

# **HOME INVESTMENT PARTNERSHIP (HOME) ENTITLEMENT PROGRAMS**

**SUB-RECIPIENT MANDATORY ONLINE TRAINING**

**1**



Please note that, at the end of this presentation, you will be required to complete a quiz certifying that you have reviewed all training material.

This quiz will ensure that you understand and comprehend the information provided in this training presentation.

# WHO WE ARE...

## NEIGHBORHOOD DEVELOPMENT (DND)

### STAFF NAME

### TITLE

JAMES A. ROGERS

DIRECTOR

KIMBERLEY M. PIERCE

ASSISTANT DIRECTOR

MICHELLE S. JOHNSON

DIVISION HEAD

LEILA J. LAROCK

PROGRAM ADMINISTRATOR (CDBG, HOME AND ESG)

KATHLEEN A. BROUGHTON

MANAGEMENT ANALYST I (CDBG, HOME AND ESG)

JULIA G. RICKS

STAFF TECHNICIAN II

MARILYN T. BURRESS

ADMINISTRATIVE ASSISTANT I

# HUD ALLOCATIONS

The U.S. Department of Housing and Urban Development (HUD) allocates HOME funds to state and local governments as well as entitlement communities to carry out the following activities: First-time Homebuyer Assistance, Tenant Based Rental Assistance, Homeowner Rehabilitation and funding for Community Housing Development Organizations (CHDOs)

# ACRONYMS

- HOME – HOME Investment Partnership Program
- Grantee – City of Norfolk is awarded HUD dollars
- Sub-recipient – an entity that expends federal awards from the city to carry out a federal program
- Contractor – procurement actions are conducted that provide for free and open competition with type, selection and price
- Agreements – a binding agreement between the city and entity awarded federal funds in order to carry out a program

# ROLES AND RESPONSIBILITIES

The Department of Neighborhood Development (DND), HUD Entitlement Unit, administers the City of Norfolk's HUD funded programs including the HOME Program.

# DND PROGRAM RESPONSIBILITIES

1.  
Plan, administer, and  
implement HUD's  
CDBG, ESG, & HOME  
Programs

2.  
Coordinate monitoring of  
CDBG/HOME/ESG  
funded Sub-recipient &  
interdepartmental  
activities and meet  
performance  
measurements

3.  
Prepare & submit CDBG/  
HOME/ ESG program  
performance reports to  
HUD in the areas of  
program management,  
oversight & labor  
standards

4.  
Enforce Contractor  
and Sub-contractor  
activity

# HOME TRAINING OBJECTIVES

- Eligible HOME Activities
- Provide a summary of the HOME Program rules
- Share techniques
- History and goals

# HOME ACTIVITIES

The HOME Program is a combination of 4 housing programs:

- Homeowner Rehabilitation
- First-time Homebuyer Assistance
- Tenant Based Rental Assistance
- Rental Development (New Construction or Rehab)

# KEY PARTNERS

- Grantee
  - ✓ PJ (City of Norfolk) administers the HOME program
- Sub-recipient
  - ✓ Manages program on behalf of the Grantee
  - ✓ Can be public or nonprofit agency
  - ✓ Different definition than CDBG
- CHDOs
  - ✓ Creates affordable housing
- Developer
  - ✓ Creates housing
  - ✓ Can be for profit or nonprofit

# 2013 HOME RULE

- Updated HOME Final Rule published 7/4/13
- Majority of changes became effective as of 8/23/13
  - ✓ Apply to projects to which HOME funds are committed on or after this date
- Delayed implementation of a few rule changes
  - ✓ Noted throughout the slides
  - ✓ Apply only to HOME activities funded on or after the effective date

# HOME TIMELINES

- 2 years to commit funds to activities including CHDO projects
- 9 months homebuyer sales deadline
- 18 months lease-up in rental housing projects
- 4 years project completion deadline
- 5 years expenditure for all HOME funds (CHDO funds tested separately)

# DEFINITION OF COMMITMENT

- Commitment requires signed and dated legally binding funding agreement
- Two types of funding commitments:
  1. To a specific local project
  2. To a state recipient/sub-recipient for a program
- Community Housing Development Organizations (CHDO) reservations must be project specific
- Participating Jurisdictions (PJs) agreements that are not commitments:
  - ✓ With sub-recipient controlled by PJ (e.g. agency whose officials/ employees work for the PJ)
  - ✓ Lead PJ with other consortium members

# ELIGIBLE COMMITMENTS

- PJs may not commit HOME funds to a project consisting of new construction or rehab until the following have been satisfied:
  - ✓ All necessary financing is secured
  - ✓ A budget and production schedule is established
  - ✓ Underwriting and subsidy layering is completed
  - ✓ Market assessment is completed
  - ✓ Assessment of the experience and financial capacity of the developer is completed
  - ✓ Construction is expected to start within 12 months

# DEFINITION OF A PROJECT

- Site(s) under common ownership, management and financing
- Assisted as single undertaking
- One or more families under one TBRA program

# ELIGIBLE PROJECT COSTS

- Hard costs and project related soft costs for:
  - ✓ New construction
  - ✓ Rehabilitation
  - ✓ Reconstruction
  - ✓ Conversion
- Improvements on HOME project site
- Acquisition
  - ✓ Vacant land (construction must begin within 12 months)
  - ✓ Improved land

# ELIGIBLE PROJECT COSTS

- Demolition (construction begins within 12 months)
- Relocation
  - ✓ Can assist all displaced households in project, not just those units that will be HOME–assisted
- Refinancing (with certain restrictions)
- Initial operating reserve during lease-up
  - ✓ Limited to 18 – month rent-up period
- Pre-development costs

# INELIGIBLE COSTS/ PROHIBITED ACTIVITIES

- Reserve accounts
- Match for other Federal programs (except McKinney)
- Assistance to:
  - ✓ 1937 Act Public Housing Units
  - ✓ Halfway Houses
  - ✓ Dormitories (including farmworker and all types of student housing)

# INELIGIBLE COSTS/ PROHIBITED ACTIVITIES

- HOME projects during affordability period
  - ✓ Some exceptions
- Acquisition of PJ-owned property
  - ✓ Unless specifically acquired for a HOME project
- Project based rental assistance
- Paying delinquent taxes on behalf of the owner or as part of acquisition

# DEFINITION OF PROJECT COMPLETION

- Exception for rental only:
  - ✓ Project can be completed in IDIS with units marked vacant
  - ✓ Beneficiary data must be entered as units rent up
- For TBRA, final drawdown disbursed

# PROJECT DEADLINES

- 4 - year project completion deadline
- Projects must be completed 4 years from the date the written agreement is executed
- PJs may request 1-year extension if provided the following:
  - ✓ Information on status of the project
  - ✓ Steps being taken to overcome obstacles to completion
  - ✓ Proof of adequate funding to complete the project
  - ✓ Schedule with milestones for completion
  - ✓ Otherwise, must repay HOME Investment Partnership

# PROJECT DEADLINES...CONTINUED

- 9-month sale deadline for homebuyer units:
  - ✓ Must have a ratified sales contract with buyer within 9 months of construction completion
  - ✓ Otherwise, must convert to rental unit or repay HOME Investment Partnership
- Rental Occupancy deadline:
  - ✓ Units must be occupied by income-eligible tenants within 18 months of project completion (reporting requirements if not occupied within 6-months)
  - ✓ Otherwise, must repay HOME Investment Partnership

# EXPENDITURE DEADLINES

- All HOME funds must be expended within 5 years
- CHDO set-aside funds must be expended within 5 years

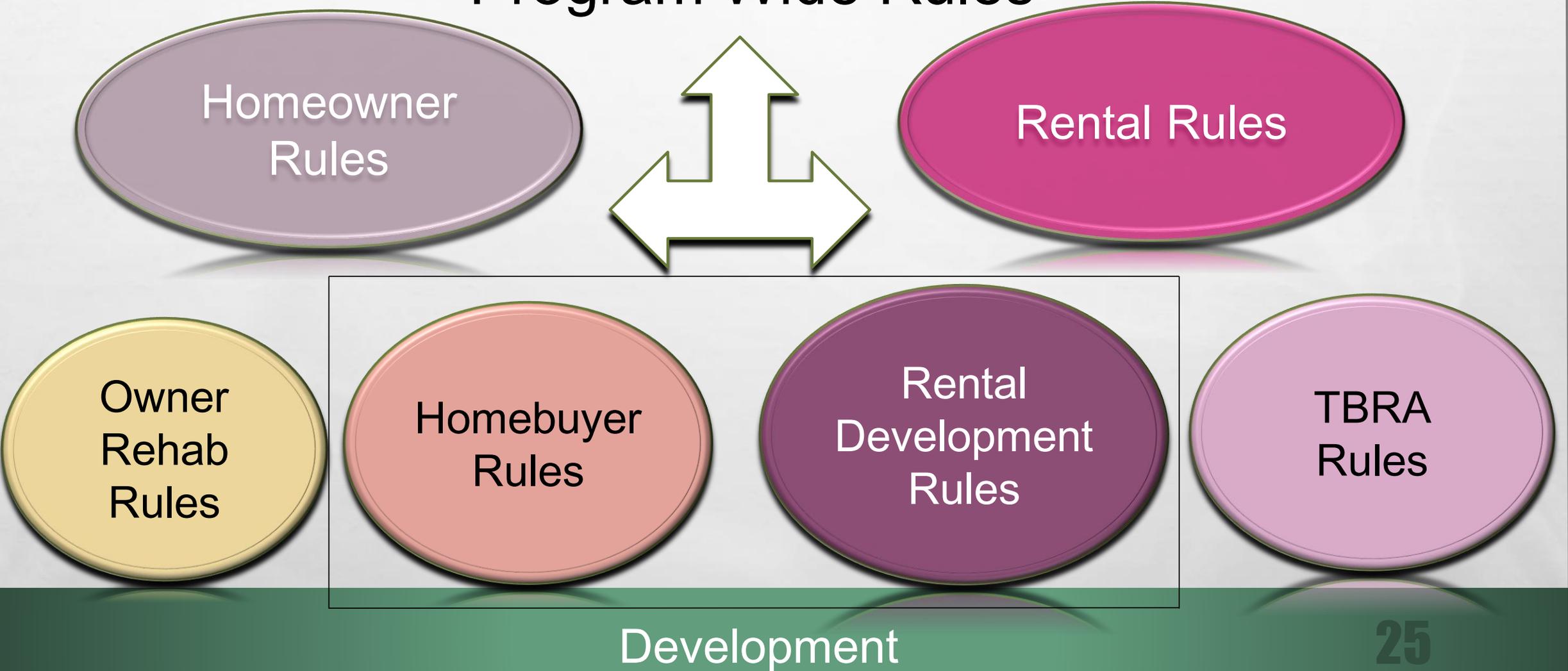
# DEFINITION OF PROJECT COMPLETION

A project is “complete” when:

- All construction work complete and property standards met
- Final drawdown of HOME funds disbursed
- Project completion information (beneficiary data) entered into IDIS (except for rental housing) within 120 days
- Homebuyer units also require transfer of title to homeowner (only when the sale has been completed and title changes hands)

# HOME RULES

## Program Wide Rules



# DEFINITION OF A HOME ASSISTED UNIT

- Any unit that receives HOME funds is considered HOME assisted
- HOME units are subject to all HOME requirements, including affordability periods, income restrictions, property standards, etc.
- HOME funds may also be spent on mixed-income projects, where some units are HOME assisted while others are not

# THE SUBSIDY

- Loans
  - ✓ Interest or no interest
  - ✓ Payments or no payments
  - ✓ No payments for awhile, then payments
  - ✓ Forgiven over time
- Grants
- Interest Subsidies
- Equity Investments
- Loan Guarantees
- Can include construction financing as well as permanent financing
- Other forms must be approved in writing by HUD

# SUBSIDY LIMITS

- Minimum = \$1,000 per unit (except TBRA)
  - ✓ Calculated as average HOME investment across all HOME units in a single project
- Maximum is capped by the HUD published subsidy limit
  - ✓ Calculated based on the amount of HOME investment in the unit-does not cover all other sources of financing

# ACTUAL SUBSIDY AMOUNT

- The amount of actual HOME subsidy per unit will depend upon:
  - ✓ HUD published maximum subsidy limit
  - ✓ Amount of total project costs that are HOME eligible
  - ✓ Number of HOME assisted units
  - ✓ The financial needs of the project
- Cost allocation process is used to determine subsidy/ # of HOME units
  - ✓ Applies when mix of HOME and non-HOME units
  - ✓ Covers both homebuyer and rental units

# ALLOWABLE FEES

- PJ may charge developers an application fee appropriate to type of application
- PJ may charge owner a monitoring fee (new projects funded after 8/23/13)
- PJ may charge for homebuyer counseling
- Owners may charge tenants for reasonable fees (application fee, parking, services)

# INELIGIBLE FEES

- PJ may not charge servicing, origination or other fees to cover costs of the program administration
- Prohibition also applies to State recipients, sub-recipients

# COST ALLOCATION

- Purpose: HOME funds should not pay more than what is eligible and proportionate given the number of HOME units
- Cost allocation Notice 98-02 provides guidance on determining:
  - ✓ Minimum number of HOME units
  - ✓ Maximum HOME investment
- Comparability of units determines process used

# TENANT BASED RENTAL ASSISTANCE

# APPLICANT / BENEFICIARY

- 100% of HOME funds must assist households less than 80% HUD Section 8 (Part 5) Low-income Limit
- Lower income targeting for some activities
- Note: different limits than CDBG
- HOME income limits published annually and available here:

<https://www.hudexchange.info/resource-library/home-income-limits/>

# WHAT COUNTS AS INCOME?

- Two definitions:
  - ✓ [Section 8 \(Part 5\)](#) (this is an active link)
  - ✓ IRS Adjusted Gross Income
- PJs must use single definition of income for each HOME program, or for each rental project
- Use the income calculator on the HUD exchange website:

<https://www.hudexchange.info/incomecalculator/>

# INCOME BASICS

- Gross annual income determines eligibility
  - ✓ Adjusted income used for TBRA payment/ rents for over-income tenants
- Anticipate income for next 12 months
- Compare income to published income limits to determine eligibility
- Income is based on all household members not just family (related individuals)

# INCOME DETERMINATIONS

- Determine income using at least 2 months of source documentation
  - ✓ Income determinations is good for 6 months
- Recertify rental income annually:
  - ✓ Source docs required every 6<sup>th</sup> year of affordability period
  - ✓ For other years can use: source documents, written statement from household, or statement from administrator of another program
- For TBRA, income must be examined annually using source docs

# TBRA INCOME DETERMINATIONS

- Summarize household income calculations
- Determine household income
- Select appropriate rent limit
- Determine maximum rent and assign rent amount
- Provide demographic information

*Note: Head of household is declaring the information to be true and accurate*

# CERTIFICATION TIME REQUIREMENTS

- Applicants: Source documentation cannot be older than 120 days
- Full annual re-certification on income eligibility required unless property approved for self-certification
- **Re-certification must be completed by the first day of the anniversary month of move into property**

# AFFORDABILITY PERIOD

- Applies to homebuyer and rental activities
- Appropriate return on Federal investment
- Amount of HOME dollars establishes time period
  - ✓ Big HOME investment = long period of time
  - ✓ Small HOME investment = shorter period of time
- Affordability period is same regardless of whether assistance is loan or a grant
- Affordability period is not terminated by repayment of HOME loan

# AFFORDABILITY PERIOD...(CONTINUED)

- Period of affordability = period of compliance
- PJs can establish longer period of affordability, if desired
- Period starts when project status in IDIS is changed to “Complete”
- Remember: projects that do not complete the affordability period are ineligible; HOME funds must be repaid

# AFFORDABILITY & COMPLIANCE

HOME Activity	HOME Investment Per Unit	Length of Compliance/ Affordability Period
Homebuyer* and Rental Housing acquisition and/or rehabilitation	Less than \$15,000	5 years
	15,001 - \$40,000	10 years
	\$40,001 +	15 years
New construction of rental housing	Any \$ amount	20 years
Refinancing of rental housing	Any \$ amount	15 years

*\*Pay-off of the HOME assistance does not end the affordability period*

# ADDITIONAL HOME FUNDING FOR PROJECTS DURING AFFORDABILITY PERIOD

	Period	Serve Again?
Owner Rehab	None	Local option
Homebuyer	5 – 15 years	Same house/ different buyer Same buyer/ different house within 1 year of completion*
Rental	5 – 20 years	within 1 year of completion* Assist tenant to buy at any point
TBRA	None	No affordability period but lease required and TBRA contract up to 24 months

*\*Subject to the per unit subsidy limits (original funds + new funds < per unit subsidy limit)*

# TERMINATED AND FAILED PROJECTS

- HOME funds expended on activities that are terminated prior to completion must be repaid
- Projects that cannot maintain an affordability period are considered “ineligible projects”
- If the affordability period is terminated, the PJ is required to repay the HOME funds invested in the project to their local HOME or Treasury Account

# OTHER FEDERAL REGULATIONS

- HOME regulation list other requirements that apply

List includes regulations about:

- ✓ Non-discrimination (92.505(a))
- ✓ Handicapped Accessibility (Part 8, Section 504)
- ✓ OMB Circulars and Part 85 (92.505(a))
- ✓ Environmental (Part 58)
- ✓ Lead Paint (Part 58)
- ✓ Relocation / Acquisition (Part 42)
- ✓ Labor Standards 992.354)
- ✓ Excluded parties (debarred/suspended) (Part 92.350)

# ENVIRONMENTAL REVIEW RECORD - ERR

- The National Environmental Act of 1969 (NEPA) applies to every CDBG, HOME and ESG project
- NEPA requires an ERR to be completed
- The ERR must consider all project activities regardless of if they are CDBG, HOME and/or ESG locally or privately funded.

# ENVIRONMENTAL REVIEW RECORDS -- ERR

- What is an Environmental Review Record?
- Who is responsible for completing an ERR?
- What organizations need to complete ERRs?

# ENVIRONMENTAL REVIEW RECORD - ERR

- There are several levels of ERRs
- The level of review required will depend on the scope of the project activities
- Most ERRs take approximately 60-90 days to complete
- DND will be able to advise you on the level of review your project will require.

# ERR LEVELS OF REVIEW

ERRs require that the following items be addressed:

- Historic Preservation
- Site Contamination
- Flood Plains/ Wetlands
- Noise/ Tanks/ Airports
- Farmland Protection
- Coastal Zones

*NOTE: HUD – Request Release of Funds – submitted once ALL of the review records are complete.*

# TYPICAL ENVIRONMENTAL REVIEW PROCESS

- Designate an Environmental Review Officer
- Receive State Historic Preservation Office (SHPO) Clearance
- Determination of Flood Plain/ Wetland Impact
- Complete Environmental Assessment
- Finding of No Significant Impact

# **COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDOS)**

# DEFINITION OF A CHDO

- CHDOs must meet requirements pertaining to their:
  - ✓ Legal status
  - ✓ Independence
  - ✓ Accountable to the low-income community
  - ✓ Capacity and experience
- Certifications based upon meeting the definition of a CHDO and capacity assessment
  - ✓ Required at the time of commitment
  - ✓ Expected to remain a CHDO throughout period of affordability

# CHDO LEGAL STATUS

To be eligible, organization must:

- Be organized under state and local law
- Have as its purpose to provide decent and affordable housing to low income persons
- Provide no individual benefit
- Have a clearly defined service area
- Have IRS tax exempt status

# CHDO SET-ASIDE

Max 10% Administration	Maximum 5% CHDO Operating	Non-CHDO Set- Aside Activities	Minimum 15% CHDO Set-Aside  10% pre-develop
---------------------------	------------------------------	-----------------------------------	------------------------------------------------------

*\*Must result in  
HOME Units*

# CHDO SET-ASIDE REQUIREMENT

- CHDO set-aside funds not committed to eligible CHDOs within 24 months will be recaptured by HUD
- CHDOs have a total of 5 years to expend funds
  - ✓ Tested on HUD deadline requirements on or after January 1, 2015

# ELIGIBLE USES OF SET-ASIDE FUNDS

- Acquisition/ rehabilitation and sale of units to homebuyers
- Acquisition of standard rental housing
- Acquisition/ rehabilitation of rental units
- New construction (rental or homebuyer)
- Direct financial assistance to homebuyers only when also constructing or rehabbing the units

# INELIGIBLE USES OF SET-ASIDE FUNDS

- Non-Development Activities
  - ✓ Ex 1: CHDO loaning the HOME funds to a project they are not involved in owning, sponsoring, or developing for rental, OR
  - ✓ Ex 2: CHDO does not meet the definition of homebuyer developer (e.g. not owning land, property, etc.) essentially a turnkey organization
- Tenant-Based Rental Assistant
- Homeowner Rehabilitation
- Down payment and closing cost assistance when not associated with unit construction or rehabilitation

# CHDO VS. SUB-RECIPIENT

- Sub-recipients administer programs vs a CHDO that owns, develops, or sponsors rental projects or develops homebuyer projects
- Organizations may take on the role of sub-recipient
- Not a CHDO set-aside activity
- If sub-recipient, may not receive HOME funds for a project through same activity
- PJ can provide HOME administration dollars
- If an organization is running a HOME program rather than acting owner/sponsor/developer of housing = sub-recipient role

# INDEPENDENCE

- Nonprofits, charities, and religious organizations may create CHDOs
  - ✓ Often these organizations have experience in serving a low-income community
  - ✓ Religious activities must be voluntary
- Government entities can also create CHDOs, for example:
  - ✓ Public housing authorities
  - ✓ Housing finance agencies
  - ✓ Redevelopment agencies

# INDEPENDENCE...CONTINUED

- For-profit entities can create a CHDO:
  - ✓ Cannot be controlled by the for-profit
  - ✓ Primary purpose of for-profit cannot be housing development/ management
  - ✓ For-profit representatives cannot be more than 1/3 of the Board
  - ✓ CHDO must be free to contract for goods/ services from any vendor

# CAPACITY AND EXPERIENCE

- CHDOs must have paid staff – FT, PT or contracted
- Staff must have relevant experience/capacity
- First-year CHDO can demonstrate capacity by consultant to train CHDO staff
- CHDO staff cannot be:
  - ✓ Non-paid board members or other volunteers
  - ✓ Officers or employees of a governmental entity
  - ✓ Consultants (unless training new CHDOs key staff)
  - ✓ Employees of a for-profit sponsoring entity  
donated by, contracted through, or cost allocation from  
another entity

# CAPACITY AND EXPERIENCE

- Have at least ONE YEAR of experience serving the community
- Have financial accountability standards that conform to 24 CFR 84.21
- PJ must document capacity each time funds committed to CHDO project

# CHDO ROLES

- To count towards the CHDO set-aside, CHDO must act as:
  - ✓ Rental
    1. Owner
    2. Developer OR
    3. Sponsor
  - ✓ Homebuyer
    1. Developer

# CHDO PROCEEDS

- PJs may allow CHDO to retain some or all proceeds from a HOME project
- Proceeds might be:
  - ✓ Proceeds from permanent financing
  - ✓ Principal and interest on HOME loans
- Proceeds are NOT considered program income
- Recaptured funds are NOT proceeds

# USE OF PROJECT PROCEEDS

- Proceeds must be used for:
  - ✓ HOME-eligible activities OR
  - ✓ Other low-income housing activities, including CHDO operations
- Written agreement with CHDO must include:
  - ✓ Whether CHDO will retain any proceeds
  - ✓ Specific use of proceeds

# CAPACITY BUILDING ASSISTANCE

- Only applies to PJs in first 2 years of participation in the HOME program
- HOME funds can be used for CHDO capacity building
  - ✓ Up to 20% of CHDO set-aside
  - ✓ Total cannot exceed \$150,000
  - ✓ Use for intermediary organizations, training and technical assistance or operating expenses

# HOMEOWNER REHABILITATION ACTIVITIES

- Assist eligible owner-occupants with
  - ✓ Rehabilitation
  - ✓ Reconstruction
    - Must replace with same unit type and same number of units
    - New unit(s) may have more or fewer bedrooms than unit(s) being replaced

# TYPES OF REHABILITATION ACTIVITIES

- These programs are ineligible UNLESS the property meets minimum property standards upon completion:
  - ✓ Weatherization
  - ✓ Emergency repair
  - ✓ Handicapped accessibility

# REHABILITATION ELIGIBLE COSTS

- Rehabilitation is subject to minimum and maximum subsidy requirements
- Virtually all types of hard costs are eligible:
  - ✓ Actual rehabilitation/ reconstruction
  - ✓ Accessibility improvements
  - ✓ Utility connections
- Soft costs
- Relocation costs
- No luxury items or off-site infrastructure
  - ✓ A/C, dishwashers, minor landscaping not considered luxury

# REHABILITATION ELIGIBLE COSTS... CONTINUED

Refinancing existing debt is eligible if:

- Housing is owner-occupied
- HOME funds are loaned for rehabilitation
- Cost of rehabilitation exceeds the debt to be refinanced
- Reduces costs to borrower and housing is made more affordable

# ELIGIBLE PROPERTY TYPES

- Owned and occupied by income-eligible homeowner
- Owner's principal residence
- Single-family housing (1-4 units) OR
- Condo unit
- Co-op or mutual housing unit (if recognized by state law)
- Manufactured home

# NO LONG-TERM AFFORDABILITY

- No long-term affordability or occupancy requirements for owner occupied rehabilitation
- PJs may establish their own local policy on occupancy and a period of affordability

# HOMEBUYER ACTIVITIES

- HOME can be used for:
  - ✓ Acquisition
  - ✓ Acquisition/rehabilitation
  - ✓ New construction
  - ✓ Lease-purchase if conveyed within:
    - 36 months of signing OR
    - 42 months of project completion
  - ✓ Rental units converted to homebuyer

# SALE OF HOME RENTAL UNITS TO TENANTS

- During the affordability period, can sell HOME units to tenants
  - ✓ Tenant must be income eligible
- Affordability period
  - ✓ If assist homebuyer, use recapture and establish affordability period based on that assistance
  - ✓ If no homebuyer assistance, use resale restriction and remaining term of affordability period

# FORMS OF FINANCIAL ASSISTANCE

- PJs can generally use:
  - ✓ Grants
    - Repayable if affordability requirements are not satisfied
  - ✓ Deferred payment loans
  - ✓ Below-market rate loans

# FORMS OF FINANCIAL ASSISTANCE (CONTINUED)

- Down payment and closing cost assistance
- Gap financing
- Sales price write-down
- Development assistance
- Loan guarantees

# HOMEBUYER COUNSELING

- Assisted buyers must receive homebuyer counseling
- Counseling costs may be charged to:
  - ✓ HOME administration set-aside
  - ✓ As project-related soft cost, or
  - ✓ To homebuyer, if the fee is reasonable

# HOMEBUYER APPLICANT

- Low-income
- Property will be principal residence
- Income eligibility determined within 6 months prior to:
  - ✓ Purchase for existing housing
  - ✓ Contract signature for new construction
  - ✓ Signing of lease-purchase agreement

# ELIGIBLE HOMEBUYER COSTS

- Hard costs
  - ✓ Acquisition
  - ✓ Site preparation or demolition
  - ✓ Construction
- Soft costs
  - ✓ Architectural, engineering fees, drawings, specifications, work write-ups (may be up to 24 months old)
  - ✓ Fees and appraisals
  - ✓ Homebuyer counseling
- Relocation costs

# 9-MONTH SALES DEADLINE

- Homebuyer development projects must be sold to eligible homebuyers within 9 months of construction completion (unless funded prior to August 23, 2013 and in the PJs 2012/2013 Action Plan must be sold within 6 months of construction completion)
  - ✓ Documented by a ratified contract, or
  - ✓ Housing must be rented to an eligible tenant in accordance with § 92.252
- Lease-purchase satisfies the 9 month requirement with lease purchase agreement

# LONG-TERM AFFORDABILITY

Total HOME Investment Unit (Resale)/ Direct Assistance Per Unit (Recapture)	Length of Compliance / Affordability
Less than \$15,000	5 years
\$15,001 - \$40,000	10 years
\$40,001 +	15 years

- Pay-off of the HOME assistance does not end the period of affordability

# WHAT IS SUBJECT TO RECAPTURE?

- Buyer pays back some or all “direct subsidy to the homebuyer”
  - ✓ Amounts provided directly to the buyer
    - Down payment/ closing cost assistance
    - Subsidized loan

AND

- ✓ Amounts that write cost below market
- ✓ May sell to any willing buyer at subsequent sale at any price

# RECAPTURE LIMIT

- Recapture is capped at what is available out of “net proceeds” for agreements after November 2004

Sale Price

- Superior Non-HOME Debt

- Closing Costs (seller closing costs) =

Net Proceeds

# WHAT IS A RENTAL PROJECT?

- A project is:
  - ✓ One or more buildings on a site or sites under common ownership, management and financing
    - Assisted as a single undertaking
  - ✓ One contract for all activities on site(s)
- Project includes ALL activities associated with the site or building

# ELIGIBLE RENTAL PROJECTS

- No requirement on structure type or style of property
- Mixed income is possible
  - ✓ HOME can be targeted at specific units
- Mixed use is also possible
  - ✓ HOME investment limited to residential portion

# ELIGIBLE PROJECTS...CONTINUED

- Group homes, transitional housing and SROs are eligible
  - ✓ Tenants must have a lease
  - ✓ Tenants must be low-income
  - ✓ Housing cannot be conditioned on participation in service program
- Facilities, shelters, dormitories, half-way houses and student housing ARE NOT eligible

# HOME RENT LIMITS

- High HOME and low HOME rent limit
  - ✓ Published by HUD
  - ✓ Tenants given notices of increases
- Actual unit rents can be less but not more than HOME limits
  - ✓ Rents not usually set as a percentage of individual household income
  - ✓ Special provision for low HOME units with project based assistance

# THE PROGRAM RULE

- 90% of households assisted with HOME rental and TBRA must have incomes at or below 60% of Medium Family Income (MFI)
- Applies when funds are spent—initial occupancy
- NOT project-specific
- Balance of units may be at or below 80% of MFI

# THE PROJECT RULE

- Projects with 5 or more HOME assisted units:
  - ✓ At least 20% of units occupied by household at or below 50% of MFI [note: can have more than 20%]
  - ✓ Determination of appropriate unit type is based on gross income of households
  - ✓ Rents must be at low HOME rent level
  - ✓ Balance of units may be at or below 80% of median with high HOME rent level
- Determine eligibility for low HOME unit based on gross not adjusted income

# ANNUAL INCOME RE-EXAMINATIONS

- Annually, tenant income must be re-examined
  - ✓ Review at least 2 months of source documents
  - ✓ Get written statement and certification from the family  
OR
  - ✓ Get written statement from another means tested government program
- At least every 6<sup>th</sup> year of affordability period, source documents **MUST** be reviewed

# TENANT BASED RENTAL ASSISTANCE

- TBRA is a rental subsidy that PJs can use to help individual households afford housing costs (rent and tenant paid utilities)
- Can also help with security deposits and utility deposits
- PJ can have a TBRA program that assists with security deposits but not for ongoing rent payments
- Utility deposit assistance must be provided in combination with rent or security deposits

# INELIGIBLE TBRA ACTIVITIES

- Assisting a resident owner of a cooperative or mutual housing unit, unless these units are considered rental housing units under state law
- A tenant who rents from an owner of a cooperative or mutual housing unit MAY receive TBRA
- Providing funds to homeless persons for overnight or temporary shelter
- Duplicating existing rental assistance programs that already reduce rent payment to 30% of tenant's income

# TENANT SELECTION REQUIREMENTS

- Written policy
  - ✓ Select households
    - Income
    - Preference
- Two options:
  - ✓ Select from PHA Housing Choice Voucher waiting list  
OR
  - ✓ Establish its own waiting list

# TENANT SELECTION REQUIREMENTS

- Tenants must be low-income
  - ✓ Prior to signing contract
  - ✓ Income determination is good for 6 months
  - ✓ Income must be verified annually
- PJ Program Rule must be met:
  - ✓ For each funding allocation, 90% of households occupying new HOME rental units and receiving TBRA must have incomes at or below 60% of AMI

# PORTABILITY

- PJs must permit portability of assistance within the PJ area
- PJs may permit portability of assistance outside of the PJ area

# PROPERTY STANDARDS

- Property must meet Section 8 HQS
- PJ must develop occupancy standards
- Assure compliance with Lead-Based Paint Regulations (Part 35 Subpart M)

# AMOUNT OF RENTAL SUBSIDY

- Maximum subsidy is capped at payment standard less than 30% of household adjusted income
- Individual households can pay more or less than 30% depending on PJ program design
- Typical program models: Section 8 Housing Choice Voucher or one based on local market condition
- PJ must establish a minimum household payment
- PJ can pay up to 100% of reasonable security deposit/ utility deposit

# TBRA VOUCHER APPROACH

- Total payments may exceed the payment standard (tenant must pay difference)
- PJ payment is constant and equals the payment standard minus 30% of household adjusted income
- Household payment varies depending on rent and utilities at unit chosen (may exceed 30% of household adjusted income)

# TBRA ADMINISTRATION

- Subsidy contracts with households
- Contracts cannot exceed two years
- Can be renewed

# MATCH

- PJS must match 25% of HOME funds drawn down for project costs
- Match must be a non-federal permanent contribution to the HOME program
- Match liability must be satisfied by end of the federal fiscal year
- Match credits and debits not necessarily linked to same project
- Match reductions for some PJs such as the City of Norfolk which complies to the 12.5% matching funds commitment
- Match may be generated by HOME-funded and HOME-match eligible housing projects
- Proration of match on mixed-use or mixed-source projects has special conditions (92.219(a)(3) and (4))

# MATCH REQUIREMENTS

No match required for:

- ✓ Administration and planning costs
- ✓ Funds to CHDOs for:
  - Operating expenses
  - Capacity building
  - Pre-development loans for projects that do not go forward
- ✓ Shortfall funds

# ELIGIBLE SOURCES OF MATCH

- Cash or “cash equivalents”
- Value of waived taxes (HOME projects only), fees or charges
- Value of donated land/ real property
- Cost of infrastructure improvements related to HOME projects
- Percentage of proceeds of housing bonds

# ELIGIBLE SOURCES OF MATCH

- Value of donated materials and labor
- Sweat equity
- Direct costs of supportive services to residents of HOME projects
- Homebuyer counseling

# CASH AND CASH EQUIVALENTS

- Cash must be:
  - ✓ From a non-federal source
  - ✓ Permanent contribution
- Cash equivalents means the value of grants and below-market interest rate loans
  - ✓ Match notice includes guidance on calculations
- Cash is credited when funds expended

# CONFLICT OF INTEREST

Employees, officers, or agents and immediate family of PJs, state recipients and sub-recipients must comply with:

- 24 CFR Parts 84 and 85
- Provisions in HOME regulations

For owners, developers, and sponsors and immediate family:

- Provision in HOME regulations (92.356(f))
- Rules do not prohibit use of related sub-recipients but cost must customary and reasonable

# PROGRAM INCOME (PI)

- Program income is gross income received by PJ, state recipient or sub-recipient directly generated by:
  - ✓ Use of HOME funds
  - ✓ Matching contributions
- Funds generated through the use of HOME funds that return to these entities are PI in perpetuity
  - ✓ Applies even if the funds are received after the end of the affordability period

# OTHER SOURCES OF INCOME NOT PI

- CHDO proceeds
  - ✓ Must go to affordable housing activity
- Recaptured funds
  - ✓ From homebuyers, treated like program income, except no 10% for administration
- Repaid funds
  - ✓ Repaid from non-eligible project or activity, must return to Treasury account
- Project application and monitoring fees
  - ✓ Credited to the PJs grant balance (i.e. offset of PJs costs)
- Funds that return to an entity that is not the PJ, state recipient or a sub-recipient

# KEY COMPONENTS TO PROJECT FILES

## Required Do's:

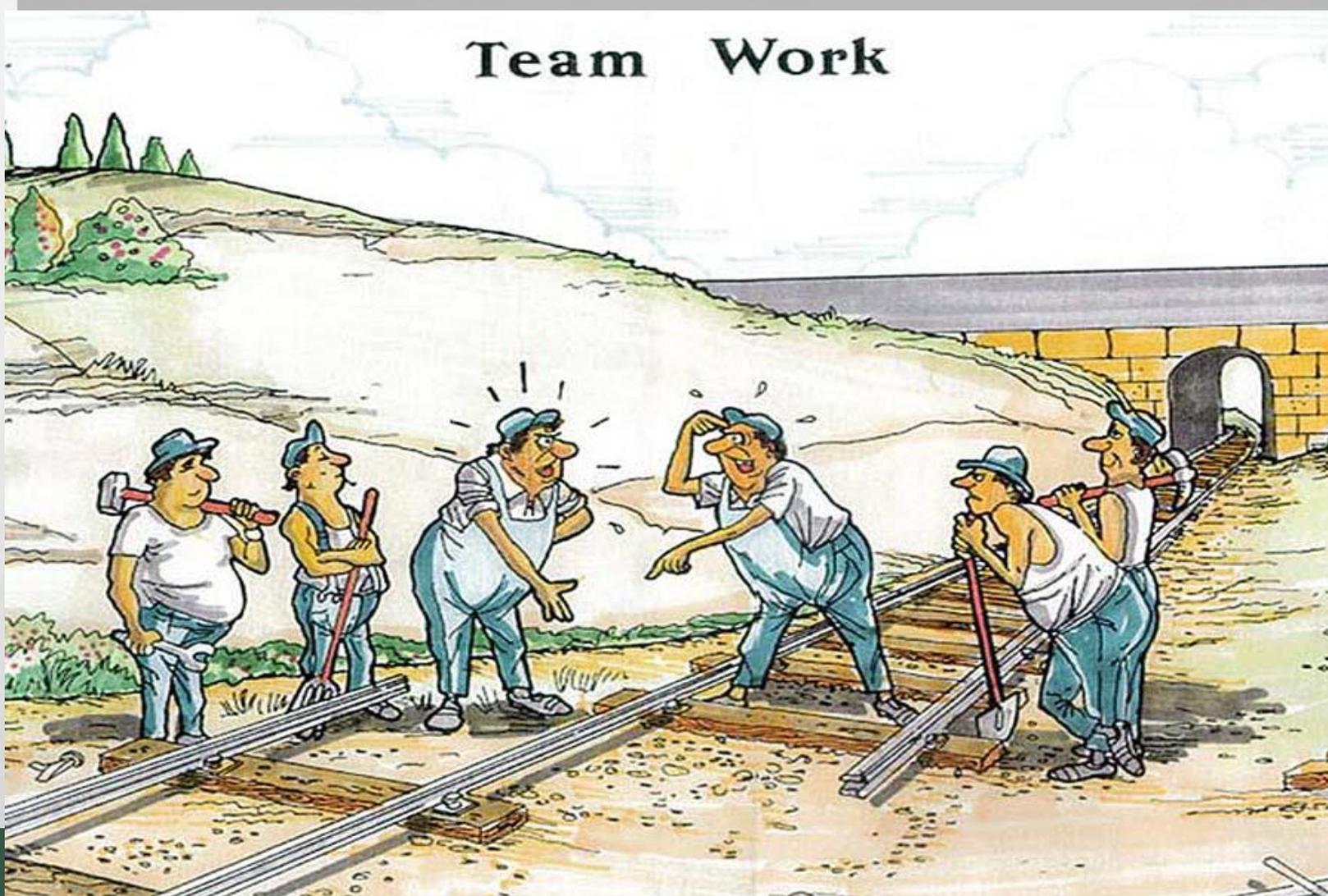
- ✓ Sub-recipient application.
- ✓ Written contractual agreement & revised budget.
- ✓ Financial records and audit.
- ✓ Correspondence.
- ✓ Progress reports (Quarterly).
- ✓ Appropriate income limits.
- ✓ Demand for Payment documents.
- ✓ Supporting documentation.
- ✓ Monitoring reports.

## Don'ts:

- ✗ Destroy or trash program files until after 5 years after program completion.
- ✗ Place program documents not accessible to agency staff.
- ✗ Combine any program documents with other years.

# TEAM WORK

## Team Work



We all must work as a team during the program year

# NEED ASSISTANCE?

Resources are available on [www.hudhre.info](http://www.hudhre.info)

Please refer to your ESG Desk Guide or contact your Program Administrator

Leila LaRock, Program Administrator,  
757-664-4779,  
[leila.larock@Norfolk.gov](mailto:leila.larock@Norfolk.gov)

Kathleen Broughton, Management Analyst I,  
757-664-4749,  
[kathleen.broughton@Norfolk.gov](mailto:kathleen.broughton@Norfolk.gov)