

Building HOME

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Course Objectives

- Provide a summary of the HOME rules
- Answer common questions
- Share techniques

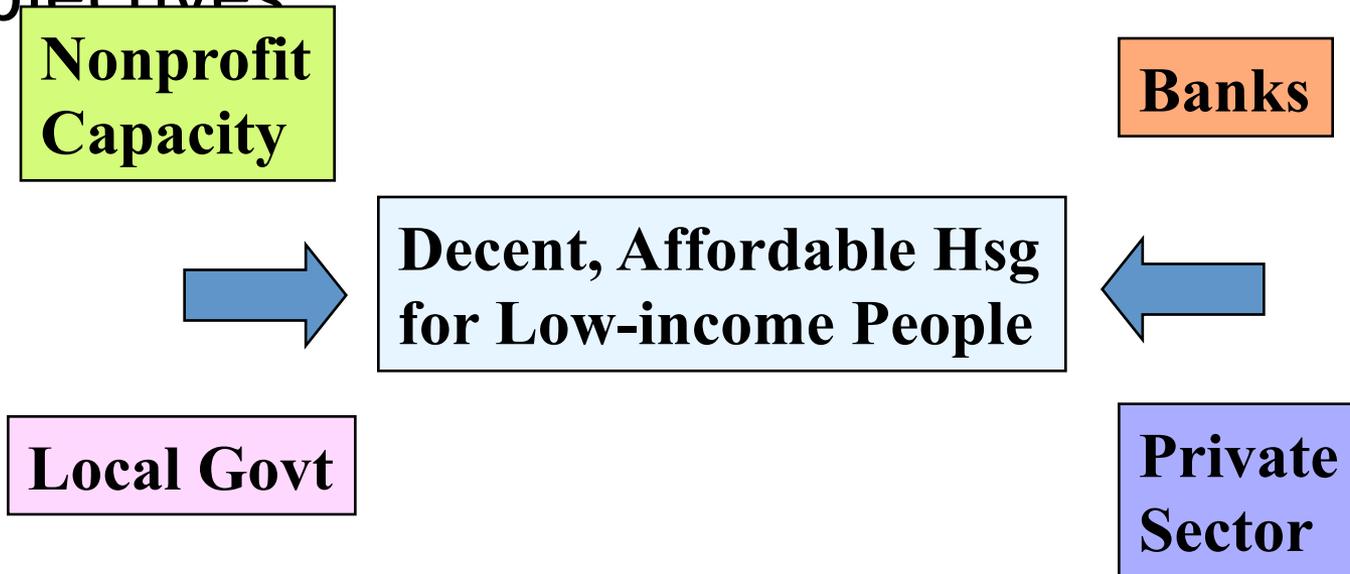
Rules!!!!

- Ask questions
- Please keep side conversations to minimum
- Parking lot
- No cell phones that ring, please

CHAPTER 1: OVERVIEW OF THE HOME PROGRAM

History and Goals

- National Affordable Housing Act of 1990
- Objectives:



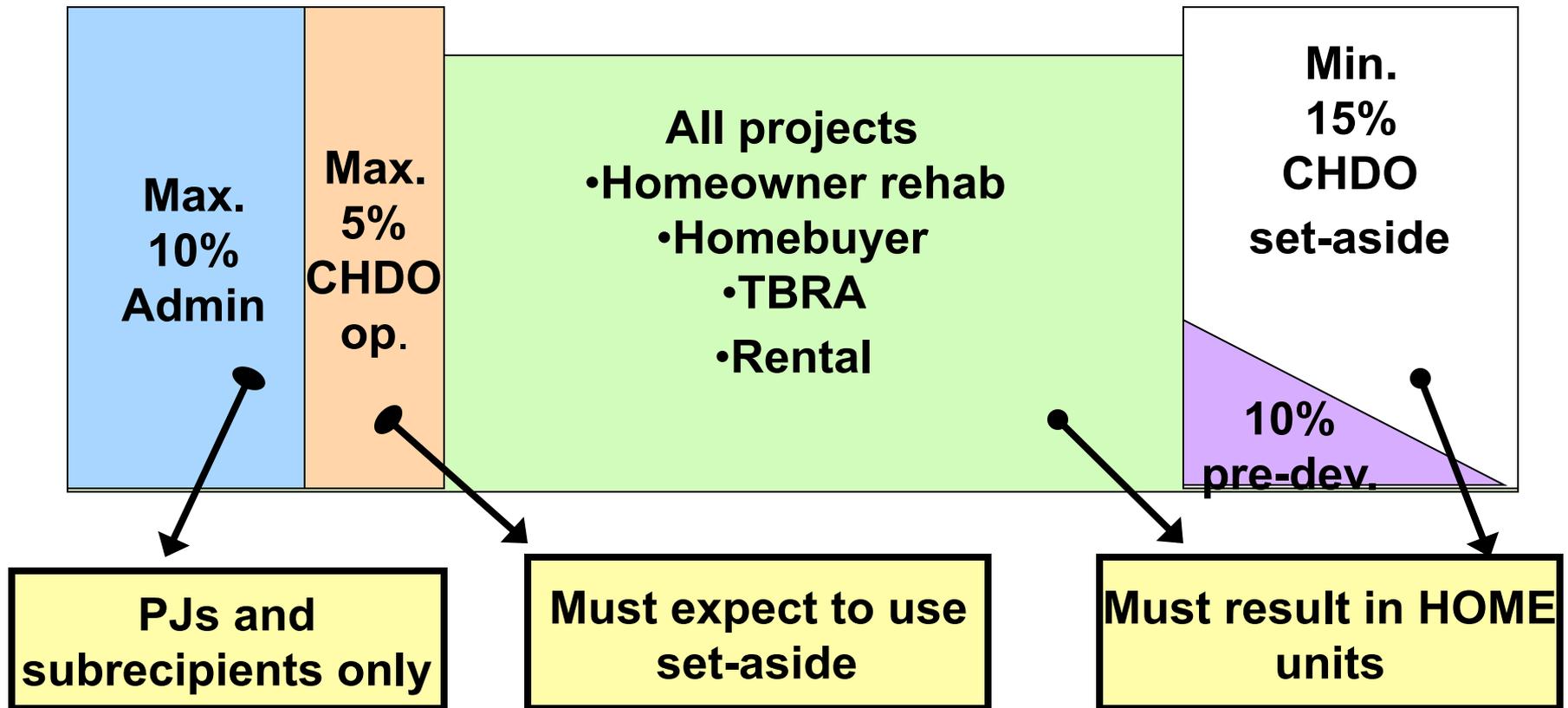
\$\$ Allocation and Expenditure

- Funds go to PJs
 - Localities
 - Consortia
 - States
- Deadlines:
 - Commit funds within 24 months
 - Expend funds within 5 years

\$\$ Allocation and Expenditure, continued

- Commitment is generally related to the signing of a legally binding funding agreement
 - CHDO reservations require written agreement
- Expenditure means drawn from IDIS
- New rule effective 1/1/2011 on commitments that are 12 months old with no disbursements

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**CHAPTER 2:
GENERAL PROGRAM RULES**

Program Rules

- The HOME Program is four housing programs in one
 - Homeowner Rehab
 - Homebuyer
 - Rental Development (New Construction or Rehab)
 - Tenant Based Rental Assistance (TBRA)

Definition of a Project

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

Definition of a HOME Assisted Unit

- Any unit that receives HOME funds is considered HOME assisted
- HOME units are subject to HOME requirements, including affordability periods for rental and homebuyer
- HOME funds may also be spent on mixed-income projects, where some units are HOME assisted while others are not

Amount of Subsidy

- Minimum = \$1,000 per unit (except TBRA)
 - Calculated as average HOME investment across all HOME units in single project
- Maximum is capped by the 221 (d)(3) Subsidy Limit
 - Calculated based on the amount of HOME investment in the project – does not cover all other sources of financing
 - Available only from HUD hub office multifamily division
 - PJs are not allowed to use the 221(d)3 statutory exceptions (see HOMEfire Vol.9, No.4 for further information)
 - Contact your CPD Representative for applicable limits

Actual Subsidy Amount

- The amount of actual HOME subsidy per unit will depend upon:
 - 221(d)(3) limit
 - Amount of total project cost that is 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

Cost Allocation

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

Layering Review

- PJs must evaluate projects to ensure that only necessary amount of HOME funds to make project feasible, affordable, and sustainable is invested
 - Applies to all types of projects with multiple government financing
- PJ must have written layering guidelines
- Each project file must contain the subsidy layering review
- PJs may use layering reviews done by HUD or State agencies, but must review results using PJ's own standards

Layering Review

- When PJs conduct their own reviews, need to analyze:
 - Project development budget
 - Sources and uses of funds
 - Certification of government assistance
 - Development proforma
 - Operating proforma
- Determine per-unit costs

Eligible Costs

- Hard costs and 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 Costs (continued)

- Demolition
- 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
- Project related soft costs

Ineligible Costs

- Reserve accounts
- Match for other federal programs (except McKinney)
- Assistance to:
 - Public Housing
- HOME projects during affordability period
 - Some exceptions
 - More later

Ineligible Costs (continued)

- 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

Maximum Household Income

- 100% of HOME \$ must assist households \leq 80% HUD Section 8 (Part 5) Low- Income Limit
- Lower income targeting for some activities
- Note: different than CDBG

What Counts As Income?

- Two definitions
 - Section 8 (Part 5)
 - IRS Adjusted Gross Income

Use the Income Calculator on
HUD's website

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 source documentation
 - Income determination is good for 6 months
- Recertify rental income annually:
 - Must do source docs every 6th year of affordability period
 - For other years can use:
 - Source documents
 - Written statement from household
 - Statement from administrator of another program
- TBRA must be determined annually using source documentation

Affordability Period

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

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Affordability & Compliance

HOME \$ Per Assisted Unit	Length of Affordability / Compliance
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
More than \$40,000	15 years
Refinancing Rental Hsg.	15 years
Rental New Construction	20 years

New Deadline Requirements

- Project Deadlines:
 - 4 year project completion deadline
 - 9 month deadline for sale of homebuyer units
 - 18 month rental occupancy deadline
- 5 year CHDO expenditure deadline

HOME Program Property Standards - §92.251

- Rule includes significant revisions to property standards in §92.251.
- Effective Date: January 24, 2015
- New requirements for HOME-assisted projects involving:
 - New Construction
 - Rehabilitation
 - Acquisition of Standard Housing
 - Manufactured Housing

Rehabilitation Standards - §92.251(b)

- Upon completion, rehabilitated housing must, at a minimum:
 - Meet State or local codes, ordinances, requirements, or
 - Absent such codes, International Existing Building Code, and
 - Be free of deficiencies selected by HUD from the list of Uniform Physical Condition Standards

New Construction of Manufactured Housing - §92.251(e)

- New manufactured housing and manufactured housing that replaces a sub-standard unit requires:
 - Permanent foundations
 - Utility hook-ups
 - Must be located on land owned by manufactured housing unit owner or for which the unit owner has a lease equal to, or greater than, the period of affordability

Rehabilitation of Manufactured Housing - §92.251(e)

- Rehab of existing manufactured housing requires:
 - Foundation and anchoring must meet applicable State and local codes, ordinances, requirements or
 - If no State or local code, the Model Manufacturing Home Installation Standards at 24 CFR 3285
 - Upon completion, unit must meet requirements for HOME-assisted rehab projects in 92.251 (b)

Other Federal Regulations

- HOME regulation lists other requirements that apply
- Refer to source of other requirements for applicability
- 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 35)
 - Relocation/acquisition (Part 42)
 - Labor standards (92.354)
 - Excluded parties (debarred/suspended) (92.350)

CHAPTER 4:
HOMEOWNER REHABILITATION
ACTIVITIES

Eligible 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 Programs

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

Forms of Ownership

Owner Occupied Rehab - §92.254(c)

- Rule permits HOME assistance for homeowner rehabilitation in the following situations which do not meet the §92.2 definition of homeownership:
 - Inherited property with multiple owners
 - Life estates
 - Inter vivos trust or living trusts
 - Beneficiary deed

Eligible Costs (I)

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

Eligible Costs (II)

- Refinancing existing debt is eligible if:
 - Housing is owner-occupied
 - HOME funds are *loaned* for rehab
 - It reduces costs to borrower and housing is made more affordable

Eligible Property Types

- To be eligible, housing must be:
 - Owned & occupied by income-eligible homeowner
 - The owner's principal residence

Eligible Property Types

- Types of eligible housing:
 - ◆ Single-family housing (1-4 units)
 - ◆ Condo unit
 - ◆ Coop or mutual housing unit (if recognized by state law)
 - ◆ Manufactured home – note new HOME rules on standards for manufactured units

Reconstruction - §92.2

- PJs can reconstruct units that are not standing at the time of commitment
- Funds must be committed to the project within 12 months of destruction

Rehabilitation of 2-4 Unit Properties

- When homeowner has 2 to 4 unit property, compliance depends on type of HOME investment:
 - If rehabilitate only owner unit, HOME does not apply to other units
 - Can pro-rate common costs
 - If use HOME funds for rehab of other units, HOME rental rules apply to those units

Rehabilitation of Rental Units in 2-4 Unit Properties Cont'd

- Cost allocation notice 98-02 guidelines apply
- Comparability of units guides approaches to determining
 - Minimum number of HOME units, and
 - Maximum HOME investment

Definition of Ownership

- Fee simple title
- 99-year leasehold interest (50-year leasehold on trust or restricted Indian lands)
- Ownership in a condominium
- Ownership/membership in a coop or mutual housing project (if recognized by state law)
- Other HUD-approved form

Maximum Property Value

- Value after rehabilitation must not exceed 95% of median purchase price for the area
- Determining the 95% of median value:
 - Use mortgage limits established by HUD for the 203(b) program
 - PJs that choose this option must use pre-stimulus calculation – see HOMEfire Vol.10, No.1 for further information
 - Perform local market survey

Homeownership Value Limit - §92.254(a)(2)(iii)

- HOME statute requires initial purchase price/ after rehab value not to exceed 95% of area median purchase price
- Continued use of 203(b) FHA Single Family Mortgage Limit would violate statute; new rule eliminates use of 203(b) in HOME

Homeownership Value Limit - §92.254(a)(2)(iii) (cont.)

- HUD provides two 95% of median purchase price/after rehab value data sets for:
 - Newly constructed housing
 - Existing housing
- Grantees can choose between the greater of their actual local limit OR a HUD-calculated national or state-wide floor

Conversion of Unsold Homebuyer Units – §92.254(a)(3)

- Rule requires homebuyer units remaining unsold 9 months after construction completion be converted to rental units
- BUT FY2012 and FY2013 Appropriation Laws require conversion to rental after 6 months
 - For 2012/2013 Annual Action Plan projects, 6 months applies

Conversion of Unsold Homebuyer Units - §92.254(a)(3) (cont.)

- Unsold units must be converted to HOME rental units for the rental affordability period, or HOME funds must be repaid
- Units can become lease-purchase only if:
 - PJ has an established lease-purchase program, AND
 - Agreement with homebuyer executed before deadline

Property Value

- Individual property value must be determined prior to performing any work
- Establish after-rehab value using:
 - Appraisal including added value of rehabilitation
 - Informed estimate of value by PJ staff
 - Tax assessment if based on market value of comparable unit to post rehab

Property Standards (I)

- PJs must have written rehab standards
- All rehab projects must meet written standards and state/local codes
- Or, if no state or local code exists:
 - Uniform Building Code, National Building Code or Standard Building Code OR
 - CABO One to Two Family Code OR
 - FHA Minimum Property Standards

Property Standards (II)

- Cost Effective Energy Conservation Effectiveness Standards no longer apply
- Permanent utility hook-ups or permanent foundations for manufactured housing not required

Long-Term Affordability

- No long-term affordability for owner occupied rehabilitation

**CHAPTER 5:
HOMEBUYER ACTIVITIES**

Eligible 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

Forms of Homeownership – §92.2

- Definition of “homeownership” is revised to clarify that:
 - Contract for deed, installment contracts and land sales contracts are specifically excluded
- Such contracts fail to provide equitable title to homebuyers and leave them vulnerable to forfeit until final payment is made

Sale of HOME Rental Units to

Tenants

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

Forms of Assistance

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

Subsidy Amounts

- Subsidy limits, both maximum and minimum, apply
- If multiple government sources, subsidy layering applies
- If subdivision or multiple units, actual subsidy subject to cost allocation
 - Notice 98-02 provides guidance

Sustainable Homeownership Underwriting – §92.254(f)

- PJ must develop and follow written underwriting standards that evaluate the homebuyer regarding:
 - Housing debt and overall debt
 - Monthly expenses of the family
 - Assets available to acquire housing
 - Financial resources available to sustain housing

Subsidy Layering & Underwriting §92.250 (b)

- Subsidy layering & underwriting guidelines must:
 - Ensure amount of HOME funds invested no more than necessary to provide quality, financially viable affordable housing
 - Determine reasonable level of profit/return to owner/developer for size, type, complexity of project
 - Examine Sources and Uses for cost reasonableness
 - Verify financial commitments are firm

Eligible Costs

- Hard costs:
 - Acquisition
 - Site preparation or demolition
 - Construction
- Soft costs:
 - Fees and appraisals
 - Homebuyer counseling
- Relocation Costs

Eligible Properties

- Eligible property types:
 - Single-family home
 - Two-to-four unit property
 - Other units may be subject to HOME rents
 - Depends on how funds invested
 - Condominium unit
 - Coop or mutual housing unit (if recognized as ownership by state)
 - Manufactured home

Maximum Property Value

- Housing must be modest
 - Determined based on property sales price or value
- If acquisition only,
 - **Sales price** cannot exceed 95% of the median area purchase price*

Property Standards - Acquisition

- If acquisition only,
 - State/local housing quality standards
 - If no state/local standards, then Section 8 HQS
 - House must be inspected
 - Must meet standards at time of occupancy

Property Standards - Acquisition and Rehab

- If acquisition and rehab
 - Written rehab standards, and
 - State/local code
 - If no state/local code, meet a national code

Property Standards Acquisition and Rehab

- Acquisition and rehab (cont.):
 - Inspect prior to occupancy
 - No health and safety defects
 - Before occupancy, and
 - No later than 6 months after transfer
 - Meet applicable codes
 - At project completion, and
 - Within 2 years of transfer

Property Standards - New Construction

- If new construction
 - State/local code
 - If no state/local code, meet a national code
 - Also meet International Energy Conservation Code

The Applicant

- Low-income
- Property will be principal residence
- Income eligibility determined
 - At purchase for existing housing
 - At contract signature for new construction
 - At signing of lease-purchase agreement
- New underwriting standards apply:
 - PITI be affordable at purchase and
 - PITI remain affordable over time

Forms of Ownership

- Types of ownership allowed:
 - Fee-simple ownership
 - 99-year leasehold (or 50 years on Indian Trust land)
 - Condo ownership
 - Coop or mutual housing ownership/membership, if recognized by state law
 - Other forms must be HUD-approved

Long-Term Affordability

HOME \$	Affordability Period
< \$15,000	5 yrs.
\$15,000 - 40,000	10 yrs.
Over \$40,000	15 yrs.

Recapture/Resale

- For each homebuyer, UP FRONT, the PJ must select the compliance requirement during the period of affordability, either:
 - Recapture (“sell to anyone, but pay back the subsidy”) or
 - Resale (“sell to low-income buyer, at affordable price”)
- PJ cannot mix Recapture and Resale; must choose one or the other

When to Use Resale or Recapture

- Resale can be used for any HOME-assisted homebuyer
- Recapture can only be used when:
 - Provide Direct Subsidy to Homebuyer
 - Must have an amount that can be recaptured
 - If pure grant, then must use resale

Key Term

- Direct subsidy to the Homebuyer:
 - Financial assistance that reduces purchase price for homebuyer below market OR otherwise subsidizes the homebuyer
 - Examples:
 - Downpayment assistance
 - Purchase financing
 - Principal reduction
 - Assistance to CHDO to develop and sell unit below market
 - Closing cost assistance

Using the Recapture Option

- Affordability period based on total direct subsidy to homebuyer
- Does not include HOME amounts to subsidize development when that cost exceeds market
 - Known as development subsidy

Recapture Example

- \$60,000 HOME development assistance to CHDO
 - Of this, \$10,000 left in deal to write sale price below market
- \$10,000 HOME downpayment assistance to homebuyer
- Total direct subsidy: \$20,000
- Affordability period: 10 years

What Is Subject to Recapture?

- Buyer pays back some or all “Direct Subsidy to the Homebuyer”
 - Amounts provided directly to the buyer:
 - Downpayment / closing cost assistance
 - Subsidized loan
 - AND
 - Amounts that write cost below market
 - May sell to any willing buyer at resale 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***~~

= Net proceeds

Actual Recapture Amount

- Options approved by HUD:
 - Recapture amount of direct HOME subsidy to the homebuyer;
 - Forgive direct HOME subsidy pro-rata over the affordability period;
 - Proportionately share net proceeds; or
 - Allow buyer to recover his/her initial investment first.
- Can combine any of these options with shared appreciation

Recapture Example

- HOME assistance \$30,000
- Owner downpayment: \$10,000
- PJ has agreed that owner downpayment can be repaid first
- Sale in year 6
- Sales price: \$175,000
- Superior private debt: \$150,000
- Owner closing costs: \$5,000
- Amount to recapture?

Recording the Recapture Agreement

- Must be included in written agreement with household
- Can be recorded via:
 - Promissory note
 - Lien
- Must also enforce residency status

Using the Resale Option

- Affordability period based on total HOME investment in the property
 - Must include \$\$\$ of HOME assistance to buyer
 - PLUS total amount of HOME funds provided to developer

Resale Affordability Period

Example

- \$60,000 HOME development assistance to CHDO
 - CHDO provides a \$10,000 soft second principal reduction forgivable loan
- PJ provides \$10,000 HOME downpayment assistance to homebuyer
- Total HOME investment: \$70,000
- Affordability period: 15 years

Resale Basics

- If there is a Resale requirement, when the home is sold:
 - Home must be affordable to a reasonable range of low-income buyers
 - New buyer must be low-income
 - New buyer must occupy house as principal residence
 - Original buyer must receive a “fair return”
 - Remaining resale restrictions apply to new buyer OR
 - Can provide additional HOME assistance to the new buyer and compliance period for the unit starts anew

**CHAPTER 6:
RENTAL HOUSING ACTIVITIES**

Approaches to Creating Rental Housing

- Range of possible approaches under HOME:
 - Acquisition
 - Rehabilitation
 - Reconstruction/conversion
 - New construction

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 Projects (cont)

- 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 programs
- Facilities and shelters not eligible

Ineligible Projects

- Cannot assist:
 - Property previously assisted with HOME during its affordability period
 - Public housing units
 - HOME and HOPE VI – eligible in some instances
 - 1937 Act Housing – NOT eligible

**CHAPTER 7:
TENANT-BASED RENTAL
ASSISTANCE**

What is TBRA?

- 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 rent

Rental Projects Vs. TBRA

- There are several key differences between traditional rental housing and TBRA
 - Helps individual household (not unit)
 - TBRA assistance moves with family
 - Level of subsidy based on income of household and/or rent of the unit the household selects

Program Design Options

- General community-wide program
- Self-sufficiency program
- Homebuyer program
- Targeted populations program
- Anti-displacement program
- Security deposit program

Ineligible 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

Ineligible Activities

- Preventing displacement of tenants from projects assisted with Rental Rehabilitation funds
- Providing funds to homeless persons for overnight or temporary shelter
- Duplicating existing rental assistance programs that already reduce rent payment to 30% of a tenant's income

Eligible Applicant

- 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 newly developed HOME rental units and receiving TBRA must have incomes at/below 60% of MFI

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
 - * Receipt of TBRA does not change the household's position on the PHA waiting list

Eligible Units

- Units may be publicly or privately owned
- Units may not receive a duplicative form of rental subsidy
- Units must have a “reasonable rent”
- Units may have been developed or rehabilitated with HOME assistance

Portability

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

Property and Occupancy Standards

- Property must meet Section 8 HQS
- PJ must develop occupancy standards (maximum / minimum unit size depending on household size)
 - PJ develop own standard OR
 - Higher local standards (codes)
- Assure compliance with Lead-Based Paint Title X Regulations

Lease Requirements

- Owner's lease must not contain prohibited lease provisions
- Term between tenant and owner must be for at least one year, unless mutually agreed upon
- PJ must establish termination/non-renewal standards

Calculating Rental Subsidy

- Factors affecting PJ's payment:
 - Family's income
 - Payment standard for each bedroom size AND
 - Cost of housing and utilities
- Subsidy also depends on type of TBRA program

Payment Standard

- Established by PJ
- Applies to all TBRA units in the PJ
- Option 1: 80% to 100% of the HUD Fair Market Rent
- Unit Specific “Exception Rent”:
 - For up to 20% of TBRA units
 - Can go up to 110% of the FMR
- Option 2: PJ Market Study

Amount of Subsidy

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

Certificate Approach

- Total payments (rent plus tenant paid utilities) cannot exceed the payment standard
- Tenant payment is constant at 30% of adjusted income (inclusive of utilities)
- PJ payment varies depending on rent and utilities at unit actually chosen by household

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)

Eligible Costs

- Tenant-Based Rental Assistance: cost of unit inspections and income determinations are an eligible project-related soft cost (§92.209(a))

TBRA Administration

- Subsidy contracts with households:
 - Contracts cannot exceed two years
 - Can be renewed
- Administration of TBRA cannot be charged to project
 - Must be charged to administration

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MATCH

Match Basics

- PJs must match 25% of HOME funds drawn down for project costs
 - Match must be a *permanent contribution* to the HOME Program
- Match liability must be satisfied by end of federal fiscal year
- Match credits and debits not necessarily linked to same project

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Administrative Basics

Eligible Admin and Planning Costs

- May use up to 10% of annual allocation plus 10% of program income
- Two options for calculating admin staff costs:
 - Entire salary/wages OR
 - A pro-rata share
- Choose one option!

Admin/Planning Costs

- Other eligible costs may include:
 - General mgmt, monitoring & coordination
 - Eligible travel costs
 - Administration of TBRA
 - Public information
 - Fair Housing
 - Preparation of Consolidated Plan
 - Compliance with other federal requirements
 - Indirect costs (must have approved cost allocation plan)

Admin Vs. Project Costs (I)

- Certain costs directly related to carrying out HOME projects may be either admin OR project costs:
 - Appraisals
 - Work specifications
 - Construction inspections and oversight
 - Underwriting
 - Relocation, environmental reviews, etc.
 - Counseling

Admin Vs. Project Costs (II)

- If costs are tracked to a project:
 - Counts in maximum subsidy limit
 - Triggers 25% match
- Must be charged to admin if project does not go forward
- TBRA admin always admin cost
- Project costs incurred by property owner always project costs

Uniform Administrative Requirements

- PJs and other government entities must adhere to:
 - OMB Circular A-87 (cost principles)
 - Provisions of 24 CFR Part 85 (uniform financial mgmt. standards, procurement, etc.)
 - OMB A-133 (audits)

Uniform Requirements

- Subrecipients that are nonprofit organizations:
 - OMB Circular A-122 (cost principals)
 - Provisions of 24 CFR Part 84 (uniform standards)
 - OMB A-133 (audits)

Conflict of Interest

- Employees, officers, or agents of PJs, state recipients and subrecipients must comply with:
 - 24 CFR Parts 84 and 85
 - Provisions in HOME regulations
- For owners, developers and sponsors:
 - Provision in HOME regulations (92.356(f))
 - Rules do not prohibit use of related subs but cost must be customary and reasonable

What is Program Income?

- Program income is gross income received by PJ, state recipient or subrecipient directly generated by:
 - Use of HOME funds OR
 - 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

Program Income Is Not:

- CHDO proceeds
 - Must go to affordable housing activity
- Recaptured funds
 - From homebuyers; treated like program income, except no 10% for admin
- Repaid funds
 - Repaid from non-eligible project or activity; must return to Treasury account
- Funds that return to an entity that is not the PJ, state recipient or a subrecipient
 - For example a for-profit or nonprofit developer

Receiving and Using Program Income

- Income recognized when received by PJ, state recipient or subrecipient; prorated if appropriate
- Income must be deposited in PJ's local HOME account; 10% for admin OK
- State recipient/subrecipient may be authorized by PJ to retain income
- Income must be used according to HOME rules and requirements - before other funds are drawn

Monitoring Function

- Monitoring fosters:
 - Production/accountability
 - Compliance with requirements
 - Responsiveness to community needs
 - Effective use of resources
 - Good organizational performance

Who Gets Monitored

- PJ
- CHDO
- Subrecipient
- Developers
- Contractors

Levels Of Monitoring I

- PJ monitoring of its programs and administration
 - Consistency with Consolidated Plan
 - Commitment and expenditure of funds
 - Match
 - Compliance in program design/implementation with HOME rules
- Must monitor subrecipient programs annually

Levels Of Monitoring II

- Project monitoring
 - Project meets requirements
 - Needed regardless of type of project or entity
- Beneficiary monitoring
 - Make sure families meet income and occupancy requirements

Risk Analysis

- Determine risk factors
- Assign weight to risk factors
- Determine rating by factor
- Compile all scores
- Rank organizations

Records

- Types:
 - Program
 - Project
 - CHDO
 - Financial
 - Program admin
 - Other federal
- Keep 5 years

CONCLUSION

- Questions
- Future training needs
- Follow-up clarification:
 - HUD Field Office staff
 - ICF Trainer emails