

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

HOME Investment Partnerships Program

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2022 Appropriation	1,500,000	250,208	-	1,750,208	1,134,234	867,373
2023 Appropriation	1,500,000	615,796	-	2,115,796	1,734,543	2,377,762
2024 President's Budget	1,800,000	381,253	-	2,181,253	1,732,291	2,623,333
Change from 2023	300,000	(234,543)	-	65,457	(2,252)	245,571

a/ Carryover on the 2022 Appropriation row includes \$1.1 million in funds recaptured in 2022.

PROGRAM PURPOSE

HOME is the primary Federal tool of States and local governments for the production of affordable rental and owner-occupied housing for low-income to extremely low-income families, including mixed-income housing and housing for homeless and persons with HIV/AIDS. It is an anchor of this nation's affordable housing finance system and can be an important factor for community revitalization. For many States and local governments, HOME is the only reliable stream of affordable housing development funds available to them.

BUDGET OVERVIEW

The 2024 President's Budget requests \$1.8 billion for the HOME Investments Partnerships Program, which is \$300 million more than the 2023 enacted level. This request includes \$100 million for the FirstHOME Downpayment Assistance initiative to States and insular areas to better ensure sustainable homeownership.

This program aligns with HUD 2022-2026 Strategic Objectives 2A: *Increase the Supply of Housing*, and 3A: *Advance Sustainable Homeownership*.

JUSTIFICATION

According to the National Low Income Housing Coalition *Out of Reach 2021: The High Cost of Housing* report, there is no State, metropolitan area, or county where a full-time minimum-wage worker can afford a modest two-bedroom rental home, and these workers cannot afford a modest one-bedroom apartment in 93 percent of counties in the United States.¹

Another study, from the Joint Center for Housing Studies of Harvard University, *America's Rental Housing 2022*, shows that there is a shortage of 1.5 million rental units that are both affordable and available to households making up to 80 percent of the area median income. For the lowest income households, the shortage of affordable and available homes is 6.8 million units. This study also states that materials, and labor costs for construction have more than doubled since 2001 and were up nine percent from July 2020 to July 2021. Also, land prices have increased 16 percent in just one year. These factors have furthered affordability challenges for the nation's lower income population.

¹ <https://nlihc.org/oor>

Since this study was published, the costs for construction and rehabilitation of the nation's housing stock have increased further, making the provision of affordable housing even more difficult. HOME meets a critical need in addressing these affordable housing issues, by providing funds for construction or rehabilitation of housing for renters and homebuyers, owner-occupied rehabilitation, and also tenant-based rental assistance.

In addition, the FirstHOME Downpayment Assistance initiative is a proposed set-aside within the HOME account that aims to support sustainable homeownership among first-generation, first-time homebuyers while piloting programmatic flexibilities and innovations in subsidy delivery. HUD is requesting broad appropriations language with waiver authority to maintain flexibility in program design, but anticipates that this additional downpayment assistance funding would:

- Help participating borrowers achieve 10 percent equity in their homes at the time of closing (including the assistance of other downpayment sources and sweat equity or personal resources, if necessary).
- Encourage participating jurisdictions to partner with community development financial institutions and other community lenders to match homebuyers with additional sources of downpayment assistance, leveraging Federal investments.
- Allow low- and moderate-income borrowers, who also experience homebuying challenges due to generational wealth disparities, to be better able to reach the ten percent equity, even in high-cost markets.

HUD proposes this initiative because homeownership is a proven method of building wealth, but obtaining the resources to meet required downpayment and closing costs is the most significant obstacle to homeownership for potential first-time homebuyers who could otherwise afford the monthly costs of owning a home. The funds enable jurisdictions to increase homeownership opportunities, especially among households of color, who generally have lower rates of homeownership compared to the national average. The home equity established at the time of purchase through downpayment creates housing stability from the start, as evidence suggests that equity of 10 percent or greater reduces the likelihood of default and foreclosure.

Equity

Public policies and disparities in law have contributed to a lack of equal opportunity, health, and prosperity for many Americans and their communities. HUD is part of the Administration's effort to strive for racial equity and provide support to underserved communities. The HOME program, in particular, is a proven Federal tool that advances equity because of its flexibility for State and local governments to target community needs.

HOME funds must be used to benefit families and individuals who qualify as low-income (i.e., households with incomes at or below 80 percent of Area Median Income (AMI)). Historically, however, 83 percent of HOME rental units have beneficiaries with very low incomes at or below 50 percent 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. Nearly 44 percent of those assisted with HOME funds for rental housing were extremely low-income families (i.e., income at or below 30 percent of AMI). The HOME program has longstanding success in promoting homeownership, which creates generational wealth and advances equity. When HOME funds are spent to build and rehabilitate homes, local jobs are created or preserved, thereby providing opportunities for area residents to gain economic stability and build wealth in and spur economic growth within their local communities.

Funding Impact

An investment of HOME funds at the requested level of \$1.8 billion will result in the following over time:

- 14,783 units of affordable housing for new homebuyers;
- 13,300 units of newly constructed and rehabilitated affordable rental units;
- 6,622 units of owner-occupied rehabilitation for low-income homeowners; and
- 11,966 low-income households assisted with HOME tenant-based rental assistance.

Funding at the requested level would require HOME participating jurisdictions to provide \$450 million in matching contributions and, based on historical activity, would leverage a total of approximately \$8.48 billion in public and private funds. In addition, HOME funding at the requested level would preserve/create approximately 32,166 jobs.

Key Assumptions

HOME production estimates are based on the past two years of data for completed HOME projects. The estimates reflect the increased costs of development and building materials due to the impact of COVID-related supply chain issues and inflation.

Outcomes, Performance Indicators, and Other Evidence

Since the launch of the HOME Program in 1992, participating jurisdictions have completed 1,348,886 affordable units, of which 551,468 were for new homebuyers, 259,084 were for owner-occupied rehabilitated housing, and 538,334 were new and rehabilitated rental units. The HOME program has helped ensure access to affordable housing by providing 415,269 low-income families in the past 31 years with tenant-based rental assistance, of which 96.4 percent were very low-income (i.e., income at or below 50 percent of AMI).

HOME funds frequently provide the critical gap financing that make rental housing funded with Low-Income Housing Tax Credits (LIHTC) or other Federal, State, or local housing projects feasible. For example, approximately 56 percent of 71,424 completed HOME-assisted rental units were part of LIHTC projects from 2016-2022.

Stakeholders

The HOME program allows its key stakeholders, States and local governments, the discretion to determine the type of housing product they will invest in, the location of the affordable housing, and the segment of their low-income population to be served through these housing investments. This allows stakeholders to help stabilize individuals, families, and their communities by providing decent, safe, sanitary, and affordable housing.

Operational Improvements

HUD is drafting a proposed rule that will modernize and streamline the HOME regulations, subject to the constraints of the existing statute.

HOME Investment Partnerships Program Allocations by State for 2022 Enacted, 2023 Enacted and the 2024 Budget Request (Dollars in Thousands)			
STATE or TERRITORY	Actual FY 2022	Enacted FY 2023	Estimate FY 2024
Alabama.....	19,334	19,114	21,774
Alaska.....	3,774	3,773	3,874
Arizona.....	25,298	25,522	28,932
Arkansas.....	13,456	13,064	14,916
California.....	199,761	196,739	222,829
Colorado.....	20,258	19,510	22,054
Connecticut.....	17,867	18,598	21,180
Delaware.....	4,808	4,849	5,090
District of Columbia.....	6,169	6,057	6,855
Florida.....	76,766	77,273	87,618
Georgia.....	42,619	42,626	48,530
Hawaii.....	6,299	6,238	6,659
Idaho.....	6,878	6,863	7,843
Illinois.....	61,214	60,422	68,520
Indiana.....	29,106	29,406	33,452
Iowa.....	13,230	13,264	15,112
Kansas.....	12,038	12,053	13,715
Kentucky.....	21,587	21,040	23,990
Louisiana.....	21,541	21,003	23,892
Maine.....	6,272	6,077	6,928
Maryland.....	20,770	21,068	23,906
Massachusetts.....	37,857	38,463	43,613
Michigan.....	45,505	45,175	51,310
Minnesota.....	20,052	20,097	22,842
Mississippi.....	13,339	13,053	14,914
Missouri.....	27,023	27,072	30,783
Montana.....	4,536	4,525	5,161
Nebraska.....	8,317	8,253	9,389
Nevada.....	12,498	12,838	14,118
New Hampshire.....	5,490	5,509	6,283
New Jersey.....	40,217	40,480	45,812
New Mexico.....	8,764	8,850	10,087
New York.....	139,992	140,127	158,682
North Carolina.....	41,707	41,837	47,540
North Dakota.....	3,517	3,549	3,621
Ohio.....	61,051	61,434	69,773

HOME INVESTMENT PARTNERSHIPS PROGRAM

HOME Investment Partnerships Program Allocations by State, Continued			
STATE or TERRITORY	Actual FY 2022	Enacted FY 2023	Estimate FY 2024
Oklahoma.....	16,509	16,443	18,715
Oregon.....	19,936	20,256	23,021
Pennsylvania.....	63,487	63,927	72,520
Rhode Island.....	6,827	6,729	7,658
South Carolina.....	18,893	19,130	21,720
South Dakota.....	3,557	3,585	3,881
Tennessee.....	28,106	28,259	32,149
Texas.....	105,385	106,999	121,479
Utah.....	8,871	8,716	9,903
Vermont.....	3,458	3,446	3,935
Virginia.....	29,553	29,041	32,970
Washington.....	29,725	29,616	33,558
West Virginia.....	8,649	8,739	9,954
Wisconsin.....	26,937	26,719	30,364
Wyoming.....	3,500	3,500	3,500
Puerto Rico.....	24,696	26,078	29,674
Subtotal Formula Grants.....	1,497,000	1,497,000	1,696,600
Insular Areas.....	3,000	3,000	3,400
Downpayment Assistance.....	0	0	99,250
Downpayment Insular Areas.....	0	0	750
TOTALS	1,500,000	1,500,000	1,800,000

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2022 Budget Authority	2021 Carry over Into 2022	2022 Total Resources	2022 Obligations	2023 Appropriation	2022 Carry over Into 2023	2023 Total Resources	2024 President's Budget
Formula	1,497,000	235,012	1,732,012	1,131,230	1,497,000	600,606	2,097,606	1,795,850
Insular	3,000	-	3,000	3,000	3,000	-	3,000	4,150
Management Information Systems	-	3	3	-	-	3	3	-
Housing Counseling	-	4	4	4	-	-	-	-
Homeless Assistance and Supportive Services (ARP) TA	-	15,000	15,000	-	-	15,000	15,000	-
Technical Assistance	-	181	181	-	-	187	187	-
Total	1,500,000	250,200	1,750,200	1,134,234	1,500,000	615,796	2,115,796	1,800,000

Note: 2024 President's Budget column includes \$100 million for a FirstHOME Downpayment Assistance initiative, of which \$99.250 million is included in the Formula Grants row and \$750 thousand is included in the Insular Areas row.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**Appropriations Language Changes**

The 2024 President's Budget includes the following:

- Inserts a set-aside for a FirstHOME Downpayment initiative to States and insular areas to better ensure sustainable homeownership.
- Deletes the provision that allowed recaptured no-year Community Housing Development Organization funds to be allocated as part of the formula allocation.
- Extends the suspension of the 24-month commitment period for HOME funds for another year so that the funds remain with the jurisdiction and deletes earlier years that are no longer necessary to include. A suspension of this requirement has been included in the HOME appropriation law since 2017 and has had a favorable response from participating jurisdictions.
- Extends the suspension of the provision that requires Community Housing Development Organization funds to be recaptured if they remain uncommitted after 24 months and allows the funds to remain with participating jurisdictions and convert to HOME formula funds for an additional year. This suspension has been in the HOME appropriation law since 2019 and has had a favorable response from participating jurisdictions.

Legislative Proposals

The 2024 Budget supports the following legislative proposal and will seek changes through the authorization process:

Streamlining the HOME Statute: HOME was authorized by the Cranston-Gonzalez National Affordable Housing Act of 1990. Except for modest streamlining in 1994, the HOME authorizing statute has not been revisited in three decades, even as the need for affordable housing has grown and new financing tools and development approaches have been developed. Simplification and modernization of this important affordable housing development program is long overdue. Though proposed legislative text is not incorporated in this Budget, HUD recommends legislative reform to streamline and modernize the program. There is no direct effect on budgetary authority; but the one key goal of reform is to make HOME funds easier for participating jurisdictions and other stakeholders to administer through more understandable language and streamlining of complex requirements, which could result in less potential misuse of funds.

APPROPRIATIONS LANGUAGE

The 2024 President's Budget includes proposed changes in the appropriations language listed below. New language is italicized, and language proposed for deletion is bracketed.

For the HOME Investment Partnerships program, as authorized under title II of the Cranston-Gonzalez National Affordable Housing Act, as amended (42 U.S.C.12721 et seq.), [~~\$1,500,000,000~~]*\$1,800,000,000*, to remain available until September 30, [2026] *2027*: Provided, That [notwithstanding section 231(b) of such Act (42 U.S.C. 12771(b)), all unobligated balances remaining from amounts recaptured pursuant to such section that remain available until expended shall be combined with amounts made available under this heading and allocated in accordance with the formula under section 217(b)(1)(A) of such Act (42 U.S.C.12747(b)(1)(A)): Provided further, That the Department shall notify grantees of their formula allocations within 60 days after enactment of this Act] *of the amount made available under this heading, up to \$100,000,000 shall be for awards to States and insular areas for assistance to homebuyers as authorized under section 212(a)(1) of such Act (42 U.S.C. 12742(a)(1)), in addition to amounts otherwise available for such purposes: Provided further, That amounts made available under the preceding proviso shall be allocated in the same manner as amounts under this heading, except that amounts that would have been reserved and allocated to units of general local government within the State pursuant to section 217 of such Act (42 U.S.C. 12747) shall be provided to the State: Provided further, That the Secretary may waive or specify alternative requirements for any provision of such Act in connection with the use of amounts made available under the previous two provisos (except for requirements related to fair housing, nondiscrimination, labor standards, and the environment) upon a finding that such waivers or alternative requirements are necessary to expedite or facilitate the use of amounts awarded pursuant to the preceding provisos: Provided further, That section 218(g) of such Act (42 U.S.C. 12748(g)) shall not apply with respect to the right of a jurisdiction to draw funds from its HOME Investment Trust Fund that otherwise expired or would expire in any calendar year from [2016]2018 through [2025]2026 under that section: Provided further, That section 231(b) of such Act (42 U.S.C. 12771(b)) shall not apply to any uninvested funds that otherwise were deducted or would be deducted from the line of credit in the participating jurisdiction's HOME Investment Trust Fund in any calendar year from 2018 through [2025]2026 under that section. (Department of Housing and Urban Development Appropriations Act, 2023.)*