HOME INVESTMENT PARTNERSHIP (HOME) ENTITLEMENT PROGRAMS

SUB-RECIPIENT MANDATORY ONLINE TRAINING

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
- Rental Development (New Construction or Rehab)
- Tenant Based Rental Assistance

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

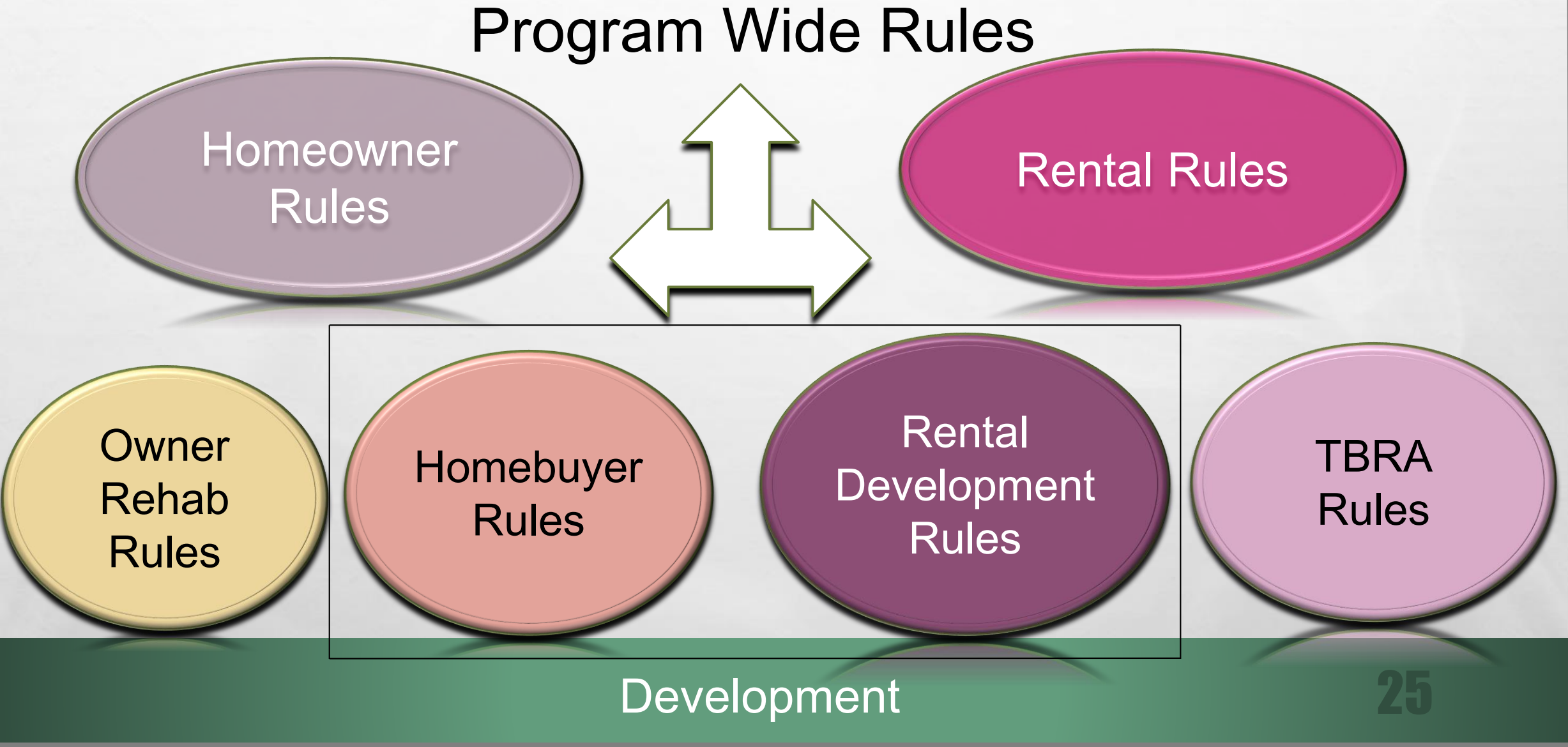
- All HOME funds must be expended within 5 years
- CHDO set-aside funds must be expended within 5 years

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
Homeowner Rules
Rental Rules
Owner Rehab Rules
Homebuyer Rules
Rental Development Rules
TBRA Rules
Development

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

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 6th 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,ooo	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

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

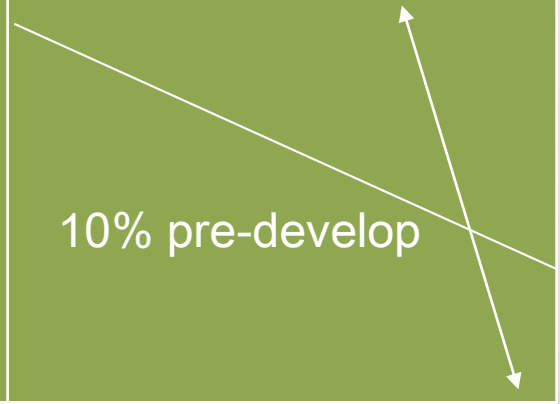
CHDO LEGAL STATUS

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



**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

RENTAL HOUSING ACTIVITIES

Range of possible approaches under HOME:

- Acquisition
- Rehabilitation
- Reconstruction/ conversion
- New construction

ELIGIBLE COSTS

- Acquisition of land and structures
  - ✓ For vacant land, construction must begin within 12 months
- Site preparation
  - ✓ Includes sidewalks, roads, utilities
  - ✓ Must be on-site or hook-up to nearby utility
- Demolition
  - ✓ Construction must begin within 12 months
- Construction labor and materials

ELIGIBLE COSTS…CONTINUED

- Soft costs, (e.g. financing fees, legal fees, architect, environmental review, developer fee, affirmative marketing, 18 month operating deficit reserve)
- Pre-development soft costs eligible if incurred up to 24 months before commitment of HOME funds
  - ✓ Eligible costs to develop and prepare plans, drawings, specs or work write-ups permitted
  - ✓ Include costs such as architectural and engineering fees and professional service fees

ELIGIBLE COSTS…CONTINUED

- Operating deficit reserve:
  - ✓ Initial operating deficit reserve in new construction AND rehabilitation projects allowed
    - Reserve cannot exceed 8 months
  - ✓ Reserve can be used only for:
    - Project operating expenses
    - Scheduled payments to replacement reserves
    - Debt service
  - ✓ Make up difference between income and expenses

ELIGIBLE COSTS…CONTINUED

- Relocation
  - ✓ Can pay replacement housing, moving, advisory services, temporary relocation
  - ✓ For any household in HOME project
- Refinancing
  - ✓ If related to rehabilitation and dollars lower than rehabilitation costs
- Loan guarantee

INELIGIBLE COSTS

Cannot pay for:

- Other types of project reserve accounts (beyond the 18-month operating reserve)
- Development, operations, modernization of public housing
- Acquisition of PJ owned property
- Project based rental assistance
- Delinquent taxes, fees, charges
- Items not allowed under A-87 or not deemed cost reasonable
- Match for other Federal programs

KEY PARTNERS IN RENTAL DEVELOPMENT

- Many types of partners in developing rental housing
  - ✓ Public agencies
  - ✓ CHDOs
  - ✓ Non-profit developers
  - ✓ For-profit developers
- If CHDO acts as owner, developer or sponsor, counts towards CHDO set-aside

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 <u>OR</u>
  - ✓ Get written statement from another means tested government program
- At least every 6th 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

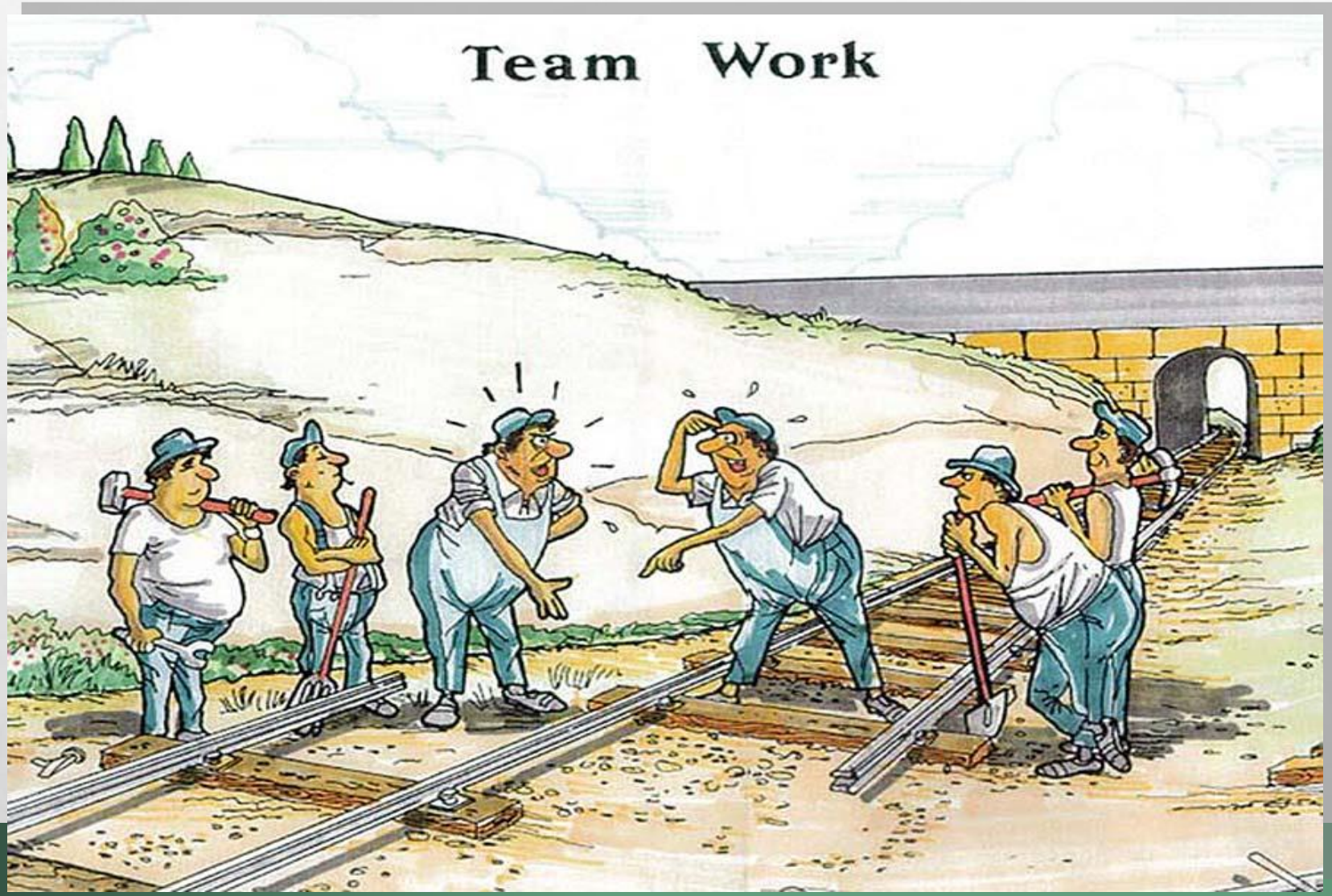
Required Do's:

- ✓ 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



We all must work as a team during the program year

NEED ASSISTANCE?

Resources are available on 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

Kathleen Broughton, Management Analyst I,
757-664-4749,
kathleen.broughton@Norfolk.gov