

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Community Planning and Development

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

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	60,000	65,445	-	125,445	59,999	45,635
2022 Annualized CR	60,000	65,446	-	125,446	61,000	58,930
2023 President's Budget	60,000	64,446	-	124,446	60,000	50,196
Change from 2022	-	(1,000)	-	(1,000)	(1,000)	(8,734)

#### PROGRAM PURPOSE

The SHOP account combines several programs designed to assist low- and moderate-income populations:

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

#### BUDGET OVERVIEW

The 2023 President Budget's requests \$60 million for the Self-Help Homeownership Opportunity Program, which is equal to the 2022 annualized CR level. This includes:

- \$10 million for the SHOP;
- \$41 million for the Capacity Building program;
- \$5 million for RCB; and
- \$4 million VHRMP.

## JUSTIFICATION

### Self-Help Homeownership Opportunity Program

Through SHOP, HUD awards grants to eligible nonprofit organizations and consortia to purchase home sites and develop or improve the infrastructure needed to set the stage for sweat equity and volunteer-based homeownership programs for low-income persons or families. Through a Notice of Funding Opportunity (NOFO), \$10 million will be awarded to grantees to be used for eligible expenses to develop decent, safe, and sanitary dwellings.

Land acquisition, infrastructure improvements, and reasonable and necessary planning and administration costs are the only eligible uses for SHOP grant funds. The SHOP expenditure for the combined cost of land acquisition and infrastructure improvements cannot exceed \$15,000 per unit. Grantees must leverage other public and private funds to pay for the construction or rehabilitation costs of each SHOP unit and for any other program costs that are not assisted with SHOP grant funds.

SHOP will address the Administration's priorities as published in recent Executive Orders and, specifically, by the following three themes:

1) Support underserved communities: Currently, 50 percent of SHOP individuals and families live in rural and underserved communities. The SHOP units must be sold to homebuyers at prices below the prevailing market price. Homebuyers must be low-income and must contribute a significant amount of sweat equity towards the development of the SHOP units. Reasonable accommodations must be permitted for individuals with disabilities in order for such individuals to meet hourly sweat equity requirements.

2) Ensure access to and increase the production of affordable housing by conveying new or rehabilitated housing units: Based on a \$10 million budget, approximately 538 units will be conveyed by SHOP grantees. Over the course of the program's history beginning in 1996, total appropriations of \$467.7 million have led to more than 32,500 SHOP units conveyed to homeowners, and the program has leveraged approximately \$3.3 billion in public and private funds.

A homebuyer's sweat equity contribution cannot be mortgaged or otherwise restricted upon future sale of the SHOP unit. Volunteer labor is also required. SHOP grantees may award SHOP grant funds to local non-profit affiliate organizations to carry out the grantee's SHOP program. These affiliate organizations must be located within the grantee's service area of the housing projects. The sweat equity model of SHOP is associated with neighborhood-strengthening spillover benefits, including greater collective efficacy and improved neighboring and civic engagement.<sup>1</sup>

The long-standing racial disparities in homeownership rates increased between 2016 and 2019, as the increase in Black homeownership by 0.6 percentage points was less than half the 1.4-point increase among White households. Factors contributing to this disparity include the lack of a strong credit history, lack of a down payment large enough to reduce the monthly mortgage, and limited savings for home maintenance, as well as segregation and systemic factors that affect credit access and sustainable homeownership.<sup>2</sup>

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

<sup>2</sup> Joint Center for Housing Studies. *State of the Nation's Housing 2020*. Cambridge, MA: Harvard U. <https://www.jchs.harvard.edu/state-nations-housing-2020>

3) **Strengthen internal capacity:** The Office of Community Planning and Development (CPD), working with the Office of Policy Development and Research (PD&R), will explore what evidence-based quantifiable output and outcome indicators could be used to measure performance of the SHOP program. In addition, CPD will work with the Office of the Chief Financial Officer (OCFO) regarding SHOP's risk assessment to strengthen internal controls through oversight and monitoring of grantees.

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

The Capacity Building and RCB programs provide grant awards to national non-profits to deliver capacity building support to local organizations. This capacity building support provides local organizations with the knowledge and resources to initiate, improve, or expand implementation of community development, housing, and economic development activities. Capacity Building program and RCB grantees provide capacity building support through two primary methods: direct engagement and financial assistance. Examples of direct engagement include technical assistance, training, peer-to-peer learning, curriculum development, and organizational assessments. Examples of financial assistance include grants, loans, and training scholarships or stipends. Financial assistance is primarily delivered through sub-grant awards that provide local organizations salary offset to hire new staff or expand the role of existing staff. Some grantees offer capacity building loans, which help to pay for pre-development expenses that are not covered by other funding sources in the local organization's development financing package. Capacity Building program and RCB grantees coordinate Federal financial assistance investments with direct beneficiary engagement, to ensure that the Federal funds provided support the projected outcomes; and the local organizations experience sustainable capacity building change.

The capacity building programs, through the Capacity Building program and RCB grantees, advance equity by filling the capital gap created by decades of systemic racism; strengthening CDCs and CDHOs through advisory services and other support and creating new career pathways to diversify leadership in real estate.

The Capacity Building program is further advancing equity by integrating a new focus on equitable community development, helping communities align and access resources from multiple federal partners as well as external sources.

The program will work with community leaders and grassroots stakeholders in urban, rural, tribal, and underserved communities to maximize HUD programs and other federal resources in keeping with the Administration's priorities; to address COVID economic recovery, racial equity, reduce public health disparities, and improve climate resilience. This effort will also seek to remove barriers to expenditure and increase the rate of spending on Community Development Block Grant CARES (CDBG-CV) and other funding streams.

The focus on equitable community development will support areas where HUD already has investments to help these communities better strategize how to spend their funding resources in an impactful manner, and create change on the ground. This could include creation of technical assistance to support in development of economic recovery strategies, place-based interventions, as well as best practices communities can support small businesses and dislocated workers. This may also involve strategies like fiscal mapping around alignment of Federal resources for project implementation.

Building on previous place-based models, such as Strong Cities Strong Communities and Promise Zones, the Capacity Building program will include technical assistance, convening, support for

coordinated neighborhood-based and regional planning, project development, and financial support to realize the roadmap.

The Capacity Building program competitively awards grant funds to the following eligible grantees: Enterprise Community Partners, Habitat for Humanity International, Inc., and Local Initiatives Support Corporation to provide capacity building support to Community Development Corporations and Community Housing Development Organizations. The Capacity Building grant funds primarily go to urban and suburban communities; however, past appropriations have required that at least \$5 million be dedicated to rural communities. In implementing grant award funding received from 2016 – 2020 Capacity Building appropriations, the three Capacity Building program grantees have so far achieved the following outputs:

**Section 4 Program Outputs**  
(Cumulative output totals from 2016-2020 funding)

<b>Output</b>	<b>Total</b>
<b>Eligible Organizations Served</b>	<b>5,505</b>
<b>Trainings Provided</b>	<b>555</b>
<b>New Housing Units Constructed</b>	<b>15,018</b>
<b>Housing Units Rehabbed, Sustained, or Reconstructed</b>	<b>20,649</b>
<b>Housing Units Put in the Development Process</b>	<b>44,564</b>
<b>Sub-Grants Awarded (count/dollars)</b>	<b>1,484/\$108,688,575</b>
<b>Loans Awarded (count/dollars)</b>	<b>7/\$9,078,500</b>

The RCB program competitively awards grant funds to national non-profit organizations to provide capacity building support in rural communities to the following five types of eligible organizations: Community Development Corporations, Community Housing Development Organizations, Rural Housing Development Organizations (RHDOs), Local Governments, and Indian Tribes. In implementing grant award funding received from 2016 –2020 RCB appropriations, the RCB grantees have so far achieved the following outputs:

**RCB Program Outputs**  
(Cumulative output totals from 2016-2020 funding)

<b>Output</b>	<b>Total</b>
Eligible Organizations Served	2,513
Trainings provided	157
New Housing Units Constructed	664
Housing Units Rehabbed, Sustained, or Reconstructed	906
Housing Units Put in the Development Process	2,936
Sub-Grants Awarded (count/dollars)	27/\$459,511
Loans Awarded (count/dollars)	4/\$489,916

The local organizations served through the Capacity Building and RCB grant programs are critical stakeholders in addressing community needs in urban and rural environments, and for ensuring that assistance reaches underserved populations.

The requested levels of funding for Capacity Building and RCB programs will ensure that local organizations continue to get access to a broad range of capacity building, to help improve or expand

their ability to serve their communities, and will help to achieve the following Administration priorities:

- 1) Support underserved communities: Capacity building provided through the Capacity Building and RCB grant programs provides local organizations with the knowledge and resources to create new homeowner housing for critical populations, bridging the gap in housing equity and enhancing economic opportunity for underserved communities.
- 2) Ensure access to, and increase the production of, affordable housing: Capacity building provided through the Capacity Building and RCB grant programs leads to affordable housing production and rehabilitation, as indicated in the program outputs shared above.
- 3) Promote homeownership: The accomplishments in the Capacity Building and the RCB programs demonstrate that funding these capacity building programs leads to affordable housing development and rehabilitation. Specifically, the direct engagement and financial assistance provide local organizations with the knowledge and resources to implement affordable housing projects.
- 4) Advance sustainable communities: The capacity building provided through Capacity Building and RCB grant programs creates more equitable, inclusive, and sustainable communities. These programs provide financial and human capital to build the capacity of partners and improve neighborhoods.
- 5) Strengthen internal capacity: The Office of Policy Development and Coordination (OPDC) within CPD administers the Capacity Building and RCB grant programs. OPDC worked in partnership with PD&R to create a rural mapping tool to allow grantees to verify a beneficiary's rural eligibility for the Capacity Building and RCB programs. OPDC will continue this partnership with PD&R to update the mapping tool as new Census data becomes available. OPDC has also collaborated with HUD CPD's Office of Technical Assistance Management (OTAM) to share monitoring approaches and discuss common areas of program participant non-compliance, as the programs share several awardee organizations.

### **Veterans Housing Rehabilitation and Modification Pilot Program (VHRMP)**

The purpose of the VHRMP is to award grants to nonprofit organizations to rehabilitate and modify the primary residence of veterans who are low-income and living with disabilities.

HUD has awarded \$19.2 million to nonprofit organizations that provide nationwide or statewide programs that primarily service veterans or low-income individuals. Through the Notice of Funding Opportunity process, grants are competitively awarded up to \$1 million each to selected applicants. To date, HUD has made 20 awards that will result in the rehabilitation and modification of 1,433 veterans' homes.

VHRMP will address the Administration's priorities as articulated in recent Executive Orders and, specifically, on the following three themes:

- 1) Support underserved communities: VHRMP grantees rehabilitation and/or modification projects are constructed in urban, rural and underserved communities. An estimated 13 percent of American households in 2019 use a mobility device (wheelchair, walker, cane, etc.).<sup>3</sup> However, a 2015 HUD study found that only 0.15 percent of all housing units in the nation are wheelchair accessible, and 3.8 percent are livable for people with moderate mobility difficulties. Another 33.3 percent of homes

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<sup>3</sup> U.S. Census Bureau, American Housing Survey.

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have some essential structure features for accessibility but would not be accessible without further modifications.<sup>4</sup> The VHRMP program focuses on disabled veterans – a population that faces mobility challenges – and provides them the ability to upgrade their homes to make them more accessible.

2) Ensure access to, and increase the production of, affordable housing through the rehabilitation and/or modification of housing units: According to the Current Population Survey, 26 percent of all veterans have a service-related disability.<sup>5</sup> This high prevalence among veterans with service-related disabilities tied together with a lack of affordable, accessible housing units indicates a substantial need for targeted home modifications.<sup>6</sup>

In 2018, 27.9 percent of non-institutionalized civilian veterans aged 21 to 64 years reported having a disability connected with their service.<sup>7</sup> Many veterans who are low-income and have disabilities are in need of adaptive housing to help them regain or maintain their independence, but are unable to finance significant home repairs. In partnership with the U.S. Department of Veterans Affairs, HUD designed the VHRMP to test a new approach to address these challenges in accordance with section 1079 of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Pubic Law 113-291, enacted December 19, 2014 "Program Statute").

3) Strengthen internal capacity: CPD, working with PD&R, will explore what evidence-based, quantifiable output and outcome indicators could be used to measure program performance for VHRMP. In addition, CPD will work with OCFO regarding the SHOP’s risk assessment to strengthen internal controls through oversight and monitoring of grantees.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carryover Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carryover Into 2022	2022 Total Resources	2023 President's Budget
Self-Help Homeownership Opportunity Program	10,000	10,000	20,000	10,000	10,000	10,000	20,000	10,000
Capacity Building	41,000	36,000	77,000	36,000	41,000	41,000	82,000	41,000
Capacity Building for Rural Housing	5,000	10,000	15,000	10,000	5,000	5,000	10,000	5,000
Veterans Home Rehabilitation and Modification Pilot Program	4,000	9,445	13,445	3,999	4,000	9,446	13,446	4,000
<b>Total</b>	<b>60,000</b>	<b>65,445</b>	<b>125,445</b>	<b>59,999</b>	<b>60,000</b>	<b>65,446</b>	<b>125,446</b>	<b>60,000</b>

<sup>4</sup> HUD. 2015. *Accessibility of America’s Housing Stock: Analysis of the 2011 American Housing Survey (AHS)*. <https://www.huduser.gov/portal/publications/mdrt/accessibility-america-housingStock.html>

<sup>5</sup> Bureau of Labor Statistics (Ed.). (2021, March 18). EMPLOYMENT SITUATION OF VETERANS — 2020. Retrieved from <https://www.bls.gov/news.release/pdf/vet.pdf>

<sup>6</sup> Stineman, Margaret G., et al. 2011. “Activity of Daily Living Staging, Chronic Health Conditions, and Perceived Lack of Home Accessibility Features for Elderly People Living in the Community.” *J Am Geriatr Soc.* 2011 March; 59(3): 454–462. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3073492/>

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

## LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

No legislative proposals.

### APPROPRIATIONS LANGUAGE

The 2023 President's Budget includes the appropriations language listed below.

*For the Self-Help and Assisted Homeownership Opportunity Program, as authorized under section 11 of the Housing Opportunity Program Extension Act of 1996 (42 U.S.C. 12805 note), and for related activities and assistance, \$60,000,000, to remain available until September 30, 2025: Provided, That of the total amount made available under this heading, \$10,000,000 shall be for the Self-Help Homeownership Opportunity Program as authorized under such section 11: Provided further, That of the total amount made available under this heading, \$41,000,000 shall be for the second, third, and fourth capacity building entities specified in section 4(a) of the HUD Demonstration Act of 1993 (42 U.S.C. 9816 note), of which not less than \$5,000,000 shall be for rural capacity building activities: Provided further, That for purposes of awarding grants from amounts provided in the previous proviso, the Secretary may enter into multiyear agreements, as appropriate, subject to the availability of annual appropriations: Provided further, That of the total amount made available under this heading, \$5,000,000 shall be for capacity building by national rural housing organizations having experience assessing national rural conditions and providing financing, training, technical assistance, information, and research to local nonprofit organizations, local governments, and Indian Tribes serving high need rural communities: Provided further, That of the total amount provided under this heading, \$4,000,000, shall be made available for a program to rehabilitate and modify the homes of disabled or low-income veterans, as authorized under section 1079 of Public Law 113–291.*

*Note.—A full-year 2022 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2022 (Division A of P.L. 117-43, as amended). The amounts included for 2022 reflect the annualized level provided by the continuing resolution.*