

Affordable Housing: HUD Could Improve Use of Data for the Self-Help Homeownership Opportunity Program

GAO-23-106628

Report to Congressional Committees

July 24, 2023

Why This Matters

Demand for affordable housing throughout the U.S. continues to outpace supply. The Department of Housing and Urban Development (HUD) and other federal agencies administer a number of programs that focus on increasing the supply of affordable housing. One of these is HUD's Self-Help Homeownership Opportunity Program (SHOP).

Some Members of Congress have raised questions about the information HUD collects on SHOP and how it uses information to inform program decisions.¹ The joint explanatory statement regarding the Consolidated Appropriations Act, 2022 provides for GAO to evaluate various aspects of SHOP.²

This report examines how HUD collects and uses data for SHOP, including to inform program decisions.

Key Takeaways

- SHOP is a competitive federal grant program that awards funds to eligible nonprofit organizations to help develop affordable housing units for purchase by low-income families.
- HUD collects some data from SHOP grantees. However, HUD has not used these data, or data on market conditions, to inform key program decisions, such as setting the limit on the amount of SHOP funds grantees can spend on each housing unit.
- Our analysis of market data shows that costs for certain eligible SHOP activities have increased over time; however, HUD has changed the per-unit spending limit only twice since the program's inception.
- We recommend that HUD use project-level and market data to inform its administration of SHOP. By analyzing these data in a systematic way, HUD could make better-informed program decisions.

What is SHOP?

SHOP is a competitive federal grant program that awards funds to eligible grantees to help develop affordable homes for low-income families. The program uses a self-help model in which low-income individuals and families contribute their "sweat equity"—nonmonetary investment of labor—to help build housing they will buy.³

Grantees must be national or regional public or private nonprofit organizations or consortia that have the capacity and experience to provide self-help housing homeownership opportunities.

Grantees may use SHOP funds to pay for the cost of the following activities that set the stage for housing construction:

- **Land acquisition.** Acquiring land on which to build the home.
- **Infrastructure improvements.** The installation, construction, or improvement of utilities or other infrastructure.⁴

Grantees must leverage other financial resources to develop SHOP-funded projects, such as funding from private lenders, foundations, and state or local agencies.

In December 2015, the administration and oversight of SHOP was moved from HUD's Office of Affordable Housing Programs to the Office of Rural Housing and Economic Development. According to HUD officials, this office assumed responsibility for the program because of its experience administering competitive grant programs and creating housing and economic opportunities in rural and underserved areas.

How does HUD implement SHOP?

HUD does the following to implement SHOP:

Per-unit spending limit. When HUD solicits SHOP grant applications each year, it sets a limit on the amount of SHOP funds grantees can spend—on average—for an individual housing unit.⁵ Since fiscal year 2022, the per-unit spending limit has been \$25,000.⁶

Production requirements. Each year, HUD uses a grantee's award amount and the per-unit spending limit to determine the minimum number of units the grantee is required to complete, according to officials. Under SHOP, grantees must develop a specific and reasonable number of homes with the grant amount, taking into consideration costs and economic conditions of the areas in which the homes will be developed.⁷ This number must be at least 30 homes.

Funding categories. For fiscal year 2022, HUD instituted three funding categories: national organizations (which were awarded \$6 million), regional organizations (\$3.5 million), and consortium organizations (\$3 million).

Award process. HUD announces annual SHOP grant award opportunities through notices of funding opportunity and awards funds to grantees through a competitive process. HUD evaluates applicants through a rating system, awarding points in five categories: applicant experience and capacity, extent of need for affordable homeownership housing and SHOP funds, soundness of approach to carrying out proposed SHOP activities, leveraging other resources, and program monitoring and evaluation plans.

Since the Office of Rural Housing and Economic Development began administering SHOP in December 2015, HUD has awarded funds to five private nonprofit grantees: Community Frameworks, Habitat for Humanity, the Housing Assistance Council, Tierra Del Sol, and most recently the Community Resources and Housing Development Corporation in fiscal year 2022 (see table 1).⁸

Table 1: Self-Help Homeownership Opportunity Program Grant Awards, by Grantee, Fiscal Years 2016–2022

Dollars in millions

	Community Frameworks	Habitat for Humanity	Housing Assistance Council	Tierra Del Sol	Community Resources and Housing Development Corporation
2016	\$1.7	\$5.9	\$1.1	\$1.3	—
2017	1.5	5.2	1.1	2.2	—
2018	1.3	5.3	1.2	2.1	—
2019	1.1	5.4	1.3	2.1	—
2020	1.3	5.3	1.3	2.0	—
2021	2.6	4.2	3.2	—	—
2022	3.5	2.1	4.0	—	2.9
Total	13.0	33.4	13.2	9.7	2.9

Legend: — = not applicable

Source: GAO analysis of Department of Housing and Urban Development data. | GAO-23-106628

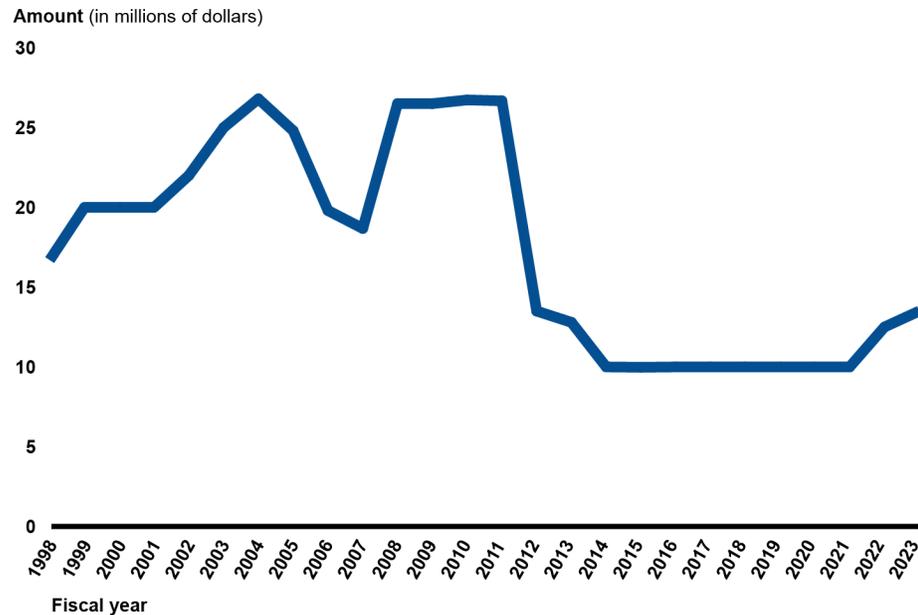
Geographic diversity. SHOP’s governing statute requires HUD to ensure that homes are developed on a national and geographically diverse basis, including areas with high housing costs, rural areas, and areas underserved by other homeownership opportunities. HUD requires that grant applicants propose to use a significant amount of grant funds in at least two states.

What have been program trends over time?

Since fiscal year 1998, congressional appropriations have fluctuated and SHOP unit production has declined. HUD has increased the per-unit spending limit twice since fiscal year 1998.

Appropriations. From fiscal years 1998 through 2014, SHOP’s annual congressional appropriation ranged from \$10 million to \$26.8 million (see fig. 1). From 2014 through 2021, the appropriation remained at \$10 million each fiscal year, and then increased to \$12.5 million in 2022, and \$13.5 million in 2023.

Figure 1: Congressional Appropriations for the Self-Help Homeownership Opportunity Program, Fiscal Years 1998–2023



Source: Department of Housing and Urban Development's Congressional budget justifications. | GAO-23-106628

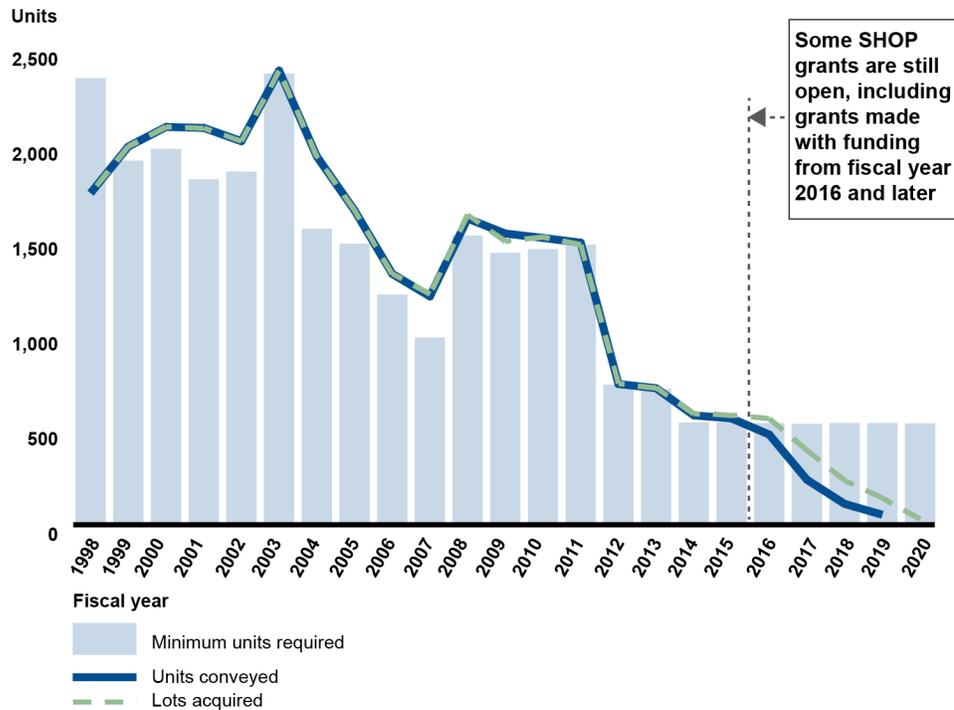
Note: This figure depicts budget authority for certain years in which the Department of Housing and Urban Development's budget justification did not separately list an appropriation.

Per-unit spending limit. Since fiscal year 1998, HUD has changed the per-unit spending limit twice. The limit was \$10,000 from fiscal years 1998 through 2003, \$15,000 from fiscal years 2004 through 2021, and it has been \$25,000 since fiscal year 2022.

Unit production. The minimum number of housing units HUD required SHOP grantees to complete declined from 2,354 in fiscal year 1998 to 537 in 2020.⁹ According to HUD officials, the number of units required decreased in most cases because of reductions in SHOP funding.

HUD also measures how many SHOP units are “conveyed,” which the agency has defined as the transfer of title—that is, ownership—to a SHOP-eligible homebuyer.¹⁰ The number of SHOP units conveyed declined from 1,749 units in fiscal year 1998 to 478 units in 2016 (see fig. 2). Because grantees have multiple years to develop and convey units, all grants for fiscal year 2016 and after were still open. Therefore, lots acquired and units conveyed may not reflect final unit counts.¹¹

Figure 2: Units Conveyed, Lots Acquired, and Minimum Units Required through the Self-Help Homeownership Opportunity Program (SHOP) by Fiscal Year, 1998–2020



Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-23-106628

Note: This figure reflects units required and conveyed using funding appropriated for a given fiscal year, not the fiscal year in which the units were actually completed or conveyed. HUD data on units conveyed and lots acquired include some open SHOP grants across fiscal years, including all grants made with funding from fiscal year 2016 and later. This means that the number of units conveyed and lots acquired in the figure may not reflect final unit counts because grantees have multiple years to develop and convey units and HUD is still closing out grants. According to HUD’s fiscal year 2020 notice of funding opportunity, SHOP grantees have 6 years to develop and convey units developed with SHOP funds. In addition, this figure includes data on the four main grantees, but does not include all grantees that have received SHOP funds since 1998.

What information does HUD collect from grantees and how is it used?

HUD collects the following information from each grantee, either annually or semiannually, at the aggregate level:

- Number of lots acquired
- Number of units constructed
- Number of units conveyed
- Number of units developed in rural areas
- Number of units developed in urban areas
- Number of units that are accessible
- Number of sweat equity hours executed
- Amount expended on land acquisition
- Amount expended on infrastructure improvements
- Amount of leveraged funds used from non-SHOP sources

According to officials, HUD increased the data points collected from grantees when the office assumed responsibility for SHOP in 2016. Additionally, HUD requires grantees to provide some project-level information as part of its semiannual and annual reporting requirements. For example, grantees must provide information on the construction status, unit characteristics, and income composition of the homeowners in SHOP-funded units.

HUD officials said the project-level information from grantees is generally collected as part of HUD’s grant agreement process, and is not stored or maintained in a spreadsheet or database that would enable HUD to analyze project-level information across grantees.

To what extent has HUD used data to inform policy decisions for SHOP?

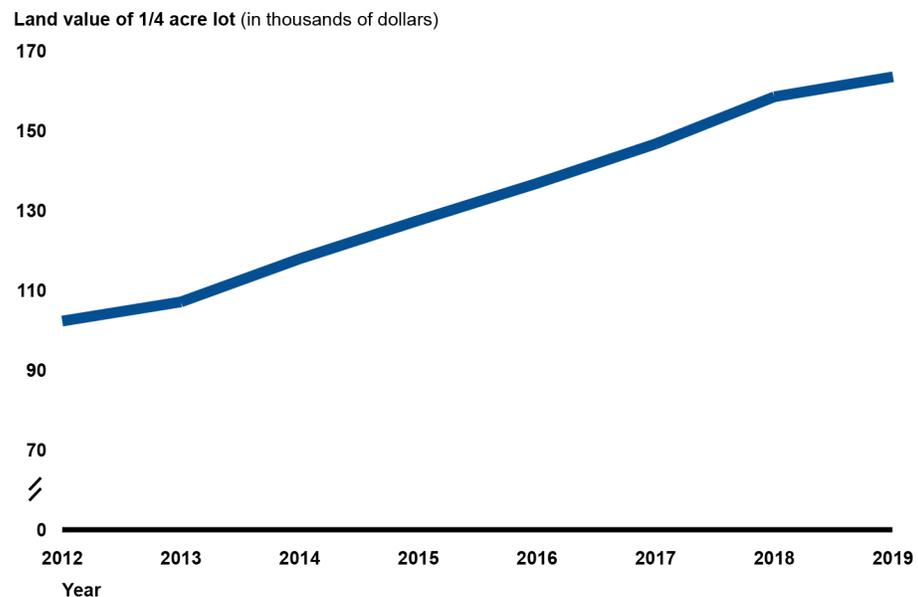
HUD generally has not used data to inform SHOP policy decisions. Instead, HUD historically has made program decisions for SHOP based on appropriations and grantee requests, according to officials. For example:

- HUD has used SHOP’s appropriation and the per-unit spending limit to determine the minimum number of units to be completed by grantees. Specifically, to determine the minimum for each grantee, HUD divides the grant amount (excluding the administrative cost allowance) by the per-unit spending limit.
- HUD raised the per-unit spending limit from \$10,000 to \$15,000 in 2004 and to \$25,000 in 2022. According to HUD officials, HUD made the most recent change in response to grantees’ requests and in the context of rising land costs. Although HUD provided a retroactive analysis of the 2022 change, the agency did not demonstrate any analysis of SHOP project-level or market data conducted before it made changes to the per-unit-spending limit.

Analyzing detailed data could better position HUD to make informed decisions about SHOP. For example:

- By analyzing market data, HUD could determine whether the per-unit spending limit is keeping pace with increases in applicable costs, such as the cost of acquiring land for SHOP projects. For example, although national land prices increased approximately 60 percent between 2012 and 2019 (see fig. 3), HUD did not raise the per-unit spending limit during this time.¹²

Figure 3: Changes to the Land Value of a Quarter Acre Lot, Calendar Years 2012–2019

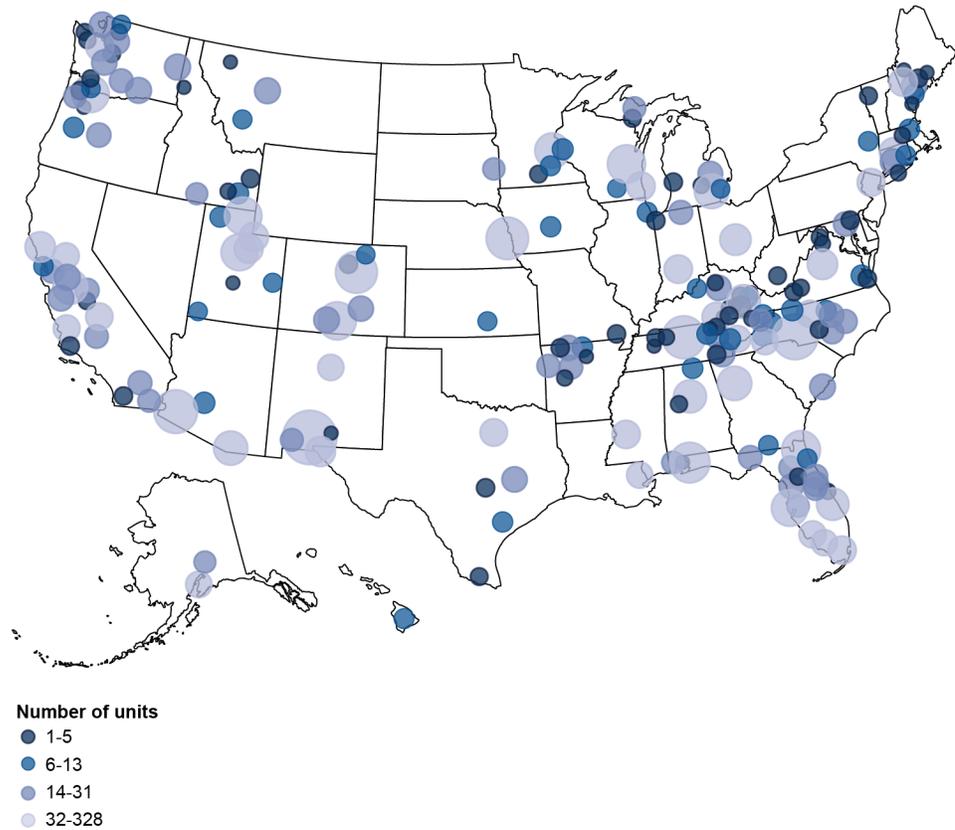


Source: GAO analysis of Federal Housing Finance Agency land price data. | GAO-23-106628

- By analyzing project-level geographic location data, HUD could examine the extent to which SHOP projects are in line with statutory goals for geographic diversity. HUD has not used project-level data for this

purpose; however, we obtained data from grantees to illustrate the geographic distribution of SHOP units (see fig. 4).

Figure 4: Geographic Location of Units Assisted by SHOP, Fiscal Years 2011–2020



Source: Self-Help Homeownership Opportunity Program (SHOP) grantee data. | GAO-23-106628

Note: This map shows 5,577 SHOP units, including those conveyed, in progress, or planned. For one grantee, geographic location reflects each affiliate's office locations and not the exact location of constructed units.

HUD's strategic plan includes a strategic objective on enhancing grants management, with a strategy to analyze HUD's grants through oversight and data collection activities. HUD's strategic plan also includes an objective to leverage data as a strategic asset.¹³ Additionally, SHOP's governing statute includes a goal to develop homes on a geographically diverse basis, including areas with high housing costs, rural areas, and areas underserved by other homeownership opportunities.

HUD officials told us that collecting additional data presents an administrative burden to the agency, and they were unable to provide us with project-level information that could be analyzed across grantees. However, as part of our analysis, we obtained project-level data from grantees, suggesting that grantees have information readily available that would assist HUD in making informed program decisions.

HUD officials did not explain why they could not demonstrate any analysis of market data before making changes to the per-unit spending limit in fiscal years 2004 and 2022. However, HUD recently conducted a retroactive analysis of market data, such as land costs, that officials said supported the 2022 change. HUD included the analysis in a briefing provided to certain congressional committees in May 2023. Officials also noted that although they have not been able to conduct an independent evaluation of SHOP, they intend to increase analyses and work with HUD's Office of Policy Development and Research to identify which data points may be helpful in making program decisions and create a plan to do so.¹⁴

By not assessing market data prior to making policy decisions, HUD cannot ensure that its policy decisions related to program costs reflect market conditions, such as changes in land costs. Additionally, by not systematically analyzing SHOP project-level data, HUD may be missing opportunities to assess the achievement of statutory goals, such as ensuring geographic diversity within the program.

Conclusions

SHOP has helped low-income individuals and families become homeowners at a time when demand for affordable housing continues to outpace supply. HUD makes program decisions that affect the number and location of housing units. However, HUD has not analyzed information on market changes or the project-level information it collects from grantees to inform its key program decisions. For example, without analyzing information on market changes, HUD does not have reasonable assurance that the per-unit spending limit is informed by market conditions. In addition, without analyzing project-level information from grantees, HUD may be missing information relevant to its statutory obligations, which include ensuring that homes are developed on a national and geographically diverse basis. Systematically analyzing this information would better position HUD to understand external factors that affect grantees and to monitor its achievement of program goals.

Recommendation for Executive Action

The Secretary of HUD should ensure that the Director of the Office of Rural Housing and Economic Development systematically analyzes relevant market and project-level data to inform program decisions for SHOP, including any per-unit spending limit that HUD establishes. (Recommendation 1)

Agency Comments and Our Evaluation

We provided a draft of this report to HUD for review and comment. In its written comments, which are reproduced in appendix I, HUD neither agreed nor disagreed with our recommendation. HUD also provided technical comments that we incorporated, as appropriate.

In its response to our draft report, HUD noted that it had enhanced its collection and analysis of SHOP data over the last 5 years, including engaging its Office of Policy Development and Research to develop a framework for analyzing costs. The report acknowledges these efforts. HUD also noted that it analyzed market data in its decision-making. However, as noted in our draft report, the agency did not demonstrate market data analysis conducted prior to increasing the per-unit spending limit.

How GAO Did This Study

To inform all of our work, we reviewed SHOP's governing statute, HUD guidance documents, HUD's annual notices of funding opportunity, and available HUD data, and we interviewed HUD officials who administer SHOP.

To describe SHOP trends, we reviewed additional HUD documentation, including congressional budget justifications. We also reviewed HUD data on grant amounts, the minimum number of required units, and total conveyed units for fiscal years 1998 through 2020 (the most recent data available at the time of our review). To determine the reliability of HUD's data, we performed electronic testing for missing values and obvious errors and discussed the data with HUD officials. We determined the data were sufficiently reliable for reporting grant amounts and units required and conveyed for fiscal years 1998–2020.

To assess the extent to which HUD analyzes data to inform SHOP decisions, we reviewed HUD documentation and data. We also interviewed HUD officials to obtain information on how HUD collects and stores SHOP data and whether and how HUD uses project and market data to inform SHOP decisions.

In addition, we reviewed project-level data from four SHOP grantees on the location of SHOP units for fiscal years 2011–2020. To determine the reliability of project-level grantee data, we performed electronic testing for missing values and obvious errors and discussed the data with each grantee. We determined that the data were sufficiently reliable for reporting approximate locations of SHOP units, including those conveyed, in progress, or planned, between 2011 and 2020. We also reviewed Federal Housing Finance Agency data on national average land prices for 2012–2019 to illustrate how market data could be analyzed to inform SHOP decisions. To assess the reliability of these data, we reviewed related documentation and we reviewed the data for completeness. We found these data to be sufficiently reliable for reporting the change in national average land prices between 2012 and 2019.

We conducted this performance audit from January 2023 to July 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

List of Addressees

The Honorable Brian Schatz
Chair
The Honorable Cindy Hyde-Smith
Ranking Member
Committee on Appropriations
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
United States Senate

The Honorable Tom Cole
Chair
The Honorable Mike Quigley
Ranking Member
Committee on Appropriations
Subcommittee on Transportation, Housing and Urban Development, and Related Agencies
House of Representatives

We are sending copies of this report to the appropriate congressional committees, the Secretary of Housing and Urban Development, and other interested parties.

GAO Contact Information

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Appendix I: Comments from Department of Housing and Urban Development



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-7000

PRINCIPAL DEPUTY ASSISTANT SECRETARY
FOR COMMUNITY PLANNING AND DEVELOPMENT

July 7, 2023

Ms. Jill Naamane
Director
Financial Markets and Community Investment
U.S. Government and Accountability Office
441 G Street, NW
Washington, DC 20548-0001

RE: Response of the Office of Community Planning and Development (CPD) for Draft Report entitled "*Self-Help Homeownership Opportunity Program: HUD Could Improve Use of Data* (GAO-23-106628)"

Dear Ms. Naamane:

On June 28, 2023, the Government Accountability Office (GAO) provided a draft report entitled "*Self-Help Homeownership Opportunity Program (SHOP): HUD Could Improve Use of Data* (GAO-23-106628)" for written response. The GAO report provides one recommendation for HUD as summarized below.

GAO Recommendation: The Secretary of HUD should ensure that the Director of the Office of Rural Housing and Economic Development systematically analyzes relevant project-level and market data to inform program decisions for SHOP, including any per-unit spending limit that HUD establishes.

Response: HUD has enhanced its data collection and analysis over the last five years. While HUD does not have resources for an independent evaluation of the SHOP program, the program office has engaged HUD's Office of Policy Development & Research (PD&R) to develop a framework for analysis. A first step was analysis of the per-unit spending increase produced in May 2023 and shared with GAO. As a note, HUD did analyze market data in its decision making and has increased its programmatic analyses. The program has also initiated a data analysis process with its PD&R.

If you have any follow-up questions, please contact Jackie Williams at jackie.williams@hud.gov or me at marion.m.mcfadden@hud.gov.

Sincerely,

MARION
MCFADDEN

Marion M. McFadden
Principal Deputy Assistant Secretary
Office of Community Planning and Development

Digitally signed by MARION
MCFADDEN
Date: 2023.07.07 16:56:40 -0400

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Endnotes

¹A December 2022 congressional directive instructed HUD to improve and increase its SHOP data collection requirements for grantees; strengthen its internal data analysis for cost trends, needs, changes, and impacts to certain program parameters; and conduct a program evaluation. See 168 Cong. Rec. S9325, at S9341 (daily ed. Dec. 20, 2022) (explanatory statement regarding H.R. 2617, Consolidated Appropriations Act, 2023).

²See 168 Cong. Rec. H2477, at H3028, H3041 (daily ed. Mar. 9, 2022), incorporating by reference and modifying H.R. Rep. No. 117-99, at 108-109 (2021). Pub. L. No. 117-203, 136 Stat. 49.

³The program includes construction or rehabilitation of homes. Persons other than the homebuyer must also contribute labor on a volunteer basis.

⁴HUD permits grantees to use up to 20 percent of SHOP grant funds for reasonable and necessary planning and administrative costs. See, for example, Department of Housing and Urban Development, Community Planning and Development, *Self-Help Homeownership Opportunity Program (SHOP)*, FR-6600-N-19 (Washington, D.C.: September 2022), 4, 19.

⁵For example, HUD's 2022 notice of funding opportunity stated that the average SHOP expenditure for the combined cost of land acquisition and infrastructure improvements could not exceed \$25,000 per SHOP unit. In the fiscal year 2020 notice of funding opportunity, HUD removed the word "average," but it added it back in the fiscal year 2021 notice of funding opportunity.

⁶In July 2022, the House Appropriations Committee encouraged HUD to consider increasing the limit. See H.R. Rep. No. 117-402, at 148 (2022).

⁷Department of Housing and Urban Development, Community Planning and Development, *Self-Help Homeownership Opportunity Program (SHOP)*, 17. See also Housing Opportunity Program Extension Act of 1996, Pub. L. No. 104-120, §§ 11, 11(i)(2), 110 Stat. 834, 841-845 (codified as amended at 42 U.S.C. § 12805 note).

⁸Since 1998, HUD has generally awarded SHOP funding to three grantees, with the addition of Tierra Del Sol in 2009.

⁹With respect to the minimum number of units required and the number of units conveyed, we are reporting the number of units that were required or conveyed using funding appropriated for the referenced fiscal year, not the fiscal year in which units were actually completed or conveyed. For example, 1,749 units were conveyed using fiscal year 1998 funding but those units may not have actually been completed and conveyed until after fiscal year 1998.

¹⁰See, for example, Department of Housing and Urban Development, Community Planning and Development, *Self-Help Homeownership Opportunity Program (SHOP)*, 9.

¹¹Unit counts may not be considered final because grantees may still be completing and conveying projects or because HUD has not closed out the grant. According to HUD's fiscal year 2022 notice of funding opportunity, SHOP grantees must complete and convey all units developed with SHOP funds within a 6-year period.

¹²Our analysis of the Federal Housing Finance Agency's Price of Residential Land Dataset indicated that land prices in the U.S. for a standardized quarter acre lot increased from \$102,300 in 2012 to \$163,500 in 2019, the years for which data were available.

¹³See strategic objectives 5C and 5D in HUD's fiscal year 2022-2026 strategic plan.

¹⁴HUD officials stated that their coordination with HUD's Office of Policy Development and Research is in response to a congressional directive issued in December 2022, which resulted from GAO's preliminary work assessing SHOP's per-unit spending limit.