

**HUD TRANSFORMATION INITIATIVE FUND  
2015 Summary Statement and Initiatives  
(Dollars in Thousands)**

TRANSFORMATION INITIATIVE FUND	<u>Enacted/ Request</u>	<u>Carryover</u>	<u>Supplemental/ Rescission</u>	<u>Total Resources</u>	<u>Obligations</u>	<u>Outlays</u>
2013 Appropriation .....	\$50,000 <sup>a/</sup>	\$137,800 <sup>b/</sup>	-\$2,615	\$185,185	\$161,598	\$107,000
2014 Appropriation/Request .....	40,000 <sup>c/</sup>	21,506 <sup>d/</sup>	...	61,506	40,150	102,000
2015 Request .....	<u>[80,000]<sup>e/</sup></u>	<u>21,356</u>	<u>...</u>	<u>101,356</u>	<u>80,000</u>	<u>88,000</u>
Program Improvements/Offsets .....	+40,000	-150	...	+39,850	+39,850	-14,000

a/ Fiscal year 2013 includes a direct appropriation of \$50 million for TA, Research, and Demonstrations.

b/ Includes \$0.125 million of collections and \$12.052 million of actual recaptures in fiscal year 2013.

c/ Fiscal year 2014 includes a direct appropriation of \$40 million for TA, Research, and Demonstrations.

d/ Excludes \$2.079 million of unobligated funds that expired at the end of fiscal year 2013.

e/ In fiscal year 2015, an estimated \$80 million is requested to be transferred for TA, Research, and Demonstrations. All Information Technology investments will be funded in the Information Technology Fund.

**1. What is this request?**

The 2015 Budget request seeks authority for the Secretary to transfer, with a few exceptions<sup>1</sup>, up to 0.5 percent or \$15 million, whichever is less, from each program account to the Transformation Initiative (TI) Fund. In fiscal year 2015, HUD will use \$80 million of TI funds for: Research and Evaluations, Program Demonstrations, and Technical Assistance and Capacity Building (TA).<sup>2</sup> PD&R is the Department's technical lead on TI.

HUD has invested significant time and energy to make TI comprehensive and well-integrated, and to fundamentally shift the Department's approach to business by aligning it with HUD's strategic plan. HUD identifies and develops TI projects for their potential to improve the impact of programs and provide program partners with the strategies, information and tools they need to successfully implement HUD programs in complex local environments.

<sup>1</sup> Homeless Assistance Grants is exempt from transfers.

<sup>2</sup> All information technology (IT) investments will be funded in the IT Fund account.

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The table below provides maximum and estimated transfers:

	<b>FY 2015 Maximum Transfers (0.5%)</b>	<b>FY 2015 Estimated Transfers</b>
<b>Transformation Initiative Fund, Program Transfers</b>		
Capacity Building.....	\$100,000	\$100,000
Choice Neighborhoods.....	600,000	600,000
Community Development Fund.....	14,350,000	14,350,000
Fair Housing Activities.....	355,000	355,000
Family Self Sufficiency.....	375,000	375,000
HOME Investment Partnerships Program.....	4,750,000	4,750,000
Homeless Assistance Grants.....	12,032,000	0
Housing Counseling Assistance.....	300,000	300,000
Housing for Persons with Disabilities (Section 811).....	800,000	800,000
Housing for the Elderly (Section 202).....	2,200,000	2,200,000
Housing Opportunities for Persons with AIDS.....	1,660,000	1,660,000
Lead Hazard Reduction.....	600,000	600,000
Mortgage Mutual Insurance Program Account.....	850,000	850,000
Native American Housing Block Grants.....	3,250,000	3,250,000
Native Hawaiian Housing Block Grants.....	65,000	65,000
Project-Based Rental Assistance.....	48,730,000	15,000,000
Public Housing Capital Fund.....	9,625,000	9,625,000
Public Housing Operating Fund.....	23,000,000	10,070,000
Rental Assistance Demonstration.....	50,000	50,000
Tenant-Based Rental Assistance.....	100,225,000	15,000,000
<b>Total.....</b>	<b>223,917,000</b>	<b>80,000,000</b>

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The TI Fund enhances the value of the Department's \$47 billion budget request by building a foundation of evidence on the effectiveness of HUD programs and strengthening the capacity of HUD's partners to carry out housing and community development programs successfully. TI consists of complementary strategies for bolstering HUD's investments in communities:

- **Research and evaluations** build a foundation of current data on program effectiveness and emerging policy issues.
- **Program demonstrations** test new program approaches in a carefully structured and rigorously evaluated manner.
- **Technical Assistance** enables housing and community development providers to be effective stewards of HUD funding and achieve the goals set by their communities.

This justification lists the Department's priorities for the TI Fund, first describing research and demonstration projects followed by the priorities for technical assistance.

### **Research and Demonstrations**

#### **2. What is this program?**

As in HUD's fiscal year 2014 submission, this justification identifies research, evaluation and demonstration priorities that have been developed through a systematic and extensive consultation process as recommended by the National Research Council (NRC). The Office of Policy Development and Research (PD&R) developed these projects as part of a 5-year research agenda, "HUD Research Roadmap fiscal years 2014-2018."<sup>3</sup> The Roadmap, described further in the next section, integrates important stakeholder priorities of the most important research questions for improving the cost effectiveness of the nation's housing and urban development policy.

#### **Research and Evaluation**

Strategic investments in research and evaluation are building knowledge to increase efficiency and effectiveness of the Department's programs. Research and evaluation projects examine current HUD programs to determine their effectiveness and to provide critical information for improving them. TI provides a predictable stream of funding for high quality research and periodic evaluation of HUD's programs to inform sound policymaking, as required by the Government Performance and Results Modernization Act (GPRA Modernization Act). Program evaluation and ongoing development of performance metrics are critical to ensuring that HUD deploys scarce program resources in the most cost-effective way possible. TI research and evaluation will continue to strengthen HUD's capabilities for evaluating and improving program effectiveness and efficiency.

TI Research and Evaluation as well as Program Demonstrations strongly complement the Research and Technology (R&T) account. The R&T account establishes the nation's basic infrastructure of housing data, through regular surveys and data compilation as well

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<sup>3</sup> HUD-PD&R, 2013. [http://www.huduser.org/portal/about/pdr\\_roadmap.html](http://www.huduser.org/portal/about/pdr_roadmap.html).

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as basic research and dissemination in the areas of housing and community development. Not only do TI projects frequently rely on the data supported by the R&T account, but R&T also funds dissemination of TI research to Congress and the public. This balanced approach to creating and marshaling policy-relevant information is consistent with the recommendations of the National Research Council, in "Rebuilding the Research Capacity at HUD,"<sup>4</sup> as well as the American Evaluation Association's recommendation that for evaluation to fulfill its role as a "staple of good government," it should be funded separately from large cross-cutting surveys and performance monitoring data.<sup>5</sup>

Good research takes planning, resources, and time to execute. The TI Research and Demonstration initiative has proven to be valuable in enabling this process to function properly. In taking a broad, strategic view of what research is most important for program effectiveness, PD&R consulted intensively and broadly during fiscal year 2012 with stakeholders in government, academia, and the community of practitioners. The resulting Research Roadmap, published in 2013, presents a coherent 5-year research agenda for greater cost-effectiveness in housing and urban development policy and programs. HUD has integrated the Roadmap's research priorities with budget requests for the TI fund as well as R&T.

The Research Roadmap provides a foundation for HUD's annual research agenda. It is not an exhaustive list of possible future research. This request and future requests will propose projects from the Roadmap as well as new projects identified based on additional feedback from the Congress and other interested parties.

### **Program Demonstrations**

Program demonstrations funded through the TI Demonstration initiative are essential mechanisms for evidence-based policy improvements. Demonstrations test new options for HUD programs that can make them more efficient and effective and establish sound evidence of whether and how these options could better achieve HUD's mission. Carefully documented trials of new program ideas provide a controlled mechanism to improve programs and help state and local governments develop more effective strategies for housing and community and economic development. In contrast, while the evaluations of current programs funded under Research and Evaluations provide real policy guidance and public accountability, they are not well suited for predicting and testing the effects of policy changes in a variety of real world settings. Demonstrations not only test the effects of program changes, but through random assignment can also enable researchers to account fully for external factors and the complex and unpredictable responses of participants that can make or break a program.

In the 20 years prior to creation of the Transformation Initiative in fiscal year 2010, HUD had done relatively few research demonstrations, largely due to budget constraints. The predictable result was that programs have developed and program reforms

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<sup>4</sup> The report was requested by Congress. National Research Council. "Rebuilding the Research Capacity at HUD." 2008. [http://www.nap.edu/catalog.php?record\\_id=12468](http://www.nap.edu/catalog.php?record_id=12468)

<sup>5</sup> American Evaluation Association. "Evaluation Roadmap for More Effective Government." 2009. <http://www.eval.org/EPTF/aea10.roadmap.101910.pdf>

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have been undertaken without sufficiently reliable evidence of what works. The few demonstrations that HUD has sponsored have been the most important and informative evidence about real program impacts. Sometimes demonstrations take many years to show impacts, but that investment has long-term payoff.

For example, the Moving-To-Opportunity (MTO) demonstration was initiated in the mid-1990s, and its final report was published in 2011. Long-term impacts of MTO on families and children were measured over more than 16 years and were substantially completed in 2011. This study rigorously examined whether offering housing vouchers to families living in public housing projects in high-poverty neighborhoods of large inner cities could improve their lives and the lives of their children by allowing them to move to lower-poverty neighborhoods. It assessed the impact of housing mobility on housing and neighborhood conditions, physical and mental health, economic self-sufficiency, risky and criminal behavior, and educational outcomes. The study shows that promoting housing mobility and poverty distribution has powerful impacts on resident health – dramatically reducing anxiety and depression in the short-term and reducing severe obesity and diabetes in the long-term. Evidence from this HUD sponsored demonstration was featured in the *New England Journal of Medicine* in October 2011<sup>6</sup> and in the journal *Science* in September 2012.<sup>7</sup> However, MTO also showed that simply offering families the opportunity to live in lower-poverty neighborhoods did not improve the economic well-being of the adults or improve educational outcomes for their children. MTO thus demonstrates that neighborhood improvement interventions are critical for individual health but other interventions must be pursued to achieve economic self-sufficiency and academic improvement for assisted residents. New papers by respected academics continue to be generated each year using the valuable data collected from this study. Most of those papers can be accessed at [www.mtoresearch.org](http://www.mtoresearch.org), hosted on the website of the National Bureau of Economic Research.

Demonstrations help shape the next generation of housing and urban development programs. HUD is applying the lessons of MTO to implement Choice Neighborhoods. The Jobs Plus demonstration is guiding HUD policy rent incentives and services to improve resident outcomes through the Jobs Plus program that HUD proposed and Congress funded in fiscal year 2014. Finally, the Moving-To-Work (MTW) demonstration showed the potential of experimenting with administrative flexibility to reduce public housing costs and improve program outcomes, while also providing a lesson in the importance of obtaining statutory support for careful experimental design, data collection and evaluation.<sup>8</sup>

TI funding from 2010-2013 has allowed HUD to initiate several important demonstrations intended to provide critical information for future policymaking, including a random assignment demonstration to understand the relative effectiveness of different interventions

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<sup>6</sup> Ludwig, et al "Neighborhoods, Obesity, and Diabetes — A Randomized Social Experiment". *New England Journal of Medicine*, October 2011.

<http://www.nejm.org/doi/pdf/10.1056/NEJMsa1103216>

<sup>7</sup> Ludwig, et al "Neighborhood Effects on the Long-Term Well-Being of Low-Income Adults". *Science*, 337(6101): 1505-1510. September 2012.

<http://www.sciencemag.org/content/337/6101/1505.full?ijkey=j7dELD7A6iOm6&keytype=ref&siteid=sci>

<sup>8</sup> HUD-PD&R, 2010 "Moving to Work: Interim Policy Applications and the Future of the Demonstration – Report to Congress."

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for homeless families; a family self-sufficiency demonstration; a rent reform demonstration; a seniors and services demonstration with the Department of Health and Human Services (HHS); and a pre-purchase housing counseling demonstration, among others.

TI demonstrations underway or planned with 2010 to 2014 funding are limited to testing program changes within existing statutory authority. That is, the current demonstrations do not test ideas that would require statutory change. The exception to this is the rent reform demonstration that is relying on the MTW statutory authority to rigorously test some of the rent reform ideas already being attempted by various housing authorities. When applicable, HUD may seek project specific and narrow authority to waive statutes to support demonstration research. In fiscal year 2015, HUD is requesting specific waiver authority so it can begin design of a larger demonstration that will build on the current rent reform, family self-sufficiency, and Moving-To-Work research and demonstrations.

### **3. Why is this program necessary and what will we get for the funds?**

Continued authority for TI will enable HUD to sustain and accelerate its transformation into a fully efficient and effective agency. The TI Fund enhances the value of the federal resources invested in the Department's programs. The coordinated approach made possible by TI enables the Department to improve effectiveness by better deploying information through an iterative process that continually builds on prior accomplishments and lessons learned.

The elements of TI work in conjunction: research and rigorous evaluations provide solid evidence of program impacts relative to resource inputs, programmatic approaches and outputs; field demonstrations allow the development and careful testing of new program approaches; and coordinated technical assistance helps partners better implement programs and use federal funds efficiently. The coordinated approach enables HUD to build programs on foundations of real evidence, provided in timely fashion to the managers and program partners who need it.

HUD has prioritized the following Research and Evaluation projects and Program Demonstration projects for funding with TI in fiscal year 2015. Detailed information on TI Research and Demonstration projects already underway can be found at this website: [http://www.huduser.org/portal/about/trans\\_init.html](http://www.huduser.org/portal/about/trans_init.html).

### **Research and Evaluations**

Building on the extensive consultation and prioritization process that led to PD&R's "Research Roadmap 2014-2018," the following research and evaluation priorities for fiscal year 2015 will set HUD on the path to strategically address the most pressing housing and urban development challenges during the next 5 years. Research projects are organized by HUD's four strategic goals that have a programmatic focus and a cross-cutting category:

1. Strengthen the nation's housing market to bolster the economy and protect consumers (Homeownership/Finance);
2. Meet the need for quality affordable rental homes (Rental Housing);

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3. Utilize housing as a platform for improving quality of life (Housing as a Platform);
4. Build inclusive and sustainable communities free from discrimination (Resilient/Inclusive Communities); and
5. Cross-cutting, addressing multiple program and policy areas.

In 2015, PD&R proposes to select from the priority Research Roadmap projects described below. Estimated budgetary costs for contracted projects are shown. However, costs may vary from estimates. HUD will notify Congress of significant deviations from these priorities.

### **Homeownership/Finance**

#### **Assessing the Effectiveness of Mortgage Modification Protocols--\$500,000 to \$1 million**

Three interrelated studies will inform policy on critical issues affecting the national recovery from the foreclosure crisis. First, an analysis and comparison of eligibility rules and mortgage modification protocols (under the U.S. Department of the Treasury's Home Affordable Modification Program [HAMP], Federal Housing Administration [FHA]-HAMP, U.S. Department of Agriculture-Rural Development-HAMP, Principal Reduction Alternative, Second Lien Modification, and proprietary protocols followed by servicers) will identify factors affecting their uptake and effectiveness. Second, alternatives to Net Present Value calculation and their costs and benefits for borrowers, neighborhoods and local governments will be examined. Third, principal reductions (with and without Shared Appreciation Mortgage clauses) will be compared with principal forbearance to investigate the effect of restoring borrowers' equity.

#### **Impact of Real Estate Owned Properties on Neighborhoods--\$1 to \$2 million**

Following the wave of mortgage foreclosures, considerable concern exists regarding the large volume of Real Estate Owned (REO) homes and the effect on housing markets and neighborhoods of REO sales and conversions to rental housing. This project will integrate emerging research and collect outcome data about REO portfolios and their effects, with special focus on the FHA portfolio. Results will be integrated into the Neighborhood Stabilization Program (NSP) evaluation framework for tracking both past and future effects. The results will shed light on the relative merits of REO disposition individually through real estate agents to owner occupants of investors versus bulk sales to investors. Funding and executing this research project may present opportunities for partnerships with philanthropy, universities, and local or non-profit neighborhood development organizations to pool funds or collaborate on the analysis and research.

#### **Impact of the Foreclosure Crisis on HUD Programs and the Rental Market--\$1 to \$2 million**

Changes in the U.S. rental market precipitated by the real estate market crash have significantly affected the operating environment for HUD's Multifamily and Public and Indian Housing (PIH) programs. This project will integrate a retrospective literature review and

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analysis of HUD program and market data before and after the crash with a forecasting and scenario planning exercise to systematically map out the long-term implications of the real estate bust for HUD's affordable rental housing programs. The results will demonstrate how HUD rental programs were affected by the foreclosure crisis and offer a set of recommendations for how these programs will fare in the coming years. This study will serve as the basis for a scenario-planning tool that HUD might use to anticipate and mitigate the impact of future booms and busts on its programs.

### **Non-retention Alternatives to Foreclosure--\$1 to \$2 million**

In the wake of the housing bust, short sales of depreciated homes have grown from a rare occurrence to a widely used foreclosure alternative. Short sales in the first quarter of 2012 were up 222 percent from the first quarter of 2009. Short sales often result in higher sales prices, shorter disposition timelines, shorter periods of vacancy, reduced investor losses, and reduced borrower credit damage than do foreclosures. Limited use in the past has resulted in minimal research on short-sale best practices and their net costs and benefits to borrowers, lenders, insurers, and neighborhoods. This research will attempt to quantify short-sale costs and benefits in four tasks: (1) survey of short-sale practices and laws; (2) evaluation of judicial versus non-judicial short-sale and other non-retention alternatives to foreclosure outcomes; (3) cost-benefit analysis of short sales in minimizing distressed housing disposition costs; and (4) assessment of governmental role.

### **Impact of Qualified Mortgage Rules--\$1 million**

HUD needs to study the impact of Qualified Mortgage (QM) rules on FHA and the government sponsored enterprises to assess the need for new policies and/or programs from FHA. The research involves identifying groups of borrowers that might have experienced constrained credit due to these new rules going into effect. The research will address the questions of whether non-QM lending could, in effect, become a new subprime mortgage sector, and whether FHA could reasonably serve some of these non-QM borrowers at lower cost. The study will assess the impact of these rules on the size and composition of the market, including aspects such as the number of lenders, brokers, and private mortgage insurance companies, as well as consolidation trends and other metrics of market health.

### **Reverse Mortgage Study--more than \$2 million**

The reverse mortgage sector has undergone tremendous change in the past decade, including significant changes in borrower profiles, product offerings, and choices, and significant structural changes in the primary and secondary segments. In addition, house price declines in the recent recession and delinquent tax and insurance payments have resulted in increased Home Equity Conversion Mortgage (HECM) losses to FHA. Four interrelated studies will inform policy affecting this sector, beginning with an evaluation of FHA's HECM program because it is the dominant reverse mortgage product; the last HUD evaluation was conducted in 2000 and the new study will provide the evidentiary basis for further changes to the HECM program. This study will create a new dataset by merging HUD administrative data with reverse mortgage counseling data to analyze borrower choices, profiles, and



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motivations for taking out a reverse mortgage. A review of the existing research demonstrates that no previous analysis of borrower motivations or borrower financial conditions has ever been conducted. This research will enhance FHA's knowledge of reverse mortgage borrower motivations and characteristics. Findings will inform HECM underwriting guidelines. A survey and analysis of local property taxes and hazard insurance rates will further inform HUD policy on the two greatest drivers of HECM defaults in recent years. A study of incentives for HECM loan originators and correspondents will enable policymakers to understand the drivers of market trends and devise effective policies.

### **What Do We Know About Vacancy? Review of Housing Inventory and Vacancy Statistics--\$500,000 to \$1 million**

This project contains two somewhat distinct tasks. The first task will be to perform a review of recent literature and data methods to determine how vacancy data, both public and private, are obtained, reported, and interpreted. The second task will be to analyze how existing data on the housing stock, and vacant units in particular, could have helped our understanding of the housing bubble. This research will enhance HUD's ability to interpret market trends for policy development and research, and it will provide departmental guidance on interpreting census and non-census housing inventory and vacancy data in the wake of the housing crisis.

### **Affordable Rental Housing**

#### **Assessing Housing Quality in the Housing Choice Voucher (HCV) Program--\$2 million**

Between 2000 and 2002, HUD conducted an annual survey of a representative sample of Section 8 vouchers at all PHAs. This survey provided a valuable source of independent data on the living conditions of assisted families, as well as on their neighborhoods and experiences with landlords and PHAs, for a modest cost (\$1.2 million per year). PHAs and HUD currently do not have independent information to verify compliance with the HCV program's HQS requirements. The Senate Appropriations Committee identified this lack of information as a major concern and directed HUD to "take meaningful and timely steps to strengthen oversight and quality control of PHA performance in the critical area of inspections." This project will fund design and testing of an updated and revised survey instrument. PHAs can use the results of a fully implemented survey directly to improve the communication, oversight, training, and enforcement of their inspectors (who are often contractors) and HUD can use the results to identify program improvements (for example, landlord outreach, alignment with HOME and other programs for rehabilitation needs, mobility counseling) and to target technical assistance and oversight resources in a cost-effective manner.

#### **Assessment of Landlord Behavior in the Housing Choice Voucher Program--\$1 million**

This study, building on ethnographic research underway during fiscal year 2014, will explore how landlord behavior affects the effectiveness of the HCV program across a range of measures including voucher success rates and tenant mobility. This study would consider the decisions that housing providers make about rent levels, who to lease to, whether to accept vouchers, property management, maintenance/ improvement, and preservation. Funds will be used for: 1) a survey of a sample of participating

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landlords; 2) research and analysis of the housing markets and neighborhoods of participating landlords and location of units where HCV households lease up; and 3) a survey of PHA staff on landlord marketing/outreach and housing mobility efforts. This study would provide HUD with information on why landlords choose whether to accept vouchers and to what extent landlord behavior affects the success of the HCV program. The study will help inform decisions on possible streamlining and improvement of the Section 8 program. This can have direct implications for increasing landlord participation and therefore resident mobility, and could also help reduce PHA administrative costs for operating the program. Study results could inform policy changes related to rent setting, unit quality, landlord outreach and incentives, HCV program marketing, PHA administrative practices, lease requirements and possible regulatory or statutory reforms.

### **Comparing Subsidy Costs of Federal Rental Housing Assistance Programs--\$1.2 million**

This study will take advantage of improved data and recent program evaluations to analyze the comparative costs of providing a unit of housing with various housing subsidy programs. The evaluation also will examine the role of subsidy layering, the characteristics of cost-effective housing subsidy programs, and the benefits of various program approaches. The total cost over 2 years would be about \$2.4 million.

### **Examining Small PHA Performance--\$1 million**

Small PHAs administer a large percentage of the Housing Choice Voucher (HCV) program and almost half of all public housing units, but HUD regulation is less stringent for PHAs that administer less than \$300,000 in HCV program funding or fewer than 400 public housing units. This study would survey a sample of small PHAs to assess their performance levels and reasons for their performance, administrative costs, and challenges. This research is particularly relevant and timely because of the new proposed Small Housing Authority Reform Proposal (SHARP) legislation. Better understanding of the operating environment for small PHAs, which often administer HCV and Public Housing programs in smaller or more rural jurisdictions, would enable the Office of Public and Indian Housing to better allocate Field Office staff and technical assistance resources and undertake regulatory reforms to reduce administrative burden.

### **Utility Cost Data System--\$1 to \$2 million**

In 2011, HUD paid out \$7.1 billion for utilities, of which over \$4.3 billion was for utility allowances. The allowances are intended to ensure that tenant subsidies fairly reflect the different costs that different kinds of units will require. HUD regulations direct PHAs and project owners to set these allowances fairly, but do not provide comprehensive guidance on how to do so. This project will collect representative tenant utility expenditures through an extension of the Quality Control study, and will compare them with: (a) the allowances the same tenants actually received, and (b) the allowances that they would have received if the PHA or project owner had used the HUD Utility Schedule Model (HUSM, which is based on a well-known Energy Department survey, but is not mandatory).

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The project will also collect information on a representative sample of allowances across the country and compare them to the results for the same units if the HUSM had been applied.

### **Housing as a Platform**

#### **Effect of Housing Assistance Over Time--\$1 million**

This project will review and summarize existing evidence about the effect of housing assistance over time. A first phase will use the American Housing Survey to do a longitudinal analysis of assisted households, describing lengths of stay, changes in education levels, and changes in income. A second phase will test hypotheses through the matching of HUD data with administrative data collected by local entities to observe the interactions of assisted households over time with public systems, such as Temporary Assistance for Needy Families, criminal justice, child welfare, Medicaid, and Medicare. The project will attempt to estimate the cost structure and cost effectiveness of different HUD programs using results from these analyses.

#### **State Olmstead Plans and Assessment of Demand, Available Resources and Needs--up to \$500,000**

In the 1999 Olmstead decision, the Supreme Court held that under the Americans with Disabilities Act, individuals with mental disabilities have the right to remain in the community where they reside rather than in institutions. HUD plays a role in furthering Olmstead implementation by helping people with disabilities access affordable, integrated housing opportunities. This project will help the Department better align its programs and resources to meet the housing needs for people with disabilities resulting from Olmstead implementation. The project will: (1) estimate housing needs for people with disabilities resulting from Olmstead implementation; (2) review state enforcement and implementation of Olmstead; and (3) identify HUD resources to meet those needs. This study will be a resource for HUD regional and field staff who might be involved in negotiations on future consent decrees.

#### **Successful Exits from Targeted Housing Assistance Programs for Vulnerable Population--up to \$500,000**

HUD is the primary federal funder of permanent supportive housing for vulnerable populations, and it is critical that there is a mechanism that ensures that a household can leave permanent supportive housing and transition to mainstream housing smoothly to ensure the appropriate use of the existing supply of assisted housing. This study would develop a series of case studies exploring how different communities have created successful strategies to enable people residing in supportive housing, or some other type of housing designed for vulnerable populations, to move on from this type of specialized housing into "mainstream" housing. Discovering and promoting policies and programs that encourage and support this type of "moving up" or graduation to mainstream housing programs ensures that a sufficient supply of permanent supportive housing is available for the households that are most in need of such intensive assistance, without requiring substantial investments in the construction of new units.

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**HUD-HHS Data Matching--up to \$500,000**

Two efforts currently under way involve matching HUD-assisted renters in administrative data with health-related data. These low-cost initiatives will greatly enhance knowledge about health status and healthcare use of assisted households, and thereby inform both HUD's efforts to use housing as a platform to improve quality of life and the national policy priority of containing healthcare costs while improving outcomes. HUD is collaborating with the National Center for Health Statistics to match tenant records with National Health Interview Survey data, and with the HHS Assistant Secretary for Policy and Evaluation and an outside contractor to match tenant data with Centers for Medicare and Medicaid Services administrative data. This will provide contracted analytic support to address emerging research and policy questions that can be addressed relatively inexpensively through the matched data, and which relate to the health and housing of assisted housing tenants.

**Resilient/Inclusive Communities**

**Affirmatively Furthering Fair Housing Study--\$1 to \$2 million**

This evaluation of HUD's Affirmatively Furthering Fair Housing (AFFH) policy will examine the implementation of the new AFFH rule, the extent and quality of compliance, and the extent to which it is working to reduce segregation and increase affordable-housing supply. This research addresses questions posed by Research Roadmap stakeholders.

**Interaction of Anchor Institutions with Neighborhoods--\$500,000 to \$1 million**

This study will examine the incentives leading anchor institutions use to engage with their communities, the impact of anchor institutions (especially universities and hospitals) on neighborhood income mixing, transformation and stabilization, and variation of neighborhood outcomes with respect to type of neighborhood interaction. This research addresses questions posed by Research Roadmap stakeholders.

**Cross-cutting**

**Accelerating Post-Disaster Community Recovery--more than \$2 million**

A number of new approaches toward long-term recovery are being tested in response to Hurricane Sandy. Those approaches include a more regional and holistic federal coordination, an emphasis on better planning, and increased access and use of federal data for local program operations. This research will document those efforts and from that research use lessons learned to develop a mechanism, such as "programs in a box," that makes it possible for local governments to launch long-term recovery programs more quickly. The long-term benefit of this research is to produce more effective federal guidance and support for community planning before disasters, estimate post-disaster needs more accurately, and roll out disaster recovery to stricken communities more effectively.

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### **Building Technology Research--\$4 million**

The nation's housing stock represents the largest form of privately held wealth, yet housing technologies that would make it more easily constructed, more affordable, durable and disaster resistant are developed and adopted quite slowly. PD&R will use two research strategies to advance housing technology. First, taking advantage of the recognized federal capacity to motivate and support research, PD&R will seek interagency agreements with partners such as the National Science Foundation and National Institute of Standards and Technology to support building sciences research, potentially including rapidly developing disciplines such as materials science and nanotechnology as well as supporting interdisciplinary approaches. Second, HUD also will focus on applied technology to help bridge the gap between basic science and commercially useful and widely adopted innovations, as well as integrative research. This will extend the line of research that over the years has had the broadest appeal of any PD&R research products, including accessibility requirements for construction of multifamily housing, guidelines for siting and anchoring manufactured housing, and how to install PEX plumbing, among many others. HUD's statutory niche areas, including manufactured housing and accessibility, will be at the core of this research, and PD&R will seek to improve the flow of technology the "last mile" to small contractors (new home and remodelers) and homebuyers as the construction industry resumes expansion. Remodelers are key because of the opportunities for greatly improved energy and environmental performance that arise during remodeling. This will help the residential housing market to adapt and modernize while it expands to meet growing demand.

### **CDBG-Funded Disaster Recovery: Retrospective Evaluation--\$500,000 to \$1 million**

In recent years, Congress has increasingly relied on special appropriations to HUD's Community Development Block Grant program to provide flexible disaster recovery funds to stricken communities. This retrospective evaluation will review the characteristics and extent of disasters over the past decade, the federal response to those disasters using the CDBG-Disaster vehicle, the program's implementation, and the uses and effectiveness of those resources relative to needs.

### **Competitive Program Evaluation Grants and Non-Competitive Research Partnership Grants--\$1.5 million**

HUD has executed competitive research grants from TI appropriations from fiscal years 2010-2013. These previous grants are supporting evaluations of local innovations. This existing work offers great promise and funding for additional competitive grants will support additional research of this type. Local researchers often are aware of interventions that HUD does not know about, and therefore would not contract to analyze. External experts may also have insights about how to analyze the effectiveness of a program in serving one or two purposes when its statutory authority is for multiple purposes, and this might lead to policy decisions to rely more heavily or not to rely at all on the program for those purposes. PD&R tentatively will give priority to applications that advance evidence-based research on the effectiveness of HOME Investment Partnerships, and the Community Development Block Grants (CDBG), but other HUD programs might also be fruitfully examined through this vehicle. These funds may also be used to support HUD's Research Partnership program. This program is already supporting a number of high value research projects,

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including studies on what happens to tenants that leave housing assistance, qualitative research to better understand housing choice voucher program landlords, and research on how housing assistance impacts children. The Research Partnership program supports external researchers proposing high value research consistent with HUD's mission that includes at least a 50 percent match of funds from an accepted outside funding source. The Research Partnerships program is described in greater detail in the Research and Technology Account.

### **Demonstrations**

TI-funded demonstrations provide greater value for taxpayers by testing the efficacy of program innovations in the field with real clients, along with strategies to document implementation and measure impacts. PD&R proposes to select from the priority demonstrations identified both in the Research Roadmap and through other discussions, which are summarized below. In addition to the allocation of TI resources for the evaluation component, some of the planned demonstrations need legislative authority to use program resources flexibly or relax program rules. HUD is providing suggested legislative language for this purpose. The following demonstration projects identify both the TI resources and the targeted program resources needed. HUD will notify Congress of any significant deviations from these priorities.

### **Homeownership/Finance**

#### **Demonstration of Section 203(k) Rehabilitation Financing for Investors--\$1 million**

Single-family rental properties (1-4 units) provide a substantial proportion of the nation's affordable rental units, but much of the stock is in serious need of health and safety improvements, energy retrofits, upgrades and renovation. FHA's Section 203(k) mortgage insurance program makes financing available for rehabilitation, or purchase and rehabilitation, of such properties. However, following program abuses during the 1990s, there is a need to test whether program enhancements and safeguards can function well enough to make program expansion beneficial.

#### **Pre-Purchase Counseling Demonstration--\$2 million**

HUD is working with three national lenders to conduct a random-assignment experiment to test the impacts of pre-purchase housing counseling for first-time homebuyers. Low application volumes for first-time homebuyers and difficulty recruiting lenders made it necessary for HUD to expand the number of study sites from 10 to 28, extend the enrollment phase from 9 to 20 months, and increase participant incentives. Unforeseen data security costs related to lender data systems also added costs to the study. The requested supplemental funding for fiscal year 2015 is for the 42-month follow-up survey (36 months after random assignment plus 6 months after counseling completion) and long-term impact analysis.

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**Small Multifamily Mortgage Insurance Demonstration--\$1 million**

During fiscal year 2014, HUD is implementing an initiative to facilitate the financing of small multifamily properties through FHA's Risk Sharing Program, authorized by section 542(b) of the Housing and Community Development Act of 1992. The initiative would allow qualifying applicants (housing finance agencies, community development financial institutions, and other mission-driven lenders) to enter into a 50 percent risk sharing arrangement with HUD to underwrite, originate, and service loans that: (1) are on properties of 5-49 units, or (2) do not exceed \$3,000,000. HUD's proposed guidance requires participants to maintain cost and other data to enable an evaluation of the initiative's success in increasing the flow of credit to small multifamily properties.

**Affordable Rental Housing**

**Rent Reform Demonstration--\$500,000 to \$1 million**

In 2012, HUD initiated a randomized controlled trial to rigorously test alternatives to the current HUD assisted rent structure among PHAs designated as Moving-To-Work (MTW) agencies. A modest level of supplemental funding in fiscal year 2015 (estimated at \$650,000) will extend the evaluation to include analysis of administrative cost savings resulting from different rent structures. To support the demonstration, this Budget provides legislative language that would provide flexibility for non-MTW PHAs to experiment with alternative rent structures.

**Leased Housing Tenant Payment Insurance Demonstration: Design Phase--up to \$500,000**

Much like mortgage insurance, a leased housing insurance program would cover a portion of a household's rent in the event of acute income shocks resulting from unemployment or health problems. To test the efficacy of this idea, this research would design a demonstration of a new shallow subsidy program of leased housing tenant payment insurance for low-income families and individuals who are leaving or have left federal housing assistance programs and moved to private affordable rental housing. Such a shallow subsidy would complement existing deep rental assistance programs by addressing externalities inherent in rental tenure and the programs. This design phase would provide a solid foundation for a demonstration that could be funded and begin in fiscal year 2016.

**Small Area Fair Market Rent (SAFMR) Demonstration--\$1 million**

Implementing SAFMRs in the Dallas, TX metropolitan area in 2011 provided preliminary evidence that setting Fair Market Rents on the basis of smaller geographic units might enable Housing Choice Voucher tenants to access higher quality units and neighborhoods at no additional cost to the government. The SAFMR Demonstration is investigating the ramifications for the HCV program of implementing SAFMRs on a national scale. The supplemental funding request for fiscal year 2015 will enable HUD to complete the evaluation phase of the demonstration being initiated with fiscal year 2014 funding.

#### **4. How do we know this program works?**

##### **Research, Evaluation, and Demonstrations**

The non-partisan Coalition for Evidence-Based Policy notes that “in most areas of social policy – such as education, poverty reduction, and crime prevention – government programs often are implemented with little regard to evidence, costing billions of dollars yet failing to address critical social problems. However, rigorous studies have identified a few highly effective program models and strategies.”<sup>9</sup> It is HUD’s duty to pursue the most effective strategies to meet the goals of its statutory authority with appropriated funds, and it can only do this with better evidence on which strategies work and which do not. For this reason, the National Research Council (NRC) recently recommended, foremost, that HUD’s independent research office, PD&R, should “regularly conduct rigorous evaluations of all of HUD’s major programs.” NRC also recommended that program set asides such as those requested through the TI Fund would be the best approach for funding this evaluation program. The NRC report, which reviewed HUD’s research process and history, was conducted at Congress’s request.

The NRC determined that PD&R research frequently reveals opportunities for savings to taxpayers, highlighting two such studies for the size of their impact. The largest savings came from a Quality Control study undertaken in the early 1990s to investigate substantial inaccuracies in setting rents for tenants in HUD’s assisted housing programs. NRC noted that the process implemented on the basis of this research reduced annual net rent errors by \$1.4 billion between 2000 and 2005;<sup>10</sup> the reduction in annual net errors was approaching \$1.8 billion by 2011.<sup>11</sup> The NRC also highlighted other PD&R research that provided timely warning of a costly weakness in an FHA program.

HUD expects to allocate \$15 million for research, evaluations and program demonstrations in fiscal year 2014, reflecting Congressional priorities, and \$35 million in fiscal year 2015. HUD allotted TI funds in the following amounts for fiscal years 2010-2013:

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<sup>9</sup> Coalition for Evidence-Based Policy. 2011. <http://coalition4evidence.org/wordpress/>

<sup>10</sup> National Research Council. “Rebuilding the Research Capacity at HUD,” 2008. Committee to Evaluate the Research Plan of the Department of Housing and Urban Development. Washington, DC: National Academies Press. [http://www.nap.edu/catalog.php?record\\_id=12468](http://www.nap.edu/catalog.php?record_id=12468). See page 6-14 for the analysis of net rent errors.

<sup>11</sup> PD&R. 2012. “Quality Control for Rental Assistance Subsidies Determinations: Executive Summary to the Draft Final Report for FY 2011.” [http://www.huduser.org/portal/qc\\_rental\\_asst\\_subsidies\\_2011/FY2011HUDQCExecutiveSummary.pdf](http://www.huduser.org/portal/qc_rental_asst_subsidies_2011/FY2011HUDQCExecutiveSummary.pdf)



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	Funds provided in FY 2010*	Funds provided in FY 2011*	Funds provided in FY 2012	Funds provided in FY 2013
			(in millions)	
Research & Evaluations	\$37.65	\$9.70	\$4.55	\$4.31
Program Demonstrations	\$29.81	\$6.00	\$7.25	\$6.87

\*The allotment figures for fiscal years 2010 and 2011 are after reprogramming of funds.

Highlights of TI-funded research, evaluations and demonstrations and the critical research questions they are addressing are as follows:

- Assessment of Native American, Alaska Native and Native Hawaiian Housing Needs. What is the current state of housing quality and affordability for Native Americans, Alaska Natives, and Native Hawaiians and how has Native American Housing Assistance and Self-Determination Act (NAHASDA) in 1996 addressed those needs? An interim report that uses a special tabulation of American Community Survey data provides the first information on housing needs. This report is supporting the negotiated rulemaking related to the Indian Housing Block Grant formula that began in August 2013. The report will soon be available at: <http://www.huduser.org>. A more in depth report on housing needs based on in-depth surveys of properties in Indian Country and interviews with housing providers are expected to be available in 2014. Additional information about the study is available at [http://www.huduser.org/portal/native\\_american\\_assessment/home.html](http://www.huduser.org/portal/native_american_assessment/home.html)
- Family Options Study. What is the most effective intervention for helping homeless families with children? Between September 2010 and January 2012, 2,307 homeless families across 12 sites enrolled into the study and were randomly assigned to one of four interventions: 1) project-based transitional housing; 2) community-based rapid re-housing; 3) housing choice voucher/public housing; or 4) usual care. An interim report showing which programs homeless families were able to successfully lease-up can be found here: [http://www.huduser.org/portal/family\\_options\\_study.html](http://www.huduser.org/portal/family_options_study.html). A report on 18-month outcomes is due in early 2015.
- Family Self-Sufficiency (FSS) Demonstration. Do FSS contracts, escrow accounts, and case management increase assisted tenant employment, earnings, or well-being? The demonstration, which builds on a prospective evaluation completed in 2011 ([http://www.huduser.org/portal/publications/affhsg/eval\\_fssp.html](http://www.huduser.org/portal/publications/affhsg/eval_fssp.html)), uses a random assignment model to find out whether FSS program features, rather than the characteristics of the participating families, cause tenant incomes to increase. An interim report on baseline characteristics of demonstration participants is due in 2014. The final report following families for 3 years is due in 2018.

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- Choice Neighborhoods. What happens to the residents, assisted developments, and surrounding neighborhood as result of the Choice Neighborhoods Demonstration? An interim report documenting baseline conditions at the five implementation sites is available at: [http://www.huduser.org/portal/publications/affhsg/eval\\_fssp.html](http://www.huduser.org/portal/publications/affhsg/eval_fssp.html). A second interim report providing an in-depth look at the implementation of revitalization strategies in the funded neighborhoods and assessing progress towards meeting program goals is due in 2014.
- Housing Choice Voucher (HCV) Program Administrative Fee Study. How much does it cost for a Public Housing Agency (PHA) to run an efficient HCV program? The goal of this research is support development of a funding formula for allocating administrative fees. As of October 2013, data had been collected from 29 of the planned 60 agencies. Data collection for the full sample is expected to be completed between April and June 2014.
- Pre-purchase Homeownership Counseling. Does pre-purchase homeownership counseling for higher risk borrowers lead to better borrower outcomes and reduced lender risk relative to no counseling? Prior research has suggested benefit but has been questioned for over 20 years by concerns that those choosing counseling may be different than those that not choosing to get counseling. During 2013, several major lenders agreed to participate in a referral strategy that would permit a true random assignment of households inquiring about home loans into those offered various forms of counseling versus those not offered counseling. An interim report on baseline characteristics of those randomly assigned is due in 2016.
- Rent Reform. Does an alternative to the current Brooke Rent result in more work and earnings, improved quality of life, and reduced HUD subsidy cost for Housing Choice Voucher tenants? The experiment will establish alternative rent structures, such as flat rents, ceiling rents, step rents, and possibly others. Four Moving-to-Work sites have agreed to participate in the demonstration. An interim report on baseline characteristics of those randomly assigned is due in 2014. The long-term impact findings are expected in 2016.

### **Technical Assistance and Capacity Building (TA)**

#### **2. What is this program?**

Technical assistance enables housing and community development grantees to be more effective stewards of HUD funding by equipping them with the knowledge, skills and tools to manage programs well. Through TI, HUD is striving to make its TA:

- Responsive to the needs of HUD's grantees and PHAs;
- A consistent and accurate source for information;
- Proactive and empowering, so that grantees "learn to fish;" and
- Focused on the end result, which is successful delivery of HUD's programs and services.

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TA is provided in a number of ways, including:

- Guidebooks and toolkits;
- Online courses;
- In-person training or online instructor-led training, “boot-camps” on a particular topic;
- Help desks and expert consultation;
- Peer-to-peer networking;
- Intensive, onsite TA.

When TA is delivered effectively, grantees and PHAs are better able to carry out HUD’s programs and are more financially and operationally stable in the long term. HUD has learned that in order for TA to be delivered effectively, it must be well-targeted both to the audience and to the problem. As such, HUD has shifted from making small investments in narrow, compliance-focused TA to comprehensive, results-oriented TA that addresses the root causes of financial and operational challenges

TA priorities can quickly change, which is why the Department’s approach to TA under TI has proven to be effective: it allows for the quick and flexible deployment of TA. This is especially critical in situations when a Public Housing Authority (PHA) is on the brink of receivership or is very troubled, in the case of natural disasters such as Hurricane Sandy, and when grantees or stakeholders respond in unanticipated ways to policy or regulatory changes. TI has allowed the Department flexibility to respond nimbly to TA needs.

Through TI, HUD awards funding to experts in the fields of housing and community development who also have experience delivering training and TA. These experts are then deployed to assist grantees, either through the development of informational resources, webinars, or online course or direct support to a grantee or group of grantees. In fiscal year 2013, the Department jointly awarded TI TA funds through a single Notice of Funds Availability (NOFA), for priorities including community development, preservation of affordable housing, supportive housing programs (Sections 202 and 811), and technical assistance for at-risk PHAs and distressed communities. The projects are jointly managed by Community Planning and Development (CPD), Public and Indian Housing (PIH), and Housing and is a significant step forward in cross-departmental TA coordination. In fiscal year 2014, the Department plans to expand the NOFA to include nearly all of its TA priorities.

### **3. Why is this program necessary and what will we get for the funds?**

TA funding is a “force multiplier” helping HUD’s program dollars go further by ensuring grantees, housing authorities, and stakeholders are equipped with the skills and resources to implement programs and policies effectively and steward federal funding efficiently and accountably. Complex federal programs and requirements, staff turnover at city agencies and PHAs, changing market

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conditions, and the sophistication required to understand financing for housing and community development projects necessitate ongoing technical assistance, training, and support for HUD grantees and PHAs.

HUD has shifted to a more proactive and behavioral-focused approach to assisting at-risk and troubled housing authorities – working to change the way a PHA is managed, and not just resolving audit findings, for example – with the goal of sustaining improvement. This approach is resource intensive in the short term, but cost-effective in the long term if fewer PHAs become troubled or are placed in receivership.

HUD is also increasingly providing online resources and training for its grantees and PHAs. A recent study<sup>12</sup> that compared online training with in-person training found that participants' satisfaction with training was higher when it was conducted in-person, but that participants' knowledge retention was slightly higher with the online training. Additionally, while the development of the online course was more expensive than development of the in-person training, the online course was much cheaper to deliver. This suggests that an up-front investment in developing online training will result in cost-savings over the long term.

In fiscal year 2015, HUD is building on the model of OneCPD to create a "OneHUD"-style technical assistance program for grantees, PHAs and other HUD customers and stakeholders. This approach allows HUD to deploy funds quickly to reach grantees sooner, and facilitates a comprehensive, cross-programmatic approach to TA. In fiscal year 2015, \$35 million of the total \$45 million requested would be used for the "OneHUD" TA, and would fund the following types of activities:

- TA to assist with effective implementation of HUD programs and grant funding, including but not limited to: public housing and Housing Choice Voucher (HCV); HOME and Community Development Block Grants (CDBG); homelessness assistance; preservation of affordable multifamily housing; recapitalization of multifamily housing (including the Rental Assistance Demonstration); Choice Neighborhoods; housing counseling, Housing for the Elderly (Section 202) and Housing for Persons with Disabilities (Section 811), rural programs, and Native American programs.<sup>13</sup>
- TA to inform grantees and PHAs about cross-cutting regulations, programs, and management tools. Examples include financial management; board governance; procurement; Section 3; physical and capital needs planning; fair housing; reporting and data analysis, including new OMB regulations (2CFR Part 200); energy efficiency and utility benchmarking; and leveraging private capital and mixed-financing approaches for affordable housing and community development projects.

Additionally, HUD requests \$10 million in TI TA funds to continue the National Resource Network (NRN), which provides TA to help distressed cities identify and execute key economic and community development priorities. In its first year, the NRN will leverage one

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<sup>12</sup> Olivet, J.S., Ough, M.M., Zenger, S.J., Herman, D.B., Greene, R.N., & Kenney, R.K. (2014). Online versus Face-to-Face Training in the Implementation of Critical Time Intervention: A Randomized Controlled Trial. Unpublished manuscript.

<sup>13</sup> The Office of Native American Programs receives a set-aside for technical assistance in its NAHASDA appropriation. Thus, TI funds are not typically required for TA to tribal grantees, but may be used to supplement the set-aside if necessary.

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dollar for every federal dollar invested in order to reach nearly 80 cities. HUD is requesting \$10 million in fiscal year 2015 TI TA funds to continue the work of the National Resource Network. It is expected that a \$10 million investment of federal funds would yield an additional \$5-10 million in leveraged funds.

Through its investments in TA, HUD is driving toward the following outcomes:

- Investments in affordable housing and community development projects are successful because of robust planning, underwriting and management. Cities and states are administering affordable housing and community development programs effectively and in compliance with applicable federal rules and regulations.
- PHAs are better positioned financially and operationally to serve families and residents by providing decent, safe housing and other support services. PHAs have a long-term strategic plan in place with specific actions to preserve public housing and provide reliable data to HUD on public housing capital needs.
- Multifamily housing that is at risk of losing affordability or viability due to obsolescence, capital needs or expiring use agreements is preserved and/or recapitalized.
- Distressed cities and counties are better able to develop strategies and execute on priorities that will improve their economic trajectory.

### **4. How do we know this program works?**

TA protects the billions of dollars that the federal government invests in communities by ensuring that grantees and intermediaries have the knowledge, skills, and ability to use funds effectively. HUD has a responsibility to ensure that its recipients of funding are well-equipped to use taxpayer resources wisely.

Through OneCPD TA, HUD has provided direct TA to 160 grantees, including:

- District of Columbia: As a result of training on underwriting provided through OneCPD TA, the District of Columbia's Department of Housing and Community Development was able to award \$187 million in 2013 to build or preserve nearly 3,200 units of affordable housing— an increase of five-fold from the prior year.
- New Orleans, LA: OneCPD TA helped the New Orleans Redevelopment Authority convert hundreds of vacant blighted properties to affordable housing. To date over 450 units of affordable housing have been created. The redevelopment authority now operates affordable housing programs that can continue to convert dozens of blighted properties into affordable housing each month.

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- Providence, Rhode Island: HUD had temporarily shut down the city's HOME program due to severe problems. OneCPD TA helped restart the city's HOME program by assisting the city with resolution of monitoring findings and ensuring full underwriting of approved HOME projects per new HOME regulations and the timely commitment of funds. Additionally, the TA provider:
  - evaluated active CDBG and Section 108 files for compliance issues and helped identify resolutions;
  - helped the city develop tracking systems for its projects and contracts and create a plan for managing loans, repayments, and program income;
  - assisted with the development of new policies and procedures for HOME and CDBG; and
  - facilitated an agreement for the city to share administrative and underwriting tasks and coordinate project funding with the Rhode Island State Division of Community Development for HOME projects.
- Puerto Rico: The Commonwealth of Puerto Rico was able to close projects totaling 72 rental units and \$1.1m in HOME funding. The TA helped the grantee resolve outstanding issues with IDIS in order to move ahead on the projects. Additionally, in San Juan, a private developer was prepared to default on projects that were 88 percent and 95 percent complete and consisted of 8 and 18 units of for-sale housing, respectively. TA assisted the city in transferring the properties to a Community Housing Development Organization (CHDO) with demonstrated capacity to complete the projects. The two projects accounted for \$1.8m in HOME funding from project year 2008.
- East Cleveland, OH: With a population decline of 34 percent from 2000 to 2010, the city's NSP program focused on demolitions to create targeted place-based market stability. Neighborhood Stabilization Program TA assisted the city in accomplishing 48 demolitions and restarting its "Reimagining East Cleveland" program to create for-sale marketability. Two for-sale houses are being reconstructed on the site of two fire-destroyed houses, with an emphasis on a design that fits well with the older historic dwellings. One house is completed, and was sold to a family with income below 50 percent of area median income.
- Cook County, IL: TA was needed to assist the County with significant monitoring and audit issues as well as timeliness in using its CDBG and HOME funds. Through OneCPD, a TA provider has been working with the County staff to:
  - Develop an effective and timely process/system for approving, processing and tracking project payments, program income, and reporting systems (including reconciliation of internal financial records with those in IDIS) using an appropriate combination of grant and finance staff;

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- Revamp the County's grant funding selection and award cycles, including mapping out a new grant year "life cycle" to address timeliness and backlog issues; and
- Develop a comprehensive and coherent set of policies, procedures and tools (e.g., forms, checklists, etc.), and a grants management tracking system.

The TA provider is also providing intensive, hands-on training to County staff on financial and grants management.

- Houston – TA resulted in the State allowing Houston to keep \$150 million in Disaster Recovery funding as a result of new Disaster Recovery Plan TA. More recently, TA to assist the city with its single family CHDO program has resulted in the sale of seven homes that had been on the market for over a year and the resolution of problems that were preventing six other homes from being sold.
- Los Angeles, CA – OneCPD TA assisted the city in using base maps and meaningful data on crime, education, affordable housing and the human services delivery system to present at Con Plan community meetings. Former Federal Reserve Chairman Ben Bernanke referenced the city's Consolidated Plan in a speech as an innovative approach in multi-faceted community based strategic planning.
- Gary, IN - A OneCPD TA provider assisted the city with the development of policies and procedures to prevent future HOME, CDBG and audit findings and designed tools to help the city improve underwriting, ensure projects are not over-subsidized, and verify that developers have capacity to perform the work proposed. A new consolidated plan for the city will incorporate more community input and will be more strategic – for example, the city's new HOME rehab program will prioritize projects in one target area. The TA also helped the city restructure its organizational chart so that the staff members who run a program will no longer also oversee compliance for that program.
- Somerville, MA -TA is helping the city establish timelines and milestones for project implementation, manage the ongoing compliance of all programs, and reestablish all systems including file retention, monitoring, closeout, and integration of the other federal requirements.
- State of Louisiana - As a result of TA, the State developed a Limited Loan Guaranty Program that induced private lenders to provide gap financing for 2,000 affordable housing units.

Through OneCPD, TA providers have also conducted 50 in-person trainings and a number of web trainings on CDBG, the e-Con Planning tool, HOME, Integrated Disbursement and Information System (IDIS) and Disaster Recovery Grant Reporting system (DRGR). CPD has also begun developing online courses and resources for many of its programs, so that training is more widely accessible. In 2013, HUD launched "CoC 2.0," a suite of online courses, videos, prezis, and other resources for Continuums of Care.

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CoC 2.0 transitions the content of a multi-day in-person training on HEARTH into a variety of online formats. The new online tools can be viewed at: <https://www.onecpd.info/coc/coc-2-0-training-materials/>.

PIH has delivered TA to a number of troubled housing authorities over the last year. Approximately \$10 million in fiscal years 2011-2013 funds have been invested to address management and operational challenges at PHAs, including San Francisco Housing Authority, St John the Baptist, Pontiac, East Hartford, and Buffalo. The technical assistance typically includes asset repositioning, financial systems training, board training, and program operations. Two specific examples of the type of TA delivered to troubled PHAs are below.

- Direct TA on PHA financial management: The Pontiac Housing Commission in Michigan has been severely troubled with systemic management and governance issues. A TA provider helped assess the PHA's financial and program deficiencies and addressed them by developing a financial management plan for each program (low-rent public housing and HCV), establishing procurement and contracting procedures, and delivering financial management training for staff and the board. These targeted resources will help the PHA build capacity and self-sufficiency to run more effective programs.
- Direct TA for PHA redevelopment: Technical assistance provided to St. John the Baptist Parish Housing Authority in Louisiana provided market analysis regarding redevelopment options for severely dilapidated projects. The Housing Authority is now pursuing the development and implementation of a redevelopment strategy that will result in better quality housing in more accessible locations throughout the parish.

HUD is utilizing the web platform developed through OneCPD to better track and manage HUD's TA, but also to expand online learning opportunities for PHAs and other HUD stakeholders, such as multifamily owners and managers. The PHA financial management and governance curriculum will use this web platform, allowing HUD to see which PHA staff and board members have taken the courses.

However, HUD still recognizes the utility of in-person training when feasible. For example, in 2012 and 2013, 300 multifamily owners participated in a series of nationwide trainings on preserving affordable multifamily housing, and pre/post surveys showed an average of 40 percent improvement in participants' knowledge of preservation strategies. Prior to attending the training, some owners were not aware that tools for preserving affordable units existed.



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**HUD TRANSFORMATION INITIATIVE FUND  
Summary of Resources by Program  
(Dollars in Thousands)**

<u>Budget Activity</u>	<u>2013 Budget Authority</u>	<u>2012 Carryover Into 2013</u>	<u>2013 Total Resources</u>	<u>2013 Obligations</u>	<u>2014 Budget Authority/ Request</u>	<u>2013 Carryover Into 2014</u>	<u>2014 Total Resources</u>	<u>2015 Request</u>
Combating Mortgage Fraud .....	...	\$1,414	\$1,414	\$1,414	...	...	...	...
Research, Evaluation Metrics, and Demonstrations .....	\$11,183	21,536	32,719	20,323	\$15,000	\$11,444	\$26,444	\$35,000
Technical Assistance ..	36,202	31,410	67,612	57,602	25,000	10,062	35,062	45,000
Information Technology	...	<u>83,440</u>	<u>83,440</u>	<u>82,259</u>	...	...	...	...
Total .....	47,385	137,800	185,185	161,598	40,000	21,506	61,506	80,000

NOTES:

- The fiscal year 2012 carryover into 2013 includes \$0.125 million of collections for Technical Assistance and \$12.052 million of actual recaptures for Information Technology.
- The fiscal year 2013 carryover into fiscal year 2014 excludes \$2.079 million which expired at the end of fiscal year 2013.
- All Information Technology investments are funded in the Information Technology Fund as of fiscal year 2014.

**HUD TRANSFORMATION INITIATIVE FUND  
Appropriations Language**

The fiscal year 2015 President's Budget includes proposed changes in the appropriation language listed and explained below. New Language is italicized and underlined, and language proposed for deletion is bracketed.

[For necessary expenses of research, evaluation, and program metrics activities; program demonstrations; and technical assistance and capacity building, \$40,000,000 to remain available until September 30, 2016: *Provided*, That prior to obligation of technical assistance and capacity building funding, the Secretary shall submit a plan, for approval, to the House and Senate Committees on Appropriations on how it will allocate funding for this activity:] *Of the amounts made available in this Act under each of the following headings under this title, the Secretary may transfer to, and merge with, this account up to 0.5 percent from each such account, and such transferred amounts shall be available until September 30, 2017, for (1) research, evaluation, and program metrics; (2) program demonstrations; and (3) technical assistance and capacity building: "Capacity Building", "Choice Neighborhoods Initiative", "Community Development Fund", "Fair Housing Activities", "Family Self-Sufficiency", "HOME Investment Partnerships Program", "Homeless Assistance Grants", "Housing Counseling Assistance", "Housing for Persons with Disabilities", "Housing for the Elderly", "Housing Opportunities for Persons with AIDS", "Lead Hazard Reduction", "Mutual Mortgage Insurance Program Account", "Native American Housing Block Grant", "Native Hawaiian Housing Block Grant", "Project-Based Rental Assistance", "Public Housing Capital Fund", "Public Housing Operating Fund", "Rental Assistance Demonstration", and "Tenant-Based Rental Assistance":* *Provided*, That any such amounts, or portion thereof, transferred to this account, may be transferred back to be merged with any such other account and to be available for the same purpose and same time period as provided under this Act: *Provided further*, That with respect to amounts made available under this heading for research, evaluation and program metrics or program demonstrations, notwithstanding section 204 of this title, the Secretary may enter into cooperative agreements funded with philanthropic entities, other Federal agencies, or State or local governments and their agencies for such projects: *Provided further*, That with respect to the previous proviso, such partners to the cooperative agreements must contribute at least a 50 percent match toward the cost of the project.