

# 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	Outlays
2020 Appropriation	55,000	65,270	-	120,270	54,824	44,870
2021 Appropriation	60,000	65,446	-	125,446	55,000	51,440
2022 President's Budget	60,000	70,466	-	130,466	60,000	48,698
Change from 2021	-	5,020	-	5,020	5,000	(2,742)

#### 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 national and regional 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 (Section 4) 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 Program (VHRMP) 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 2015 (Pub. L. 113-291, enacted December 19, 2014).

#### BUDGET OVERVIEW

The 2022 President Budget's requests \$60 million for the Self-Help Homeownership Opportunity Program, which is equal to the 2021 enacted level. This request includes:

- \$10 million for the SHOP;
- \$41 million for Section 4;

- \$5 million for RCB; and
- \$4 million VHRMP.

## JUSTIFICATION

### Self-Help Homeownership Opportunity Program

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. Through a Notice of Funding Opportunities (NOFO), \$10 million will be awarded to grantees to be used for eligible expenses to develop decent, safe, and sanitary dwellings and comply with State and local codes, ordinances, and zoning requirements, and with all other SHOP requirements.

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 articulated in recent Executive Orders and, specifically, by the following four themes:

1) Strengthen and broaden the Federal housing safety net for people in need by providing decent, safe, and sanitary non-luxury homes: 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. 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>

2) Advance housing equity as a means to improving housing choices and greater economic opportunity through homeownership: The long-standing racial disparities in homeownership rates increased in between 2016 and 2019, as the increase in black homeownership of 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>

3) Strengthen HUD's capacity to deliver on mission by developing cross-collaborations with other HUD organizations including the Office of Policy Development & Research (PD&R): Community Planning and Development (CPD), working with PD&R, will explore what evidence-based

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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>

quantifiable output and outcome indicators could be used to measure performance of the SHOP program.

4) Increase the production of, and access to, 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 program's history since 1996, the total appropriations of \$457.7 million led to more than 30,000 SHOP units conveyed to homeowners. In addition, the program has leveraged approximately \$2.8 billion.

### **Veterans Housing Rehabilitation and Modification Pilot Program**

The purpose of the 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.

HUD has awarded \$16.2 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 17 awards that will result in the rehabilitation and modification of 1,197 veterans' homes.

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

1) Strengthen and broaden the Federal housing safety net for people in need by providing decent, safe, and sanitary non-luxury homes: 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 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) Advance housing equity as a means to improving housing choices and greater economic opportunity through homeownership: In 2018, 27.9 percent of non-institutionalized civilian veterans aged 21 to 64 years reported having a disability connected with their service.<sup>5</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 HUD's capacity to deliver on mission by developing cross-collaborations with other HUD organizations including the Office of Policy Development & Research: CPD, working with PD&R, will explore what evidence-based quantifiable output and outcome indicators could be used to measure program performance for VHRMP.

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

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

4) Increase the production of, and access to, affordable housing by conveying new or rehabilitated housing units: According to the Current Population Survey, 26 percent of all veterans have a service-related disability.<sup>6</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>7</sup>

### **Capacity Building for Community Development and Affordable Housing and Rural Capacity Building Programs**

The Section 4 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. Section 4 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. Section 4 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 Section 4 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 the following types of eligible organizations: Community Development Corporations (CDCs) and Community Housing Development Organizations (CHDOs). Section 4 grants 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 – 2018 Section 4 appropriations, the three Section 4 grantees have so far achieved the following outputs:

#### **Section 4 Program Outputs**

(Cumulative output totals from FY 2016-2018 funding)

<b>Output</b>	<b>Total</b>
Eligible Organizations Served	3,273
Trainings Provided	213
New Housing Units Constructed	6,686
Housing Units Rehabbed, Sustained, or Reconstructed	11,631
Housing Units Put in the Development Process	29,665
Sub-Grants Awarded (count/dollars)	1,183/\$60,900,000
Loans Awarded (count/dollars)	5/\$8,1000,000

<sup>6</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>7</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/>

The RCB program competitively awards grant funds to national non-profits to provide capacity building support in rural communities to the following five types of eligible organizations: Community Development Corporations (CDCs), Community Housing Development Organizations (CHDOs), Rural Housing Development Organizations (RHDOs), Local Governments, and Indian Tribes. In implementing grant award funding received from 2016 –2018 RCB appropriations, the RCB grantees have so far achieved the following outputs:

**RCB Program Outputs**

(Cumulative output totals from FY 2016-2018 funding)

<b>Output</b>	<b>Total</b>
Eligible Organizations Served	826
Trainings Provided	112
New Housing Units Constructed	598
Housing Units Rehabbed, Sustained, or Reconstructed	846
Housing Units Put in the Development Process	2,193
Sub-Grants Awarded (count/dollars)	23/\$349,511
Loans Awarded (count/dollars)	2/\$347,832

The local organizations served through the Section 4 and RCB grant programs are critical stakeholders in addressing community need in urban and rural environments and for ensuring that assistance reaches underserved populations. The requested levels of funding for Section 4 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 Administrative priorities:

- 1) Strengthen and broaden the Federal housing safety net for people in need by providing decent, safe, and sanitary non-luxury homes: Capacity building provided through the Section 4 and RCB grant programs leads to affordable housing production and rehabilitation. Further, the resources and support provided to local organizations foster sustainable organizational capacity growth creating lasting change for underserved communities and populations.
  
- 2) Advance housing equity as a means to improving housing choices and greater economic opportunity through homeownership: Capacity building provided through the Section 4 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.
  
- 3) Strengthen HUD’s capacity to deliver on mission by developing cross-collaborations with other HUD organizations including the Office of Policy Development & Research: HUD CPD’s Office of Policy Development and Coordination (OPDC) administers the Section 4 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 Section 4 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.
  
- 4) Increase the production of, and access to, affordable housing by conveying new or rehabilitated housing units: The provided Section 4 and RCB program outputs 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.

**SUMMARY OF RESOURCES BY PROGRAM**

(Dollars in Thousands)

Budget Activity	2020 Budget Authority	2019 Carryover Into 2020	2020 Total Resources	2020 Obligations	2021 Appropriation	2020 Carryover Into 2021	2021 Total Resources	2022 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	36,000	35,000	71,000	35,000	41,000	36,000	77,000	41,000
Capacity Building for Rural Housing	5,000	10,000	15,000	5,000	5,000	10,000	15,000	5,000
Veterans Home Rehabilitation and Modification Pilot Program	4,000	10,270	14,270	4,824 <sup>a/</sup>	4,000	9,446	13,446	4,000
<b>Total</b>	<b>55,000</b>	<b>65,270</b>	<b>120,270</b>	<b>54,824<sup>a/</sup></b>	<b>60,000</b>	<b>65,446</b>	<b>125,446</b>	<b>60,000</b>

a/ Obligations differ from MAX Data Entry due to rounding

**LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS**

**Appropriations Language Explanation**

The 2022 President’s Budget has the following changes to appropriations language from the 2021 enacted bill:

Section 4 for the Capacity Building for Community Development and Affordable Housing Program: The change in proposed 2022 appropriations language will allow the Secretary to enter into multiyear agreements, as appropriate, subject to the availability of annual appropriations. Allows for a more streamlined grants management process, which is intended to increase the efficiency of awards and implementation for the three eligible grant recipients.

**APPROPRIATIONS LANGUAGE**

The 2022 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), ~~[\$60,000,000]~~ *\$60,000,000*, to remain available until September 30, ~~[2023]~~ *2024*: Provided, That of the total amount made available under this heading, ~~[\$10,000,000]~~ *\$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]~~ *\$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]~~ *\$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]~~ *\$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[; Provided further, That the issuance of a Notice of Funding Availability for the funds provided under the previous proviso shall be completed within 120 days of enactment of this Act and such funds shall be awarded within 180 days of such issuance].  
*(Department of Housing and Urban Development Appropriations Act, 2021.)*