

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
2022 Appropriation	62,500	65,446	-	127,946	18,000	41,585
2023 Appropriation	62,500	109,946	-	172,446	63,000	60,416
2024 President's Budget	60,000	109,446	-	169,446	107,000	69,434
Change from 2023	(2,500)	(500)	-	(3,000)	44,000	9,018

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 nonprofit 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 (Section 4) Program awards grant funds to national nonprofits to deliver capacity-building support to local organizations. The 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.
- 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 and 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 2024 President’s Budget requests \$60 million for the Self-Help Homeownership Opportunity Program, which is \$2.5 million less than the 2023 enacted level. This includes:

- \$10 million for SHOP;
- \$41 million for Section 4;
- \$5 million for RCB; and

- \$4 million for VHRMP.

This program aligns to HUD 2022-2026 Strategic Objectives 1A: *Advance Housing Justice*, 1C: *Invest in the Success of Communities*, 2A: *Increase the Supply of Housing*, and 3A: *Advance Sustainable Homeownership*.

JUSTIFICATION

Self-Help Homeownership Opportunity Program (SHOP)

Through SHOP, HUD awards grants to eligible national and regional 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.

Equity: The funding request for 2024 will advance equity within the program by awarding grants to national and regional organizations and consortia who will provide homeownership opportunities to families underserved by the traditional homeownership market. The sweat equity model of SHOP is associated with neighborhood-strengthening spillover benefits including greater collective efficacy and improved neighboring and civic engagement.¹

Funding Impact: The Budget requests \$10 million for SHOP. Through a Notice of Funding Opportunity (NOFO), funding will be awarded to grantees for eligible expenses to develop decent, safe, and sanitary dwellings that comply with State and local codes, ordinances, and zoning requirements, and with all other SHOP requirements.

Key Assumptions: Land acquisition, infrastructure improvements, and reasonable and necessary planning and administration costs are the only eligible uses for SHOP grant funds. 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.

Currently, 50 percent of SHOP beneficiaries 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 for such individuals to meet hourly sweat equity requirements. 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 nonprofit 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.

Outcomes, Performance Indicators, and Other Evidence: HUD addresses the risks identified in the program office's internal risk analysis by developing and implementing the monitoring and oversight of grantees.

Stakeholders: SHOP funds are awarded by competition to national and regional nonprofit organizations. National SHOP grantees pass funds through to local affiliate organizations (e.g., local Habitat for Humanity groups). Regional grantees are generally consortia of multiple nonprofit groups that directly undertake SHOP activities.

¹ 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/

Capacity Building for Community Development and Affordable Housing (Section 4)

The Capacity Building for Community Development and Affordable Housing program, also referred to as Section 4, provides grants to national nonprofits to deliver capacity-building support to local organizations. This support provides local organizations with the knowledge and resources to initiate, improve, or expand implementation of community development, housing, and economic development activities. Section 4 grantees provide capacity-building support through two primary methods: (1) direct engagement, such as technical assistance, training, peer-to-peer learning, curriculum development, and organizational assessments; and (2) financial assistance, such as 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. Section 4 grantees coalesce Federal financial assistance investments with direct beneficiary engagement, to ensure that the Federal funding supports the projected outcomes, and that the local organizations experience sustainable capacity-building change. For the Section 4 program, \$5 million is made available for rural capacity-building activities.

Equity: The Budget 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. Funding levels will also advance equity in this program, making additional resources available to underserved communities that otherwise would not have access to instrumental housing programs, information, and resources. Poverty is a major underpinning of underserved rural communities; funding would allow organizations to provide more targeted investments to rural areas, tribes, and small communities that currently lack access and opportunity.

The capacity building provided by Section 4 grantees 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. Capacity building provided through the grant programs leads to affordable housing production and rehabilitation, as indicated in the program outputs shared below. The accomplishments in the 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. The Budget will help advance equity by providing greater access to housing and economic development for underserved rural areas, small towns, and farming communities that typically have limited resources, as well as urban areas, through Section 4.

Funding Impact: The request includes \$41 million for the Section 4 program, which is \$1 million less than the 2023 enacted level. The request will continue to support a variety of programs such as green building, development of healthcare and childcare facilities, strengthening of neighborhood commercial corridors, job creation, and community safety. These services are the backbone of low- and moderate-income communities. Additionally, the Section 4 program is uniquely situated to provide financial support and development assistance to nonprofit CDCs to support housing and community revitalization efforts.

Outcomes, Performance Indicators, Risk, and Other Evidence: The Section 4 program competitively awards grant funds to the following three eligible grantees: Enterprise Community Partners, Habitat for Humanity International, Inc., and Local Initiatives Support Corporation to provide capacity-building support to CDCs and CHDOs. Primarily, these grant funds 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 2017 – 2020 Capacity Building appropriations, the three Capacity Building program grantees have so far achieved the following outputs:

- Served 7,661 eligible organizations;
- Provided 584 trainings;
- Constructed 15,100 new housing units;
- Rehabbed, sustained, and/or reconstructed 13,991 housing units;
- Placed 41,809 housing units into the development process; and,
- Awarded a total of \$74,329,697 in sub-grants to 1,525 subgrantees.

Section 4 funds have also been used to provide much needed disaster recovery relief. Specifically, these funds have been used to assist communities impacted by Hurricanes Katrina, Sandy, Harvey, Irma, Maria, and Michael and the California wildfires.

Rural Capacity Building Programs

Equity: RCB enhances the capacity and ability of rural housing development organizations, CDCs, CHDOs, local governments, and Indian tribes to carry out affordable housing and community development activities in rural areas for the benefit of low- and moderate-income families and persons. The RCB program achieves this by funding national organizations with expertise in rural housing and rural community development who work directly to build the capacity of eligible beneficiaries.

Funding Impact: RCB funding is urgently needed to help meet the increasing needs of underserved communities, as well as the expanding housing needs of smaller isolated, rural communities. The Budget provides \$5 million to support expanding the program's capacity to meet the growing and emerging demand for rural housing and community development. Challenges in rural communities include, but are not limited to:

- Rural communities have experienced a significant decline in the renovation of existing construction of new housing in small towns and farming communities; and,
- Fewer homes are being built in rural America which exacerbates homelessness and perpetuates low rates of homeownership in rural areas.

Key Assumptions: RCB funds are limited to capacity building activities that strengthen the organizational infrastructure, management, and governance capabilities of eligible beneficiaries serving rural areas. Through these activities, eligible beneficiaries increase their capacity to carry out community development and affordable housing activities that benefit low-income or low- and moderate-income families and persons in rural areas. RCB grantees can provide capacity building support through direct engagement (i.e., technical assistance, training, peer to peer learning, etc.). Rural communities experience a disproportionate amount of the Nation's occupied substandard housing. Of the 116 million occupied housing units in the country, only 25 million units are located in rural and small communities, and over 1.5 million of these units are moderately or severely substandard.² In small rural areas, 40 percent of renters pay more than 30 percent of their income on housing, with nearly a quarter of rural counties experiencing a sizable increase in the number of severely cost burdened households (families spending more than 50 percent of their income on rent).³ These data emphasize the emanating and growing need for an increase in resources, as demonstrated by the significant need. The Budget will enable resources to be directly infused into organizations working in these vulnerable communities and contribute to the expansion of housing access (by way of supporting homeownership programs, providing rental assistance program information, training, housing information sessions, etc.).

² National Rural Housing Coalition, <https://ruralhousingcoalition.org/overcoming-barriers-to-affordable-rural-housing/>

³ Harvard Joint Center for housing studies. "America's Rental Housing 2017"
https://www.jchs.harvard.edu/sites/default/files/harvard_jchs_americas_rental_housing_2017_0.pdf

Outcomes, Performance Indicators, Risk, and Other Evidence: From 2017-2020, RCB made significant gains in providing much needed services to eligible populations. RCB grantees have so far achieved the following outputs:

- Served 1,235 eligible organizations;
- Provided 155 trainings;
- Constructed 744 new housing units;
- Rehabbed, sustained, and/or reconstructed 1,087 housing units;
- Placed 967 housing units into the development process; and,
- Awarded 28 sub-grants for a total of \$868,111.

Operational Improvement: The Office of Policy Development and Coordination (OPDC) within CPD administers the Capacity Building and RCB grant programs. OPDC worked in partnership with the Office of Policy, Development, and Research (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.

Veterans Housing Rehabilitation and Modification Pilot Program

Equity: The Budget will continue to help advance equity by partnering with the U.S. Department of Veterans Affairs (VA) to strengthen VHRMP grantees' program delivery and outreach to Veterans Service Organizations (VSO) in supporting disabled and low-income veterans. An estimated 13 percent of American households in 2019 use a mobility device (wheelchair, walker, cane, etc.).⁴ 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 have some essential structure features for accessibility but would not be accessible without further modifications.⁵ In 2018, 27.9 percent of non-institutionalized civilian veterans aged 21 to 64 years reported having a disability connected with their service.⁶ 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.

Funding Impact: The Budget provides \$4 million, \$3 million more than the 2023 enacted level and will rehabilitate and/or modify approximately 300 housing units.

Key Assumptions: The purpose of VHRMP is to explore the potential benefits of awarding grants to nonprofit organizations to rehabilitate and modify the primary residence of veterans who are low-income and living with disabilities. Through the NOFO, \$4 million will be awarded to nationwide or statewide nonprofit organizations that provide programs that primarily serve veterans or low-income individuals.

Outcomes, Performance Indicators, and Other Evidence: HUD addresses the risks identified in the program office's internal risk analysis by developing and implementing the monitoring and oversight of grantees. In addition, the statutory annual Report to Congress provides specific performance measurements in the form outputs and outcomes to track overall program progress.

Stakeholders: HUD makes awards to nonprofit organizations that provide nationwide or statewide programs to rehabilitate and modify the primary residence of disabled and low-income veterans.

⁴ U.S. Census Bureau, American Housing Survey.

⁵ 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>

⁶ Cornell University. "Disability Statistics." <https://www.disabilitystatistics.org/reports/acs.cfm?statistic=10>

HUD will continue to partner with the VA, the Department of Agriculture (USDA), and other Federal partners to strengthen program delivery and outreach, as well as VSO's in continued support of disabled and low-income veterans.

Operational Improvements: VHRMP statutory language requires that applicants provide a 50 percent match of the funding request. In addition, there is an award cap of \$1 million per application and/or grant award. This prevents HUD from awarding the total Budget in the event there are insufficient funds. As a result, the 2024 VHRMP NOFO outreach strategy will: 1) Provide at least 90 days for potential applicants to submit applications; 2) Produce a 2024 VHRMP national web conference for potential organizations after the publication of the NOFOs; 3) Post NOFO announcements on the HUD website, HUD Exchange, Rural Gateway webpage/listserv, and Grants.gov; 4) Partner with Office of Rural Housing and Economic Development's (ORHED's) intra-agency and interagency working groups to engage the USDA, VA, and the Federal HBCU Interagency Working Group to spread the word through agency listservs; and, 5) Work with HUD's Center for Faith-Based and Neighborhood Partnerships to provide technical assistance in the form of grant writing workshops for potential applicants. As a note, HUD program office staff who administer program grant competitions are prohibited in providing this type of technical assistance to ensure that there is no appearance of an unfair advantage, in compliance with the HUD Reform Act of 1989.

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
Self-Help Homeownership Opportunity Program	12,500	10,000	22,500	10,000	13,500	12,500	26,000	10,000
Capacity Building	41,000	41,000	82,000	-	42,000	82,000	124,000	41,000
Capacity Building for Rural Housing	5,000	5,000	10,000	-	6,000	10,000	16,000	5,000
Veterans Home Rehabilitation and Modification Pilot Program	4,000	9,446	13,446	8,000	1,000	5,446	6,446	4,000
Total	62,500	65,446	127,946	18,000	62,500	109,946	172,446	60,000

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

None.

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 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]2026: Provided, That of the sums appropriated under this heading—

- (1) [~~\$13,500,000~~] *\$10,000,000* shall be available for the Self-Help Homeownership Opportunity Program as authorized under such section 11;
- (2) [~~\$42,000,000~~] *\$41,000,000* shall be available 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, That for purposes of awarding grants from amounts made available in this paragraph, the Secretary may enter into multiyear agreements, as appropriate, subject to the availability of annual appropriations;
- (3) [~~\$6,000,000~~] *\$5,000,000 shall be available 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; and*
- (4) [~~\$1,000,000~~] *\$4,000,000* shall be available for a program to rehabilitate and modify the homes of disabled or low-income veterans, as authorized under section 1079 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (38 U.S.C. 2101 note) [; Provided, That the issuance of a Notice of Funding Opportunity for the amounts made available in this paragraph shall be completed not later than 120 days after enactment of this Act and such amounts shall be awarded not later than 180 days after such issuance]. (*Department of Housing and Urban Development Appropriations Act, 2023.*)