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Washington, DC 20548

September 28, 2023

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

**AFFORDABLE HOUSING: Information on the Self-Help Homeownership Opportunity Program**

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 multiple programs that focus on increasing the supply of affordable housing. One of these is HUD’s Self-Help Homeownership Opportunity Program (SHOP). SHOP is a competitive federal grant program that awards funds to eligible grantees to help develop affordable homes for purchase by low-income families.

The joint explanatory statement regarding the Consolidated Appropriations Act, 2022 provides for GAO to evaluate various aspects of SHOP, including how increases in the costs of eligible activities have affected affordable housing development.<sup>1</sup> This report is the second of two on SHOP. In July 2023, we issued a report examining how HUD analyzes data to inform policy decisions, such as setting the limit on the amount of SHOP funds grantees can spend per unit.<sup>2</sup> This report provides information on SHOP funding, unit production, and the per-unit spending limit, including the potential effects that market changes could have on the limit’s purchasing power.

To conduct this work, we reviewed SHOP’s governing statute, guidance, annual notices of funding opportunity, and available program data. We also interviewed HUD officials who

<sup>1</sup>See 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.

<sup>2</sup>GAO, *Affordable Housing: HUD Could Improve Use of Data for the Self-Help Homeownership Opportunity Program*, GAO-23-106628 (Washington, D.C.: July 24, 2023).

administer SHOP. We interviewed the four grantees that received awards from fiscal years 2011 to 2021 and obtained information on their use of SHOP funds. We reviewed project-level data from grantees on the location and other characteristics of SHOP-assisted units that used funds during fiscal years 2011–2021. Finally, for information on land values and costs related to infrastructure improvements, we analyzed data from the Federal Housing Finance Agency, the Census Bureau’s Survey of Construction, and the Bureau of Labor Statistics.<sup>3</sup>

Enclosure I provides more detail on our scope and methodology. Enclosure II provides detailed analysis of SHOP and market data.

We conducted this performance audit from January 2022 to September 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.

## **Background**

Established in 1998, SHOP uses a self-help model in which low-income individuals and families contribute their “sweat equity”—nonmonetary investment of labor—to build housing they will buy.<sup>4</sup> 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 acquiring land on which to build the home and improving infrastructure (that is, the installation, construction, or improvement of utilities or other infrastructure). HUD also permits grantees to use up to 20 percent of grant funds for reasonable and necessary planning and administrative costs.<sup>5</sup> In addition, 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 were moved from HUD’s Office of Affordable Housing Programs to its Office of Rural Housing and Economic Development. According to HUD officials, the 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. Since 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.

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<sup>3</sup>We assessed the reliability of all data sources by interviewing agency and organization officials, reviewing supporting documentation, and conducting electronic testing for irregularities. We determined all sources were reliable for the purposes of reporting grantee spending, geographic information on SHOP units, and trends in land and home prices.

<sup>4</sup>SHOP is authorized under the Housing Opportunity Program Extension Act of 1996. Pub. L. No. 104-120, § 11, 110 Stat. 834, 841-845 (codified as amended at 42 U.S.C. § 12805 note). The program was initially operated as a pilot program. In 1998, SHOP was fully established as a competitive grant program. The program includes construction and rehabilitation of homes. Persons other than the homebuyer must also contribute labor on a voluntary basis.

<sup>5</sup>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.

HUD announces annual SHOP grant award opportunities through a notice of funding opportunity and awards funds to grantees through a competitive process. HUD is to evaluate applicants through a rating system, awarding points in five categories: (1) applicant experience and capacity, (2) extent of need for affordable homeownership housing and SHOP funds, (3) soundness of approach to carrying out proposed SHOP activities, (4) leveraging other resources, and (5) program monitoring and evaluation plans.

HUD also sets a limit on the average amount of SHOP funds grantees can spend per housing unit for land acquisition and infrastructure improvements. Since fiscal year 2022, SHOP's per-unit spending limit has been \$25,000.

When awarding grants, HUD sets annual production requirements, which determine the minimum number of units the grantee is required to complete, according to HUD officials.<sup>6</sup> Specifically, to determine the minimum for each grantee, HUD divides each grantee's grant amount (excluding the administrative cost allowance) by the per-unit spending limit.

In July 2023, we reported on HUD's use of SHOP project-level and market data to inform policy decisions. We found that the department had not analyzed these data in setting the per-unit spending limit. We recommended that HUD systematically analyze relevant project-level and market data to inform program decisions for SHOP, including any per-unit spending limit that HUD establishes.<sup>7</sup>

### **Information on Funding, Production of SHOP-Assisted Units, and the Per-Unit Spending Limit**

Since fiscal year 1998, SHOP funding has fluctuated, while the number of units produced has declined. Further, according to our analysis, the SHOP per-unit spending limit generally has not kept pace with certain market changes (in our example, home sales prices).

#### SHOP Appropriations

Since fiscal year 1998, congressional appropriations for SHOP have fluctuated, ranging between \$10 million and \$26.8 million annually, as shown in figure 1. The annual appropriation remained at \$10 million from fiscal years 2014 to 2021, and increased to \$12.5 million in 2022 and \$13.5 million in 2023.<sup>8</sup>

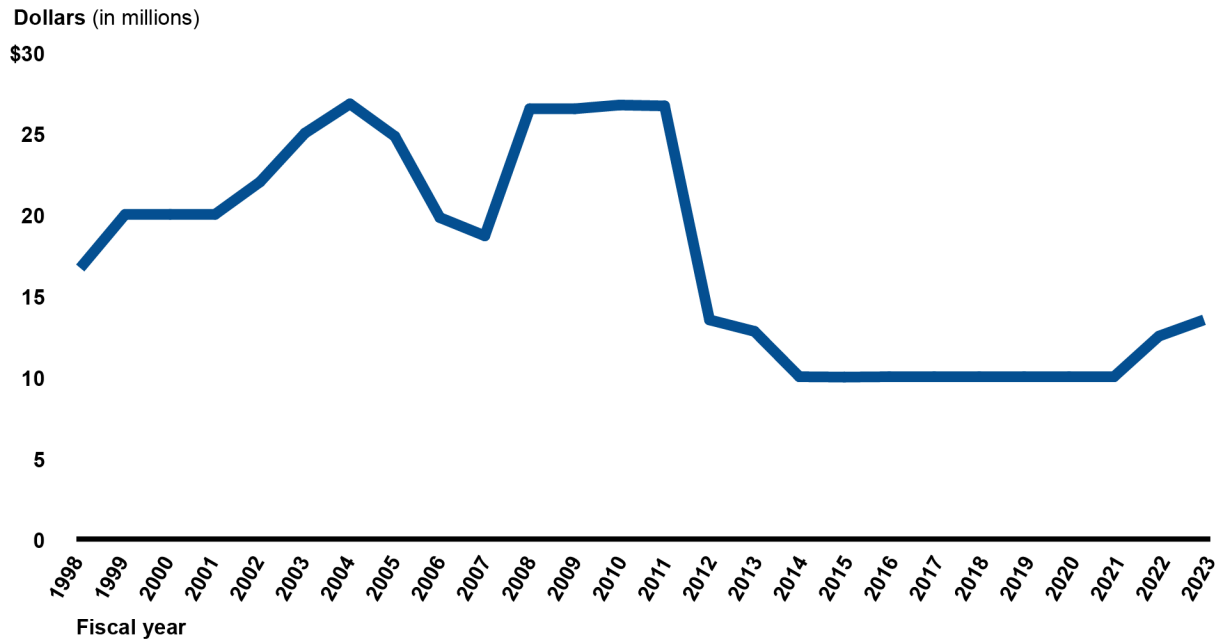
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<sup>6</sup>Grantees must develop a specific and reasonable number of homes with the grant amount, taking into consideration costs and economic conditions of the areas in which the homes will be developed. This number must be at least 30 homes. Department of Housing and Urban Development, Community Planning and Development, *Self-Help Homeownership Opportunity Program (SHOP)*, FR-6600-N-19, 17. See also Housing Opportunity Program Extension Act of 1996, § 11(i)(2).

<sup>7</sup>GAO-23-106628. HUD neither agreed nor disagreed with our recommendation. As of September 2023, HUD had not implemented this recommendation.

<sup>8</sup>When awarding fiscal year 2022 funding, HUD instituted three funding categories: national organizations (\$6 million), regional organizations (\$3.5 million), and consortium organizations (\$3 million).

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



Source: GAO analysis of Department of Housing and Urban Development (HUD) congressional budget justifications. | GAO-23-105647

Note: This figure depicts budget authority for certain years in which HUD’s budget justification did not separately list an appropriation.

### Production of SHOP-Assisted Units

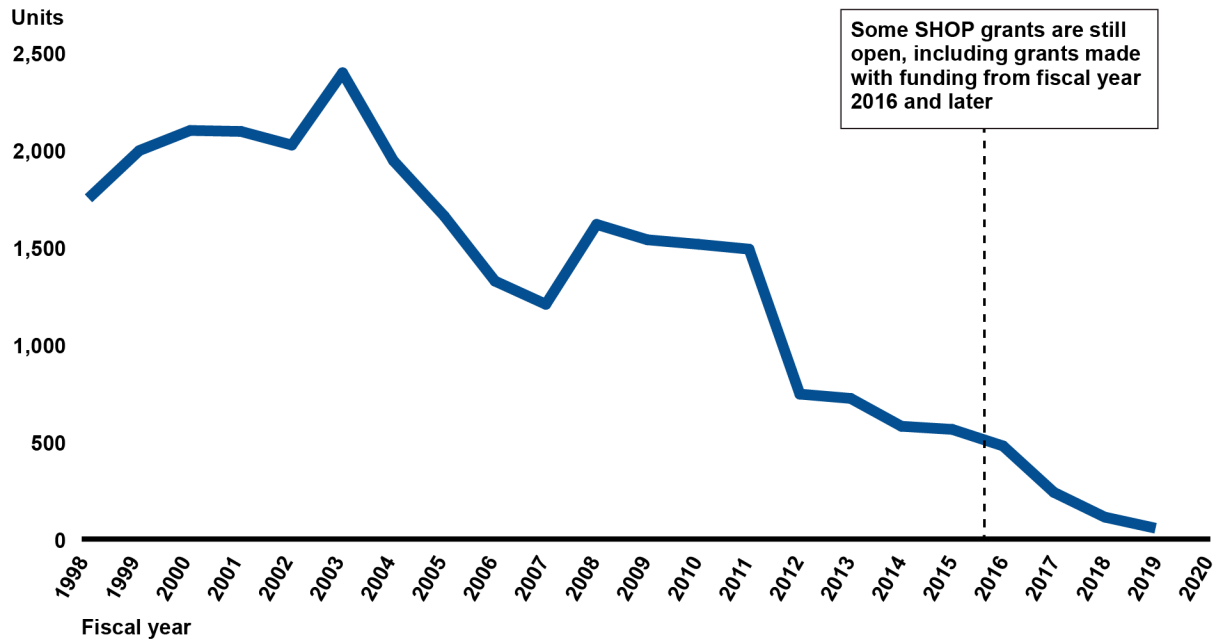
Since fiscal year 1998, the number of SHOP units conveyed has fluctuated, and the number declined in recent years.<sup>9</sup> As shown in figure 2, the number of SHOP-assisted units conveyed declined from 1,749 in fiscal year 1998 to 563 in 2015.<sup>10</sup> Because grantees have multiple years to develop and convey units, all grants for fiscal year 2016 and after were still open as of September 2022, when we last received data from HUD, and may not reflect final unit counts.<sup>11</sup> Since 2012, the number of SHOP-assisted units conveyed by grantees declined as SHOP appropriations decreased.

<sup>9</sup>HUD measures how many SHOP-assisted units are “conveyed,” which the agency has defined as the transfer of title—that is, ownership—to a SHOP-eligible homebuyer. See, for example, Department of Housing and Urban Development, Community Planning and Development, *Self-Help Homeownership Opportunity Program (SHOP)*, FR-6600-N-19, 9.

<sup>10</sup>We are reporting the number of units conveyed using funding appropriated for the referenced fiscal year, not the fiscal year in which units were actually conveyed. For example, 1,749 units were conveyed using fiscal year 1998 funding but those units may not have actually been conveyed until after fiscal year 1998.

<sup>11</sup>According to HUD’s fiscal year 2020 notice of funding opportunity, SHOP grantees must convey all units developed with SHOP funds within a 6-year period. Unit counts also may not be final because HUD has not closed out the grant.

**Figure 2: Number of Units Conveyed by Self-Help Homeownership Opportunity Program (SHOP) Grantees, Fiscal Years 1998–2020**



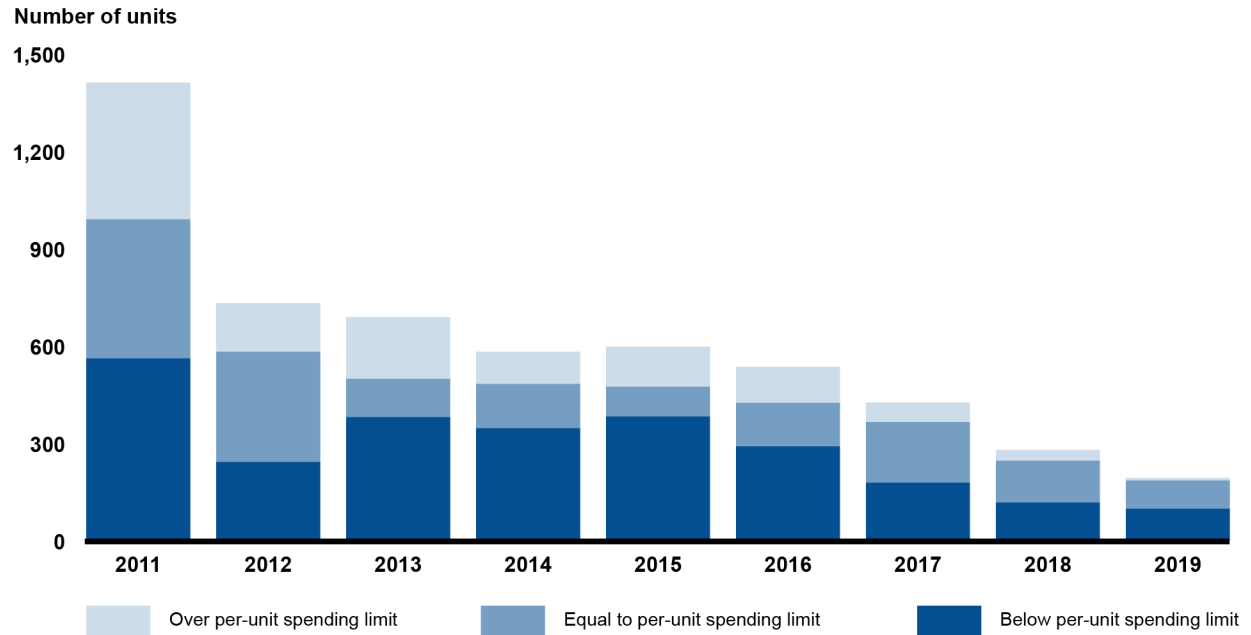
Source: GAO analysis of Department of Housing and Urban Development (HUD) data. | GAO-23-105647

Note: This figure reflects units conveyed using funding appropriated for a given fiscal year, not the fiscal year in which the units were actually conveyed. HUD data on units conveyed 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 in the figure may not reflect final unit counts, because grantees have multiple years to develop and convey units and HUD was still closing out grants for some years. 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.

From fiscal years 2011 to 2019, grantees did not always use the exact amount of the per-unit spending limit for units, which was set at \$15,000, as shown in figure 3. The per-unit spending limit generally applies to the average amount of SHOP funds used for land acquisition and infrastructure improvements across all units.<sup>12</sup> As a result, grantees can apply more or less funds to a unit than the per-unit spending limit as long as the average amount across all units is at or below the limit.

<sup>12</sup>HUD removed the word “average” from its fiscal year 2020 notice of funding opportunity but added it back in the fiscal year 2021 notice of funding opportunity.

**Figure 3: Number of Units Developed with SHOP Funding Over, Equal to, or Below the Per-Unit Spending Limit, Fiscal Years 2011–2019**



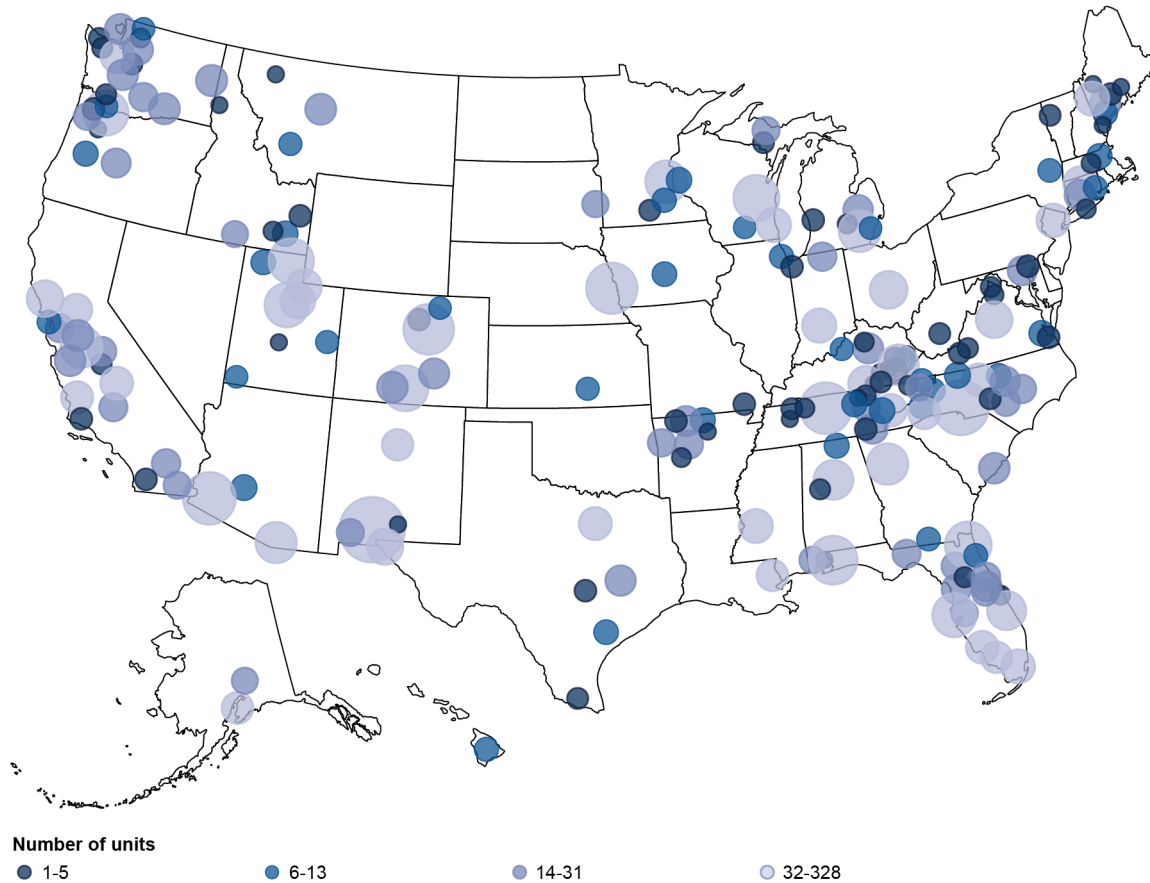
Source: GAO analysis of Self-Help Homeownership Opportunity Program (SHOP) grantee data. | GAO-23-105647

Note: Fiscal year 2019 was the last year for which we had enough data to report funding used to develop SHOP units. Data on units developed with funding from fiscal years 2016–2019 may not reflect total units developed from those years because grantees have multiple years to develop and convey units. The per-unit spending limit was set at \$15,000 from fiscal years 2011 to 2019.

Additionally, 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 that are underserved by other homeownership opportunities. Our analysis of grantee data found that from fiscal years 2011 to 2020, SHOP grants contributed to the construction of units in more than 40 states and 140 metropolitan areas, as shown in figure 4.<sup>13</sup>

<sup>13</sup>“Metropolitan areas” refers to more than 120 metropolitan statistical areas and more than 20 micropolitan statistical areas, according to the Office of Management and Budget’s July 2023 core based statistical area delineations.

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



Source: GAO analysis of Self-Help Homeownership Opportunity Program (SHOP) grantee data. | GAO-23-105647

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

### SHOP’s Per-Unit Spending Limit

Since 1998, HUD has changed the per-unit spending limit twice, but the limit generally has not kept pace with changes in home sales prices. The limit was \$10,000 from fiscal years 1998 through 2003, and \$15,000 from fiscal years 2004 through 2021, and has been \$25,000 since fiscal year 2022.

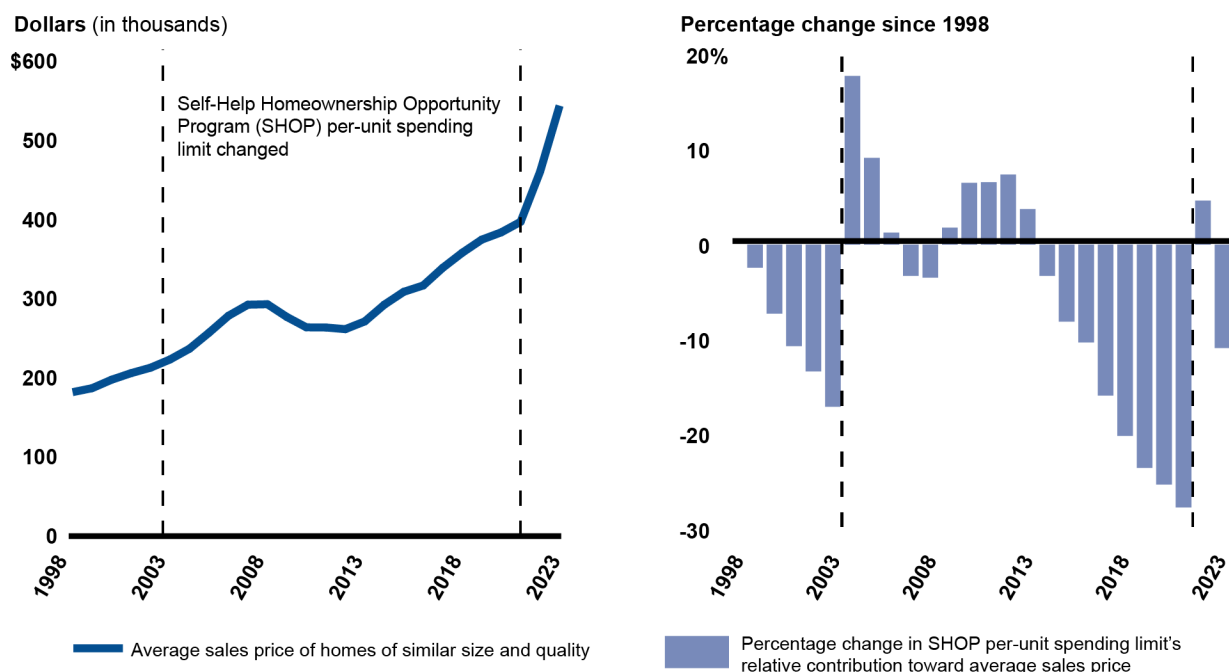
As we reported in July 2023, HUD had not analyzed information on market changes or the information it collects from grantees to inform its key program decisions.<sup>14</sup> In addition, HUD does not collect and maintain project-level data in a manner that would enable an analysis of potential effects that changes to the per-unit spending limit would have on actual production of

<sup>14</sup>We found that HUD could not demonstrate any analysis of market data before it made changes to the per-unit spending limit in fiscal years 2004 and 2022. In July 2023, we recommended that HUD systematically analyze relevant market and project-level data to inform program decisions for SHOP, including in setting any per-unit spending limit that HUD establishes. HUD did not agree or disagree with this recommendation. As of September 2023, HUD had not implemented this recommendation. See GAO-23-106628.

SHOP-assisted units. As a result, data from HUD were not available for us to conduct such assessments. Alternatively, we analyzed publicly available data from other sources in order to provide illustrative examples of how SHOP's per-unit spending limit compares with market changes and how changes to the limit and other factors could affect the production of SHOP-assisted units.

We found that the share of the cost of units represented by the SHOP contribution has fluctuated since 1998, based on our analysis of data from the Census Bureau's Survey of Construction. For example, as shown in figure 5, the average sales price of homes of similar quality (left panel in the figure) more than doubled by 2021, according to Survey of Construction data.<sup>15</sup> However, SHOP's per-unit spending limit did not always keep pace with these increases. As a result, the percentage of the average home sales price toward which SHOP's per-unit spending limit could have contributed (right panel in the figure) would have been nearly 30 percent less in 2021 than in 1998, and about 11 percent less in 2023. However, SHOP contributed more than 1998 levels during 2004 to 2006, 2009 to 2013, and 2022.

**Figure 5: Changes in Average Home Sales Prices and Estimated SHOP Relative Contribution per Unit, 1998–2023**



Source: GAO analysis of Census Bureau Survey of Construction data and Department of Housing and Urban Development (HUD) congressional budget justifications and notices of funding opportunity. | GAO-23-105647

Note: Vertical dashed lines indicate when HUD changed the SHOP per-unit spending limit. Relative contribution indicates the percentage of the average home sales price that SHOP funds would have contributed at the per-unit spending limit each year for land acquisition and infrastructure improvements. Average home sales price is based on a constant quality index using Survey of Construction data, which keeps changes in quality (such as changes in size, amenities, and location) constant. Sales prices are lagged by 1 calendar year (e.g., 1998 is based on calendar year 1997 sales prices) to reflect data available for upcoming fiscal years.

<sup>15</sup>SHOP appropriations are reported by fiscal year, while market data on average home sales price are only available by calendar year. For the purposes of this analysis, we lagged Survey of Construction estimates by 1 calendar year. This means that, for example, fiscal year 1998 SHOP funding corresponds to calendar year 1997 sales prices. We estimated that fiscal year 1998 SHOP funds used toward land acquisition and infrastructure improvement would contribute about 5 percent of the average home sales price in calendar year 1997, based on HUD's formula for determining minimum required units.



Changes in various factors could affect the production of SHOP-assisted units in different ways. For example, if HUD increased the per-unit spending limit without additional appropriations, grantees may produce fewer units because they could distribute more funding to individual units but would have the same amount of total funds to spend. Conversely, if appropriations were increased but the per-unit spending limit remained the same, grantees may produce more units but SHOP funding would potentially cover a smaller share of unit costs than if the per-unit spending limit were higher.

Enclosure II provides additional analysis of SHOP project and market data and trade-offs associated with changes in SHOP's per-unit spending limit.

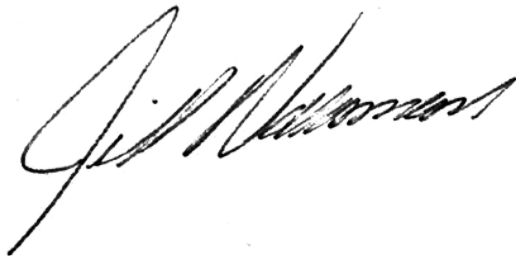
### **Agency Comments**

We provided a draft of this report to HUD for review and comment. HUD did not have any comments on the report.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Housing and Urban Development, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-8678 or [naamanej@gao.gov](mailto:naamanej@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are Cory Marzullo (Assistant Director), Efrain Magallan (Analyst-in-Charge), Charlene Calhoun, Chelsea Carter, Aaron Colsher, William Denekamp, Matthew Rabe, Jennifer Schwartz, Jena Sinkfield, Farrah Stone, and Jack Wang.



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Enclosures – 2

## Enclosure I: Scope and Methodology

This report provides information on Self-Help Homeownership Opportunity Program (SHOP) funding, unit production, and the program's per-unit spending limit, including the potential effects that market changes could have on the limit's purchasing power.

To conduct this work, we reviewed SHOP's governing statute, Department of Housing and Urban Development (HUD) guidance, annual notices of funding opportunity, and available program data.<sup>16</sup> We also examined HUD's congressional budget justifications. We interviewed HUD officials who administer SHOP. In addition, we reviewed project-level data that we received from all grantees that received SHOP awards from funding opportunities in fiscal years 2011–2021, and we interviewed grantee officials and obtained information on their use of funds to develop units.<sup>17</sup>

Specifically, to describe trends in how grantees use SHOP funds and determine the completion status of units, we reviewed project-level data on units from four grantees that received awards from funding opportunities in fiscal years 2011–2021, the most recent data available at the time of our analysis. We analyzed data on about 6,000 SHOP-assisted units, including whether each unit was conveyed or may still have been in progress, amounts of funds grantees used for land acquisition or infrastructure improvements, the geographic location of each unit, and sales price of units.<sup>18</sup> To determine the reliability of project-level grantee data, we performed electronic testing, including corroborating location with other sources and checking for missing values and obvious errors, and we discussed the data with each grantee.<sup>19</sup> We determined that the data were sufficiently reliable for reporting how grantees have used SHOP funds, sales prices of units, and approximate locations of units, including those conveyed, in progress, or planned for years data were available.

To provide information on land values, we analyzed data from the Federal Housing Finance Agency for calendar years 2012 through 2019, the years for which data were available.<sup>20</sup> We also analyzed data on home sales prices from the Census Bureau's Survey of Construction for

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<sup>16</sup>HUD's fiscal year 2022 notice of funding opportunity was the most recent available at the time we completed our audit work.

<sup>17</sup>We interviewed the four grantees that received SHOP awards from fiscal years 2011 to 2021, the period for which we obtained data based on data quality and availability.

<sup>18</sup>We used a variety of indicators to determine a unit's status, such as whether it was conveyed and had a title transfer date, or if it was in progress and had a land acquisition date. We determined the county for each unit using either grantee-provided zip codes or addresses and used the HUD-United States Postal Service ZIP Code Crosswalk to determine the most likely county in which a unit was located. In cases where a zip code corresponded to more than one county, we assigned the county based on the county with the greatest share of residential addresses associated with each zip code. For one grantee, geographic location for each unit reflects the office location of the affiliate that worked on the project rather than the geographic location of the unit.

<sup>19</sup>Each grantee collected and provided data differently. For example, one grantee did not provide sales prices for SHOP-assisted units and others provided data only on conveyed units, meaning they provided little or no data for 2020 or 2021. Another grantee provided the location of each unit as the office location of the affiliate that worked on the project rather than the location of the unit itself, which limited our ability to conduct further geographic analysis. All grantees reported sources and amounts of external (non-SHOP) funds used to complete units differently, which limited our ability to analyze cost trends for SHOP-assisted units.

<sup>20</sup>See Morris A. Davis et al., "The Price of Residential Land for Counties, Zip Codes, and Census Tracts in the United States" (Federal Housing Finance Agency Working Paper Series 19-01, Washington, D.C., October 2020).

calendar years 1997 to 2022. To determine the reliability of these data, we reviewed supporting documentation and performed electronic testing, including corroborating trends and values with other similar sources and research. We determined these data were sufficiently reliable for the purposes of describing trends in county land price changes and national trends in home sales prices.

To estimate our example market-based SHOP per-unit spending limit, we used HUD's formula for determining the minimum required units grantees must complete: SHOP award amount less 20 percent for administrative costs, divided by the per-unit spending limit. We first estimated the percentage that SHOP's fiscal year 1998 per-unit spending limit would have contributed toward the estimated average home sales price from calendar year 1997 based on Survey of Construction's constant quality index.<sup>21</sup> We then calculated the market-based per-unit spending limit for each year as the dollar amount required to maintain the same percentage contribution toward average home sales price as in 1998.<sup>22</sup>

To examine potential effects of this example market-based per-unit spending limit on minimum required units and SHOP appropriations, we recalculated minimum required units using the estimated market-based per-unit limit, keeping appropriations at actual amounts, and we recalculated appropriations that would be needed to maintain actual production levels each year. We then compared each year's actual minimum required units and appropriations to these estimates using our example market-based per-unit spending limit from 1998 to 2023. All estimates assumed no change in the 20 percent allowance for administrative costs and are presented as illustrative examples.

To provide information on costs related to infrastructure improvements, we analyzed data from the Bureau of Labor Statistics' Producer Price Index for calendar years 1998 to 2022. We reviewed HUD guidance and interviewed SHOP grantees to identify categories of potential expenses that may be incurred as part of infrastructure improvements for SHOP projects. To determine the reliability of these data, we performed electronic testing for missing values and obvious errors and determined they were sufficiently reliable for reporting changes in these costs for calendar years 1998 to 2022.

We conducted this performance audit from January 2022 to September 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.

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<sup>21</sup>The constant quality index uses Survey of Construction data and keeps changes in quality (such as changes in size, amenities, and location) constant. We lagged home sales prices by 1 calendar year to reflect data that may be available for the upcoming fiscal year. For example, changes made during fiscal year 2023 would have to be based on data from calendar year 2022 or earlier.

<sup>22</sup>For example, assuming SHOP contributed 5 percent toward the average home sales price for calendar year 1997, the 2023 market-based per-unit limit would be 5 percent of the average home sales price in calendar year 2022.

## Enclosure II: Analysis of SHOP and Market Data

We analyzed Self-Help Homeownership Opportunity Program (SHOP) project data and external market data to illustrate the potential effects of changes to the per-unit spending limit and how changes in market prices have affected the overall purchasing power of funds. Enclosure I provides detailed information on the data we used in our analysis, as well as our complete scope and methodology.

The number of SHOP-assisted units conveyed depends on factors determined by the Department of Housing and Urban Development (HUD) and Congress, such as the per-unit spending limit and appropriations, respectively. It also depends on external market conditions, such as the cost of land acquisition and infrastructure improvements. This enclosure examines the relationships between these factors and their potential effects on various aspects of SHOP:

- **Effects of a market-based per-unit spending limit.** In July 2023, we recommended that HUD use project-level and market data to inform SHOP program decisions.<sup>23</sup> The first section of this enclosure presents an example that illustrates the effects of a market-based approach for determining the per-unit spending limit (that is, a limit that kept pace with changes in home sales prices), including effects on the total number of SHOP units conveyed and appropriations needed to maintain production levels.<sup>24</sup> Our example also illustrates some of the trade-offs that may be involved when making changes to SHOP's per-unit spending limit.
- **Effects of selected factors on the purchasing power of SHOP funds.** We found in our July 2023 report that analyzing market data could help HUD determine whether the per-unit spending limit is keeping pace with market conditions. The second section of this enclosure presents examples of how the purchasing power of SHOP funds may be affected by geographic location (since land prices vary), and the cost of building materials typically needed for infrastructure improvements.

### Illustrative Examples of the Effects of a Market-Based Per-Unit Spending Limit

Our example market-based approach to setting the SHOP per-unit spending limit would likely result in higher per-unit spending limits than HUD's actual limit in many years, particularly from 2014 to 2021. Since 1998, HUD has increased SHOP's per-unit limit twice—from \$10,000 to \$15,000 in fiscal year 2004 and from \$15,000 to \$25,000 in fiscal year 2022. We estimated changes in market prices using data on the average sales price of homes of similar quality and compared these data to the actual per-unit spending limit.<sup>25</sup> As illustrated in figure 6, our analysis showed that a per-unit spending limit adjusted annually to sustain SHOP's initial contribution toward the average home sales price in 1998 would have increased from \$10,000 in 1998 to about \$28,000 in 2023. Alternatively, in the 2 fiscal years during which HUD raised

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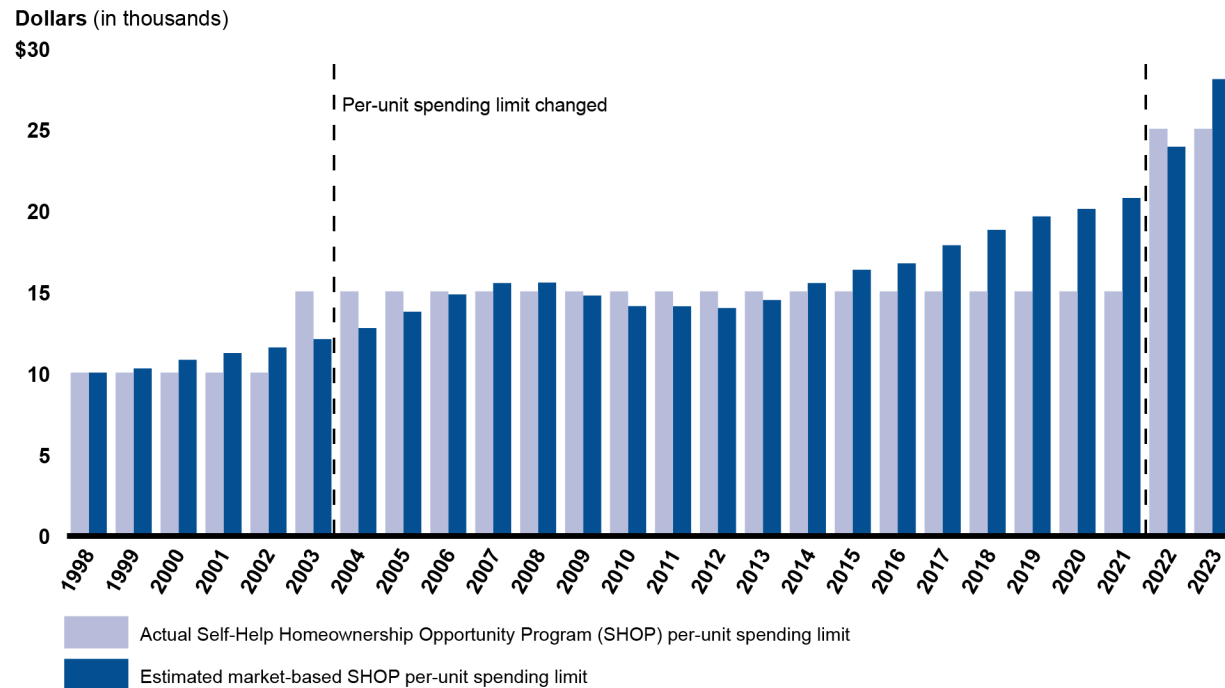
<sup>23</sup>GAO, Affordable Housing: HUD Could Improve Use of Data for the Self-Help Homeownership Opportunity Program, GAO-23-106628 (Washington, D.C.: July 24, 2023). As of September 2023, HUD had not implemented this recommendation.

<sup>24</sup>The analyses presented in this enclosure are illustrative examples based on available data and are not intended to endorse a specific data source to estimate effects of market-based decisions for SHOP, including setting a per-unit spending limit.

<sup>25</sup>We analyzed data from the Census Bureau's Survey of Construction to estimate changes in housing sales prices. See encl. I for more information on our methodology.

the actual per-unit spending limit, the limit exceeded our estimated market-based per-unit spending limit, by about \$2,000 in 2004 and about \$1,000 in 2022.

**Figure 6: Estimated Per-Unit Spending Limits Needed to Maintain Relative Contribution toward Average Home Sales Price, 1998–2023**



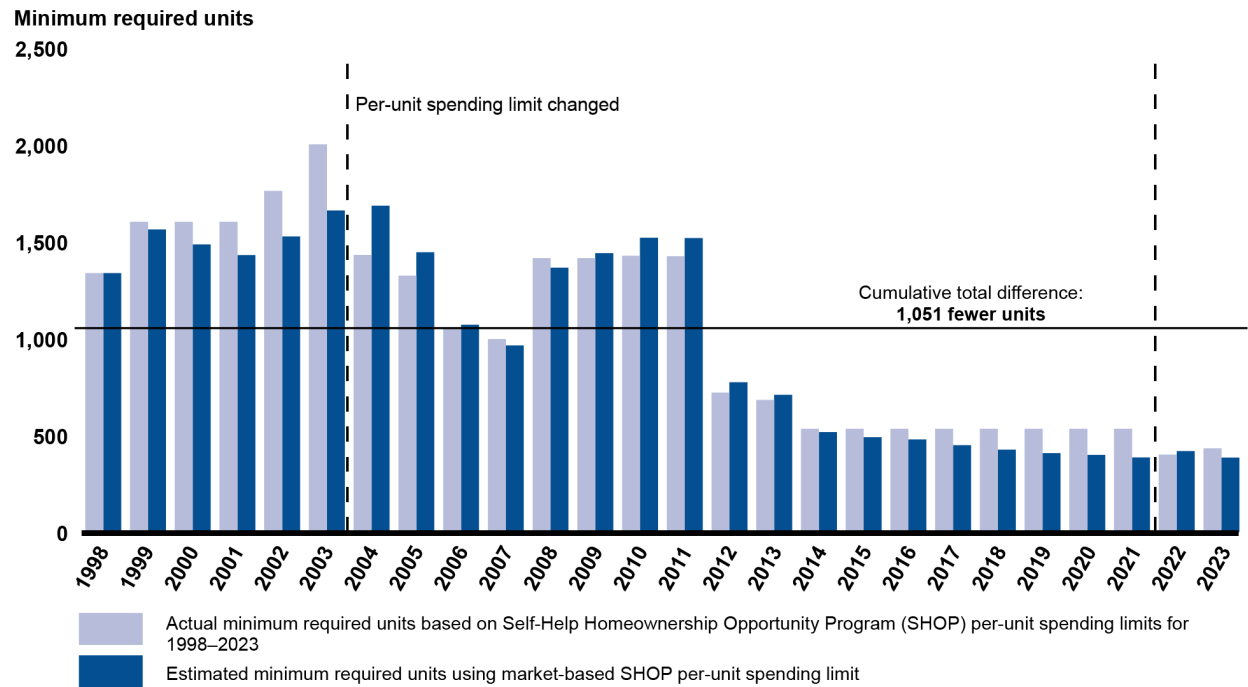
Source: GAO analysis of Census Bureau Survey of Construction data and Department of Housing and Urban Development (HUD) congressional budget justifications and notices of funding opportunity. | GAO-23-105647

Notes: Vertical dashed lines indicate when HUD changed the SHOP per-unit spending limit. Relative contribution refers to the percentage of the average home sales price toward which SHOP funds would have contributed at the per-unit spending limit each year for land acquisition and infrastructure improvements. Average home sales prices are based on a constant quality index and are lagged by 1 year (e.g., 1998 is based on calendar year 1997 sales prices) to reflect data available for the upcoming fiscal year.

Our example market-based per-unit limit under the current appropriation levels and formula would likely reduce SHOP unit production.<sup>26</sup> For example, under the actual per-unit spending limits, HUD could have required a cumulative total of about 27,000 units from fiscal years 1998 to 2023 based on the funding awarded to grantees. However, if the per-unit spending limit had been adjusted based on market conditions and if SHOP appropriations had remained the same, the cumulative total units HUD could have required grantees to complete would have been about an estimated 26,000 units (a cumulative difference of about 1,000 fewer units). Figure 7 shows the estimated number of units that could have been required under actual per-unit spending limits and spending limits adjusted for market conditions for 1998–2023.

<sup>26</sup>To determine the minimum for each grantee, HUD divides the grant amount (excluding the administrative cost allowance) by the per-unit spending limit, according to HUD officials.

**Figure 7: Estimated Number of Units That Could Have Been Required under an Example Market-Based Per-Unit Spending Limit, 1998–2023**



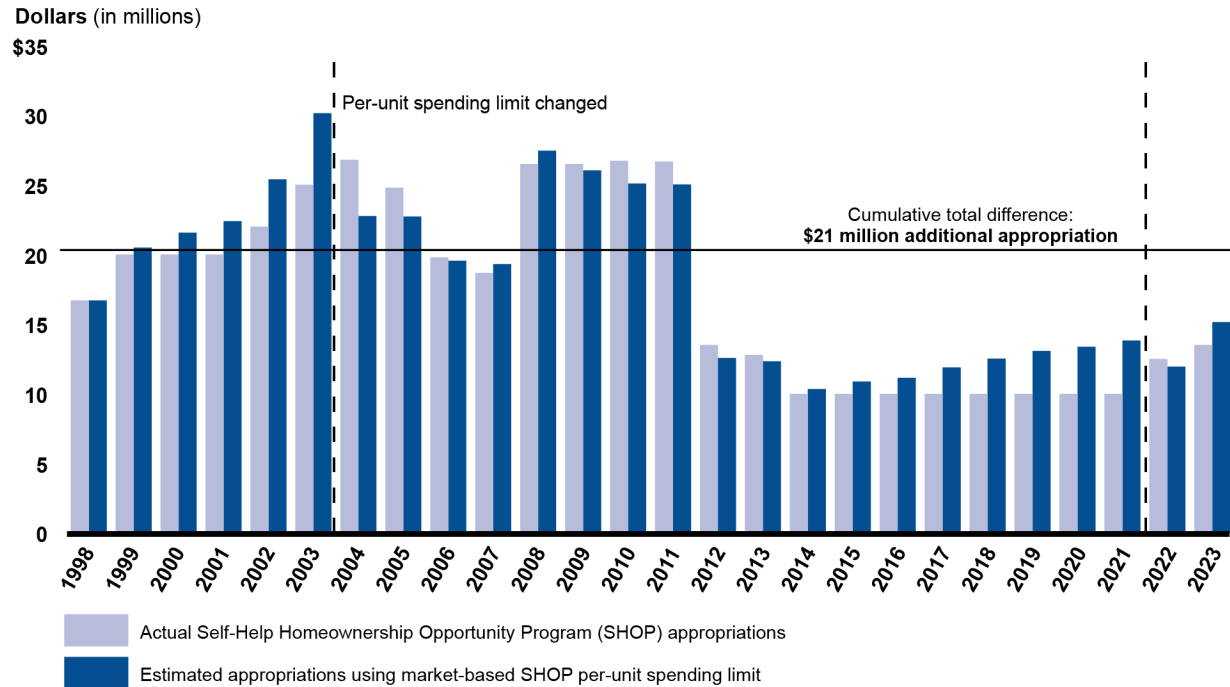
Source: GAO analysis of Census Bureau Survey of Construction data and Department of Housing and Urban Development (HUD) congressional budget justifications and notices of funding opportunity. | GAO-23-105647

Notes: Vertical dashed lines indicate when HUD changed the SHOP per-unit spending limit. Estimated minimum required units refers to the number of units HUD could require grantees to build if the per-unit spending limit were updated each year to maintain the same relative contribution of SHOP funds toward average home sales price and assuming no changes to appropriations or allowance for administrative expenses. Relative contribution indicates the percentage of the average home sales price SHOP funding would contribute at the per-unit spending limit for land acquisition and infrastructure improvements. Average home sales prices are lagged by 1 calendar year (e.g., 1998 is based on calendar year 1997 sales prices) to reflect data available for the upcoming fiscal year. This figure reflects budget authority for certain years in which HUD’s budget justification did not separately list an appropriation.

To maintain consistent levels of unit production under our example market-based per-unit spending limit approach, SHOP appropriations would have needed to increase during most years since 1998. According to HUD’s congressional budget justifications, SHOP appropriations from 1998 to 2023 totaled about \$452 million. If the per-unit limit were adjusted based on market conditions, appropriations would need to have been about \$474 million to maintain the same number of minimum required units (a cumulative difference of an additional \$21 million), as shown in figure 8.<sup>27</sup>

<sup>27</sup>Dollar amounts do not add due to rounding. This estimate also assumed the 20 percent allowance for administrative expenses would be unchanged.

**Figure 8: Estimated Appropriations Needed to Maintain Actual Levels of Unit Production with an Example Market-Based Per-Unit Spending Limit, 1998–2023**



Source: GAO analysis of Census Bureau Survey of Construction data and Department of Housing and Urban Development (HUD) congressional budget justifications and notices of funding opportunity. | GAO-23-105647

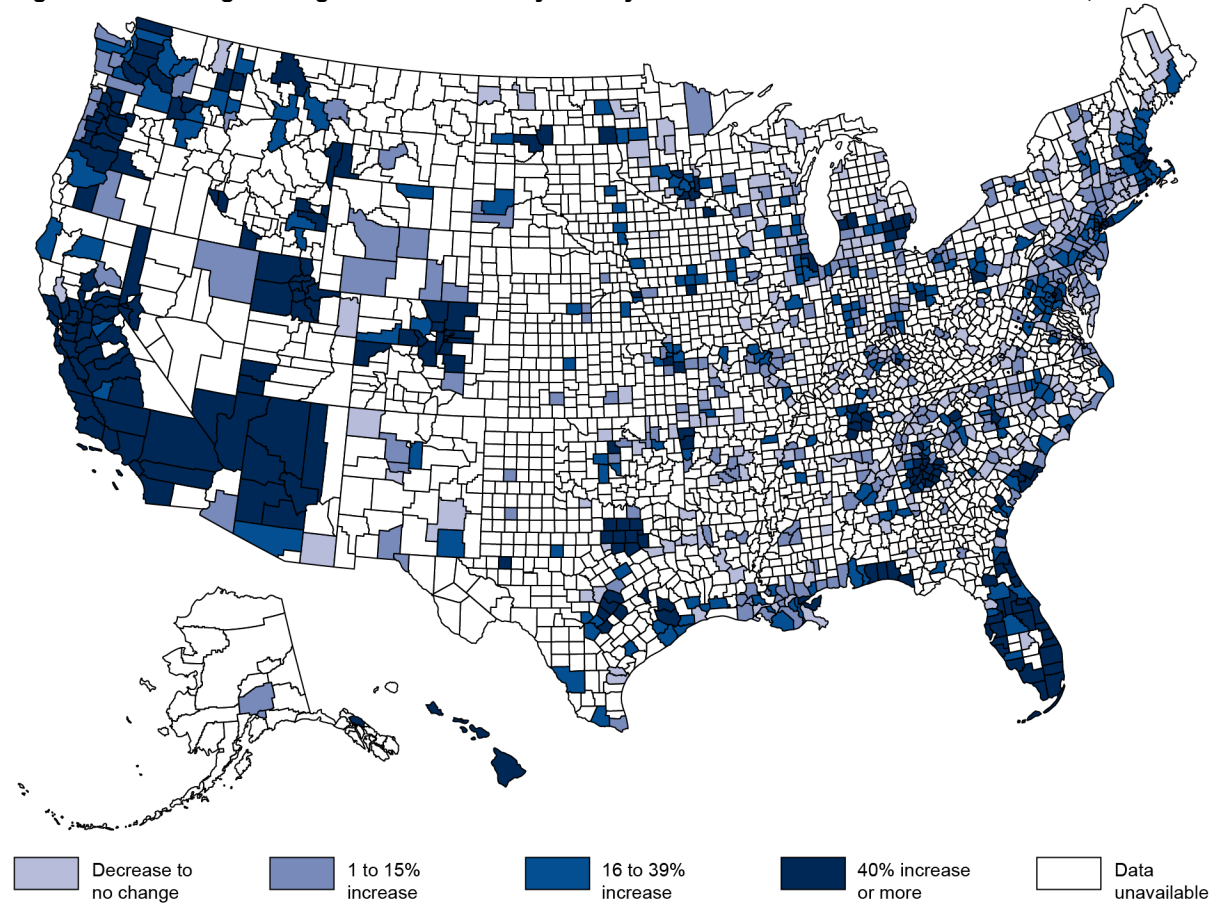
Notes: Vertical dashed lines indicate when HUD changed the SHOP per-unit spending limit. Estimated appropriations refers to the appropriations needed if the per-unit spending limit were updated each year to maintain the same relative contribution of SHOP funds toward average home sales price and assuming no changes to minimum required units or allowance for administrative expenses. Cumulative total difference refers to the sum of estimated appropriations minus the sum of actual appropriations for 1998–2023. Average home sales prices are based on a constant quality index and are lagged by 1 calendar year (e.g., 1998 is based on calendar year 1997 sales prices) to reflect data available for the upcoming fiscal year. This figure reflects budget authority for certain years in which HUD’s budget justification did not separately list an appropriation.

### Illustrative Examples of Changes in the Actual Purchasing Power of SHOP Funds

The following examples analyzing market data, such as changes in land prices, illustrate the effects of cost changes on grantees’ ability to produce SHOP-assisted units.

**Land prices.** Land prices vary widely by geography, based on our analysis of data from the Federal Housing Finance Agency. While land prices more than doubled in some counties from 2012 to 2019, in other counties prices increased minimally or decreased over the same period, as shown in figure 9. This analysis suggests that the per-unit spending limit has different purchasing power depending on where grantees build SHOP units.

**Figure 9: Percentage Change in Land Prices by County for a Standardized Quarter-Acre Parcel, 2012–2019**



Source: GAO analysis of Federal Housing Finance Agency data. | GAO-23-105647

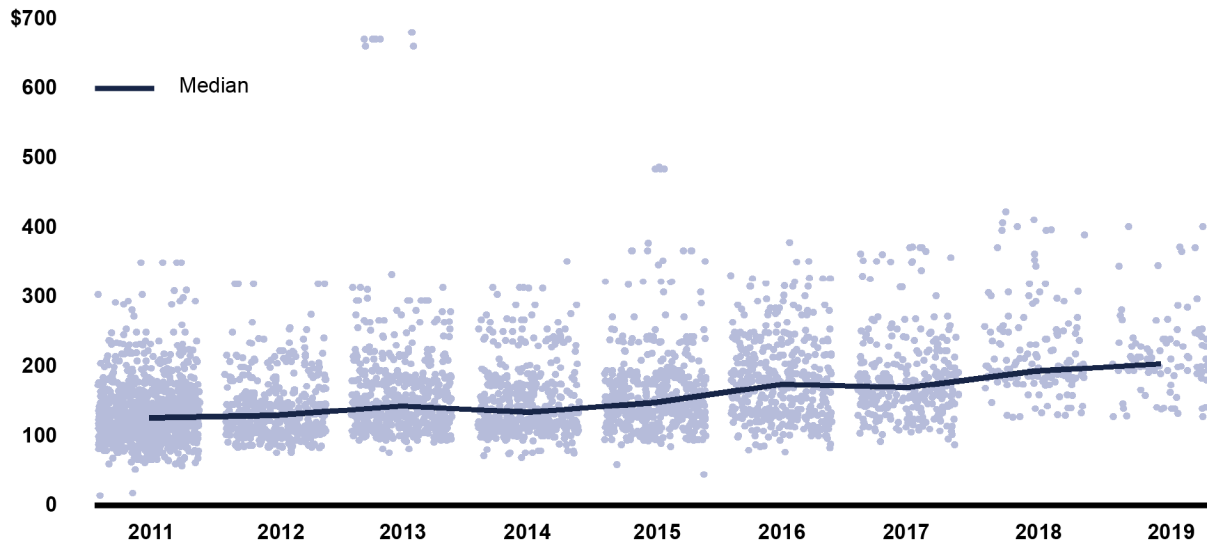
Note: The price of a standardized quarter-acre parcel refers to the price of roughly the median-sized lot, after adjusting for the fact that the price of land per acre tends to fall as acreage increases. Morris A. Davis et al., “The Price of Residential Land for Counties, Zip Codes, and Census Tracts in the United States” (Federal Housing Finance Agency Working Paper Series 19-01, Washington, D.C., October 2020).

**House prices.** Increases in the median sales price of SHOP-assisted units suggest a reduction in SHOP’s purchasing power. For example, the median sales price of SHOP-assisted units increased from about \$120,000 in 2011 to nearly \$200,000 in 2019, as shown in figure 10.<sup>28</sup>

<sup>28</sup>Sales prices are based on data from three of four grantees that received SHOP awards from 2011 through 2019.



**Figure 10: Sales Prices of SHOP-Assisted Units, Fiscal Years 2011–2019**  
Dollars (in thousands)



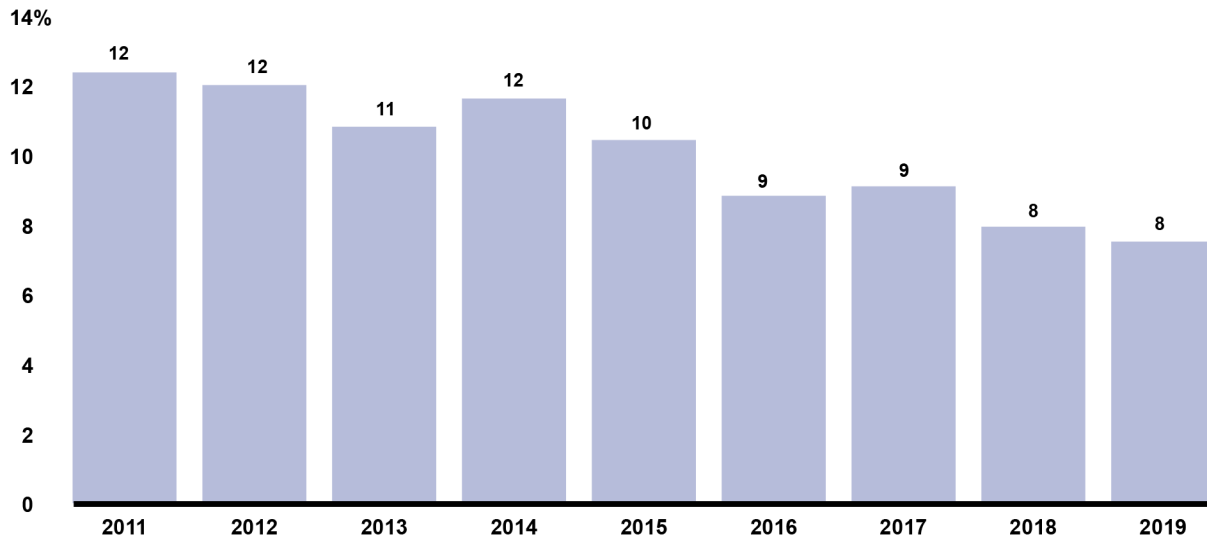
Source: GAO analysis of Self-Help Homeownership Opportunity Program (SHOP) grantee data. | GAO-23-105647

Note: Each point represents the sales price of a SHOP-assisted unit and the fiscal year of the grant from which it received funds, based on three of four grantees that received SHOP awards. Fiscal year 2019 was the last year for which we had enough data to report costs associated with SHOP units sold to qualified individuals and families. Data on units developed with funding from fiscal years 2016–2019 may not reflect total units developed from those grants because grantees have multiple years to develop and convey units.

SHOP’s \$15,000 per-unit spending limit, which remained unchanged from 2011 to 2019, contributed less to the median sales price of SHOP-assisted units over time. Specifically, as shown in figure 11, SHOP contributed about 12 percent toward the median sales price of SHOP-assisted units in 2011, but only about 8 percent in 2019.<sup>29</sup>

<sup>29</sup>Previously in this encl., we illustrated the effect of using average sales prices of homes of similar quality in a market-based approach to setting SHOP’s per-unit spending limit (see fig. 6). Additionally, we analyzed the effect of adjusting the per-unit spending limit based on the median sales price of SHOP-assisted units. Using this method, we estimated that SHOP’s per-unit spending limit would need to have been about \$25,000 in 2019 to contribute the same 12 percent share that \$15,000 did in 2011.

**Figure 11: Relative Contribution of SHOP's \$15,000 Per-Unit Spending Limit toward Median Sales Price of SHOP-Assisted Units, Fiscal Years 2011–2019**  
Percentage

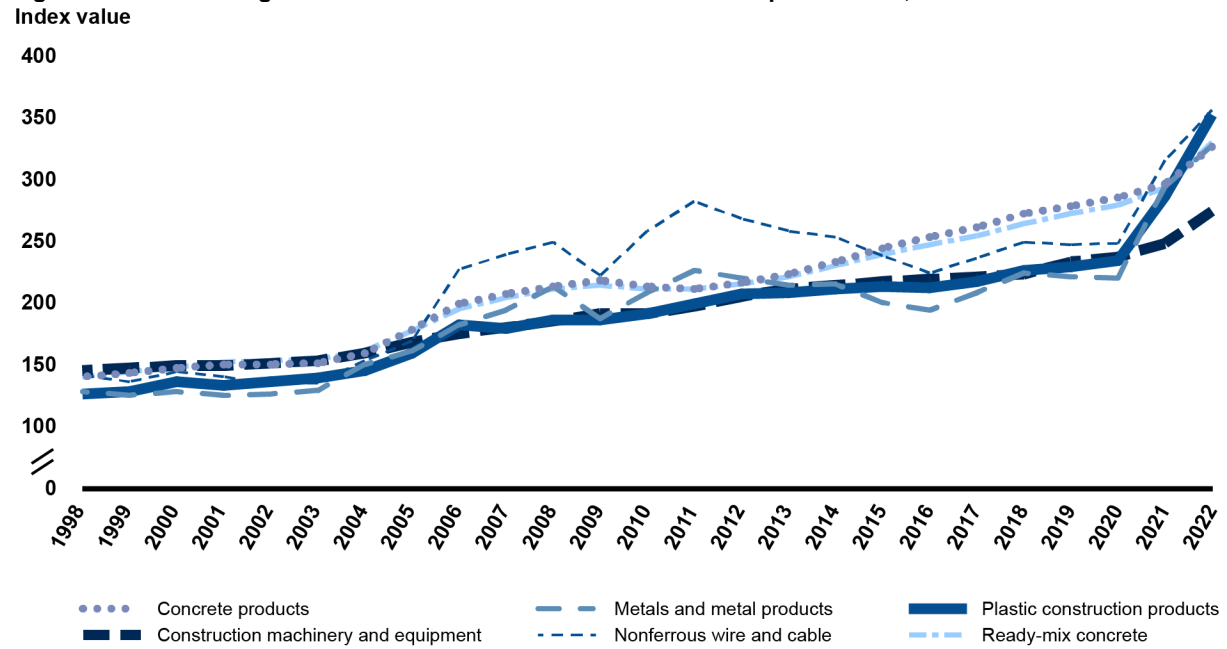


Source: GAO analysis of Self-Help Homeownership Opportunity Program (SHOP) data and Department of Housing and Urban Development (HUD) notices of funding opportunity. | GAO-23-105647

Note: Median sales prices are based on data from three of four SHOP grantees. Fiscal year 2019 was the last year for which we had enough data to report costs associated with SHOP units. Data on units developed with funding from fiscal years 2016–2019 may not reflect total units developed from those grants because grantees have multiple years to develop and convey units.

**Infrastructure improvement costs.** The cost of many goods related to infrastructure improvements more than doubled from 1998 through 2022, as shown in figure 12. Because grantees also spend SHOP funds on infrastructure improvements, these cost increases suggest a similar decline in the purchasing power of grantees' SHOP funds. Additionally, based on our analysis of SHOP grantee data, grantees tended to spend roughly similar amounts of SHOP funds on land acquisition and infrastructure improvements.

**Figure 12: Price Changes for Materials Related to Infrastructure Improvements, 1998–2022**



Source: GAO analysis of Bureau of Labor Statistics data. | GAO-23-105647

Note: The Bureau of Labor Statistics' Producer Price Index measures the average change over time in the selling prices received by domestic producers for their output.

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