, however, provides that the matching requirement shall be reduced by 50 percent for jurisdictions that are in fiscal distress and by 100 percent for jurisdictions that are in severe fiscal distress. As of September 30, 2011, HUD has determined that there were 275 PJs in fiscal distress or severe fiscal distress and their matching requirements were reduced accordingly, thereby allowing those PJs to use their general funds for more immediate or pressing needs.

- Reallocation of Funds. The HOME statute provides that HOME funds will be available to PJs to commit to affordable housing projects for 24 months. Thus, the Department must de-obligate HOME funds that have been available to PJs, but have not been committed to affordable housing by the end of the last day of the month of the 24-month period. These funds are reallocated by formula. The HOME statute also requires that at least 15 percent of each PJ's HOME funds are reserved to housing owned, developed, or sponsored by Community Housing Development Organizations (CHDOs) within 24 months, and if this deadline is not met, the funds are recaptured and redistributed by competition. From the inception of the program through September 30, 2011, the Department has de-obligated approximately $56.6 million of non-CHDO funds and $13.3 million of CHDO funds for failure to meet deadlines. These deadline requirements are important statutory performance measures and the de-obligation process ensures that HOME funds are used in a timely manner or are redistributed. As of September 30, 2011, the Department also has reduced approximately $19.8 million in HOME grants as a corrective action for incomplete or ineligible activities. De-obligated non-CHDO funds and grant reduction funds are available for formula reallocation to all PJs during the next formula allocation cycle. The National Affordable Housing Act requires that de-obligated CHDO funds be redistributed through a national competition.

Staffing and Key Functions

FTE	2011 Actual	2012 Estimate	2013 Estimate
Headquarters	41	39	39
Field	127	124	124
Total	168	163	163

The HOME program, HUD's largest housing production formula grant program, is managed through the Office of Affordable Housing Programs. Management of the program includes developing, implementing, and providing oversight of policy, along with developing and implementing a comprehensive technical assistance program for HOME participating jurisdictions and community housing development organizations (CHDOs). In addition, Headquarters staff provides program policy guidance and program information to the forty two field offices, grantees and others. This staff also reviews and responds to IG audits, and GAO and CBO reports, and develops budget and performance measurements for the Department. Other responsibilities include program information requests, and congressional inquiries. This staff is involved in the development and maintenance of its components of Community Planning and Development's Integrated Disbursement and Information System (IDIS), and also the HOME program's internal and external website, and providing technical assistance to the field staff, grantees and others in regards to this system and websites.

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The Community Planning and Development (CPD) Representative staffs in the field are tasked with providing technical assistance to the Participating Jurisdictions (PJs) and monitoring those PJs for the HOME program. The field is responsible for the execution of the HOME grant agreement, and performing risk analysis to determine the monitoring schedule of grantees. The field is also responsible for reviewing the local consolidated plans and annual reviews, and other duties for all of CPD programs, which includes the CDBG and Homeless Assistance Program.

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

(a). <u>What is the Problem We've Trying to Solve?</u>

The Need for Affordable Housing—

There is a rise in demand for affordable housing. The number of families struggling to make ends meet in the face of severe rent burdens has increased substantially during the decade. Affordability problems have been exacerbated by the recession and the increasing demand for rental housing generated by the foreclosure crisis. Only about one in four families eligible for federal rental assistance programs receives assistance. In addition, according to a recent HUD report of worst case housing needs (U.S. Department of Housing and Urban Development, 2011 (February); *Worst Case Housing Needs 2009: Report to Congress*.) , in 2009, 7.1 million very low-income rental households had worst case housing needs because they were unassisted and had severe rent burden (pay more than one-half of their monthly income for rent) or lived in severely inadequate housing conditions (live in housing with a variety of serious physical problems related to heating, plumbing, electricity, or maintenance). Worst case needs rose more sharply both in absolute and percentage terms from 5.91 to 7.10 million, more than 20 percent, between 2007 and 2009, which is more than in any previous 2-year period since at least 1985.

In addition, the supply of affordable and available rental housing for the lowest income groups is insufficient. Fewer than two in three very low-income renters have access to adequate and affordable units. For extremely low-income renters, the situation is more acute; only one in three has access to adequate and affordable units. Specifically, for every 100 extremely low-income renter households, only 61 rental units are affordable to them and fewer than 36 of the affordable units are available to them (the units are either occupied by renters in this income group or are vacant and available for rent). For renters with very low-incomes, nearly 100 affordable units exist per 100 renters--nearly enough overall but still a mismatch between need and affordable units that are also available. This mismatch is because only 67 of the affordable units are available for every 100 very low-income renters, and only 60 of the available units per 100 renters are physically adequate. Also, the number of affordable units is far from sufficient in any region, with supply more scarce in central cities and suburbs than in rural areas and in the West than in other regions.

Compounding the supply problem is a loss of private affordable rental stock. Between 2007 and 2009, while the overall rental stock had a net increase of almost 694,000 units, the total change concealed a loss of approximately 577,000 private rental units that had been available to families whose incomes were under 30 percent of median income (extremely low-income families). (U.S. Department of Housing and Urban Development, Office of Policy Development and Research, May 2011; *Rental Market Dynamics: 2007-2009*).

(b). How HOME Helps Solve the Problem

HOME, as one of the primary Federal tools of state and local governments for the production of affordable rental and for-sale housing for low-income to extremely low-income families, including mixed-income housing and housing for homeless and persons with HIV-AIDS, is an anchor of this nation's affordable housing finance system. The program provides state and local governments with the discretion to determine the type of housing product they will invest in, the location of the housing, and the segment of their population that will be served through these housing investments. For many states and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

All HOME funds must be used to benefit families and individuals who qualify as low-income, or below 80 percent of area median income (AMI). The investment of HOME funds in rental projects increases the affordability for families at the very lowest income levels by requiring long-term income targeting and affordable rents.

Key contributions of the HOME program:

- Completed 1,039,422 affordable units in the past 20 years, of which 440,001 were for new homebuyers, 202,881 were for owner-occupied rehabilitation and 396,540 were new and rehabilitated rental units.
- Provided 250,628 low-income families in the past 20 years with tenant-based rental assistance (TBRA), of which 97 percent qualified as very low-income, i.e., having family incomes below 50 percent of the area median income.
- 40 percent of those assisted with affordable rental housing during the past five years were extremely low-income families (families with incomes below 30 percent of area median income).
- Leveraged $88.6 billion of other funds for affordable housing, with a leveraging ratio of 4:1 (that is, $4 of private or other public dollars are acquired for each HOME dollar invested in rental and homebuyer projects).

In addition, the HOME program is used to produce additional long-term affordable rental housing. HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits or other Federal, state, or local housing projects feasible, although LIHTC can provide 40-50 percent of the capital necessary to complete a rental project. For example, per grantee reporting, 53 percent of almost 150,000 completed HOME assisted rental units were part of awarded LIHTC projects from 2007-2011. During the recent economic crisis, when tax credits were selling at much reduced prices or not at all,

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HOME funds provided essential gap financing for LIHTC projects to an even greater extent than what was historically provided to these projects.

Of all LIHTC projects placed in service nationally between 2003 and 2007, HOME program funds were used in 29.5 percent of them. (PD&R, "Updating the National Low-Income Housing Tax Credit Database: Projects Placed in Service through 2007" (February 2011). Available online at: http://www.huduser.org/Datasets/lihtc/tables9507.pdf). Of these, 61.7 percent were new construction and 35.6 percent were rehab of existing housing (either to preserve existing affordable housing or to convert existing housing to include affordable units), showing that the HOME program's flexible options are being used to support different types of key affordable housing activities. This flexibility is also critical as different regions; particularly the Northeast and Upper Midwest tend to rely more on rehab of the existing housing stock, while regions that are growing in population use more new construction.

HOME is also used in supportive housing projects for the homeless. Of the 4.5 percent of low-income housing tax credit projects targeted to address homelessness that were placed in service between 2003 and 2007, HOME funds were used in 29.3 percent of them. Without this funding, many of these projects (over 330 projects with an average size of 54 units per project) likely would have had enormous difficulty being completed or finding alternative financing.

HOME Investment Partnerships Program

HOME Investment Partnerships Program Accomplishments and Beneficiary Characteristics

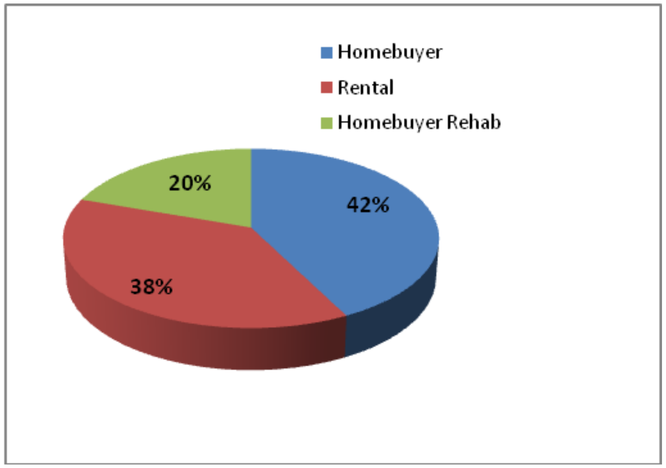
Completed Production Units	
Homebuyer	440,001
Rental	396,540
Homebuyer Rehab	202,881
Total Production Units	**1,039,422**

Occupied Units
98.9%

Households Receiving Tenant Based Rental Assistance (TBRA)
250,628

Ethnicity Characteristics	
Hispanic	17%
Non-Hispanics	83%

Units by HOME Activity



Family Size	
1 Person	36%
2 Persons	22%
3 Persons	18%
4 Persons	13%
5 Persons	7%
6 Persons	2%
7 Persons	1%
8+ Persons	1%

Family Type	
Single/Non-Elderly	26%
Elderly	21%
Related/Single Parent	26%
Related/Two Parent	21%
Other	6%

Race Characteristics	
White	46%
Black/African American	32%
Asian	1%
American Indian/Alaskan Native	2%
Native Hawaiian/Pacific Islander*	0%
American Indian/Alaskan Native & White*	0%
Asian & White*	0%
Black/African American & White*	0%
American Indian/Alaskan Native & Black*	0%
Other Multi-Racial*	1%
Asian/Pacific Islander**	1%
Spanish Culture or Origin**	17%
*represents less than 0.5%	
**data collected through old race definitions	

Status of HOME Funds		
Amount Allocated	*$30.1 billion*	100%
Amount Committed	*$28.4 billion*	94%
Amount Disbursed	*$26.8 billion*	89%

Units: Number of Bedrooms	
0 Bedroom	3%
1 Bedroom	17%
2 Bedroom	28%
3 Bedroom	44%
4 Bedroom	7%
5+ Bedroom	1%

Income Status	
Extremely Low-Income (0-30% AMI)	25%
Very Low-Income (30-50% AMI)	32%
Low-Income (50-80% AMI)	43%
Above Low-Income (>80% AMI)	0%

Ratio of Other Dollars to HOME Dollars (Leveraging)
4:1

Average HOME Cost Per Unit	
Homebuyer	$13,072
Rental	$27,544
Homeowner Rehab	$19,035
TBRA	$2,947

Funds Reserved to Community Housing Development Organizations (CHDOs)
21.5%

Source: Cumulative HOME Production (1992 - 2011) from the Integrated Disbursement and Information System (IDIS).

(c). Without This Level of Funding

Without this level of funding, the ability for states and local governments to address their affordable housing needs would be significantly impacted, particularly as state and local resources have been reduced. Specifically, without the $1 billion in Federal HOME funds, 18,348 units of affordable housing for new homebuyers would not be built, 16,545 units of affordable rental units would not be constructed or rehabilitated, and 8,494 low-income, owner-occupied units would not be rehabilitated. In addition, communities would not have these funds available to provide tenant-based rental assistance to 10,550 families. Also, without these HOME funds to provide critical gap financing, many rental housing projects, including those also funded with Low-Income Housing Tax Credits, may no longer be feasible.

Moreover, HOME was essential to creating and retaining construction jobs in communities where market rate housing construction came to a halt. It is estimated that for every $1 million in HOME funds, 17.87 jobs are created. Without the $1 billion in HOME funds, an estimated 17,870 jobs would not be preserved. Also, the elimination of HOME funding would result in the loss of jobs at the state and local level.

4. How do we know this program works?

Program Design

The following aspects of the HOME program make it an effective and efficient provider of affordable rental and homeownership opportunities for the nation's low-income families:

- **Production**

  Beginning with fiscal year 1992, when the HOME program began, through September 30, 2011, States and local governments have committed almost $25.2 billion in HOME funds to projects (based on data from the Integrated Disbursement and Information System (IDIS)). Of this amount, almost $23.8 billion has been disbursed for completed projects, with an additional $2.9 billion disbursed for on-going projects. The HOME funds disbursed for completed projects have leveraged almost $88.6 billion in other Federal, state, local, and private funds for a total of approximately $110.8 billion in resources expended for completed projects.

  HOME program funding has completed 1,039,422 units of affordable housing through September 30, 2011, of which 42 percent are for homebuyers. Based on historical usage, it is projected that 37.4 percent of HOME funds will be used for new construction, 43.3 percent for rehabilitation, 15.8 percent for acquisition, and 3.5 percent for TBRA. 250,628 families have already received time-limited Federal tenant-based rental assistance through the HOME program. In fiscal year 2011, 15,683 families were assisted with TBRA.

- **Low-Income Benefit**

  HOME makes homeownership affordable to lower-income households. All households assisted through the HOME program must have annual incomes that do not exceed 80 percent of the area median income. Existing homeowners (82.6 percent)—as well as 53 percent of new homebuyers--receiving assistance have incomes below 60 percent of the median income.

  In addition, the HOME statute requires that at least 90 percent of the households occupying HOME-assisted rental units or receiving HOME-funded rental assistance have incomes that do not exceed 60 percent of the area median income. The HOME program consistently exceeds this income-targeting requirement. A total of 99.3 percent of households receiving TBRA and 97 percent of households occupying assisted rental units have incomes below 60 percent of the area median. Furthermore, 57.8 percent of assisted rental households are those likely to have the worst-case housing needs, with incomes below 30 percent of the area median income.

- **Modest Cost Per Unit**

  The average HOME subsidy for a HOME-assisted unit remains modest. As of September 30, 2011, the historic average per unit subsidy for acquisition, rehabilitation, and new construction projects was only $19,757. The average HOME per-family subsidy for TBRA was $2,947. HOME funds are effectively leveraged, with more than $4 contributed from other public and private funds for every $1 of HOME funds.

- **Flexible Program Design to Meet Housing Needs**

  HOME's flexible program design allows States and local PJs to successfully meet their needs in a manner most appropriate to local housing markets. There have been many creative uses of HOME funds, including addressing the special needs populations, such as persons with AIDS with both TBRA and units linked to supportive services, new models of assistance to new homebuyers, and large and small rental projects, some newly constructed and some acquired and/or rehabilitated. The program also helps meet the need for permanent housing for homeless persons and families, through permanent supportive housing, as well as transitional housing.

- **Non-profit Housing Development**

  The HOME statute requires at least 15 percent of each PJ's annual allocation be reserved for housing that is developed, sponsored, or owned by CHDOs. As of September 30, 2011, PJs had reserved over $5.7 billion, or 21.5 percent, for CHDO housing activities. Other non-profit organizations, including those sponsored by faith-based organizations, also participate in the HOME program as non-CHDO developers of housing or as sub-recipients administering HOME activities on behalf of the PJ in accordance with written agreements.

Plans for Program Improvement

Rulemaking

HUD published a significant proposed regulation for the HOME program in the Federal Register on December 16, 2011. http://www.gpo.gov/fdsys/pkg/FR-2011-12-16/pdf/2011-31778.pdf. The proposed changes are intended to enhance performance and accountability, and clarify existing provisions. Public comments on the proposed changes are due February 14, 2012, with the Final Rule estimated to be issued later in the year. Proposed changes will address CHDO performance, underwriting standards for rental housing and homeownership, developer selection, property standards, deadlines for completing projects, and ongoing monitoring of financial conditions of HOME-assisted projects.

Technical Assistance/Capacity Building

One of HUD's key roles as responsible steward of taxpayers' funds is to provide technical assistance to help its PJs and non-profit partners build capacity. HUD has developed numerous HOME programmatic and technical training courses to build capacity of PJ staff, including three "HOME certification" courses in Regulations, Administration, and Rental Housing Compliance, after which participants take a two hour exam to obtain certification. In addition, HUD has used HOME technical assistance funds for one-on-one capacity building for PJs and for "troubled project technical assistance" to help PJ staff complete "workouts" on HOME rental projects experiencing financial or physical problems during the compliance period. Most recently, however, the Office of Community Planning and Development (CPD), through HUD's Transformation Initiative (TI), has redesigned its technical assistance/capacity building efforts and is improving its grant reporting systems to ensure that grantees are able to more efficiently manage, design and align their programs to maximize scarce resources.

Traditionally, HUD has delivered compliance-oriented technical assistance, funded through individual program accounts and separately geared toward the rules governing HUD's disparate programs. The TI effort has allowed CPD to combine all of its program technical assistance accounts into one to develop comprehensive technical assistance efforts that will focus on skills needed to improve program outcomes, not just reinforcing program compliance rules. Known as "OneCPD," this effort allows synergies impossible in a siloed approach. Through OneCPD, PJs will be assisted in a holistic approach – not just providing assistance on HOME program administration--but with improved administration skills that would improve management across all of their CPD funds. This approach will not only provide cost savings, but will ensure that a PJ's overall capacity is assessed and that a technical assistance plan is developed to address the PJ's individual capacity needs, not just fix the HOME "problem project" and ignore the underlying skills gap.

HOME Investment Partnerships Program

Planning and Performance Evaluation

The Consolidated Plan implements the statutory and regulatory planning and annual submission requirements for the Community Development Block Grant, HOME Investment Partnerships (HOME), Emergency Solutions Grant and Housing Opportunities for Persons with AIDS formula block grants. Grantees submit a Consolidated Plan to HUD every 3-5 years, describing their strategic community development and affordable housing goals for the term of the Plan. They must also submit Annual Action Plans describing how each year's grant allocations will be spent according to the strategy laid out in the Consolidated Plan. Performance and program outcomes are reported to HUD annually.

HUD is designing improvements to the Consolidated Plan to enhance the effectiveness of these four formula block grants by providing our grantees with expanded data and a web-based mapping tool and planning template to improve up-front production and back-end performance reporting. These updates will provide grantees with better tools for decision-making and assist them to leverage resources and maximize program outcomes.

Consolidated Plan enhancements will help HOME PJs to structure their housing programs in response to the unique market conditions within their communities by providing enhanced housing market data. In addition, HUD will make existing housing data more useful by providing it in the format required for the Consolidated Plan, and making it available through a online mapping tool.

By automating the paper Consolidated Plan, Annual Action Plan and performance reporting forms, duplicative grantee data entry and manual processing will be reduced by at least 65,000 grantee hours, based on estimated paperwork burden hours associated with the current forms.

Consolidated Plan enhancements are anticipated to be complete by April of 2012. HUD is currently designing the planning template, which will be incorporated into the Integrated Disbursement and Information System (IDIS), the grants management and reporting system for Consolidated Plan grants. The mapping tool and expanded planning database are also in development.

HUD Oversight and Enforcement

HUD takes its role as steward of taxpayers' money seriously and our oversight of HOME is no exception. The HOME program has a track record of vigilance in attempting to prevent and, when necessary, to remedy the misuse of Federal funds. These actions have accelerated since 2009. In early 2009, the Department conducted an overall assessment of the program and found that a HOME is a solid production program that needed regulatory and system improvements. The HOME program requested Transformation Initiative (TI) funds approved in HUD's fiscal year 2010 budget for improvements to the Integrated Disbursement and Information System (IDIS) and started working on revisions to the HOME regulations. Moreover, it was clear that improvements were necessary to technical assistance and capacity building efforts to support our grantees in becoming true placed-based players in the housing market. Based on this assessment, the Department has improved and will continue to improve our oversight, monitoring, enforcement and our partnership with the HUD Office of the Inspector General.

- **Oversight**
  - *Risk Assessment and Monitoring by Field Offices*

    HUD has taken steps to improve its on-site and remote monitoring ability and, consequently, its oversight of HOME PJs. These include a stricter risk management assessment, improved comprehensive monitoring exhibits and clear procedures for field offices to provide oversight of CPD's programs.

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

- **Reporting**

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

- **Enforcement**

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

- *Deobligations*

  The HOME program produces a monthly "Deadline Compliance" status reports to track compliance with statutory HOME funds commitment and expenditure deadlines which are strictly enforced. PJs have 2 years to commit funds to a viable project and 5 years to expend these funds. A total of $69.9 million has been de-obligated for failure to meet those deadlines. These funds are reallocated as part of the annual formula reallocation.

- *Repayments and Grant Reductions in Lieu of Repayment*

  HUD always receives repayment of HOME funds that are misspent. Moreover, HUD takes its enforcement role seriously and has collected over $209 million in repayments from PJs for ineligible costs or activities. PJs are required to repay these funds from non-Federal funds.

- *Suspension of Future HOME Funds*

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

- *Working Collaboratively with the HUD-OIG*

  The HUD OIG has been an important partner in the Department's oversight efforts of the HOME program, both through internal audits of the program's administration at HUD and external audits of the program's implementation at the PJ level. HOME program staff provides technical assistance to OIG staff across the country as they assess the technical and regulatory components of PJ programs.

  In the last 5 years, the OIG has performed 66 audits on HOME PJs, some at the request of HOME program staff, as noted above. Forty-four of those 66 audits have been closed and all recommendations implemented. Twenty-three audits have at least one open recommendation, and HUD is in the process of working with the PJs to ensure that the all recommendations are implemented.

  The HUD-OIG has performed three internal audits of HUD's HOME program office. These audits all completed since 2009, have covered treatment of program income, oversight of resale and recapture provision for homebuyer assistance, and management of compliance with HOME commitments and expenditure deadlines. CPD is working swiftly to address the HUD-OIG findings; the only items that had been delayed are related to improvements to IDIS due to lack of resources.

DISTRIBUTIONS OF HOME FUNDS BY STATE –

The following table shows HOME Investment Partnerships Program allocations by State for 2011, 2012 and 2013 appropriations. The 2012 and 2013 amounts represent preliminary estimates which are subject to change due to factors such as, transfers to the Transformation Initiative.

	ACTUAL 2011	ESTIMATE 2012	ESTIMATE 2013
	(Dollars in Thousands)		
STATE OR TERRITORY			
Alabama	$22,478	$14,131	$14,131
Alaska	3,936	2,474	2,474
Arizona	22,705	14,274	14,274
Arkansas	14,368	9,033	9,033
California	229,322	144,165	144,165
Colorado	19,182	12,059	12,059
Connecticut	18,528	11,648	11,648
Delaware	4,738	2,979	2,979
District of Columbia	8,271	5,200	5,200
Florida	72,141	45,352	45,352
Georgia	38,334	24,099	24,099
Hawaii	6,990	4,394	4,394
Idaho	6,159	3,872	3,872
Illinois	67,546	42,464	42,464
Indiana	26,790	16,842	16,842
Iowa	13,306	8,365	8,365
Kansas	12,033	7,565	7,565
Kentucky	22,214	13,965	13,965
Louisiana	27,733	17,435	17,435
Maine	7,463	4,692	4,692

STATE OR TERRITORY	ACTUAL 2011	ESTIMATE 2012	ESTIMATE 2013
	(Dollars in Thousands)		
Maryland	22,393	14,078	14,078
Massachusetts	42,157	26,502	26,502
Michigan	44,927	28,244	28,244
Minnesota	20,047	12,603	12,603
Mississippi	15,837	9,956	9,956
Missouri	27,273	17,145	17,145
Montana	5,525	3,473	3,473
Nebraska	8,143	5,119	5,119
Nevada	10,824	6,805	6,805
New Hampshire	5,857	3,682	3,682
New Jersey	43,013	27,041	27,041
New Mexico	9,779	6,148	6,148
New York	179,106	112,597	112,597
North Carolina	36,518	22,957	22,957
North Dakota	3,493	2,196	2,196
Ohio	58,771	36,947	36,947
Oklahoma	18,085	11,369	11,369
Oregon	19,099	12,007	12,007
Pennsylvania	67,056	42,156	42,156
Rhode Island	8,455	5,315	5,315
South Carolina	17,738	11,151	11,151
South Dakota	3,829	2,407	2,407
Tennessee	27,484	17,278	17,278

HOME Investment Partnerships Program

STATE OR TERRITORY	ACTUAL 2011	ESTIMATE 2012	ESTIMATE 2013
	(Dollars in Thousands)		
Texas	104,455	65,667	65,667
Utah	8,137	5,115	5,115
Vermont	3,830	2,408	2,408
Virginia	30,976	19,473	19,473
Washington	30,142	18,949	18,949
West Virginia	11,667	7,335	7,335
Wisconsin	25,067	15,759	15,759
Wyoming	3,500	2,200	2,200
Puerto Rico	30,079	18,910	18,910
Subtotal Formula Grants	$1,587,499	$998,000	$998,000
Other activities..(Insular and Transformation Initiative)	19,281	2,000	2,000
TOTAL HOME	$1,606,780	$1,000,000	$1,000,000

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

Budget Activity	2011 Budget Authority	2010 Carryover Into 2011	2011 Total Resources	2011 Obligations	2012 Budget Authority/ Request	2011 Carryover Into 2012	2012 Total Resources	2013 Request
Formula Grants	$1,587,499	$245,840	$1,833,339	$1,479,991	$998,000	$353,045	$1,351,045	$998,000
Insular Areas	3,213	...	3,213	3,213	2,000	...	2,000	2,000
HOME/CHDO Technical Assistance	...	3,099	3,099	1,195	...	1,904	1,904	...
Transformation Initiative	16,068	...	16,068	...	...	...	...	...
Management Information Systems	...	20	20	...	...	20	20	...
Tax Credit Assistance Program	...	16,412	16,412	10,188	...	...	...	...
Total	1,606,780	265,371	1,872,151	1,494,587	1,000,000	354,969	1,354,969	1,000,000

NOTES:

1. The 2010 Carryover Into 2011 column includes carryover of $243.72 million of HOME funds and $16.412 million of Tax Credit Assistance Program funds, as well as $5.239 million of HOME funds that were recaptured in fiscal year 2011. Of the recaptured funds, $4.484 million were grants, $735 thousand were technical assistance, and $20 thousand were management information systems funds.
2. The 2011 Carryover Into 2012 column excludes $6.224 million of Tax Credit Assistance Program funds that were rescinded in accordance with Dodd-Frank (P.L. 111-203; July 21, 2010), as well as $309.2 thousand of fiscal year 2009/2011 grant funds that expired at the end of fiscal year 2011.

COMMUNITY PLANNING AND DEVELOPMENT
HOME INVESTMENT PARTNERSHIPS PROGRAM
Appropriations Language

The 2013 President's Budget includes proposed changes in the appropriations language listed and explained below. New language is italicized and underlined.

For the HOME investment partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended, $1,000,000,000, to remain available until September 30, [2014] *<u>2015</u>*: Provided, That notwithstanding the amount made available under this heading, the threshold reduction requirements in sections 216(10) and 217(b)(4) of such Act shall not apply to allocation of such amount[: *Provided further*, That funds made available under this heading used for projects not completed within 4 years of the commitment date, as determined by a signature of each party to the agreement shall be repaid: Provided further, That the Secretary may extend the deadline for 1 year if the Secretary determines that the failure to complete the project is beyond the control of the participating jurisdiction: *Provided further*, That no funds provided under this heading may be committed to any project included as part of a participating jurisdiction's plan under section 105(b), unless each participating jurisdiction certifies that it has conducted an underwriting review, assessed developer capacity and fiscal soundness, and examined neighborhood market conditions to ensure adequate need for each project: Provided further, That any homeownership units funded under this heading which cannot be sold to an eligible homeowner within 6 months of project completion shall be rented to an eligible tenant: *Provided further*, That no funds provided under this heading may be awarded for development activities to a community housing development organization that cannot demonstrate that it has staff with demonstrated development experience: Provided further, That funds provided in prior appropriations Acts for technical assistance, that were made available for Community Housing Development Organizations technical assistance, and that still remain available, may be used for HOME technical assistance notwithstanding the purposes for which such amounts were appropriated: *Provided further*, That the Department shall notify grantees of their formula allocation within 60 days of enactment of this Act].

<u>Changes from 2012 Appropriation</u>

Section 216(10) of the Cranston-Gonzalez National Affordable Housing Act reduces the qualifying formula allocation threshold needed for an area to receive funding should the appropriations fall below $1.5 billion. Section 217(b)(4) of the Act requires a reduced allocation to participating jurisdictions should the appropriation fall below $1.5 billion. The rest of the appropriations language was not kept because those issues are being addressed through the rule making process. Specifically, HUD published a significant proposed regulation for the HOME program in the *Federal Register* on December 16, 2011.