

SEPTEMBER 30, 1997



STRATEGIC PLAN  
FY 1998 - 2003



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## INTRODUCTION

### The Need for Change

Since HUD was created in 1965, economic and social conditions in the United States have changed dramatically. Urban areas throughout the Nation have deteriorated. Many communities suffer from an aging infrastructure, loss of businesses, increasing violence, and dilapidated housing. Yet, in many ways, the Department has not kept pace with that change. As these problems have grown, the value of the Federal dollar has decreased through inflation, without an increase in Federal funding for urban programs. The Department has been beset with numerous problems: its programs tainted with fraud, waste and abuse; and its management plagued with chronic problems over the years. The Department has set a dual course of action to improve its management and to focus the Department on its mission.

To improve its management, HUD's Management Reform Plan focuses on getting HUD's house in order, on managing its programs and people more efficiently and responsibly - a fundamental management overhaul. The Plan represents a combination of significant organizational changes, as well as proposed legislative reforms. These reforms are designed to help communities thrive - getting HUD's resources out of Washington and into communities. These reforms are based on a new policy designed to empower people, giving them the tools they need to succeed, to help communities move from an industrial to an information economy. It is a dramatic shift in HUD's approach to its mission.

To help the Department focus on its mission, HUD's Strategic Plan contains the goals and objectives, performance measures and indicators, and timetables for tracking program priorities and accomplishments - all within the context of a sound management structure and reasonable stewardship over billions of taxpayer dollars. Meeting our strategic goals and objectives, as measured by our performance indicators, will continue to ensure better housing opportunities and better communities for all Americans.

*Both Plans say "enough is enough", that there is a high degree of urgency in putting HUD's house in order and creating zero tolerance for waste, fraud and abuse. Both Plans propose to change the perception of HUD by changing the reality - by making HUD work well as it carries out its mission - to be a value-added player, helping America's communities.*

HUD's Legislative Proposals for 1997 support both its management reforms and its strategic objectives. This Strategic Plan covers the period FY 1998 through FY 2003. Measures listed in Appendix I, unless otherwise noted, are for FY 1998.

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## Revitalizing HUD's Mission

In 1949, Congress defined the agency's mission simply as:

**"to create a decent home and suitable  
living environment for every American family."**

The Department of Housing and Urban Development Act (Public Law 89-174), which established HUD as a department, expanded that role to:

**provide assistance for housing and for the development of the Nation's communities; ... to encourage the solution of problems of housing, urban development and mass transportation through State, county, town, village, or other local and private action, . . . to encourage the maximum contributions that may be made by vigorous private homebuilding and mortgage lending industries to housing, urban development and the national economy; and to provide for full and appropriate consideration, at the national level, of the needs and interests of the Nation's communities and of the people who live and work in them."**

The Department's mission was further amended in the Housing Act of 1974 to include:

**" the development of viable urban communities, by providing decent housing and suitable living environment and expanding economic opportunities, particularly for persons of low- and moderate income."**

While HUD's goals follow Congressional intent -- fighting for fair housing, increasing opportunities for affordable housing, especially for the Nation's poor and disadvantaged, reducing and preventing homelessness, and promoting jobs and economic development to help individuals achieve self-sufficiency -- HUD's approach to its mission must be updated and renewed. The Department must become an ally of communities, not a bureaucratic adversary; a creator of opportunities for Americans, not an obstacle for them to overcome.

At the same time, with scarce Federal resources, HUD must focus its energy and ingenuity on programs that address America's housing and community development needs by maximizing partnerships with businesses, non-profits, and local Governments and targeting Federal resources to those most in need.

## FOREWORD

The Department of Housing and Urban Development (HUD) has a record of accomplishment that spans more than 30 years and seven Presidents. Thousands of communities and tens of millions of Americans have benefited from HUD's community development and housing programs.

- HUD has helped create the National Homeownership Strategy, a group of housing industry and Government representatives. By increasing the number of local homeownership partnerships working in support of this effort, we hope to achieve the highest level of homeownership in the Nation's history.
- The "continuum of care" - our response to homelessness - has been established in cities across the country.
- HUD's comprehensive planning approach, known as the Consolidated Planning Process, enables cities to apply more extensive solutions to a myriad of urban problems by sharing information and best practices.
- Through HUD's leadership, blighted public housing high-rise projects are being demolished and replaced by small-scale, economically integrated buildings.
- A crackdown by HUD on gangs and violence in public and assisted housing throughout the Nation has resulted in thousands of arrests and confiscation of weapons.
- HUD is cracking down on landlords who run troubled HUD-assisted properties. Our efforts include punishment and removal as well as proposing legislation to prevent irresponsible landlords from using bankruptcy laws as a refuge from enforcement actions.
- The Operation Safe Home Program has been broadened to include both violent crime and white collar fraud to improve the standard of living in public and assisted housing.
- HUD's job creation programs have generated an unprecedented number of permanent and temporary jobs in distressed areas in the past four years.
- Over four million very low income families and individuals live in standard housing at rents they can afford and thousands of affordable housing units are produced each year.

HUD has made a difference in the quality of life for many Americans. A large majority of its state and local partners have carried out their work serving the public diligently and honestly. However, in the past 20 years, lack of vigilance has resulted in a number of scandals which has tainted the entire Department. A recent General Accounting Office (GAO) report indicated that the significant changes and management initiatives in the past four years have had a positive effect. However, the report said that "[HUD] efforts are far from reaching fruition, and HUD's programs continue to pose a high risk to the Government in terms of their vulnerability to waste, fraud, abuse and mismanagement." It is time for HUD to bring our management reforms to closure so that HUD can put its house in order for the coming century.

HUD's Management Reform Plan and its Strategic Plan outlined in this document will guide HUD through its transition into the next century.



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Thus, HUD's mission as we approach the new century must become to:

**Empower communities and their residents, particularly the poor and disadvantaged, so that, together with HUD, they can develop viable urban communities, provide decent housing and suitable living environment for all citizens, without discrimination, in order to improve themselves, both as individuals and as a community, to succeed in today's time of transition.**

In addition, Secretary Andrew Cuomo has made it his personal mission to restore the public trust by achieving and demonstrating competence. This "mission" permeates the Department and is an integral part of each and every objective in the Strategic Plan.

### **HUD's Mission - Empowering People and Communities**

The empowerment mission is a dramatic shift for the Department. Rather than issuing directives and over-regulating communities, HUD will provide them with the tools to implement their own, home-grown revitalization strategies. HUD can assist local officials, community leaders, businesses, and citizens to address their needs and ensure conditions under which all families can flourish. HUD is uniquely qualified with its vast resources -- mortgage insurance, rental housing assistance, community and economic development tools -- to partner with local governments, businesses and organizations to build stronger communities. Empowerment is the right role for the Federal Government, a role that says *"Washington can help communities thrive, but the decisions and power must be closest to the people."*

No one city works like the rest, no one solution will work for all of them. And, the challenges facing America's communities are not limited to certain geographic regions or cities. Cities and suburbs -- especially older suburbs -- must tackle many of the same issues.

The broad national economic resurgence has had benefits for both cities and suburbs, and economic growth and social health in cities bring greater strength to both their surrounding suburbs and to the entire national economy. HUD must help to ensure that revitalization and economic opportunity reach those who have been too long in the shadows.

As much as America has changed since World War II, our cities and their suburbs remain home to almost 80 percent of the American people and contain more than 80 percent of America's jobs. Their economies and residents are the engine that drives the National economy.

### **The Secretary's Personal Mission - Restoring the Public Trust**

While most of America's major institutions have changed dramatically in the past few decades, Government has often resisted reform. That is wrong. Government must change --

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and change dramatically -- if it is to remain relevant. HUD itself has been plagued for years by scandal and mismanagement. It is the only Federal agency cited by the General Accounting Office as being at "high risk" for waste, fraud and abuse.

These views are damaging to the Department's ability to fulfill its vital goals. When over four million people cannot afford decent housing and hundreds of thousands go homeless, we cannot afford to waste even one dollar on inefficiency. Former HUD Secretary Henry Cisneros began the task of overhauling the Department in 1994. Working with Congress, some broad changes in policies and programs, notably public housing, have begun. Secretary Cuomo has proposed a sweeping reorganization plan designed to reinvent the systems and the values that have undermined HUD's capability -- and credibility -- for so long.

HUD's Management Reform Plan outlines the essential steps HUD will take to improve its management. These include:

- Consolidating programs and reorganizing and retraining staff to align the Department's resources with its long-term mission.
- Developing and implementing stringent internal controls.
- Integrating financial and information management systems Department-wide and,
- Increasing program monitoring and improving data on program outputs to increase capacity to carry out "management by results."

### Management Reforms

The Department's management reforms are designed to ensure that tax dollars are used properly and effectively, that programs accomplish what they promise, and that HUD will truly do more with less and do it better than ever. These reforms are keyed to work in tandem with HUD's strategic plan and legislative initiatives. Further, they will improve HUD's delivery of programs and services to its customers so that performance measures can demonstrate how well these programs meet their stated objectives.

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|-----------|--|
| REFORM #1 | Reorganize by function rather than program "cylinders". Where needed, consolidate and privatize.       |
| REFORM #2 | Modernize and integrate HUD's financial management systems with an efficient, state-of-the-art system. |
| REFORM #3 | Create an Enforcement Authority.   |

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- REFORM #4**      Refocus and retrain HUD's workforce to carry out our revitalized mission.
- REFORM #5**      Establish new performance-based systems for HUD programs, operations and employees.
- REFORM #6**      Replace HUD's top-down bureaucracy with a new customer-friendly structure.

While these reforms reflect sweeping changes throughout the Department, each Program Office (HUD's business lines) will also undergo specific legislative, programmatic, organizational and management changes geared to their programs and operations.

HUD's Strategic Plan builds on the foundation of sweeping management reforms and legislative proposals. Throughout the fabric of HUD's Strategic Plan are management reforms, legislative changes and strategic objectives which must be met in order for HUD to be a significant, value-added player in the new century.

### **Legislative Proposals**

To create a new HUD, we will need the full range of approaches set out in this Strategic Plan and the Management Reform Plan. The success of these efforts is dependent on the success of the whole. The third leg of HUD's commitment is its **Legislative Proposals**. HUD's legislative proposals include: the Public Housing Management Reform Act of 1997; Housing 2020: Multifamily Management Reform Act of 1997; and the Homelessness Assistance and Management Reform Act of 1997. Highlights of these proposals include:

- Privatizing HOPE VI construction management and development process, as appropriate.
- Consolidating six Homeless Assistance Programs.
- Merging Section 8 Certificate and Voucher Programs.
- Reforming FHA Single Family Property Disposition.
- Extending FHA note sales authority permanently.
- Strengthening FHA's enforcement authority to minimize fraud and abuse and to pursue negligent owners.
- Converting competitive grant programs into performance-based formula grants.

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- **Deregulating smaller Public Housing Authorities (PHAs) by mandating fewer reporting requirements.**
  - **Creating an advisory Public Housing Authority Performance Evaluation Board to recommend improvements in HUD's evaluation of PHAs.**
  - **Mandating a judicial receivership for all large PHAs on the troubled list for more than one year.**
  - **Reducing excessive rent subsidies on assisted housing to market levels.**

HUD is adopting a business-like structure to achieve a public purpose. It defines a clear mission divided into identifiable functions for each separate business line. It centralizes some operations for economies of scale while decentralizing other operations to improve service delivery and innovation. It uses technology to improve efficiency - both in front-line service delivery and in the creation of back-office processing centers. It puts a new stress on enforcement and economic development, while making information on HUD's resources more widely available through computers. And it implements a broad set of performance measures to best target resources to communities in need.

### **Strategic Objectives**

HUD's credibility and competence will be viewed in terms of how successfully we accomplish our mission. Key indicators are presented in this Strategic Plan which will create a total picture of how well HUD is delivering its programs and accounting for every single dollar entrusted to us by millions of taxpayers.

As we move towards the next millennium, our strategic objectives reflect our core business functions:

- **Empower communities to meet local needs.**
- **Help communities and States establish a full continuum of housing and services designed to assist homeless individuals and families in achieving permanent housing and self-sufficiency.**
- **Increase availability of affordable housing in standard condition to families and individuals, particularly the Nation's poor and disadvantaged.**
- **Reduce the isolation of low-income groups within a community or geographical area.**

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- Provide empowerment and self-sufficiency opportunities for low-income individuals and families, particularly the Nation's poor and disadvantaged.
  - Increase homeownership opportunities, especially in Central Cities, through a variety of tools, such as expanding access to mortgage credit.
  - Promote equal housing opportunities for those protected by law.

### Organization of the Strategic Plan

The first section of this plan summarizes the Strategic Performance System and resulting process developed in FY 1994. It also details consultation with Congress and other stakeholders.

The next seven sections are divided by each objective. Each of these sections includes the following:

- Introduction summarizing each objective;
- Strategies to achieve the goals and objectives;<sup>1</sup>
- Program Evaluation as it relates to the Strategic Objective (see also section on program evaluation below);
- Linkage to *HUD 2020: Management Reform Plan* which provides a cross-reference to the applicable section of that document;
- How annual performance goals support the achievement of the objective (See also Appendix I); and
- Key external factors which may affect the achievement of the goals.

The final two sections address the following:

- Customer service activities.
- Partnership activities, generally. Specific instances of interagency coordination are also addressed under specific objectives.

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<sup>1</sup> This Strategic Plan lists strategies by Program. In the Annual Performance Plan, performance measures will be listed by Program and Financing (P&F). The Office of Policy Development & Research and the program areas are working to ensure data integrity, baseline development and other measurement issues. The technology needs will result from this. Appendix I will be used as the basis for the Annual Performance Plan.

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## Program Evaluation

The Department has an on-going program of program evaluation, the results of which have informed the development of this strategic plan. Within the Department, the individuals both in program offices and in the Office of Policy Development and Research (PD&R) who have carried out the key evaluations have contributed to the strategic plan, such that the findings of evaluative research are reflected in the plan.

There is a discussion of recent evaluation studies in support of each of the seven strategic objectives, which illustrates the role of the evaluation program in the development of the strategic plan.

### Role of Evaluations in Assessing Progress with Regard to the Annual Performance Plan

The Department anticipates conducting evaluations related to performance in much the same way as it has selected evaluation projects in the past. That is, the Office of Policy Development and Research, in consultation with HUD's leaders and program offices, will select the most important projects that can be funded from each year's appropriation. We expect that as we refine performance measures and interpret the results, the process will suggest specific topics that need to be addressed.

Currently, we have underway or plan to begin soon, a number of studies related to performance measurement. For example, it is likely that we will begin in FY 1998 a survey of the quality of public housing, a study of the extent of housing discrimination, and a new round in the evaluation of HOPE VI, but decisions on these and other projects are not yet final. Specific future evaluations related to performance measurement will be selected from a similar process within the Department because the consensus within the Department is that these evaluations are one of the best uses of limited resources.

### Addressing HUD's Financial Management Issues

#### ■ Integrated Financial Management System

The implementation of an integrated financial management system is a key component of HUD's Management Reform Plan. It provides management with the timely, accurate and reliable information necessary to manage HUD's programs. One of HUD's major deficiencies - and a shortfall of a Department organized by program rather than function - is its financial management systems. Currently every program cylinder operates its own financial management systems to support its business requirements. Compounding this redundancy, many of the systems cannot talk with each other.

To implement this reform, the Department established the Financial Systems Integration Team under the leadership of the Deputy Secretary. Team membership includes

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representatives from all program offices, as well as from the Offices of the Inspector General, the Chief Financial Officer (CFO), Information Technology, Administration, Policy Development and Research, and General Counsel. In addition, the team includes representatives from the Department of the Treasury's Center for Applied Financial Management.

The objective of the Financial Systems Integration Plan is to implement an integrated financial management system, consisting of both financial and mixed systems, that provides the information necessary to carry out the financial and programmatic mission of the Department. HUD's vision and conceptual design for its integrated financial management system is:

HUD's integrated financial management systems provide HUD management and customers with a common, single view of HUD's financial and programmatic operations. The components of the integrated financial management system include:

- **Core Financial System** which conforms with the requirements included in the Core Financial System Requirements document issued by the Joint Financial Management Improvement Program (JFMIP). The Core System can be one or more systems which provide the required general ledger, funds control and other financial functionality necessary to support financial management. It will enable the Department to maintain a high level of internal controls through integration with program systems and effective audit trails.
- **Program Systems** which support the requirements necessary to manage and operate HUD's programs. This includes grant management systems, subsidy systems, mortgage insurance systems, loan systems, mortgage securities systems, administrative systems, etc. Program Systems will be integrated with the Core Financial System to record financial events in a timely and accurate manner.
- **Data Warehouses** will be used to consolidate and standardize data from multiple systems to enable the Department to produce timely, accurate, and reliable information to the Department and its customers.
- **Management Information Systems** will be used to access HUD's data and produce information necessary to manage HUD's programs. Information will be displayed in a format appropriate to support the requestor's needs. Information could be displayed in a graphic format, in a map, in spreadsheets, etc. The Management Information System will enable the user to summarize information, as well as providing the capability to "drill down" to more detailed information.

In order for the information generated by the integrated financial management system to be timely, accurate, and consistent, the Department must ensure that the data in its systems is correct. HUD will undertake a project to clean-up existing data and develop appropriate

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internal controls to ensure that the data remains clean. HUD will also standardize its data architecture to facilitate data integration and information retrieval. As a result of integration, data will be entered one time, at the source of the initial activity. Data will then flow to other systems in accordance with HUD's business rules.

A key component of HUD's integrated financial management system plan is the requirement that all of these systems will be compliant with OMB Circular A-127 and reported as conforming under the Federal Managers' Financial Integrity Act (FMFIA). In addition, these systems will be compliant with Year 2000 requirements. Plans are being developed to either renovate or replace existing systems to make them Year 2000 compliant.

### ■ Audited Financial Statements

HUD's Federal Financial Management Status Report and Five Year Plan submitted last year included two goals relating to the FY 1996 audit, as follows: (1) address the issues which precluded the Department from receiving an audit opinion on its consolidated financial statements for the prior 5 years, and (2) submit the Accountability Report to OMB by March 31, 1997, a full 5 months earlier than the prior year.

#### Addressing Disclaimer Issues

For the FY 1996 consolidated audit, the Department was successful in addressing issues which precluded the auditors from rendering an opinion on prior year financial statements. Based on a statistical sample of Section 8 and Public Housing households, the Department was able to estimate the amount of subsidy overpayments under these two programs. This process was a concerted Departmental effort and removed this issue as a disclaimer item from the auditor's report.

In addition, the Department was able to fully reconcile its fund balance with Treasury (0164 appropriation) as of September 30, 1996, and was able to remove this as a disclaimer issue. Failure to fully reconcile this account was another disclaimer issue in the FY 1995 auditors report (this was the only year in which this issue existed). The Department was unable to effectively address the other disclaimer issue relating to complying with the credit reform accounting requirements as stated in Statement of Federal Financial Accounting Standards No. 2, Accounting for Direct Loans and Loan Guarantees.

As a result of the above efforts, the auditors rendered a qualified opinion on the FY 1996 consolidated financial statements. The two areas of qualification were lack of compliance with credit reform accounting, and an inability to apply sufficient audit procedures with regard to the estimate of subsidy overpayments. Plans to address these issues for the FY 1997 audit are discussed in greater detail below.



### Accelerating Delivery of Accountability Report to OMB

The Department was also successful in significantly accelerating the submission of the Accountability Report to OMB. The FY 1996 report was provided to OMB on April 15, 1997, a full 5 months earlier than the prior year.

### Fiscal 1997 Goals

The Department has two goals relating to its FY 1997 financial statements: (1) make progress in addressing the qualification issues discussed in the auditors FY 1996 report, and (2) deliver the FY 1997 Accountability Report to OMB by March 1, 1998.

### Addressing Qualification Issues

As discussed above, the two audit opinion qualification issues relating to the Department's FY 1996 financial statements, and planned action to address these issues, are as follows:

Auditor uncertainties regarding the estimate of the amount of subsidy overpayments in the Department's Section 8 and Public Housing programs.

The auditors identified the following three sub-issues:

1. The FY 1996 estimate of subsidy overpayments did not include a matching of tenants supplemental security income (SSI) with the Social Security Administration database.

Planned Action: SSI income will be included in the statistical sampling income matching project covering the FY 1997 consolidated financial statements.

2. The FY 1996 estimate only addressed instances where tenant income differed by \$1,000 or more from that per the matched databases.

Planned Action: The Department maintains that the \$1,000 threshold is too small a difference to investigate, and will result in significant additional time to complete the matching process with little increase in accuracy. However, the FY 1997 statistical sampling income matching project will use a matching difference threshold of \$1,000.

3. The databases from which the sample of households were selected for income matching only included 76 percent of all assisted households. Accordingly, the sample results could not be extrapolated to the entire population of assisted households.

Planned Action: An additional 200,000 households were added to the databases during the current fiscal year (the percentage of total households now included in the databases should be above 80%). We do not believe that at this late date, we can more fully populate the databases to increase the current percentage by a significant amount. However, we will be discussing with the Office of the Inspector General the percentage of the population which needs to be included in the databases to fully address this issue. After this discussion we will be in a better position to determine what efforts, if any, can be undertaken to address this issue for the FY 1997 audit.

Complying with credit reform accounting. The Federal Housing Administration has developed a preliminary plan to provide the information required by SFFAS No. 2 for the FY 1997 consolidated financial statements, based on estimated information. KPMG, FHA's auditors, will be asked to audit this information. This plan is in the process of being finalized.

#### Accelerating Delivery of the FY 1997 Accountability Report to OMB

As stated above, the prior year report was delivered to OMB by April 15, 1997. We have developed a workplan to deliver the FY 1997 Accountability report to OMB by March 1, 1998.

#### ■ Material Internal Control Weaknesses

The Department continues to do a good job of both identifying significant management deficiencies and correcting material weaknesses. Four new material weaknesses were declared at the close of FY 1996, and one of these material weaknesses has already been corrected. At the end of FY 1996, there were no significant differences between material weaknesses identified by the FY 1996 financial statement audit process and the FMFIA process.

#### ■ Quality Assurance Plans

In previous years, certification from responsible staff was our main means of assuring quality of performance measure data. We are strengthening quality assurance by requiring that the program offices develop comprehensive quality assurance plans subject to CFO review and approval. A requirement that quality assurance be applied to performance measures has been added to the Secretary's Performance Report and quality assurance will be a permanent part of the development and verification of performance measure data.

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## STRATEGIC PERFORMANCE SYSTEM/PROCESS AND CONSULTATION PROCESS

### **The Strategic Performance System**

As part of the "reinventing HUD" process, a Strategic Performance System (SPS) was developed. The SPS is not static, but rather a set of interrelated activities that provide continuous direction to the Department. Comprehensive management planning is inherent in the SPS and relies on four key functions: development of management plans, development of management control plans, oversight by the Management Committee, and performance reporting. These four functions became fully operational in October of 1994. The SPS is built upon commitments made by the Department and the Administration in Presidential Performance Agreements and Community Empowerment Principles.

The SPS was critical to the Deputy Secretary's decision to require more formal monitoring mechanisms be in place for program implementation and systems development. It has also been used in the training of both Headquarters and Field Office personnel involved in developing management plans and management control plans.

The objectives of the SPS are:

- accelerating the development of useful measures;
- ensuring performance measurement is effectively incorporated into the Department's budget process, program management and information systems; and
- developing quantifiable measures of performance for each major program and a process for setting benchmarks for program recipients.

### **Strategic Planning Process**

After the passage of the Government Performance and Results Act in August 1993, the Department started the process of identifying strategic objectives and performance measures. The Secretary sets the priorities for the Department at the beginning of his term and then reaffirms those priorities in August for each fiscal year. Each Assistant Secretary and equivalent then develops management plans and, if appropriate, management control plans, to accomplish the Secretary's priorities. These plans contain the goals and objectives, performance measures and indicators, and timetables for task completion.

This process has resulted in greater management accountability and helps to ensure that the resources needed to accomplish goals are obtained. Since implementation of this process in FY 1994, the Department has accomplished 80 percent of its goals.

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## Consultation

### ■ Congressional Consultation

An initial meeting was held with representatives of various House Committees on April 11, 1997. Coordinated through Joseph Ventrone of the House Committee on Banking, this approach enabled HUD to meet with all of the committees at one time and enabled the committees to jointly express their concerns. At that meeting, HUD discussed the strategic planning process which has been evolving since January 1994. The application of Lotus Notes software, which produces the Secretary's Performance Report, and the OMB Spring Review process were discussed at length.

On July 11, 1997, the draft Strategic Plan was delivered to the Congress and GAO for review and comment. On August 4, representatives from GAO and HUD met to discuss GAO's draft findings. On August 7, HUD met with staff from both the Senate and House to discuss GAO's findings and the final "score" given to HUD by the House staff.

The following is a summary of comments from GAO and the Hill and HUD's response to each one.

#### GAO Recommendations implemented as suggested

**Comment:** *The plan is missing one of the required components - a description of how program evaluations were used in establishing the strategic objectives, as well as a future evaluation schedule.*

**Response:** We agree. The language as to utilization is included in the revised final plan. However, evaluation schedules are determined on an annual, not a multi-year, basis.

**Comment:** *... does not cover the timeframes specified by the Results Act.*

**Response:** The revised final Strategic Plan utilizes FY 1998 as the "groundwork" - management reforms, program restructuring and baseline development.

**Comment:** *The first strategic objective - to empower communities to meet local needs - does not clearly describe how HUD can empower communities, what local needs HUD can help communities meet through its array of core programs or how the results will be measured.*

**Response:** An in-depth discussion of Consolidated Planning Process is included in the revised final plan.

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**Comment:** *(Regarding the Public Housing survey ("PHMAP")) However, the discussion under this same objective indicates HUD intends to replace that program with a better assessment method.*

**Meeting:** Language in strategic plan has been changed. PHMAP is being improved and new data needs being addressed, but it is not being replaced.

GAO Recommendations implemented, but differently from original suggestion

**Comment:** *HUD's two mission statements do not define the basic purpose of the agency or focus on the core programs and are not fully supported by the strategic objectives.*

**Note:** *GAO clarified their comments stating that if HUD continues to have as a mission the restoration of public trust, there needs to be an objective or, alternatively, a further clarification of the activities under the Management Reform Plan that impact on the objectives as currently listed. The primary mission does not reflect the objectives. GAO said that the "acid test" is if the mission statement were by itself, would a reader know what agency it belonged to.*

*The House staff, however, went further and stated that HUD needed to reflect the language in the authorizing legislation.*

**Response:** Since there are actually three pieces of legislation that impact on our mission, we have integrated those into the revised final plan.

**Comments:** Having the Key External Factors as a separate section did not allow for clear linkage to the strategic objectives.

**Response:** HUD has reservations about repetitive language that makes the plan unnecessarily long. Cross-referencing is used in the revised final plan to avoid repetition.

GAO Recommendations which need to be implemented as the document evolves

**Comments:** Section entitled *HUD's Strategic Plan* does not yet indicate significant interagency coordination

**Response:** Interagency activities are ongoing - and will continue to evolve during the coming months. It is difficult to accomplish during the time frame while agencies are focused on budget and individual Strategic Plans.

- HHS, Labor, Transportation and HUD will meet during the first quarter of FY 1998. An initial meeting was held August 4.
- Discussions ongoing with Justice and EPA

Consultation between HUD and other agencies has been ongoing throughout the planning process. The draft Strategic Plan was made available on HUD's Home Page on July 14. A total of 3,761 hits were recorded on the Strategic Plan between July 14 and July 31. Comments have been received as a result of review by other agencies and their comments are reflected in the final Strategic Plan. The final plan will also be available on HUD's Home Page.

**Comment:** ... (1) the draft strategic plan has not yet been developed sufficiently to identify all of the data needed and (2) HUD has had and continues to have significant problems with its financial and management information systems ...

**Response:** HUD required program quality assurance plans of each program as of FY 1998. These plans will be discussed in detail in the Annual Performance Plan, which also identifies the data sources. However, the issue of data integrity and quality assurance must remain a key issue as the document evolves over the coming years. It cannot be a one time exercise - but rather an integral part of the annual planning process.

**Comment:** ... the discussions of HUD's strategies to achieve its objectives and relationship of performance goals to the strategic objectives do not fully reflect the requirements of the Results Act.

**Response:** HUD acknowledges that it needs to improve linkage between goals, resources and strategic objectives. HUD is working with OMB on the best way to do this. The Program and Financing schedules will be linked to the Annual Performance Plan measures, as recommended in the OMB guidance on A-11 (Part II). Most of the Management Reform activities which impact program administration will take place in FY 1998. These actions have been listed at the end of Appendix I. The relationship of these measures and annual performance goals to the strategic objectives is discussed in the Strategic Plan.

#### ■ Stakeholder Consultation by Programs

Housing requested comments on the Plan from major trade groups with whom it routinely deals such as the National Association of Homebuilders, the Mortgage Bankers Association and the National Association of Realtors. In addition, Housing shared the Plan

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with various working groups with whom it has forged a working relationship over the past few years. (See the Housing section under Partnerships for a description of the working groups.)

Although comments were requested from various groups, no substantive comments have been received to date.

**Public and Indian Housing (PIH)** requested comments on the draft Strategic Plan from:

- Public Housing Authorities
- State, city and local Government agencies
- Public, assisted housing, and Native American industry and interest groups

PIH acknowledges the comments received on the plan from the Council of Large Public Housing Authorities (CLPHA) and the Public Housing Authorities Directors Association (PHADA).

In summary, CLPHA expressed concern that the plan did not address how to prevent marginal PHAs from becoming troubled. HUD is addressing the marginal PHAs in the HUD 2020 Management Reform plan. The new Troubled Agency Recovery Centers (TARCs) will devote their resources to the those PHAs designated as troubled, this will allow the PIH Field Office staff to focus on working with these marginal PHAs. CLPHA also recommended that more specific objectives should be developed linking community revitalization efforts, under Strategic Objective 4, with the Department's public housing revitalization strategies. PIH concurs with this recommendation and will work with CPD and Housing to address this recommendation.

PHADA expressed concern that the Strategic Plan does not adequately address HUD's limitations, especially at the same time that the HUD 2020 Management Reform Plan is being implemented. The Department's HUD 2020 Management Plan and this Strategic Plan build on the foundation of programmatic, legislative and organizational changes which will vastly improve program delivery to the PHAs.

Both CLPHA and PHADA commented that ongoing working groups are needed in the consultation process in the development of the Strategic Plan. PIH concurs with this observation and will facilitate partnerships with the stakeholder in the ongoing implementation of the Strategic Plan.

**Community Planning and Development (CPD)** requested comments on the draft Strategic Plan from:

- State, city and local Government agencies

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- **Community Interest Groups**

Although comments were requested from various groups, no substantive comments have been received to date.

**Fair Housing and Equal Opportunity (FHEO)** requested comments on the draft Strategic Plan from:

- Fair Housing Organizations
- Financial Institutions involved in real estate financing
- State, city and local Government agencies
- Housing industry groups
- Civil rights groups

Although comments were requested from various groups, no substantive comments have been received to date.

- **Department-wide Consultation Efforts**

In addition to all the above efforts, the Department requested comments from the general public through the World Wide Web (the "Web") Home Page. This also allowed for review and comment by HUD employees, both at Headquarters and in the Field Offices.

Comments were received not only from individuals, but also from other US agencies and the governments of Canada and the United Kingdom. Some of the comments paralleled those of GAO, especially the need for explaining the relationship between the performance measures and the strategic objectives. Both the Canadian and UK governments were positive in their review, although both questioned how we would validate our data. It is, apparently, an issue with which they, too, are struggling.

HHS, as a Federal agency, has provided the most in-depth comments and we will be working with them to coordinate our efforts as we move forward in the strategic planning process. Their comments are reflected under Strategic Objectives 2, 4 and 5.

Individual comments vary from substantive to editorial but, in general, were minor. The most detailed comments did not come from outside HUD, but rather, from HUD employees with many years experience. Their historical perspective and suggestions for text changes have been included, where appropriate.



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## **STRATEGIC OBJECTIVE #1**

**Empower communities to meet local needs.**

### **Introduction**

Our mission of creating communities of opportunity requires more than just administering our programs on a day-to-day basis. HUD must take a proactive, leadership role in partnering with America's communities. As we move towards the future of America, we will help communities to solve their own problems by

- **Planning and executing housing and community development initiatives that are community-driven;**
- **Coordinating comprehensive, sustainable solutions to urban problems;**
- **Streamlining housing and community development programs to make them more efficient and effective;**
- **Increasing access by and communication between citizens and government at all levels.**

Key to this objective is the Consolidated Planning Process. The Consolidated Plan/Community Connections system, initiated in 1994-5, was developed to offer a more comprehensive and rational approach to housing and community development planning. It was an attempt to break down the barriers between four block grant programs totalling over \$6 billion annually to allow communities more flexibility in applying different programs in an integrated way to solve local problems. CPD folded 12 different planning, application, and reporting requirements of these four programs into one planning and reporting system, enabling the communities to address their problems more comprehensively. The Consolidated Plan/Community Connections anticipated the current "placed-based strategy" which has been applied to all of HUD.

This approach has been a success. It was one of the 10 projects in the United States to receive a Ford Foundation/Kennedy School of Government innovations award in 1996. Every large city, urban county, and State in the United States undertook a three to five year strategic plan as part of their Consolidated Plan in 1995 or 1996. Annually, every State and entitlement community submits an action plan showing how they are going to spend current fiscal year funds received by formula to carry out the goals laid out in the strategic plan. Some 1,000 Consolidated Plan summaries were placed on the Web for all to see. The system has the following components:

1. Instead of submitting separate plans and applications to address community development, affordable housing, homelessness or housing for persons with HIV/AIDS, communities now submit a single, comprehensive strategic plan. It serves as the application and funding mechanism for four different block grants: the Community Development Block Grant program (CDBG), HOME investment partnerships, Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS (HOPWA). Moreover, it includes a comprehensive homeless needs assessment and plan which is reflected in applications for competitive homeless assistance programs. It also provides a comprehensive frame of reference for other HUD programs, making it an instrument for integrated HUD programs at the local level.
2. It includes a strong empowerment component to ensure that citizens understand and participate in the development of programs to meet their needs. The goal is to create community-based integrated planning. Citizens must be given adequate time to comment on proposed plans and reports on accomplishments. Therefore, citizens are part of the control system of HUD because if communities did not do what they said they were going to do, citizens would complain to HUD and the community.
3. To ensure that information on proposed projects is presented clearly to help citizens understand what is proposed, HUD provided software for community use. This software package includes on-the-shelf software. Grantees use the software to produce the text file, data base, and map files. The software displays maps of proposed projects located by neighborhood showing social and economic conditions in those neighborhoods. Data files on proposed projects can be aggregated nationally. That software has now been updated with a more sophisticated set of census data for application as a systems integration device for all of HUD programs: it can show on a single map all HUD projects (proposed and actual) which have addresses and are put into the system. It is now called Community 2020. Citizens, communities, and local housing authorities all over the United States have been sold or given copies of this software package.
4. Grantees must identify for every specific objective proposed accomplishments the jurisdiction hopes to achieve in quantitative terms for the strategic plan period, or in other measurable terms. Proposed actions should be related to identified needs.
5. Part of this system is the Integrated Disbursement and Information System (IDIS), which essentially is an automated system to draw down funds and report on progress in achieving goals. Among the advantages of this system are that it provides more accurate and timely information on results, provides

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consistent and clear information to citizens, HUD Offices. CPD has also developed a performance mapping system to allow citizens to view the location of completed and partially completed activities. When fully loaded with data on results, this data should be accessible to all using the Web.

6. Communities can download annual IDIS data on results achieved for use in their Community Annual Performance and Evaluation report which they must submit. This document informs citizens what the grantee has accomplished with its CPD funds and other leveraged funding during the program year.
7. Armed with more accurate data on achievements, our Field Offices conduct a more meaningful annual community assessment for each grantee. They ask the questions: (a) what did the community say it would do? (b) what did the community do? (3) what is HUD's opinion of what the community did? Annual Community Assessments have been completed for most of the grantees in the United States.
8. Field Offices prepare an Annual Comparative Review which ranks grantees in each Field Office by quality and risk after identifying those that HUD considered to be demonstrating "best practices", those that are performing well, and those that need more oversight or technical assistance. A list of best practices provides a tool to offer peer-to-peer technical assistance. In July of this year, a conference on best practices was held which identified good performers in economic development, housing, homeless support and other areas. The list of grantees which are not performing well provides the basis for developing a work plan for field monitoring and technical assistance for each Field Office for the following year.
9. Once the first full program year is completed with most grantees on IDIS, a national data base can be developed which will display grantees' achievements in quantitative terms which will permit comparison of one grantee with another. This will be a form of "benchmarking" which will enable HUD to offer technical assistance to communities which are performing significantly below the levels of comparably-situated communities.

### Strategies

#### Planning and executing housing and community development initiatives that are community-driven

Local communities know best how to implement programs. While maintaining a needed focus on meeting national objectives established by Congress, Government must empower citizens and communities in planning how their taxpayer dollars are to be spent. A

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new emphasis on citizen participation and bottom-up planning and program design drives HUD's internal organization and its relationship to its grantees. Field Offices will continue to be given significantly increased authority to waive requirements, develop integrated customer service plans, including technical assistance, geared toward meeting specific local needs, and implement priorities in a manner that addresses the unique circumstances of the areas they deal with daily.

Through the Consolidated Planning Process, HUD has instituted a unified and streamlined process for creating locally driven strategies for housing and community development. Instead of submitting disparate, unconnected applications and plans, jurisdictions now prepare five-year vision statements -- and one-year action plans -- for the use of Federal funds with extensive citizen participation.

#### Coordinating comprehensive, sustainable solutions to urban problems

Solving community needs requires a holistic, comprehensive strategy that links economic, human, physical, environmental and other concerns. While separate program requirements may address individual elements, neighborhoods in fact operate as systems. The most effective solutions are those that reflect a comprehensive, coordinated approach. The plethora of programs and regulations HUD traditionally administered actually undercut communities' ability to implement comprehensive solutions. Traditionally, as new urban problems emerged, separate categorical programs to address them would be funded. As a result, communities were required to focus on specific symptoms of larger problems and were prevented from addressing the underlying causes.

HUD's proposed public housing reforms will allow housing authorities to take a more comprehensive approach to managing their assets and programs. Housing Authorities will be able to plan and manage stock in a manner consistent with sound real estate management practices rather than simply managing to outdated regulations. In addition, Housing Authorities will be required to certify that their stock management strategies are consistent with the local Consolidated Plan, thereby tying their activities to urgent community needs. These reform measures include: flexible use of capital and operating funds, use of mixed-finance development, the conversion of competitive grants to formula allocations that will allow Housing Authorities to plan their use strategically, and allowing Housing Authorities to retain operating and capital funds for the replacement of obsolete housing.

HUD will also promote urban development that is friendly to the environment. HUD is committed to demonstrating that economic growth and environmental quality are complementary. Some examples: sustainable development will again be one of the key selection criteria for the Empowerment Zones and Enterprise Communities; and Homeownership Zones will adopt pedestrian friendly design standards that will contribute to improved air quality in urban areas.

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**Streamlining housing and community development programs to make them more efficient and effective**

Streamlining and simplifying programs are essential steps to making them much more comprehensible and approachable, eliminating burdensome requirements, stripping away superfluous procedures and focusing on what works. Previous efforts to implement detailed program requirements were accompanied by overly restrictive program submissions and produced a dysfunctional system in which regulations and process triumphed over performance and product. Through the Consolidated Planning Process and other strategies, HUD will continue its efforts to reduce paperwork and burdensome regulations; enable communities to submit long range plans using a new, electronic paperless system; harness new technologies to move both HUD and community development in general into the 21st century; and condition funding on clear, locally-determined performance measures.

HUD has also proposed legislation that would convert inflexible and labor-intensive competitive grant programs into flexible formula grants. Formula grants conserve valuable staff time by eliminating time consuming annual competitions. They also make funding more predictable so that communities may plan strategically. HUD legislation would consolidate homeless assistance services from six disparate programs into one flexible, performance-based program. Capital funds for smaller PHAs and Drug Elimination Grants for public housing communities would also be converted to formula.

Other programmatic reforms will improve the performance of HUD programs. The development of flexible capital and operating funds and expansion of mixed financed development mechanisms will allow Housing Authorities to manage assets strategically. The merger of the Section 8 certificate and voucher programs and implementation of streamlining measures will make tenant based assistance easier for HUD, Housing Authorities and private landlords to administer. In addition, HUD will begin to administer the "NAHASDA" Block Grant, which provides Tribally-Designated Housing Entities with flexible funding.

**Increasing access by and communication between citizens and Government at all levels**

An essential element of community empowerment is access to information and improved communication with Government. We must maintain open lines of communication not just among Government and citizens, but also among different levels of Government and within the Department as well. New computer technologies can be put to work to facilitate this communication. But, more than that, Government must learn how to talk with local communities; it must reach out and involve local residents. HUD will take advantage of new technologies, moving its programs and the communities they serve onto the information highway. New computer software for use in preparing the Consolidated Plan is being provided to all communities. The software makes planning easier for citizens and elected officials. Every community has received a package that includes a mapping system that illustrates the following: where Federal dollars are being spent locally; up-to-date information

on neighborhood characteristics such as average income, age, education, and housing market characteristics; the location of existing public infrastructure, streets, utilities, parks, and other public facilities.

HUD will make maximum use of this technology to ensure that every citizen has information on Consolidated Plans for their community. Summaries of Consolidated Plans from 987 communities are expected to be placed on the Web, with some 1,000 placed on the Web to date. This includes maps of proposed projects in relation to social and economic conditions in the community. The HUD Website will continue to provide citizens and communities with information about the total range of HUD programs and issues facing urban America.

### Analysis of Impediments to Fair Housing

The Department has moved in the direction of empowering communities to chart their own course in resolving local problems. It began by allowing communities to define impediments to housing opportunities in the community and develop a strategy and program to eliminate these impediments.

Fair Housing Planning's Analysis of Impediments is the vehicle that empowers the communities to define their local fair housing problems and develop a program to eliminate these impediments. This effort enables the community to develop a holistic approach and gives it the responsibility and authority to decide the nature and extent of fair housing problems and design a program that assures accessibility and housing opportunities to all of its citizens.

Through its fair housing and other grant programs, the Department will support locally-driven efforts to address tensions which arise in their communities when persons seek to expand their housing choice. Such tensions may arise when communities implement court settlements designed to eliminate racial segregation in public housing, take steps to reduce the isolation of low income groups within a community or geographical area, or provide new group homes for persons with disabilities. Rather than dictating solutions to such problems, the Department will empower communities to implement their own strategies, to coordinate these strategies with their Consolidated Plan and community development programs, and to build upon collaborative grassroots efforts among local governmental agencies, fair housing organizations, and other community groups. FHEO will work closely with EPA and other HUD Program Offices to assure that residents of its housing programs are not unduly impacted by negative environmental conditions, (i.e., toxic waste, superfund sites).

The Department views this effort as an integral part of meeting our urban problems, as it is part of a comprehensive and coordinated approach to meeting the needs of all local residents.

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## Housing - Working with the Communities

### Property disposition

Single Family has a property disposition program targeted to non-profits (30% discounts). Consultation with the communities frequently occurs via the non-profits. Sales through May of this fiscal year in this program were 2,067 properties versus a goal of 2,082.

In Multifamily, as part of the foreclosure process, HUD contacts state and local governments and the local PHA to determine if there is any interest in the possible purchase or future use of the project. In addition, these entities have a right of first refusal to purchase projects if they become HUD-owned.

### Mark-to-market

Both the FY 1997 Portfolio Reengineering Demonstration and the proposed legislation require that project tenants and the affected units of local Government have an opportunity to provide comments on the proposed restructuring.

### Neighborhood Networks

Neighborhood Networks is an initiative launched in 1995 as a voluntary, community-based approach to use computer technology to empower residents of HUD assisted and insured Multifamily housing to become more self-sufficient, employable and economically self-reliant. HUD's role has been to encourage property owners, managers and residents to establish computer learning centers to link residents to public and private organizations for job-related, educational and other community purposes. HUD Field Office staff also provided technical assistance and clarified that certain project resources are available to help the centers. Obviously, Neighborhood Networks has community-building aspects as well as welfare-to-work implications that can help communities empower themselves to meet their local needs and reduce the isolation of low-income groups within the community.

### Marketing and outreach activities

Single Family has established Marketing and Outreach Divisions in each of its Homeownership Centers to promote the broad spectrum of programs available for first-time homebuyers and other underserved populations in the purchase of decent, affordable housing. In addition, there will be staff outstationed in most sites previously having a Single Family office. The Marketing and Outreach positions were created expressly to maintain contact with local communities so that Single Family could tailor its programs to match the needs of the individual communities.

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## Program Evaluation

The Department recently completed three evaluations related to community empowerment. These include evaluations of the Community Development Block Grant (CDBG) program and the HOME program, which is the new housing block grant program. The third evaluation, "The Status and Prospects of the Nonprofit Housing Sector," discusses empowerment through the institutions of non-profit organizations.

The Office of Policy Development and Research will continue to conduct evaluations related to performance measurement. Ongoing work includes assessments of community empowerment through HOME and HOPE VI programs. Future evaluations are likely to include an evaluation of the Community Development Work Study Program.

## Linkage to *HUD 2020: Management Reform Plan*

In order to assist the communities with the issues facing them, without increasing the levels of bureaucracy that have existed in the past, HUD will undertake several measures during FY 1998.

One of the major innovations will be to establish a new field structure consisting of Area Offices with representatives of all four major program areas and Area Resource Centers (ARCs), HUD's neighborhood "store-front" service centers. ARCs will provide customers and communities with access to the full range of HUD programs and services. State-of-the-art technology will enable ARC staff to access information, compile data, and produce materials to address customer needs and communicate with program staff in hubs, program centers, and offices assigned "back office" processing responsibilities.

In addition, HUD will:

- Select and train staff as Community Resource Representatives, responsible for helping customers gain access to the whole range of HUD services and coordinating with HUD program staff in hubs, program centers, and Field Offices performing "back office" processing functions.
- Establish the Economic Development and Empowerment Service, aligning various job skills and other programs from CPD, PIH and Housing.

Programmatically, HUD will:

- Redesign HUD procurement and contracting functions to ensure accountability while responding flexibly to changing program needs.
- Consolidate economic development and empowerment programs into the Economic Development and Empowerment Service to improve focus on community empowerment.



- Use an advanced mapping software system (Community 2020) that shows communities the impact of HUD funding and activities in their area.

### **External Factors**

HUD's ability to empower communities to a large extent hinges on the resources that poor communities can bring to bear in improving themselves. A slowdown in the overall economy will result in unemployment for the vulnerable working poor. A failure to find jobs for people affected by welfare reform similarly will result in diminished economic resources in distressed communities.

There are also inherent limitations on HUD's ability to "deliver" on quantitative goals within block grant programs, which, by their design, follow a "bottom up" process. Congress set up the four CPD block grant programs and the competitive homeless programs to ensure that the Federal Government did not dictate local policies or priorities. Rather it set up a system for community-based planning to ensure that local plans and priorities reflected changing community needs and priorities. We call this "community-based planning". The Consolidated Plan regulations and the program statutes upon which they were based provide limited grounds for rejecting a five year strategic plan or a one-year action plan. Similarly, the Notices of Funding Availability for the homeless competitive program ask communities to identify community homeless needs and priorities with maximum participation by homeless providers and other groups.

This means, quite simply, HUD cannot set up and deliver realistic numerical goals on "outputs" for any one given year for construction of housing, jobs, etc. Further, although HUD does have authority to sanction a community for failure to implement its program in a timely manner, we do not have any sanctions for the failure of a community to carry out HUD's current priorities. All that can be done is to highlight priority areas of the Department and encourage lagging communities to improve their performance in those priority areas.

In addition, factors such as poverty and individual challenges exacerbate problems that cause people and families to be without homes. Coordination and collaboration of housing and supportive services are crucial to breaking the cycle of homelessness. For some homeless persons, such as the handicapped, the attainable goal is self-sufficiency to the extent possible.

### **How annual performance goals support the achievement of this objective**

Through the Consolidated Planning Process, grantees identify milestones for achievement within the applicable fiscal year. Within the confines of legislative mandates (see External Factors above), HUD will coordinate comprehensive, sustainable solutions to urban problems. Our annual goals include increasing the number of grantees who use viable milestones with timetables in their Consolidated/Action Plans and demonstrate progress in improving locally defined conditions. Ultimately, all communities meet this goal. In

addition, HUD will measure the percentage of milestones achieved by cities, benchmarking the cities against one another. See Appendix I for specific performance measures.

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## **STRATEGIC OBJECTIVE #2**

**Help communities and States establish a full continuum of housing and services designed to assist homeless individuals and families in achieving permanent housing and self-sufficiency.**

### **Introduction**

The best approach to alleviating homelessness is a community-based process that responds comprehensively to the varying needs of homeless individuals and families. A comprehensive and coordinated housing and service delivery approach helps communities plan for and executes that balanced response.

HUD's innovative homeless effort works with communities to establish cost-effective "continuum of care" systems in which gaps in the housing and services needed to move homeless families and individuals into permanent housing are identified and filled. The continuum of care system serves the specific needs of all homeless sub-populations within a particular community. It is an inclusive process that coordinates the energy and experience of non-profit organizations, State and local governmental agencies, housing developers and service providers, private foundations, local businesses and the banking community, neighborhood groups, and homeless or formerly homeless persons.

With a continuum of care approach, the community can design a strategy that works best locally to assist homeless persons and families achieve permanent housing and self-sufficiency. The continuum of care model is based on the understanding that homelessness is not caused merely by a lack of shelter, but involves a variety of unmet needs -- physical, economic, and social. HUD helps communities develop a holistic system through a community-based process that provides a comprehensive response to the differing needs of homeless individuals and families.

The Department is further committed to ensuring that the non-discriminatory provisions of the Fair Housing Act and Section 504 of the Rehabilitation Act of 1973 are fully complied with in programs and activities receiving Federal financial assistance.

This strategy is designed to ensure that homeless programs and facilities are accessible to persons with disabilities and address their disability related needs. In addition, the Department ensures that the rights of persons with disabilities are protected in this program by conducting monitoring reviews and investigating discrimination complaints filed against recipients of Federal financial assistance.

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## Strategies

The Department proposed in its FY 1998 budget submission to consolidate the activities of HUD's six existing McKinney homeless assistance programs and the Innovative Homeless Demonstration Program into a single performance-based program. This will enable localities to shape flexible continuum-of-care approaches to solving, rather than institutionalizing, homelessness.

The primary strategy of CPD since 1993 has been to foster a Continuum of Care strategy in communities with significant homeless populations throughout the United States. This has been accomplished by including such a strategy within the framework of the Consolidated Plan undertaken by every entitlement community and State. It has also been carried out by encouraging joint coordinated submissions for homeless assistance under the competitive programs.

Among the components of a fully operational Continuum of Care System are: outreach and assessment to identify an individual's or family's needs and connect them to facilities and services; immediate shelter as a safe, decent alternative to the streets; transitional housing with appropriate supportive services, such as job training, job placement, child care, substance abuse treatment, mental health services and instruction in independent living skills; and permanent housing or permanent supportive housing arrangements.

A study by Columbia University showed that substantial progress has been made in encouraging communities to adopt a more coordinated and comprehensive approach to addressing the needs of homeless persons.

To foster a true continuum of options for the homeless, the Department would make public and assisted housing resources available to families with extremely low incomes. HUD's legislative proposals would eliminate Federal admissions preferences for public and assisted housing, enabling local Housing Authorities to establish admissions preferences according to community needs. Preferences may be established for families that are homeless or threatened with homelessness if determined necessary by Housing Authorities. Homeless or at-risk families will remain eligible for housing assistance even in those Housing Authorities not establishing preferences for the homeless, however. This is because the Department has proposed to require that Housing Authorities reserve significant portions of their admissions each year for families with extremely low incomes. Many families making the transition from homelessness would fall into this income category.

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## Housing - Contributing to the Reduction in and Prevention of Homelessness

### Sales/leasing to non-profits

The homes sold to non-profits can be used as transitional housing or similar uses. No data exists, however, on the numbers utilized for this purpose or the total number sold. In Multifamily, there are procedures that permit the sale of HUD-owned projects to non-profits and organized tenant groups on a negotiated basis. Non-profits can also compete to purchase HUD-owned projects.

No priority is provided for non-profit or tenant purchases. These groups can work/partner with state and local governments via the right of first refusal process mentioned above.

### Partnership with Health and Human Services and other Federal Agencies

In reviewing our draft Strategic Plan, HHS noted that "Support services for the homeless must be comprehensive encompassing all social supports such as day care, health needs, job training, and transportation."

HHS encourages "interagency collaboration in trying to provide comprehensive support to the homeless." HUD is working with Federal agencies such as Health and Human Services, Department of Education, Justice, Agriculture, and Department of Transportation to utilize existing programs, and to create new partnerships to provide a "continuum of care" for the homeless. This process is on-going.

### Program Evaluation

In recent years, PD&R has evaluated all of the major HUD McKinney Act programs. Among these are evaluations of the Supplemental Assistance for Facilities to Aid the Homeless (SAFAH) program, the Supportive Housing Demonstration (SHDP) program, the Emergency Shelter Grants (ESG) program, and the Shelter Plus Care (SPC) program. In addition, in collaboration with the Census Bureau and several other Federal agencies, the Department is presently conducting a census of homeless service providers.

FHEO may also use the results of periodic compliance reviews and monitoring reviews as a further tool to evaluate these programs.

PD&R will continue to conduct studies related to measuring the performance of homeless programs. Currently, in collaboration with the Census Bureau and several other Federal agencies, the Department is conducting a census of homeless service providers. This will provide an important baseline for measuring the effects of homeless initiatives. The Department is also completing work on a local homeless database system, which will provide

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important tracking data on homeless individuals, which will help in performance measurement.

### **Linkage to HUD 2020: Management Reform Plan**

Problems encountered by CPD include limited resources for managing competitive grants; limited staff for on-site monitoring; fragmented approaches to solving community problems; and an inability to completely track and respond to market trends.

CPD is in the process of correcting these weaknesses by seeking legislation to convert competitive grants into performance-based grants; outsourcing discrete functions; using advanced mapping software to aid community planning (Community 2020); aligning resources within a new Economic Development and Empowerment Service (see also Objective #1); and downsizing its Headquarters staff.

HUD has also proposed legislation to consolidate six homeless assistance programs into one Performance-based Formula Grant program. Permanent consolidation will eliminate the need for HUD to administer staff-intensive, multiple competitions for funds. Communities, through local planning boards, may share comprehensive "continuum of care" systems, which would lie within the overall Consolidated Plan for that community.

Programmatically, the new Economic Development and Empowerment Service will allow HUD to:

- approach homeless problems locally and comprehensively,
- ensure role of non-profits and other community organizations, and
- give cities responsibility for monitoring homeless problems.

### **External Factors**

Macro-economic factors can dwarf the Department's efforts to affect homelessness. Increases in unemployment, the failure to provide employment for people leaving the welfare rolls, and increases in the cost of housing all can lead to increases in homelessness. Factors such as the rates of domestic violence, substance abuse, and the incidence of disabilities, which are associated with homelessness, also are beyond the Department's control.

Moreover, HUD's ability to transition people into permanent housing is constrained by local housing markets, by the ability to place people into employment, and by the availability of financial support for these individuals.

Please see also the section on External Factors under Objective #1.

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**How annual performance goals support the achievement of this objective**

Adopting a comprehensive approach to the prevention of homelessness is an integral part of the strategy of HUD. Development of Continuum of Care Partnerships in Emergency Shelter Grant (ESG) communities will be measured annually, with an ultimate goal of a partnership in every ESG community by the year 2003.

But that alone will not solve the problem. For those who already face the plight of homelessness, we must first increase annually the number of transitional beds linked to supportive services, and, more importantly, the number of homeless persons moved from HUD transitional housing to permanent housing. In order to accurately measure this transition, as well as the overall state of homelessness, we must increase the number of local homeless tracking systems.

See Appendix I for specific performance measures.

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## **STRATEGIC OBJECTIVE #3**

**Increase availability of affordable housing in standard condition to families and individuals, particularly the Nation's poor and disadvantaged.**

### **Introduction**

The agency remains committed to addressing the broader housing affordability needs of the Nation to help create housing and homeownership opportunities for all Americans.

HUD will continue to provide rental housing opportunities by:

- transforming Public Housing, and
- increasing the supply of affordable rental housing.

### **Strategies**

#### **Transforming Public Housing**

Public housing represents a tremendous affordable housing resource to lower-income Americans. The majority of the 1.4 million units of public housing work successfully. It is well-managed and provides decent housing to poor families who desperately need affordable housing at an affordable price. Public housing units represent one third of all of the housing that is available nationwide to families with minimum-wage incomes.

On the other hand, the Department and the Nation is now living with decades of mistakes in public housing. In too many cases, the original site plans and architecture of the developments were flawed. Other times, buildings have outlived their useful lives. In some locations, local management contributed to the deterioration of properties, as did certain program statutes and regulations issued in Washington. In other cases, neighborhoods changed from healthy residential settings to isolated pockets of poverty and despair.

In the first term of the Clinton Administration, the Department initiated a comprehensive effort to fundamentally transform public housing. This transformation effort has four major components:

1. Tearing down and replacing the 100,000 worst public housing units;
2. Aggressively intervening to improve troubled PHAs;



3. Establishing incentives to reward working families, encourage families to make the transition from welfare to self-sufficiency, and encourage a diverse mix of incomes in public housing; and
4. Cracking down on crime and drugs.

Through these four components, the Department and its local partners are improving the quality of public housing stock and management and making these communities better, safer places to live. For example, the HOPE VI program has provided \$2 billion in funding for the demolition and revitalization of 68 of the worst public housing developments. The Administration's "One Strike and You're Out" policy is based on the idea that public housing is a privilege, not a right, and residents who commit crime and peddle drugs should be screened out or immediately evicted. These efforts contribute to the Department's efforts to increase access to healthy, affordable housing and will continue.

The Department is undertaking two major efforts in order to advance its efforts to transform public housing: comprehensive legislative action on public and assisted housing and internal management reforms to improve HUD's own administration and monitoring of the program.

#### Increasing the supply of affordable rental housing

A fundamental role of the Department is to ensure that Americans of all income levels have access to decent quality housing at a cost that does not drive out spending for food, clothing, and other necessities. This has been a difficult role given budget constraints. Over 5 million very low income renter households pay more than half their income for rent or live in severely substandard housing. Until recently the Department was able to make some headway in addressing these "worst case needs" for housing assistance by adding each year to the total number of families served by assisted housing. Recently, however, the Congress has denied HUD's requests for modest numbers of "incremental" units of assistance.

Without the ability to address directly the severe housing needs of the lowest income families, HUD's programs are concentrating on (1) creating a supply of housing that is affordable to renters and homeowners whose incomes are low but who do not have extremely low or poverty level incomes; and (2) maintaining the public and assisted housing programs that currently serve over 4 million needy households, most of whom would have worst case needs if they were not receiving assistance.

HUD will construct or rehabilitate more than 400,000 units per year through HOME, Community Development Block Grants (CDBG), FHA multifamily insurance, Housing for Special Populations (elderly and disabled), and Housing Opportunities for Persons with AIDS (HOPWA). Continued Federal funding for public housing and renewal of expiring subsidies under the Section 8 programs will ensure that the overall number of families assisted by these programs does not decline and that they provide decent and affordable housing.

### Section 8

HUD continues to request funding for incremental Section 8 certificates and vouchers in order to meet the needs of those Americans who have worst case housing needs and do not receive housing assistance. Portable, tenant-based certificates and vouchers are the best vehicle for addressing unmet needs for affordable rental housing, as well as for contributing to other strategic objectives such as reducing the isolation of low-income groups (see objective 4) and providing empowerment and self-sufficiency opportunities to support the transition from welfare to work (see objective 5).

HUD is committed to cost-effective administration of all of the Section 8 programs, both tenant-based and project-based, to ensure that these programs operate at the lowest cost compatible with providing good quality housing in a broad range of neighborhoods.

The growth in tenant-based housing assistance provides opportunities for de-concentration of low-income and minority families in particular from our inner cities. The Department seeks to attract a greater number of responsible landlords into the Section 8 program and increase community receptivity of Section 8 families, and to ensure that the families make informed choices about where to live. The Regional Opportunity Counseling program will enhance the Section 8 program's ability to help welfare families make the transition to self-sufficiency and help working families continue work. See also Objective #4.

### Public Housing

Funds will be provided, by formula, for both capital improvements and for management improvements. The formula accelerates the allocation and use of capital improvement funds by replacing a competitive process which may include a complicated, time-consuming, staff-intensive application process. Housing Authorities may use allocated funds for redesign, reconstruction, rehabilitation, renovation, non-routine maintenance, such as lead-based paint testing and abatement, or accessibility improvements for the disabled. Allocated funds may also be used for replacement housing when demolition or disposition is authorized for buildings or entire developments that are not viable.

### Federal Housing Administration

FHA Multifamily will provide mortgage insurance to construct or rehabilitate approximately 100,000 units per year under a variety of rental apartment programs. For many of these units, the Multifamily Fast Track Processing Program will be employed to reduce both time and money spent by the Government in processing

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mortgage insurance applications. Housing programs for special populations (elderly and disabled) will provide approximately 5,000 units per year of additional housing under the Section 202 and 811 programs. In addition, new multifamily projects will be introduced for under-served markets including small and very small projects, mixed income housing, pool insurance and balloon financing. FHA will also continue to work on alternative systems for program delivery through risk sharing with housing finance agencies and Government Sponsored Enterprises (GSEs).

#### Physical inspection scores/Assessment Centers

HUD is taking several steps to assure that Multifamily projects are maintained in a decent, safe and sanitary condition. Housing is working with PIH to establish a new, uniform protocol for physical inspections for all FHA and PIH properties. In the not too distant future, all projects will be visited and rated using the new protocol. Each project will receive a numerical score for evaluative purposes by the new assessment center. Projects that are not in good physical condition will be referred to the new enforcement center.

#### Community Planning and Development

Using funds made available under the HOME Program, States and local participating jurisdictions will acquire, construct or rehabilitate approximately 29,000 units of rental housing each year. In addition, approximately 9,000 families will be assisted through HOME-funded tenant based rental assistance. Since the program began in FY 1992, over 122,000 rental units have been committed and 37,000 families have received tenant based rental assistance. Ninety-one percent of families assisted for rental housing are at 50% of area median income or below, far exceeding statutory requirements. Forty-five percent of families have incomes at 30% of rental housing or below, but such families must also receive tenant-based assistance from HOME or from the Section 8 program to enable them to pay a reasonable percentage of income for rent.

CPD is in the process of implementing a new system to more accurately show how many units of housing have been built or rehabilitated through the Housing Opportunities for Persons with AIDS (HOPWA), HOME and CDBG programs so that progress of one community can be compared with that of another community. CPD has a program of technical assistance to help communities who are lagging behind to improve their performance.

#### Low-Income Housing Tax Credit

The low income housing tax credit is a key element in the Administration's strategy for adding to the stock of rental housing that is affordable without additional subsidy

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for families who have low incomes. Tax credit units are affordable for families with extremely low or poverty level incomes when they also have tenant-based rental assistance. The tax credit is administered by the Treasury Department and is evaluated by HUD as a major component of Federal housing policy. HUD estimates that the tax credit has produced more than 600,000 units of rental housing since its enactment in 1986.

### **Program Evaluation**

One of the most significant annual evaluations on this topic is the "worst case housing needs" study. In this annual report to Congress, based on the American Housing Survey and the most up-to-date HUD program data, HUD analyzes the types of American families that have the most severe problems with housing conditions and affordability and reports on trends in those problems over time. The Department also has on-going a major evaluation of the HOPE VI program to revitalize distressed public housing. HUD also has developed and tested resident surveys to measure the quality of housing occupied by families receiving tenant-based rental assistance. Other recent studies include evaluations of the Comprehensive Grant Program to modernize public housing and of alternative funding mechanisms for funding public housing.

### **Linkage to *HUD 2020: Management Reform Plan***

PIH faces many challenges as it continues to transform public housing across America. In order to successfully meet these challenges, PIH will align its staff resources to address the greatest needs. It will establish centers that house "back office" activities, freeing Field Office staff to target their energies on monitoring and providing services to 3,400 Housing Authorities and the 1.4 million families they house.

PIH will establish its own grants center; establish, in coordination with Housing, a Department-wide Section 8 Financial Processing Center; participate in the Department-wide Real Estate Assessment Center; establish Troubled Agency Recovery Centers to work with troubled Housing Authorities; and undertake other privatization and streamlining efforts to encourage greater productivity and accountability with local PIH partners and customers.

The cross-cutting Real Estate Assessment Center will review physical inspections and financial statements of PHAs and multifamily projects. The Enforcement Center will be responsible for taking aggressive action to enforce compliance with legal requirements to preserve decent, safe, and sanitary housing for lower and moderate income households. The Enforcement Center will identify and initiate appropriate sanctions and civil and criminal actions in a timely manner. For multifamily properties, this may include foreclosure, acquisition, or disposition of properties. For public housing agencies with a failing grade for one year, it may include judicial receivership. For CPD and FHEO grantees guilty of fraud, waste, or abuse of funds, HUD may withhold or recapture grant money.

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Given new, more effective approaches to assessing PHAs, HUD will be in a position to move quickly to identify "troubled" PHAs. Because of the complexity and sensitivity experienced by the Department in past work with troubled agencies, we need to make greater efforts to turn around troubled PHAs and prevent them from reaching that stage. This will require more staff attention, which is difficult to allocate given the competing priorities for administering a multitude of programs with limited staff resources.

To deal with "failing" PHAs, PIH will establish two Troubled Agency Recovery Centers (TARCs). Any agent/agency receiving a failing annual assessment score will be referred to a TARC, which will develop and implement an intervention strategy to bring the agent/agency to passing scores. The TARCs will be arms of PIH's existing Office of Troubled Agency Recovery, located in Headquarters. For further details on this program, please refer to page 63 of the Management Reform Plan.

Programmatically, HUD will revise PHMAP to include better assessment and propose receivers for troubled management and privatize the HOME VI construction management and development process as appropriate. Authorizing legislation for these, and other reforms, has been proposed. For a more detailed discussion, please see page 66 of the Management Reform Plan.

### **External Factors**

As with other objectives, HUD's ability to provide affordable housing to the needy is greatly constrained by the broader economy. The number of housing units that HUD directly affects is a small percentage of the Nation's housing stock and a rather small percentage even of the stock available to those with low incomes. Increases in unemployment, increases in the cost of developing housing, and changes in people's abilities to rehabilitate housing all are major factors affecting housing affordability over which HUD has little control.

Within the assisted stock itself, external factors affect HUD's ability to provide affordable housing. When tenant-paid rents are established as percent of income, declining incomes necessitate greater subsidies. This means that fewer families can be assisted with the same amount of funds. These factors make HUD's efforts in this area highly dependent on the unemployment rate, particularly among the working poor, and the numbers of people who lose income as a result of welfare reform.

### **How annual performance goals support the achievement of this objective**

Increasing availability of affordable housing requires a two-pronged approach. Not only does HUD need to increase the supply, but also to transform public housing. To increase the supply, we must endorse more multifamily loans and risk-sharing mortgages. HUD must partner with communities to shorten the length of time between approval for demolition of uninhabitable units and completion of construction of new units. Several

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measures provide a gauge of increased availability. See Appendix I for specific performance measures.

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## **STRATEGIC OBJECTIVE #4**

**Reduce the isolation of low-income groups within a community or geographical area**

### **Introduction**

Another facet of the agency's commitment to broader housing affordability is working to create housing opportunities for low-income citizens. This spatial deconcentration is accomplished through the use of tenant-based rental certificates and vouchers and the revitalization of deteriorated neighborhoods.

To ensure housing opportunities are available, the Department conducts periodic compliance and complaint investigations of recipients receiving Federal financial assistance. When violations of the Fair Housing Law are revealed, the Department enters into voluntary compliance agreements with such recipients until a remedy has been achieved.

The Department desires to recruit large numbers of private landlords to participate in the Section 8 housing program and convince citizens where Section 8 residences reside to see the Section 8 program as a positive addition to their neighborhood rather than a negative.

### **Strategies**

#### **Public and Indian Housing**

Create income diversity in traditional public housing through rent incentives to retain/attract working families and encourage families to move to work or better work. Mechanisms such as ceiling rents will permit PHAs to retain and attract working families by setting ceiling rents that reflect market value. Through the use of earned income disregards, PHAs will create work incentives for newly-employed families by allowing them to retain more of their incomes as they meet the "costs" of transitioning from welfare to work. The use of site-based waiting lists, where they can be implemented in full compliance with all fair housing laws, will increase public housing's attractiveness to working families by permitting them to choose where they live.

Replace the worst public housing with less dense, economically integrated communities. This is the basic strategy behind the HOPE VI program, which has been a catalyst for the transformation of some of the country's worst public housing developments. In addition, mixed finance development mechanisms also create mixed income communities.

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In keeping with the transformation of public housing and a reinvented HUD, financing partnerships are formed with residents, housing professionals, local governments, for-profit and not-for-profit organizations to form mixed-income communities.

**Provide additional replacement housing resources through portable Section 8 vouchers. Section 8 is the only program that enables work-ready families to move to where the jobs are located in the growth sectors of metropolitan economies. Movement of families throughout the metropolitan area will support families' efforts to transition from welfare to work.**

**Improve the Section 8 tenant-based assistance program to increase private owner participation and portability throughout the metropolitan area. One such strategy is the proposed merger of the certificate and voucher programs. The merged program will be easier for HUD, PHAs, and private owners to administer. Other proposed legislative changes would make permanent program reforms that have been included in recent appropriations acts such as ending "endless lease" and "take one, take all".**

Other strategies are covered by other strategic objectives, such as: encouraging the middle class to stay in central cities through homeownership incentives and increasing public safety.

### Community Planning and Development

Since the Community Development Block Grant program covers not only the poor, but moderate income families as well (80% of median income of the area), it would have less tendency to concentrate the poor in large low-income housing projects than would programs which are restricted to serving the very poor. A majority of CDBG housing projects involve homeowner rehabilitation, rather than funding large scale housing projects:

The HOME Program is providing opportunities for both renters and owners in a variety of locations through tenant based rental assistance, assistance to new homebuyers, and location of projects. Seventy eight percent of HOME units are located in census tracts with poverty rates of less than 40%. New homebuyers receiving assistance are located in tracts with poverty rates under 20%, as are new construction rental projects.

The Department's Homeownership Zones initiative also addresses this objective by attempting to attract homeowners with a variety of incomes, as well as by providing a comprehensive approach to neighborhood revitalization.

All CPD programs, CDBG, HOME, Youthbuild, EZs and ECs, and homeless programs include an element of empowerment which helps the poor achieve a degree of upward mobility. Many Family Self-Sufficiency programs in public housing and Section 8 are funded under the CDBG program. Both temporary and permanent jobs for low and moderate income



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persons are created under CPD programs. To the extent that the incomes of families receiving services under these programs are improved, they would have increased opportunity for residential freedom of choice.

Finally, many cities such as Baltimore, Detroit, Cleveland and Boston have gone through an important renaissance and urban revitalization, assisted through CPD programs. This should have the secondary impact of making the city a more attractive place for persons of all incomes and reducing income concentration.

### Housing

Although Housing has no stated program to reduce the concentration of subsidized housing/preservation of assisted housing in suburbs (like PIH demolitions), expiring subsidy contracts and prepayments may produce this result. However, these would be due to financial or market decisions by owners and not due to specific Housing initiatives; nonetheless, counseling for persons relocated would help to deter reconcentration.

Single Family counseling grants go to providers of comprehensive counseling services who are also capable of doing fair housing counseling. More importantly, cooperative agreements under the counseling program permit non-profits to sponsor homebuying and homeownership classes conducted by Single Family staff. These classes educate first time buyers in the opportunities and responsibilities of homeownership and allow underserved populations a greater opportunity to purchase where they wish.

### Mixed Income Communities

In keeping with the transformation of public housing and a reinvented HUD, partnerships are formed with residents, housing professionals, local governments, for-profit and not-for-profit organizations to form mixed-income communities.

Housing's new Multifamily mixed income program underwriting procedures are only applicable where FHA credit enhancement is combined with PIH HOPE VI funds to finance a mixed income community on an old public housing site (see section on HOPE VI).

### Program Evaluation

Among the Department's recent efforts to develop policy and standards with regard to this objective are a study on "The Location and Racial Composition of Public Housing in the United States" and a report to Congress on "Promoting Choice in HUD's Rental Assistance Programs." Other recent or on-going work on this objective include the Moving to Opportunity Demonstration, and a major study of housing discrimination. These are important baselines for assessing future performance to achieve this objective.

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PD&R will continue to conduct studies related to performance measurement. Currently underway is the Moving to Opportunity Demonstration, which will show the effects of deconcentration. Also underway is an assessment of the effects of public housing desegregation efforts. PD&R expects to begin a major study of housing discrimination, which will show progress in eliminating barriers to deconcentration.

#### **Linkage to HUD 2020: Management Reform Plan**

Handled by both Housing and PIH, financial documentation for the Section 8 rental assistance voucher program has been neither centralized nor easy to obtain. A key element to improving Section 8 processing is the creation of a Section 8 Financial Processing Center for both Housing and PIH. Currently, Housing and PIH have two very distinct methods for processing payments: Housing uses a monthly voucher system based on actual subsidy needs, while PIH uses an annual budget projection, with adjustments made upon receipt of year-end statements. Unifying these processes will benefit both business lines. Functions will include budgeting, payment scheduling, contract reservations and revisions, financial statement revisions, rent calculations and income verification.

PIH will also consolidate special (non-funded) applications and processes for its unique programs in a single Special Applications Center. Those applications are: demolition/disposition, designated housing, and 5(h) homeownership. Consolidating these discrete functions will maximize staff effectiveness and increase program accountability. Consolidation will also eliminate current duplication of efforts in the field. The center will standardize application processing and use staff specifically trained for evaluating and processing these applications.

For other reforms which will impact on this objective, see the Linkage Section under Objective #3.

#### **External Factors**

The revitalization of neighborhoods is discussed in detail under Strategic Objective #1. Community revitalization, however, will not necessarily reduce isolation of income groups, unless there is an explicit and successful effort to attract residents with a variety of incomes. In part because of factors, such as high taxes, high rates of crime, poor schools, and density, many people do not wish to live in central cities. These factors, over which HUD has little control, thus greatly affect its ability to promote economic integration. This is a sensitive issue: not only do inner city minorities fear that they are going to be displaced by white middle class by a process of "gentrification" but many suburban communities oppose those with rental assistance moving into their neighborhoods.

Through tenant-based rental certificates and vouchers, persons of low-income are provided with the opportunity to move to better neighborhoods. Many prefer to remain at, in

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or near Central Cities. The final choice remains with the individual. Rents and factors related to housing production in more affluent neighborhoods tend to be higher than elsewhere. Assisting households to live in less impacted neighborhoods, whether through a supply or demand side subsidy, costs more than simply providing housing assistance. The desire to subsidize more units, rather than to provide units in a variety of neighborhoods, is an external factors related to this objective.

The political landscape also is a key external factor. Section 8 tends to be administered by jurisdiction-based housing agencies. This can impose administrative barriers to people who wish to move from high poverty areas in one jurisdiction to low poverty areas elsewhere.

Please see also the section on External Factors under Objective #1.

#### **How annual performance goals support the achievement of this objective**

Defining annual performance goals for this objective is particularly difficult. We can utilize census data to measure the percent of Section 8 families (with children) who are living in low poverty census tracts. However, as discussed under External Factors, the choice remains with the individual. We can measure amount of counseling and number of revitalization projects completed, but ultimately, outputs will define our level of commitment, but not achievement. Measures of our success would include the number of low-income and minority families participating in the Departmental Regional Opportunity Counseling Program located outside areas of high poverty and minority concentration. As HUD's strategic planning process evolves, we will continue to address this issue.

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## **STRATEGIC OBJECTIVE #5**

**Provide empowerment and self-sufficiency opportunities to support low-income individuals and families as they make the transition from dependency to work.**

### **Introduction**

The Department is working with community organizations, States, cities, and other Federal agencies to effectively implement this objective. The Department proposes an initial four-pronged action plan to begin implementing the Personal Responsibility and Work Opportunity Reconciliation Act of 1996:

- **Creation and retention of jobs;**
- **Using tenant-based rental assistance strategically to link welfare recipients to jobs through innovative uses of incremental housing assistance and regional counseling; and**
- **Coordinate housing assistance with Welfare Reform efforts; and**
- **Providing and leveraging services to help welfare recipients make the transition from dependency to work through expansion of the Bridges to Work initiative, funding for Public Housing Supportive Services, expansion of Neighborhood Networks learning centers in assisted housing and the Youthbuild program to provide access to education and job training.**

HUD is in a unique position to assist in helping people move from welfare to work. Through public housing, Section 8, and CDBG target areas, HUD programs have a physical presence where the poor live. HUD programs provide flexible assistance capable of effecting different interventions that may be necessary to promote self-sufficiency. HUD can both provide the assistance needed to create and retain jobs and provide the training and other service that lower income individuals need to be able to take advantage of those jobs. Flexible formula grants, like CDBG, let communities take advantage of more restricted funding provided by other agencies. CDBG, for example, can fund local plans for promoting self-sufficiency. It can also fund services that may be needed to help people take advantage of opportunities provided through the Departments of Transportation and Labor. HUD, in fact, is working with other agencies to help promote self-sufficiency. For example, its JOBS Plus demonstration is jointly funded and closely coordinated with HHS. HUD's Bridges to Work demonstration features coordination with Transportation.

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## Strategies

### Creation and Retention of Jobs

Bringing jobs and job access to distressed communities requires working with other Federal agencies and contributes to the Administration's goal of making welfare reform work. The Department is working with community organizations, States, cities, and other Federal agencies to effectively implement the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 by creating good jobs through our economic development programs and especially through implementation of Section 3 of the Housing and Urban Development Act of 1968.

Targeting neighborhoods with high concentrations of poor families, including those on welfare, HUD's core economic development programs can be used to generate jobs that will be available to welfare recipients entering the work force. The programs summarized below will produce good jobs for those neighborhoods.

### Empowerment Zones and Enterprise Communities (EZ/EC) (Round II)

A key element in the strategy to produce suitable jobs in distressed areas and empower low- and moderate-income persons to take advantage of those jobs is the EZ/EC program. In December of 1994, the HUD Secretary announced the designation of 72 Urban EZ/ECs. For every dollar of EZ funds, \$18 of private investment are leveraged. More than \$2 billion in private investment has been made. Most of the investment (\$1.7 billion) is targeted toward economic opportunities.

Each of the 72 Urban EZ/ECs developed performance benchmarks which provide a blueprint for an entrepreneurial way to distribute funds and to fulfill commitments. Each EZ or EC has compiled these benchmarks into a unique Strategic Plan for urban revitalization. The strategic plan is to monitor these zones and communities closely and to help ensure that progress proceeds in an orderly fashion. A database is being developed to keep track of progress in each EZ and EC. On March 3, 1997, Secretary Cuomo asked his Representatives to assume responsibility for supervising program management of the EZ/EC initiative in their regions. A number of them have already set up teams from the HUD Field Offices to oversee the management of the EZs and ECs.

HUD is promoting partnerships with private and community service providers who can help residents achieve self-sufficiency and has proposed an expansion of Empowerment Zones to help communities create more job opportunities. There are hundreds of activities funded and/or underway to promote human development and self-sufficiency in the 72 Urban Empowerment Zones and Enterprise Communities. A comprehensive list of these activities was contained in a recent report on every Zone or Community based on the first annual performance reporting.

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Current strategy includes legislation to create another round of 20 EZs and 80 new ECs across the country. These new EZs and ECs would focus on moving residents from welfare and poverty to work.

### CDBG, Economic Development Initiatives (EDI) and Section 108

Section 108 allows communities to leverage private funds for large-scale job creation and community development initiatives. EDI grants supplement these programs by providing grants for large-impact projects. EDI money may be used to capitalize innovative financial institutions and has already been used very successfully for this purpose. CPD will continue to improve the leverage of CPD programs by focusing job creation activities on the Section 108 loan guarantee along with the EDI grants.

CPD has sought to expand the use of the CDBG program for job creation activities. From 1993 to 1996, projects funded under the CDBG entitlement and non-entitlement programs will create an estimated 471,000 permanent jobs through economic development activities when these projects are completed. They will also create an estimate 472,000 other jobs, such as construction and service jobs.

The Consolidated Plan rule and a subsequent January 1997 notice calls for the creation of Neighborhood Revitalization areas. In these areas sources would be marshalled to facilitate a grantee's ability to engage in comprehensive community revitalization strategies in distressed neighborhoods. Waivers in CDBG programs are offered if proposed projects are located in such neighborhoods.

The job creation activities of Section 108/EDI and CDBG often include a nexus with manpower development program. Many of these activities were highlighted in the Houston conference on Best Practices. In Fall River, MA, Section 108 and CDBG float loans saved existing jobs and created new jobs in those distressed communities. For example, the Fall River Office of Economic Development coordinate with the Bristol County training Consortium (Jobs Training Partnership Act), to provide opportunities for connecting trained low to moderate income persons with new employment opportunities. In another effort, Jefferson County, MO, used a holistic job development strategy to create the Jefferson Riverport International Center (JRI). It included training and day care facilities available to employees of JRI, and a comprehensive public transportation link to JRI for low and moderate income persons in Jefferson County.

### CDBG and HOME Funds

State and local governments use these formula block grant funds to assist new homebuyers through development subsidies and downpayment and closing cost assistance. Often through a state-wide network of local lenders, States provide downpayment grants making it possible for many low-income families to come to the settlement table. Cities, with

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a desire to stabilize their tax bases and increase the percentage of homeownership, use CDBG and HOME funds to construct or rehabilitate deteriorated units to increase the supply of standard housing for sale. The HOME Program since 1992 has assisted more than 75,000 new homebuyers.

### Brownfields

The interagency Brownfields initiative, described elsewhere in this Plan, seeks to create job opportunities on contaminated sites in cities by cleaning up the sites and financing economic development activities after the sites are cleaned. Brownfields clean-up was identified as a Best Practice at a recent Houston conference. Louisville, KY, used CDBG funds to aide in the removal of contaminants from an area which did not have a grocery store. CDBG also funded a new supermarket on that site which employs 60 low and moderate income people. An EPA grant was also sought for devising other redevelopment strategies for the area.

### Section 3

Section 3 of the Housing and Urban Development Act of 1968, as amended by the Housing Act of 1992, requires that economic opportunities generated by HUD financial assistance shall, to the greatest extent feasible, be given to low and very low-income persons. This applies to public housing programs and to programs for housing rehabilitation and construction and other public construction projects. It is a program that essentially links low-income and welfare recipients to jobs. It has already resulted in hundreds of jobs (temporary, seasonal and permanent) going to low-income persons. It has also helped eligible Section 3 Businesses to secure thousands of dollars in HUD contracts (i.e. businesses owned by Section 3 residents, those employing significant numbers of eligible Section 3 persons, or those willing to subcontract a significant percent of the total value of their HUD contracts to Section 3 resident-owned businesses).

Priority for training and employment is provided to low-income persons who are residents of public and assisted housing, residents of the neighborhood where the programs are being operated, participants in Youthbuild, and homeless persons. Priority in contracting is also given to businesses which offer opportunities to these classes for low-income persons. The Department will direct recipients of HUD funds to take Section 3 seriously and to aggressively work with their agencies and contractors to reach eligible Section 3 residents and to help them access jobs, training, contract opportunities or other economic benefits.

Section 3 ensures that employment and other economic opportunities generated by the expenditure of HUD financial assistance shall, to the greatest extent feasible, be directed to low-income persons, particularly those who are recipients of Government assistance for housing. Since 1995, implementation of Section 3 has resulted in the increased employment

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of public housing residents and creation of resident-owned businesses. Some residents have gained self-sufficiency and purchased and relocated to single family homes.

### Government-wide Employment Program

As part of the welfare to work initiative, HUD, together with other Federal agencies, will hire welfare recipients over the next four years in various jobs throughout Headquarters and Field Offices. Individuals will be provided with training in job skills, office practices/demeanor and counselling will be provided where necessary. Issues of child care, transit subsidies, mentoring, etc. are being explored to ensure that all possible assistance is provided in those areas where needed.

### Link Welfare Recipients to Jobs

HUD housing programs help link welfare recipients to jobs. Often, there is a mismatch between where welfare recipients live and the location of entry-level jobs for which they have the appropriate education and skills. Stable and affordable housing can also mean the difference between steady employment and welfare receipt. The portability of Section 8 vouchers and certificates allows recipients to move wherever jobs exist, if there is housing available.

### Incremental Rental Assistance Linked to Welfare Reform

Jurisdictions that receive Welfare to Work Challenge Grants develop coordinated strategies between their PHA and the State or local welfare agency for the use of incremental rental assistance.

### CPD and other HUD programs: Welfare reform measures

CPD is now working with other program areas of HUD to develop strategies to provide jobs to long-term welfare recipients. These proposals have not yet been finalized. There are hundreds of projects all over the United States funded under the CDBG program listed in the 1995 Action Plans which offer support activities to improve the lives of public housing residents. Often these fund self-sufficiency programs for public housing residents.

CPD has undertaken several steps in strengthening citizen participation, as discussed in detail under Customer Service.

### Regional Outreach Counseling

Counseling can help Section 8 recipients - who are often welfare recipients - identify housing locations that improve access to jobs and supportive services throughout a metropolitan area.

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## **Coordinate Housing Assistance with Welfare Reform Efforts**

### **Rent Incentives to Reward Work**

HUD supports changing public and assisted housing rent rules that discourage work. When tenant rental payments are tied to income, any increase in income leads to an automatic rent increase. To prevent this disincentive, HUD has supported ceiling rents in public housing and provided Housing Authorities with the flexibility to disregard some or all earned income.

### **Encourage partnerships between PHAs and local social service agencies**

HUD has included provisions in the Public Housing Management Reform Act that will encourage PHAs to collaborate with local TANF - administering and employment agencies to insure that residents have access to the resources they need to become self-sufficient rather than mandate that PHAs create redundant case management programs for residents, HUD will reward PHAs that help residents tap into existing community services, and help service agencies reach residents.

## **Services**

### **Transition from Dependency to Work**

Limited funding from HUD can be used by program administrators to leverage substantial additional Federal, State, local and nonprofit resources. Resulting programs help residents prepare for, find and retain jobs.

### **Bridges to Work**

Bridges to Work is an employment demonstration program designed to assist low-income households in cities by bridging the geographic barriers that isolate them from job opportunities throughout the larger metropolitan area. The demonstration was started in 1996 and is operating in five cities -- Baltimore, Chicago, Denver, Milwaukee, and St. Louis. The goal of Bridges to Work is to assist work ready, but unemployed or underemployed, city residents to secure and retain jobs via a time-limited but integrated services strategy. Bridges to Work provides transportation and other supportive services to help link central city residents to suburban jobs. This effort is coordinated closely with the Welfare-to-Work Transportation Initiative proposed by the Department of Transportation.

### **Public Housing Supportive Services**

PIH provides Economic Development and Supportive Service grants to PHAs that collaborate with their local welfare office and other local partners for the purpose of

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helping their residents transition from welfare to work. Allowable activities include job training and business development training, as well as supportive services such as child care, transportation and counseling. The Tenant Opportunity Program, with grants for resident groups, similarly allows for job training and supportive services. In addition, the PH Drug Elimination program contains drug prevention and treatment for public housing residents.

### Services under the CDBG Program

The Consolidated Plan seeks to improve the coordination between public housing and community development activities. This improved coordination has resulted in projects all over the United States where the CDBG program has assisted in providing services for public housing residents. Many of these projects are written up as a best practice in community development. The program has assisted in providing youth and adult services all over the United States that will assist in reducing welfare dependence of low-income residents.

### Neighborhood Networks

The program, Neighborhood Networks, provides computer learning centers and education and employment services in privately owned assisted housing developments. These centers are funded from existing project revenues and reserves and do not require new appropriations.

### Youthbuild

Youthbuild is a highly effective program that provides at-risk youth with educational and employment skills. The program offers 16 to 24 year old high school dropouts general academic and job skills training, as well as apprenticeship constructing and rehabilitating affordable housing.

Youthbuild is a highly successful program which offers an opportunity for high school dropouts to receive education and training in the building trades and, at the same time, build or rehabilitate low and moderate income housing.

In the third round of Youthbuild approvals from 1994 through 1996, some 4,200 jobs were created. Another competition has just been announced.

### HOME Tenant Based Rental Assistance

Jurisdictions may use HOME funds to provide tenant based rental assistance to assist welfare recipients as they transition to jobs. HOME tenant based rental assistance is a

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flexible resource which communities can integrate into locally-designed plans to assist persons with special needs, including those participating in self-sufficiency programs.

#### Homeless Assistance Programs

The Department's Homeless Assistance programs both provide funding for supportive services and leverage supportive services from local sources to help homeless persons move toward self-sufficiency. A significant portion of the Emergency Shelter Grants and Supportive Housing Program funds is used to provide services, including job training, day care, and case management to empower homeless persons to move into the mainstream of American life. The Shelter Plus Care program, which provides rental assistance, requires a one-to-one match in supportive services from local sources.

#### Partnership with Health and Human Services

In reviewing our draft Strategic Plan, HHS noted that: "Under the strategies section there is no mention of programs for children. Programs such as Substance Abuse and Mental Health Services Administration's Starting Early Starting Smart Program provide support for children ages birth to seven, or HHS Secretary's Youth Substance Abuse Prevention Initiative for ages 12-17. There is also no mention of support services for health care such as clinics, and health education classes."

HHS also noted that: "Under this objective issues of child care, transit subsidies, and mentoring are not programs that need to be just explored but researched, knowledge developed, and programs implemented either through interagency agreement or private sector collaboration. Partnerships created to support child care, transit, and mentoring will facilitate job retention." As discussed under Strategic Objective 2, HUD will explore agency coordination with HHS and other agencies over the coming months.

#### Program Evaluation

The Department currently has underway two major demonstrations related to empowerment and self-sufficiency; one is Bridges to Work and the other is Jobs Plus. In addition to these demonstrations, HUD has recently produced analyses of the Section 3 initiative and the Youth Apprenticeship Program, both of which are intended to provide jobs for public housing residents. We have evaluated the Gateway Program in Charlotte, NC and Operation Bootstrap, both of which attempted to promote self-sufficiency among public housing residents. Also recently, the Department has begun an aggressive research program in the area of crime and assisted housing. Work so far has included a crime survey, development of victimization survey methodologies, and a set of case studies on "defensible space" and assisted housing.

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HUD also has underway an evaluation of the Empowerment Zone and Enterprise Communities program, which is the major recent job creation initiative. Additionally, HUD evaluations of grass roots economic development initiatives, of economic development programs operated by States and local governments through the Community Development Block Grant program, and of the Neighborhood Development Demonstration also recently focussed on this topic.

PD&R will continue to conduct studies related to performance measurement. Research resulting from the JOBS Plus and Bridges to Work demonstrations will help provide benchmarks for what we can expect from this type of program. It is also likely that PD&R will soon undertake an effort to assess the effects of welfare reform on assisted housing.

#### **Linkage to HUD 2020: Management Reform Plan**

CPD approves over 1,300 competitive grants a year, but staff reductions of 23% since 1992 have prevented adequate monitoring. The introduction of the Grants Management System includes an annual comparative review of all entitlement grantees, showing the full spectrum from "best practices" to high-risk projects and cities in need of technical assistance and monitoring. Structurally, the Office of Block Grant Assistance and the Office of Affordable Housing will be combined into the Office of Community Development.

For other reforms which will impact on this objective, see also the Linkage section under earlier objectives, especially Community Resource Representatives (Objective #1).

#### **External Factors**

As with other objectives, HUD's ability to provide self-sufficiency opportunities is constrained by the nature of its programs. Where HUD provides flexible assistance to cities, counties, housing agencies, and States to use at their discretion, HUD has no direct control over the extent to which the funds will be used to address this objective.

Also as with other objectives, broad economic factors greatly affect the extent to which low income people will become self-sufficient. Vigorous, sustained economic growth will do more to promote self-sufficiency than HUD can do. And a decline in the economy will more than offset HUD's best efforts.

The job readiness of those with low incomes is another key external factor. Where people reach adulthood with little education, there are limits to the types of jobs to which they can aspire. Certainly, HUD-funded job opportunities and services can help, and along with educational and training opportunities funded through other agencies, they should have an important impact. But realistically, relatively few people who have reached their 30s with little education, with families, and little work history, will achieve great success in this economy.

Please see the section on External Factors under Objective #1.

**How annual performance goals support the achievement of this objective**

The ultimate goal of this objective is to move an increasing number of residents of assisted multifamily projects off welfare. The measurement of this indicator will depend on future collaborative efforts between HUD, HHS and Labor. Providing economic opportunities for low and moderate income persons through creation and retention of jobs will also be the result of coordination with other agencies. However, HUD can measure the number of jobs created as a direct result of HUD funds, especially EDI and Section 108. We also can increase annually the number of partnerships that help residents achieve self-sufficiency in each Empowerment Zone and Enterprise Community.

See Appendix I for specific performance measures.

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## **STRATEGIC OBJECTIVE #6**

**Increase homeownership opportunities, especially in Central Cities, through a variety of tools, such as expanding access to mortgage credit.**

### **Introduction**

One of HUD's most important functions is to increase homeownership opportunities for all Americans. Through homeownership, a family acquires a place to live and raise children. A home is also an asset that can grow in value and provide the capital needed to finance future needs of the family, such as college or financial security for retirement.

HUD will increase homeownership through various efforts, including the Urban Homestead Initiative. HUD's efforts include:

- Federal Housing Administration (FHA)
- Homeownership Zones
- Government National Mortgage Association (Ginnie Mae) Targeted Lending Initiative
- Government-Sponsored Enterprises
- The National Homeownership Strategy
- Homeownership Empowerment Vouchers
- HOME Program Assistance to New Homebuyers
- Assistance to Habitat for Humanity and other self-help homeownership organizations
- Public Housing Homeownership
- Indian Loan Guarantee Program

HUD's efforts in these areas have met with great success:

- In 1996, the United States homeownership rate rose to 65.4 percent, the highest level since 1981.
- 73.2 percent of FHA purchase transaction business in calendar 1996 was to first time homebuyers (purchase transactions are non-refinancing).
- 29 percent of FHA's first time homebuyer business in calendar 1996 was to minority borrowers.
- Ensuring methods of integrating accessible, single-story dwelling units into projects receiving HUD funds or insured by HUD under its insurance programs, that consist of multi-story townhouses, and/or seeking other ways to ensure accessibility of multi-story townhouse developments.

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## Strategies

### The Urban Homestead Initiative

Homeownership is often the most effective antidote to the many problems that plague a city. Over the last two years, significant progress has been made towards President Clinton's goal of reaching an all time high level of homeownership in America by the year 2000. The homeownership rate has increased from 64.2 percent at the end of 1994 to 65.4 percent today. The expansion of homeownership over the last three years is the largest expansion in 30 years.

However, the most significant urban challenge remains - the exodus of the middle class from the cities. In order to halt - and hopefully reverse - this trend, HUD will begin an "Urban Homesteading Initiative."

The goals of this initiative are:

- lower homeownership costs for city homebuyers
- make communities safer
- increase use of homeownership empowerment vouchers

### FHA: Lowering Homeownership Costs for City Homebuyers

HUD has reduced the mortgage insurance premium (through the FHA insurance program) for first-time homebuyers obtaining homebuyer counseling. The up-front premium would be reduced by 12.5 percent (from 2 percent to 1.75 percent of the mortgage amount). HUD expects 45,000 homebuyers a year to benefit from the reduction which makes homeownership more affordable.

To stimulate further activity and reduce disparities between suburban and central city homeownership rates, the President also has announced an additional reduction of 25 basis points targeted at middle class and lower income first time homebuyers in central cities who receive homebuyer counseling.

### FHA Insurance Fund

FHA insures private lenders against loss on mortgages financing single family homes, multifamily projects, health care facilities, property improvements and manufactured homes. The primary goal of FHA's insurance programs is to expand homeownership and affordable housing for all Americans. The FHA programs are organized into four major activities:

- The Mutual Mortgage Insurance (MMI) Fund, which supports FHA's basic single family homeownership program and is self-sustaining;

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- The General Insurance (GI) Fund, which supports a wide variety of multifamily and single family insured loan programs;
  - The Special Risk Insurance (SRI) Fund, which supports multifamily rental projects and loans to high-risk borrowers; and
  - The Cooperative Management Housing Insurance (CMHI) Fund, which supports insurance on market-rate cooperative apartment projects and, like the MMI Fund, is self-sustaining.

FHA serves that portion of the population locked out of the conventional market. FHA has become a more results-oriented, financially accountable credit-enhancement operation over the last four years and will continue to serve the homeownership needs of people and places that the private sector leaves behind.

#### Making Communities Safer - The Officer Next Door Initiative

In order to encourage homeownership in central cities, they must be safe enough to raise a family. To make central cities safer, HUD proposes to use its programs to further the goal of community policing, by providing incentives for police officers to live in communities in which they work. Under the Officer Next Door initiative, the FHA will offer police officers a 50 percent discount on the purchase of HUD-owned foreclosed properties in designated revitalization areas. HUD will also encourage its local PHAs to create special preferences which allow police officers to reside in public housing developments.

#### Homeownership Zones

This program targets homeownership expansion in inner cities. These grants leverage substantial public and private investment, used by cities to reclaim abandoned and distressed neighborhoods through the creation of large-scale homeownership developments. Program funds support infrastructure costs, site preparation, land acquisition or deferred-payment mortgages to working families.

#### Self-Help Homeownership Opportunities Program

Habitat for Humanity, Housing Assistance Council, Neighborhood Reinvestment Corporation and Northwest Regional Facilitators have all received grants to create homeownership opportunities for low-income families. Funds are used for land acquisition or infrastructure improvement, and will stimulate new investment from public and private sources, including significant amounts of "sweat equity" from both the homebuyers and volunteers.



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### Ginnie Mae: Targeted Lending Initiatives

Ginnie Mae is using its Mortgage-Backed Security Program to provide incentives to lenders to do more business in targeted Central City Areas. Through the Targeted Lending Initiative (TLI), Ginnie Mae reduced the guarantee fees it charges lenders by up to 50 percent for making mortgage loans in any of the Nation's 72 Empowerment Zones or Enterprise Communities and adjacent eligible Central City Areas.

The incentive to lenders is expected to increase Central City lending by \$5 billion by the Year 2000. The initiative's first year (FY 1997) has a goal of \$1 billion increase. That goal will be exceeded, resulting in increased homeownership for almost 15,000 families.

### Government-Sponsored Enterprises (GSEs)

The Federal Housing Enterprises Financial Safety and Soundness Act gives HUD the responsibility to monitor GSE compliance with the fair lending provisions of that act and the Fair Housing Act. HUD also has the responsibility to establish goals for GSE purchases of mortgages in urban, rural and under-served areas to expand homeownership opportunities for low- and very low-income families.

### Homeownership Empowerment Vouchers

Approximately 1.4 million households receive Section 8 certificates and vouchers to help them rent apartments in the private market. Under the Section 8 program, the Federal Government makes up the difference between a family's rental housing costs and the amount a family can afford. However, there are many low-income families who are able to accept the responsibilities of homeownership but cannot do so because they are caught in a spiral of renting. The current Section 8 rental housing program cannot assist these households.

The administration now proposes to allow hard-working families to use Section 8 assistance as Empowerment Vouchers to become first-time homebuyers. The use of Empowerment Vouchers is consistent with the administration's goal to promote family self-sufficiency, encourage the formation of household wealth, and foster healthy communities. The administration's public housing reform bill includes provisions that would enable working families to purchase their own homes by using Section 8 subsidies to support the debt services on the mortgage. Under the administration's proposal, a family must have income from employment and must make a contribution toward their own downpayment.

Because the underlying mortgages to be used with Empowerment Vouchers will be originated by private mortgage lenders, it is important to get the participation of the secondary markets to purchase the loans from lenders and sell them to investors. This allows a lender to continue making mortgages.

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To help launch this important homeownership initiative, Freddie Mac has pledged that once the legislation passes, it will participate in a demonstration program to purchase up to 2,000 mortgages originated by private lenders using the Section 8 Homeownership/Empowerment vouchers. Under the terms of the agreement between Freddie Mac and HUD, Freddie Mac would originate mortgages requiring three percent down payments in order that low and very-low income families can become homeowners. The down payment would come from the family's own savings as well as from gifts, loans, or grants. The family will contribute a reasonable amount of its income toward the monthly payments. The balance of the mortgage payment will be provided through the Empowerment Vouchers.

#### PIH: Public Housing Homeownership

As part of its application for Hope VI assistance, a PHA may propose to include homeownership opportunities for public housing residents within a mixed finance/mixed income development. Eligibility requirements for such units must be essentially the same as the program requirements of other HUD homeownership programs such as Nehemiah and Section 5(h) of the 1937 Act. A PHA that proposes homeownership activities, submits a Homeownership Plan to HUD that describes all aspects of the proposed homeownership activities. HUD's proposed legislation will increase opportunities for public housing homeownership by allowing PHAs to sell units to organizations that will serve as conduits for homeownership sales. These organizations will manage and organize sales and provide assistance to eligible families as they purchase homes. Homes must be sold to eligible families within 5 years and any proceeds from sales must be used for housing purposes such as resident organizations on capital replacements.

#### PIH: Indian Loan Guarantee Program

This program, administered by the Office of Public and Indian Housing, provides loan guarantees for Native American Families and tribally designated housing entities (formerly Indian housing authorities) to purchase, construct and/or rehabilitate single family homes on restricted land and in designated Indian areas. It provides opportunities to expand homeownership through the private financing of home mortgages which would otherwise not have been possible because of the unique status of Indian land. Private financing for the purchase of homes in Indian country was almost non-existent prior to the implementation of this program in 1994.

#### The National Homeownership Strategy

The National Homeownership Strategy is a group of housing industry and Government representatives who have developed a plan to boost the national homeownership rate to 67.5 percent by the year 2000. Among the national partners are 60 national housing organizations and their affiliates. The strategy will continue to focus on increasing the number of local homeownership partnerships working in support of this effort.

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A key focus of this partnership is opening markets to racial and ethnic minorities and others who had not realized the American dream of homeownership. The homeownership goal can only be achieved if homeownership significantly increases beyond the 43.7% level at the end of 1994. In fair lending best practices agreements, local lenders express their ongoing commitment to reach out to central cities with information about the homebuying process and to establish fair lending goals in their communities.

### Homeownership Retention

HUD must not only encourage homeownership, but must also address the issue of homeownership retention. Increasing the rate of first-time homebuyers is useless unless those homebuyers continue to succeed in homeownership.

#### CPD

CPD programs address the issue of retention from the perspective of maintaining the physical existence of the home. From 1993 to FY 1996 CPD programs assisted over 1.1 million persons with housing rehabilitation. Most of this assistance went to existing homeowners under the CDBG program. In FY 1992, CDBG entitlement grantees expended \$443 million in grants and loans for rehabilitation of single-family dwelling units owned by existing homeowners and, in FY 1993, grantees expended \$440 million. A total number of 163,691 single family dwelling units during the two year period were rehabilitated with CDBG entitlement funds. Of these units, 91 percent were owned by low- and moderate-income persons. The HOME program provides assistance to existing low-income homeowners for home repairs. HOME participating jurisdictions spent \$277 million to rehabilitate 18,500 units for existing homeowners in 1994 and \$181 million to rehabilitate 11,500 units in 1995. Cumulative production through June 30, 1996 for existing homeowners is 47,000.

#### Housing

FHA insurance programs are designed to offer opportunities to potential home-buyers who might otherwise not be able to realize their dreams of homeownership. For people who have obtained an FHA-insured mortgage, and who encounter financial difficulties which result in a mortgage delinquency, FHA has structured a Loss Mitigation Program which will maximize the opportunity for borrowers to retain homeownership and cure the delinquency on their mortgage.

Existing relief measures such as special forbearance, mortgage modifications, pre-foreclosure sale and deed-in-lieu are being expanded to enable a greater number of homeowners to be eligible for the programs. A new tool, partial claims, supports homebuyers who can only partially recover from a financial difficulty.

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With the help of these new tools FHA expects that, by the year 2002, the Department will help 20% of all homeowners (or approximately 12,000 families a year), who in the past would have lost their home to foreclosure remain in their home and "cure" their delinquency.

### Planning for the Future

In addition to expanding new homeownership opportunities, the Department will also assist the Nation's large and growing elderly population in maintaining viable homeownership. The Department will promote accessibility in FHA insured and non-FHA insured single family homes so that homeowners may maintain independence in their homes as they become elderly.

### Program Evaluation

HUD has conducted evaluations for programs intended to promote homeownership for low income families. Among these recent efforts are evaluations of the Habitat for Humanity homeownership program, HOPE 3, the Single Family Property Disposition Demonstration, the Section 203(k) program, and pre-purchase counseling programs. The Department also recently completed a major assessment of Indian housing needs and program, which examined options for increasing homeownership in Indian country.

As the Department pursues the goal of increasing the homeownership rate, it will continue to track homeownership. As part of this effort, it will monitor the production of its major programs, such as FHA, HOME, and CDBG in their effect on homeownership. Special attention will be given to measuring the results of individual programs, as well as to the combination of programs (e.g., housing built with HOME and insured by FHA), and how they contribute to the change in the national rate.

### Linkage to HUD 2020: Management Reform Plan

Single Family Housing currently performs loan production, asset management and property disposition with 2,080 employees in 81 locations across the country, in addition to 190 Headquarters staff. The creation of Homeownership Centers (HOCs) will generate economies of scale and encourage better use of technology. To "jump start" the transition, HUD will either streamline or outsource Real Estate Owned activities and sell nearly all assigned notes.

This consolidation and streamlining will provide faster, more uniform service to clients, lenders and borrowers. Loan production will increase in targeted populations with better marketing and outreach. Processing time for insurance endorsements will be cut from two weeks to one day. Providing higher quality, more efficient service to the customer will allow HUD to achieve its homeownership objective.

Proposed legislation in the Multifamily Management Reform Act of 1997 includes the extension of FHA note sale authority permanently. Note sales reduce staff drain that results from having to service troubled properties and notes. Reducing the burden on staff will allow HUD to improve the delivery of services to its clients.

### **External Factors**

Housing is greatly dependent on conditions in the financial markets for the success of many of its programs. For example, if interest rates are high, many potential homeowners cannot afford the cost of first-time homeownership, resulting in much reduced production volume for FHA. Similarly, if the economy is weak with high unemployment, FHA loans may be adversely impacted by defaults since many financially strapped homeowners may not be able to make their mortgage payments.

In other areas, such as the National Homeownership Strategy, Housing/FHA is a key player in the partnership of various organizations attempting to raise the national homeownership rate, but Housing is not the dominant player and is unable to raise the rate to the target without the concerted effort of all the partners.

### **How annual performance goals support the achievement of this objective**

Increasing the national homeownership rate to 67.5% by the Year 2000 remains a goal of the Clinton Administration. Within the limitations set forth under External Factors, above, HUD will do everything it can to reach this goal. We will increase the amount of single family FHA mortgage insurance in underserved areas each year and increase the share of first time homebuyers through Housing, FHA and Ginnie Mae programs. Through PIH programs, we will measure the number of public housing residents and Native Americans purchasing homes. However, purchasing alone will not suffice. Homeownership counseling and other services must address homeownership retention. The objective to this would be to reduce the default rate. Within the limitations stated under External Factors, above, HUD will provide services targeted to the reduction of the default rate.

See Appendix I for specific performance measures.

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## **STRATEGIC OBJECTIVE #7**

**Promote equal housing opportunities for those protected by law.**

### **Introduction**

As HUD fundamentally alters its organizational structure and reforms its management approach to administering its programs, it is essential to shape a new strategy for promoting equal housing opportunity for those the law protects against discrimination.

A new strategy must: (1) focus all discretionary elements<sup>2</sup> of the fair housing program (human, financial and material resources) more effectively; and (2) measure their impact more precisely than before. The ability to measure outcomes in order to justify resources is more critical than ever in the context of shrinking budgets and staffing.

This new strategy for the deployment of discretionary program resources will replace approaches which have resulted in the spreading of scarce resources over widely dispersed areas of the country in an effort to battle discrimination and promote equal housing opportunity. Instead, resources must be more highly focused and better coordinated with each other in order to achieve a meaningful impact. They also must be coordinated with: (1) the other program areas of the Department; (2) with other Federal agencies, State and local governments; and (3) with the private sector, including not-for-profit and for profit housing, consumer and civil rights components.

The strategy which follows is a significant departure from previous approaches to fair housing. The four strategic components described below are designed to respond to the challenges of the Results Act, to maximize the effective use of the new FHEO structure of HUBs and Zones, and to make use of the HUD management reforms that distinguish between monitoring, auditing and enforcing on the one hand and furthering, facilitating, promoting and partnering on the other. In so doing, they are intended to increase the emphasis on "partnering" both within the Department and externally with HUD program recipients and those organizations and individuals who, whether recipients or not, have a major stake in helping to create a Nation of open communities.

The new strategy must be mindful of the fact that many disability rights organizations reported that the Department is funding a large number of townhouse developments (multi-

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<sup>2</sup> FHEO will continue to investigate all complaints and to undertake all required enforcement activity whenever and wherever required. This strategy addresses the use of our discretionary fair housing resources to better achieve meaningful results.

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story units) which are, by their nature, inaccessible to people with disabilities, and that it is not enough to just make the lower level of such units accessible. We have been asked to assure that multi-story townhouse developments integrate single-story units to meet the 5% accessibility requirements under Section 504 of the Rehabilitation Act of 1973.

The Department intends to promote equal housing opportunities by encouraging the "visitability" concept throughout the homeownership and other housing programs. The concept means that homes will have at least one entrance at grade (no step) and all doors contain 32" clear space.

HUD's efforts to promote equal housing opportunities go beyond enforcement. Discrimination is reality for many Americans, particularly the poor. HUD's programs and initiatives strive to provide housing, employment, and services to disadvantaged Americans, many of whom are ethnic minorities. Thus, HUD's programs such as Section 8, CDBG, and HOME, which are targeted to the poor, necessarily have as their end the promotion of equal opportunity.

#### One America: Cracking Down on Housing Discrimination

To further the President's recently announced initiative on race, HUD proposes to double over the next four years the percentage of housing discrimination cases where enforcement action is taken. This step is vital to ensuring One America because the freedom and dignity of choosing where you live is a choice every American should have.

#### Strategies

**Demonstrate the impact of FHEO programs on expanding housing opportunities and addressing discrimination in measurable ways by concentrating program resources in a selected number of communities.**

FHEO will develop criteria to select a fixed number of communities -- urban, suburban and rural -- in all of the ten HUBs that our program operates. These selections will be made to assure a reasonable representation of communities with a variety of geographic, demographic and program characteristics revealing civil rights problems so that they will be fairly representative of the diverse nature of fair housing program challenges nationwide. Such factors will be considered as: their degree of segregation; changing racial and other demographics; the presence or absence of private fair housing enforcement activity and certified State and local agencies; the extent, quality, and effectiveness of local fair housing planning; the existence of effective regional institutions; the extent of mortgage lending to minorities, and the nature of housing issues identified in the Analysis of Impediments.

The full range of FHEO enforcement, compliance and program activities (such as FHIP, FHAP, and voluntary programs) will be provided in these locations with the objective

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of reducing discrimination in housing and housing related services in those communities by application of a focused civil rights effort. The program will build upon the identification and analysis of impediments to fair housing and a community's plan to address them. Such actions are required by HUD for receipt of funding under the Department's major community development programs. The Office of FHEO will seek to work with communities to develop program approaches which will remove those impediments and to measure the real impact of those focused fair housing efforts.

Data baselines will be developed against which benchmarks can be measured over a ten year period to chart progress in achieving equal housing opportunity. The baselines will track the extent of such measures as: increases in mortgage lending to protected classes, the availability of property insurance and mortgages in minority and/or inner-city or lower income areas, the existence of units accessible to persons with disabilities, discrimination complaint levels, the incidence of discrimination in sales or rental of housing, the existence of inappropriate/inadequate housing choices for persons with disabilities, the existence of discriminatory zoning and land use regulations, the extent of segregation in public and assisted housing, and the removal of identified barriers to housing mobility and choice. Progress will be measured over the ten year period to determine the extent to which program components are successful in producing meaningful outcomes.

**Expand in measurable ways the impact that HUD's programs and the housing and urban development-related programs of other Federal Departments and agencies have on housing opportunities by focusing Federal resources on promoting greater housing choice.**

This objective is the key to the impact that HUD's housing and urban development programs will have on the success or failure of HUD's entire Strategic Plan. The extent to which HUD succeeds in any of its other strategic objectives will depend directly upon the degree to which it succeeds in its more focussed and coordinated approach to creating greater housing mobility and choice for all, especially lower income and minority families. Without such opportunities, the Department will be unable either to provide a continuum of housing and services to assist homeless individuals and families or to increase the availability of affordable housing to low-income and minority families to reduce their isolation.

Failure to achieve greater housing mobility and choice will also make impossible the empowerment and self-sufficiency of low-income individuals and families needing desperately to make the transition from welfare to work. This will also mean confining whatever homeownership opportunities they may have to the urban core where good jobs are scarce.

While HUD's programs have included civil rights related requirements for many years in its effort to meet its responsibility under the Fair Housing Act to affirmatively further fair housing in HUD programs, few meaningful measures exist to determine if these requirements have been effective and the extent to which they have achieved the desired result. This



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strategy component will seek to identify meaningful indicators of equal housing opportunity in each of HUD's program areas and to develop systems to measure their status. Data baselines will be sought for each program and progress will be measured at regular intervals through stronger internal HUD cooperation and sharing of existing data among HUD program areas. These should become cross-cutting performance measures and should be used to replicate program requirements where success is achieved and to examine the process and the substance of requirements where meaningful progress does not result.

Such indicators may include levels of segregation in HUD assisted housing and communities, existence of accessible and visitable units and other indicators developed with HUD program areas to measure the outcomes which demonstrate the extent to which their programs are providing housing choice.

FHEO will also forge new and stronger external partnerships with other Federal Departments and agencies, sharing and using existing data sources to the greatest extent possible and using the other Federal resources to increase the impact of fair housing requirements. Executive Order 12892 directs the Secretary of HUD to create and chair the President's Fair Housing Council, providing HUD with a vehicle to lead and partner with other key domestic departments to develop and deploy a more broad-based and comprehensive strategy for affirmatively furthering fair housing.

**Partner with "stakeholders" in the chosen communities to seek and expand upon areas of common ground and shared interests in working toward the goals of equal housing opportunity and open communities.**

FHEO will seek partnerships with civil rights, disability advocacy organizations, private fair housing groups; community-based institutions such as churches, temples, and neighborhood associations; housing industry groups such as mortgage lenders, property insurance providers, sales and rental housing-related associations and building code organizations; and State and local Government agencies such as real estate licensing agencies, social service agencies, and civil rights enforcement agencies, state attorneys general; even those having a stake in the outcomes FHEO seeks.

Where the potential outcomes are perceived positively, FHEO will work with those stakeholders to facilitate their involvement in achieving them. Where the outcomes are viewed with fear and suspicion, FHEO will seek through dialog and outreach to alter perceptions in a more positive and constructive direction.

**Partner with HUD recipients and other housing-related public and private organizations to promote open communities.**

FHEO will partner with a selected number of housing-related organizations and providers in the communities chosen in Component I above to include model partnerships that

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demonstrate successful joint efforts to reduce discriminatory practices and promote open communities.

This component is aimed at establishing a positive, facilitator-like relationship with the selected entities, through which HUD will be a cooperating partner in developing a shared model that can be applied in relationships with similar entities. A range of recipients (private developers, assisted housing managers, PHAs, etc) will be selected. Hallmarks of this partnership will be education, outreach, voluntary programs, best practices, technical assistance, etc., aimed at achieving pre-determined fair housing objectives that can be measured. For example, HUD could work with private multi-family providers to develop improved outreach and marketing approaches; to employ screening techniques that meet requirements of Section 504 and the Americans with Disabilities Act to assure better matching of accessible units with persons with physical disabilities, to develop technical assistance materials which can be used nationally, etc. Successful results can be promoted by the partners to others in the same class.

FHEO will work closely with PIH to provide PHAs with additional flexibility and technical support in the chosen communities for demolition, modernization, vacancy consolidation and establishing site-based waiting lists and ceiling rents.

FHEO will work closely with FHA to provide greater flexibility and "workout" options for private owners and managers of "troubled" multifamily housing developments in the chosen communities to return them to decent, safe and sanitary conditions at affordable rents and increase their participation in Section 8 and regional opportunity counseling programs.

### **Program Evaluation**

Twice in recent years, HUD has conducted major assessments of housing discrimination. These identify the basic outlines of the nature and extent of housing discrimination in America. HUD anticipates beginning another such study soon. Also related to this objective is a recent evaluation of the Fair Housing Initiatives Program (FHIP). The Department has underway two important studies of the effects of assisted housing on neighborhood conditions and has recently completed an assessment of scattered site housing. Other related studies are on the characteristics of neighborhoods with Section 8 recipients, public housing projects, and HOME program developments. Additionally, HUD has just begun an assessment of the effects of public housing litigation settlements on racial deconcentration. Other recent related projects studied the characteristics of neighborhoods with Section 8 recipients, public housing projects, and HOME program developments.

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### **Linkage to HUD 2020: Management Reform Plan**

FHEO faces challenges in fragmented responsibilities and lack of accountability; duplication of Field Office oversight functions; inefficient separation of staff resources between enforcement and program/compliance; and inadequate use of technology.

To overcome these problems, FHEO will eliminate the separation between enforcement and program/compliance functions; cross-train staff, consolidate Field Office oversight and policy functions; integrate fair housing principles through HUD's other program areas; create mechanism to assure coordinated development and dissemination of uniform FHEO policy, regulations and public information; and make greater use of other area's technology.

Specifically, FHEO will consolidate existing organizations and employees and contract where appropriate with outside investigators, auditors and attorneys. Community Resource Representatives (See also Objective #1) will be trained in fair housing laws, issues surrounding Section 8 recipients, and other pertinent fair housing issues. A process will be established to ensure that fair housing compliance is included in assessing PHAs. Section 3 will be moved from FHEO to the Office of Small and Disadvantaged Business Utilization, to take advantage of greater expertise in economic development and procurement.

To streamline existing front-end reviews, other program areas will expand their current application procedures to include routine front end-reviews now performed by FHEO for the Comprehensive Improvement Assistance Program, Family Self-Sufficiency, Comprehensive Grant Program, Multifamily Development Programs, Section 108 Loan Guarantees and Annual Action Plans.

### **External Factors**

A key underlying factor over which HUD has little influence is simply the nature and extent of discrimination in the society. Conceivably, Americans will become more accepting of people who are different and discrimination will diminish. It is, however, equally conceivable that discrimination will increase or become a policy issue in different aspects of American life. In either case, the result will be important and would be largely out of HUD's control.

Broad economic factors undoubtedly are also key. Vigorous, sustained economic growth should provide opportunities for minorities and women to succeed. With greater economic success among disadvantaged groups, one would expect greater integration in other aspects of society. Conversely, economic decline likely will result in greater social rigidity.

The education system and its results are important external factors. Where segregated schools result in different levels of achievement by people of different ethnicities, it is more difficult to achieve integration in other aspects of society.

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**How annual performance goals support the achievement of this objective**

This comprehensive, targeted approach to combating housing discrimination will result in a level of effectiveness that will have a measurable impact on reducing discriminatory practices. The measures of effectiveness of concentrating FHEO program resources in a selected number of communities will allow us to determine the steps necessary to carry out the larger strategy on a National basis. The performance goals provide the blueprint for FHEO to partner with fair housing groups, housing providers, and local governments for the most effective use of resources. Our work with other areas of HUD and local communities to eliminate impediments identified through the Analysis of Impediments, combined with collaborative initiatives with other Federal agencies will allow FHEO to steadily increase its effectiveness. The successful outcomes from these targeted activities will provide the base from which FHEO expands its efforts to additional communities in the future. See Appendix I for specific performance measures.

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## CUSTOMER SERVICE

A full description of HUD actions taken to improve customer service was given in the HUD Customer Service Report to the National Performance Review (1996). HUD's program was rated one of the top programs in the Federal Government. What follows below are specific efforts by the major programs of HUD.

### Housing/Federal Housing Administration

The Office of Housing/Federal Housing Administration has made great strides in the area of customer service. We have conducted two formal surveys of our external customers and issued two reports. In addition, FHA has held numerous focus group sessions with industry representatives to determine how best to proceed with legislative and program changes. Partnerships have been forged with industry and special interest groups.

FHA has changed the way it does business as a result of its customer service outreach. FHA's use of the Web has grown extensively and will continue to expand. Many important documents pertaining to the business of FHA can now be found on the Web, as well as many informational pieces. Staff have been trained and will continue to receive training on how to best address the needs of customers. We are also streamlining and automating routine processing procedures for Single Family mortgage insurance programs.

### Fair Housing and Equal Opportunity

Customer service is a high priority of FHEO. To this end, FHEO has conducted customer satisfaction surveys of FHAP partners – State and local fair housing agencies – to get their assessment of HUD's performance. FHEO has also surveyed FHAP complainants to obtain an assessment of FHAP agency performance. The findings have been shared with HUD and FHAP administrators. Complainants gave our FHAP partners high marks in conducting a fair and impartial investigation and in treating them with courtesy and respect. Our next task is to survey the respondents (the persons against whom the complaints were filed) to get their perceptions of the complaint process. Eventually, all FHEO programs will be surveyed.

### Public and Indian Housing

PIH uses "Forums" on the Web to foster not only communication between HUD to Housing Authorities, but also between Housing Authorities and HUD. This allows peers with the same problems to contact each other in order to provide solutions amongst themselves in order to assure quick communication.

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In addition to the "forums" process, PIH also uses the Web's electronic mail component as a tool to provide direct feedback to Housing Authorities and the general public. This effort allows for the elimination of the paper process and supports a quick response to unique problems.

Another activity involves the development of a "resident survey" (indirect customer) to measure the level of satisfaction and resident perceptions of just how well our Public Housing customers are delivering services. The results of these surveys will further enhance our ability to provide guidance and technical assistance to PHAs.

### Community Planning and Development

To ensure effective customer service, CPD staff places special emphasis on getting our state and local partners to empower customers to play a meaningful role in shaping the scope, direction, and priorities in local plans and programs to use CPD resources.

It has done this through the following techniques:

- Strengthening citizen participation requirements for the local Consolidated Plan which is needed to qualify for all CPD programs. Each strategy and statement of needs (every five years) and action plan laying out what is to be done with CPD funds for the year (every year) must be reviewed by citizens, hearings held, and citizens given a reasonable opportunity to comment. Citizen comments must be included in the Consolidated Plan along with a description of what actions were taken on those comments.
- Annual evaluation of the adequacy of citizen participation by each grantee.
- Making available to our State and local partners the computer technology to present computer-generated maps to citizens. They show where projects proposed for the year are to be located in relation to existing neighborhood conditions. It is more understandable to see one map than review a long and complex plan.
- Preparing executive summaries of over 1,000 Consolidated Plans, with computer generated maps, that have been placed on the Web for access to any one in the United States who uses the Web. This is designed to ensure that the Consolidated Plans are understandable by citizens and community groups.
- Sale of over 300 computer packages at a below market price (\$125) to groups and citizens throughout the United States so that they can generate their own maps. The packages contain disks with local census data.
- Development of a simple format for presenting annual performance and evaluation reports for each grantee in a form that citizens can understand. Citizens must have 15 days to comment before the report is submitted to HUD annually.

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- **Development of an Integrated Disbursement and Information System which will require grantees to report what they actually achieved during the year. The results of State and local achievements will be published annually so that citizens can compare what their community has achieved compared to other communities.**

**Tools appropriate to measure consumer satisfaction with services provided by agencies that directly service the public (such as IRS, Immigration and Naturalization Service, the VA, and Social Security Administration) are not necessarily the appropriate tools for agencies which do not work directly with the public. Given the fact that our state and local partners and the 15,000 subrecipients are the primary point of contact with the customers, it would be very difficult and not very meaningful for CPD to conduct a customer survey. There is no mailing list of CPD ultimate customers. Roughly six to eight million customers benefit from CPD programs every year, but they deal ninety percent of the time with the actual providers of local services. Consumer complaints or requests for information are generally the only direct customer contact with CPD. Complaints, for the most part, deal with the quality of local services and facilities provided.**

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## PARTNERSHIPS

HUD cannot assume sole responsibility for the general welfare and security of the Nation and the health and living standards Americans require. The Department of Housing and Urban Development Act (42 USC 3631, et seq.) stated:

"... establishment of an executive department is desirable to ... assist the President in achieving maximum coordination of the various Federal activities which have a major effect upon urban community, suburban or metropolitan development; ..."

To that end, HUD has worked with community leaders and public interest organizations throughout its history to achieve the maximum benefits for the American people. We will continue to do so and will partner with HHS, Labor and other Federal agencies to achieve a better national community.

Discussed below are some examples of partnerships currently active within the Department.

### Brownfields Initiative

As part of the President's Brownfields Initiative, HUD provides monies in competitive economic development grants to communities to redevelop contaminated Brownfields after they are cleaned up. This inter-agency effort is coordinated with the Environmental Protection Agency (EPA) and the Department of the Treasury.

An impediment to economic development and jobs are the Brownfields sites in the older industrial cities and small towns. The GAO estimates that there are some 130,000 to 425,000 contaminated sites throughout the United States. Many of these sites have potential for economic development because of their strategic location, but because of fear of lawsuits because of contamination, owners are reluctant to develop them.

A partnership has been developed to address this problem. HUD and EPA are two critical components of this partnership. EPA will provide grants to communities for site assessment and redevelopment planning and expanded support for revolving loans to finance Brownfields clean up efforts at the local level. HUD's primary function is to focus on developing the sites to return them to productive uses that create jobs and to address the economic development needs of communities in and around these sites. In addition to the creation of jobs, recycling the non-reforming contaminated property is essential to the revitalization of cities with large areas of contamination.



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## Housing Working Groups

Housing believes strongly in partnering. From 1993 through the present, there have been 33 working groups with hundreds of participants. We are proud of the work that has been done to date and have confidence that these groups will continue to contribute to the achievement of our objectives.

Two Working Groups should be especially noted:

- The GSE Advisory Working Group, which provides a forum for discussion and information sharing on regulatory and partnership activities involving Fannie Mae and Freddie Mac.
- The Affordable Lending Working Group, which discusses the performance of affordable housing loans, including a definition of affordable housing lending, whether or not there is and would be a risk issue and how that risk may be managed effectively.

In addition, there are several Multifamily and Single Family Working Groups which encourage communication and provide Housing with a wealth of resources.

Single Family Working Groups include:

- Title I Property Improvement Program Outreach Working Group
- Title I Manufactured Home Loan Working Group
- 203(K) Purchase/Rehabilitation Program Outreach Working Group
- Single Family Mortgage Insurance Underwriting Outreach Working Group
- Housing Counseling Working Group

Multifamily Working Groups include:

- Audit Working Group
- Subsidy Layering Guideline Working Group
- Budget-Based Section 8 Working Group
- Prepayment/Preservation Working Group
- Asset Management Working Group
- Enforcement Working Group
- Mortgagee Working Group
- Bond Refunding/Refinancing Group
- Tax Law to Preserve Low-Income Housing Working Group
- Section 202/811 Working Group
- Fair Housing Working Group
- Cooperative Housing Working Group
- MF Housing Consultant Fee Working Group

- Assessing Non-Profit Capacity Working Group
- TRACS Working Group
- Multifamily Small Property Insurance Working Group

### FHEO, Housing and Voluntary Compliance

Section 809 of the Fair Housing Act requires the Secretary of HUD to "work out programs of voluntary compliance" with persons in the housing industry and others. HUD plans to accelerate its efforts to promote voluntary compliance by promoting "best practices" among housing lenders and voluntary agreements with housing industry groups.

### FHEO and Other Partnerships

HUD is also promoting the establishment of national and local partnerships, which bring natural allies together to address housing issues of common concern. Partnerships develop strategies and actions that remove barriers to fair housing choices and opportunities.

HUD will expand partnerships with housing industry groups by executing and renewing formal partnerships with the housing industry or other groups designed to affirmatively promote fair housing.

### Public and Indian Housing

Transformation of Public Housing is not limited to physical demolition and reconstruction of uninhabitable public housing. It also helps build communities. PHAs are working in partnership with experienced public and private sector developers to create privately owned, economically integrated developments. These developments include public housing by leveraging other resources, so that public housing benefits from market incentives for good maintenance and management.

### PIH and the Communities

HUD has proposed authorizing legislation that would encourage Housing Authorities to partner with local welfare and employment agencies in order to facilitate resident involvement in self-sufficiency programs. These include:

- Authorization of a Welfare to Work Certificates program that would grant tenant based assistance resources to Housing Authorities and welfare agency collaboratives. This proposal would provide much needed additional assisted housing and coordinated self-sufficiency services to families while generating and testing replicable models of best practices to Housing Authorities nationwide.

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- Encouraging PHAs to use best efforts to develop cooperative agreements with local welfare agencies.
  - Authorizing a new PHMAP indicator on PHA efforts to coordinate and promote resident involvement in self-sufficiency programs.

### CPD and the Communities

A key strategy for CPD has been to reduce citizen alienation by strengthening citizen participation requirements in all of its programs. The plans for some 72 Empowerment Zones and Enterprise Communities and the over 1000 Consolidated Plans for States, entitlement communities and consortia all over the United States were developed with strong citizen participation. Field Offices evaluate each Consolidated Plan annually in terms of the adequacy of citizen participation.

There are thousands of State and local governments and non-profits all over the United States which have entered into partnership to address the needs of homeless persons. Many of these partnerships are metropolitan-wide or are coordinated at the State level.

There are some 524 participating jurisdictions throughout the United States which are the primary public partners for the HOME program: 346 metropolitan cities, 83 urban counties, 95 consortia and 52 states including the District of Columbia and the Commonwealth of Puerto Rico. In addition, Community Housing Development Organizations (CHDOs) and other non-profits are local partners under the HOME program. Less than four years after the first funding was made available under the program, there are more than 2,200 CHDOs. Participating jurisdictions have reserved between 22 and 24 percent of the HOME funds for CHDOs in recent fiscal years.

There are over 10,000 subrecipients receiving funds from the CDBG program which are partners in the community development process. Many of these provide housing rehabilitation.

Technical assistance activities under the HOME and CDBG programs have been largely decentralized to the Field Offices as an instrument for improving the performance of our State, local and non-profit partners.



**APPENDIX I**

<b>LINKING STRATEGIC OBJECTIVES/GENERAL GOALS AND OBJECTIVES TO ANNUAL PERFORMANCE GOALS</b>				
<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
<b>STRATEGIC OBJECTIVE: Empower communities to meet local needs.</b>				
Maintain FY 1996 percentage of funds used for housing activities, as measured by the number of households assisted <sup>1</sup>		169,100	169,100	CDBG
Number of Grantees who incorporate milestones with timetables in Consolidated Action plans that demonstrate progress in improving locally defined conditions in their neighborhoods and communities <sup>4</sup>	BEING DEVELOPED			CDBG
Number of jurisdictions that have completed an Analysis of Impediments under their Consolidated Plan. <sup>5</sup>	NA	NA	See fn.	CDBG

<sup>1</sup> Estimate of expected activity; grantees determine actual use of funds

<sup>4</sup> Grants Management Process is performance-based and provides front-end and ongoing consultations, reviews, assessments, monitoring and technical assistance

<sup>5</sup> FHIO and CPD are assessing data collection and reporting process required to start demonstrating by 1998 progress jurisdictions are making.

PERFORMANCE GOAL	FY 96 Act	FY 97 Est	FY 98 Est	P&F
<b>STRATEGIC OBJECTIVE: Help communities and states establish a full continuum of housing and services designed to assist homeless individuals and families in achieving permanent housing and self-sufficiency.</b>				
US population represented by communities which have developed continuum of care systems.	80%	80%	85%	Homeless Assistance Grants
Increase the number of transitional housing beds that are linked to supportive services.	109,000	109,000 to 115,000	115,000 to 125,000	Homeless Assistance Grants
Increase the number of permanent beds that are linked to supportive services.	55,000	55,000 to 56,500	56,500 to 59,000	Homeless Assistance Grants
The percent of participants leaving HUD transitional housing who move to permanent housing is ____% <sup>6</sup>	22%	30%	35%	Homeless Assistance Grants
Leverage at least \$1 for every \$1 of HUD McKinney Act Homeless funds awarded <sup>7</sup>	1:1	1:1	1:1	Homeless Assistance Grants

<sup>6</sup> Annual performance reports are currently being compiled. Data base will establish the baseline for these goals

<sup>7</sup> Annual performance reports are currently being compiled.

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
<b>STRATEGIC OBJECTIVE: Increase availability to affordable housing in standard condition, particularly the Nation's poor and disadvantaged.</b>				
Initially endorse ___ multifamily loans.		395	398	FHA: General & Special Risk Insurance
Endorse ___ initial or initial/final IIFA risk-sharing mortgages.		50	45	FHA: General & Special Risk Insurance
Complete initial closing of ___ Section 202/811 projects.		272	350	FHA: General & Special Risk Insurance
Complete final closing ___ Section 202/811 projects.		282	330	FHA: General & Special Risk Insurance
Number of units produced by this appropriation for new construction, rehabilitation, acquisition, and number of families receiving tenant-based rental assistance. <sup>8</sup>		81,412	77,200	HOME Fund
Number of new homeowners assisted by this appropriation. <sup>9</sup>		21,375	20,500	HOME Fund
Number of rental units produced by this appropriation. <sup>10</sup>		33,488	32,100	HOME Fund
Leverage \$1.50 in other resources for each \$1 of HOME. <sup>11</sup>		1.5:1	1.5:1	HOME Fund

<sup>8</sup> Units of housing provided depends on local decisions of housing activity to fund. Benchmark is an estimate of expected future activity.

<sup>9</sup> Use of funds for homeownership depends on local decisions. Benchmark is an estimate of expected future activity

<sup>10</sup> Use of funds for rental housing depends on local decisions. Benchmark is an estimate of expected future activity

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
At least 90% of families assisted for rental housing must be below 60% of median income	90%	90%	90%	HOME Fund
Steadily increase the number of PHAs reaching their stated anti-drug objectives from 30 to 90 percent by FY 1999. <sup>12</sup>	NA	30%	60%	PIH/Drug Elimination Grants for Low Income Housing
Maintain PHMAP incremental score; # of PHAs passing with distinction; # of PHAs passing; and # of PHAs failing. <sup>13</sup>	NA	NA	NA	Public Housing Operating Fund
Improve average PHMAP score to 88.5% by FY 2000. <sup>14</sup>	86.5%	87%	87.5%	Public Housing Operating Fund

<sup>11</sup> Leveraging depends on local decisions of housing activities to fund. Benchmark is an estimate of expected future activity

<sup>12</sup> FY 1996 grantee information, available in CY 1997, will provide baseline data for comparison with FY 1997 information, available 24 months later.

<sup>13</sup> PHMAP is undergoing revision. New baseline will be available in July 1998, at which time the FY 99 goal will be established.

<sup>14</sup> Baseline is 86% for FY 95. Goal for FY 99 is subject to revision as a result of proposed changes to PHMAP which will occur in FY 98. Baseline will be re-established when data is available.



<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
Increase percentage of on-schedule HOPE VI revitalization projects/grants. <sup>15</sup>	NA	85%	90%	PIH - Revitalization of Severely Distressed Public Housing
Approve 99,170 replacement units by FY 2000. <sup>16</sup>	56,170	12,500	13,500	PIH - Revitalization of Severely Distressed Public Housing
Increase number of Native American families served.	NA	NA	900	Native American Housing Block Grants
Negotiate an effective strategy for improvement with each entity identified for PIP and fulfill commitments ____% of negotiated strategies completed in initial year.	NA	NA	75%	Native American Housing Block Grants

<sup>15</sup> Baseline is FY 97. Reporting system for this measure is currently under development and will be available in FY 98, enabling PIH to validate on-schedule performance for each year.

<sup>16</sup> Baseline is FY 96. Replacement units are funded through Section 8 and HOPE VI programs. Estimation is 60,000 units with Section 8 and remaining 40,000 with "hard" units.

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
Approve 100,000 units for demolition by FY 2000. <sup>17</sup>	41,633	20,000	20,000	Pub. Hsg. Capital Fund
Demolish 100,000 units by FY 2001. <sup>18</sup>	22,428	20,000	20,000	Pub. Hsg. Capital Fund
Ensure percent of new Section 8 admissions is at very low income levels	NA	NA	100%	PIH: Housing Certificate Fund

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<sup>17</sup> FY 96 is baseline. Measure examines progress of demolitions approval process

<sup>18</sup> FY 96 is baseline. Measure examines progress of actual demolition through completion

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
<b>STRATEGIC OBJECTIVE: Provide empowerment and self-sufficiency opportunities to support low-income individuals and families as they make the transition from dependency to work.</b>				
<b>Establish ___ Neighborhood Network Centers.</b>	<b>56<sup>19</sup></b>	<b>138</b>	<b>100</b>	<b>FHA: GI/SRI</b>
<b>Number of jobs created as a direct result of use of EDI and Section 108.<sup>20</sup></b>		<b>175,800</b>	<b>264,100</b>	<b>CDBG</b>
<b>Number of recipients who have job training programs and contract award procedures involving Section 3 residents and businesses.<sup>21</sup></b>	<b>NA</b>	<b>NA</b>	<b>See fn.</b>	<b>CDBG</b>
<b>At least 70% of funds are used for activities which benefit low and moderate income persons.<sup>22</sup></b>		<b>70%</b>	<b>92% Ent 98% States</b>	<b>CDBG</b>
<b>Increase the number of partnerships that help residents achieve self-sufficiency in each Empowerment Zone and Enterprise Community by Year 2000.</b>				<b>EZ/EC</b>

<sup>19</sup> During FY 1996, plans were developed and approved for 185 Neighborhood Network Centers across the country. Of those 185, 56 were opened during the fiscal year.

<sup>20</sup> Jobs created from FY budget authority. Benchmark is an estimate of expected activity; grantees determine actual use of funds.

<sup>21</sup> FHED compiling data collected from 60002 reports, benchmark for 1998 will be determined after analysis of data.

<sup>22</sup> The forecast for LMI benefits is for states and entitlement communities. Benchmark is an estimate of expected activity; grantees determine actual use of funds.

PERFORMANCE GOAL	FY 96 Act	FY 97 Est	FY 98 Est	P&F
<b>STRATEGIC OBJECTIVE: Reduce the isolation of low-income groups within a community or geographical area.</b>				
Ensure percent of Section 8 families with children living in low poverty census tracts is 40% or more by 1998.	NA	NA	40%	PIH: Housing Certificate Fund
Establish a data collection system to track counselee profiles and the levels of poverty in the areas from which and to which participants move.	NA	NA	NA	FHEO - ROC

PERFORMANCE GOAL	FY 96 Act	FY 97 Est	FY 98 Est	P&F
<b>STRATEGIC OBJECTIVE: Increase homeownership opportunities, especially in Central Cities, through a variety of tools, such as expanding access to mortgage credit.</b>				
Increase the share of first-time homebuyers in each HUD Field Office by 1% per year over FY 1995.	69.3	70.3	71.3	FHA: MMI/CMHI
Close sale of 95% of single family properties on hand as of 10/1/98 less leased properties plus 95% of projected acquisitions for 10/1/98 to 5/31/99.	NA	NA	Same numeric goals for both years	FHA: MMI/CMHI
Close ___ single family properties to non-profits.	3,403	3,400	2,300	FHA: MMI/CMHI
Increase 203(k) production to ___ owner-occupied loans.	17,433	16,232	16,500	FHA: Special Risk
Maintain 95% rate of securitization for FHA and VA loans	95%	95%	95%	GNMA
Increase and maintain percentage of multifamily mortgages securitized by 10% over two years. <sup>23</sup>	5%	5%	5%	GNMA
Increase revenue from multi-class security credit enhancement by 10% <sup>24</sup>	10%	10%	10%	GNMA
Increase lending in distressed communities by 10% by conducting training seminars for potential new issuers. <sup>25</sup>	NA	10%	10%	GNMA

<sup>23</sup> Baseline is FY 1995 data, which was 44%.

<sup>24</sup> Baseline for FY 1996 is \$19.7 billion multi-class (\$7.4 billion REMIC; \$12.3 Platinum).

<sup>25</sup> Baseline for FY 1997 is \$1 billion.

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
Increase number of homeownership approvals for Public Housing residents.	NA	6,250	6,250	Public Housing Capital Fund
Increase units of Native American homeownership financing guaranteed.		470	470	Native American Home Loan Guarantee Fund

<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
With cooperation of HUD-funded program offices, implement outreach efforts with national or local minority and disability advocacy organizations regarding HUD-funded programs and information on local participation	NA	15	20	FHEO
Evaluate accomplishments of organizations funded in FY 1997 under the FHIP to develop a best practices document for addressing racial tension.	NA	NA	NA	FHIP
Sponsor and/or cosponsor fair housing conferences, research symposia or administrative meetings on racial tension	NA	2	5	FHEO
Partner with mortgage bankers, housing industry groups and other State and local law enforcement and civil rights based organizations to develop strategies and short and long term procedures to effectively address incidents of racial tensions at the earliest point possible to reduce/prevent racial tensions.	NA	5	5	FHEO
By the end of FY 1999, identify at least 10 effective best practices strategies for different types of localities to reduce racial tension, based on FHIP products, surveys, resources from organizations, and input from civil rights leaders and law enforcement agencies. Look particularly for strategies which encourage local community involvement and leadership in addressing racial tensions.	NA	NA	NA	FHEO
Reduce the incidence of segregation based on race and national origin in public and Federally assisted housing by 5% over five years, in 50% of selected localities where segregation based on race or national origin has been identified as a barrier.	NA	NA	NA	FHEO
In 10 selected cities, identify public housing, HUD-assisted and CDBG programs with potential civil rights concerns. Determine the extent to which Section 8 certificate/voucher holders contribute to metro-wide segregation in those cities and conduct targeted reviews of compliance with civil rights authorities in those programs.	NA	NA	NA	FHEO
Within the selected localities, and based on the Section 8 certificate voucher analysis, identify at least 5 metro areas and work with them to develop a plan by the end of year 3, to reduce racial segregation through voluntary strategies	NA	NA	NA	FHEO
Develop and carry out strategies to achieve commitments from housing industry groups, State and local governments and other Federal agencies to increase accessibility and visitability for people with disabilities	NA	NA	NA	FHEO

PERFORMANCE GOAL	FY 96 Act	FY 97 Est	FY 98 Est	P&F
<b>STRATEGIC OBJECTIVE: Promote equal housing opportunities for those protected by law.</b>				
Over five years, implement strategies in selected localities to increase the number of lenders and insurers doing business in their core urban areas or areas of high minority or ethnic concentration. <sup>26</sup>				FHEO
Reduce the incidence of segregation based on race and national origin in public and Federally assisted housing by 5 percent by the end of five years, in 50% of selected localities where segregation based on race or national origin has been identified as a barrier.				FHEO
Over five years, measure the levels of discrimination against protected classes, using FHIP and Office of Policy Development and Research funding to carry out matched pair testing of rental and sales transactions.	20	20	20	FHEO
Over five years, conclude model partnerships with selected assisted housing providers, PHAs, CDBG grantees, homebuilders and interest groups that demonstrate successful measures to reduce discriminatory practices.				FHEO
Within 1 year, develop and secure DOJ and White House approval for a mechanism to resolve fair housing complaints filed with HUD alleging discrimination by Federal Departments and agencies (including HUD).				FHEO
Within 5 years, negotiate and sign interdepartmental agreements to resolve fair housing complaints against recipients of funding from the Veterans Administration, Department of Agriculture (Rural Development Services) and other Departments and agencies who provide or assist housing or provide housing related services.				FHEO
Reduce segregation by at least 5% in each HUD-funded project over five years				FHEO
Increase number of Title VI and Section 504 compliance reviews by 5 per year over five years				FHEO
Increase the number of VCAs executed under Title VI and Section 504 by 5 per year over the next five years				FHEO

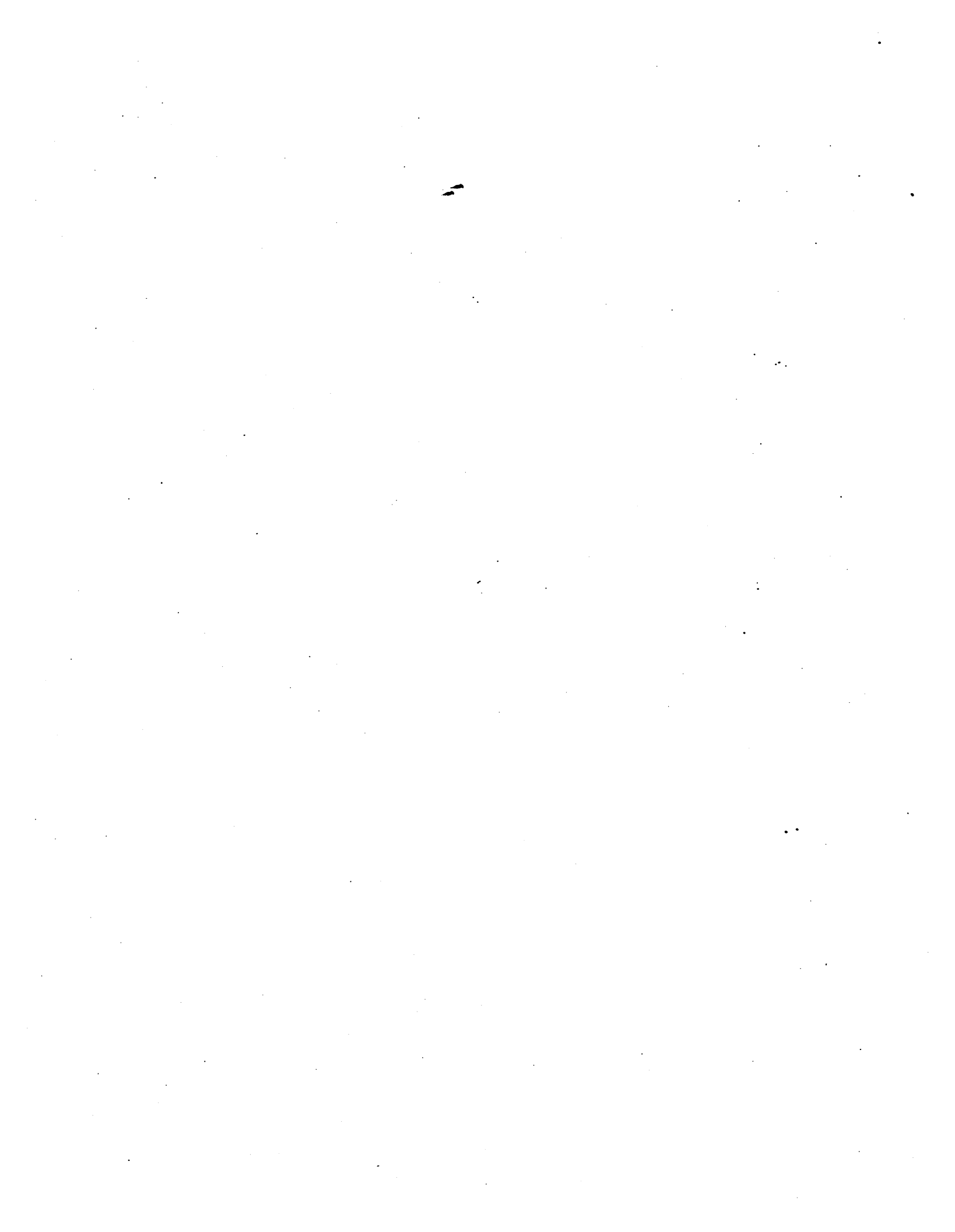
<sup>26</sup> Baseline will be FY 1997 data, developed in FY 1998



<b>PERFORMANCE GOAL</b>	<b>FY 96 Act</b>	<b>FY 97 Est</b>	<b>FY 98 Est</b>	<b>P&amp;F</b>
Increase the number of Federally-assisted newly constructed, altered or subsidized units in each selected community usable by persons with disabilities in integrated settings offset by units lost through designation of public and assisted housing for the elderly. <sup>27</sup>	NA	NA	See fn.	FHEO
By end of FY 1999, develop/modify HUD data systems to capture number of new and existing accessible or visitable units	NA	NA	NA	FHEO
By the end of year one, identify unserved and underserved constituencies through surveys of civil rights organizations, complaint data, and other resources and select at least two for further focus.				FHEO

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<sup>27</sup> Baseline data will be formed from FY 1997 data, available in FY 1998.



**MANAGEMENT REFORM GOALS (FY 1998)**

MANAGEMENT REFORM	GENERAL MANAGEMENT OBJECTIVE	PERFORMANCE GOAL
Modernize and integrate HUD's outdated financial management systems with an efficient, state-of-the-art system.	Financial Systems Integration	Conduct assessment of current financial systems and requirements; design and install an integrated financial management and information system, including the graphic display capabilities of the Communities 2020 Mapping System.
	Financial Systems Review	Develop and implement a plan for the review, repair, or replacement of 89 financial management systems in the HUD inventory; ensure that all systems conform with requirements of the Financial Managers Financial Integrity Act and OMB Circular A-127.
	Financial Management Integrity	Plan and implement a new management system for internal controls, including front-end risk assessments and regularly scheduled internal control reviews.
Create an Enforcement Authority with one objective: to restore public trust.		
Refocus and retrain HUD's workforce to carry out our revitalized mission.	Clarify staff functions by creating two new positions	<p>Community Resource Representatives, responsible for helping customers gain access to the whole range of HUD services and coordinating with HUD program staff in hubs, program centers, and Field Offices performing "back office" processing functions.</p> <p>Public Trust Officers, responsible for ensuring that Federal funds are used appropriately and that HUD customers comply with the law.</p>
	Develop and implement action plan for training and redeployment or outplacement of staff to reduce HUD workforce from 10,500 to 7,500 by <u>FY 2000</u> .	

**MANAGEMENT REFORM GOALS (FY 1998)**

MANAGEMENT REFORM	GENERAL MANAGEMENT OBJECTIVE	PERFORMANCE GOAL
Reorganize by function rather than program "cylinders." Where needed, consolidate and/or privatize.	Create two Departmental centers	Real Estate Assessment Center
		Section 8 Financial Management Center
	Create consolidated centers	Single Family Homeownership Center
		Multifamily Development Centers (17)
		PIH Troubled Agency Recovery Centers (2)
		PIH Special Applications Center
		PIH Grants Center
		CPD Economic Development and Empowerment Service
		CFO Accounting Center
	Redesign HUD procurement and contracting functions to ensure accountability while responding flexibly to changing program needs.	
	Privatize certain programmatic functions	Physical inspections for PIH and FHA portfolios.
		Financial audits of PHAs, multifamily properties, and PIH, CPD, and FHEO grantees

**MANAGEMENT REFORM GOALS (FY 1998)**

<b>MANAGEMENT REFORM</b>	<b>GENERAL MANAGEMENT OBJECTIVE</b>	<b>PERFORMANCE GOAL</b>
Replace HUD's top-down bureaucracy with a new customer-friendly structure.	Establish new field structure consisting of Area Offices with representatives of all four major program areas and Area Resource Centers (ARCs), HUD's neighborhood "store-front" service centers.	
	Institute new Management Plan process which integrates program and customer service delivery systems.	

