2019 Building HOME Webinar Series IV, Chapter 1

Les Warner: Welcome, everyone. This is our first week of our four-week Building HOME Virtual Delivery, and we're going to cover some of the housekeeping items while the last folks are joining onto the system.

My name's Les Warner. I'm joined today by my colleague, Shawna LaRue Moraille. We'll be introducing ourselves in just a few minutes. So in advance of today's training, you should have all received the link that allowed you to get onto the website. But that also included some materials. So there's a slide handout of all the slides that we're going to be covering over the next four weeks.

Along with that are some exercises. And there will be assigned exercises at the end of three of our sessions that we'll ask you to complete in advance of the office hour session. And the exercises are really a way to kind of test that you've grasped the material and you're trying to apply some of what you may have learned in that session.

There also are the chapters for the Building HOME manual. And so I would encourage you either prior to future sessions to go ahead and read the corresponding chapters. Or it may also be a helpful review for you after you've participated in the session, to then go back through the chapter. And the chapter will be covering the same material.

Oftentimes we'll go into further detail than we would have time to be able to do during the webinar itself. And I think it's probably a good way to make sure you've grasped the material and kind of help everything mesh together for you to have a full understanding on that.

You'll notice that the chapters are marked as draft. Most of the material is current and final but there will be probably a few additional tweaks as we've had a few policy changes. This will also have to have an accessibility review before it is posted so it remains marked as a draft until that point. But I highly recommend those chapters will also be useful for you. There are also a couple of handouts within that packet that we're going to be using later within the training. And they may be useful for you ongoing.

So throughout this training session, I will be your trainer along with in some cases it will be Kris Richmond. Today we're lucky enough to have Shawna joining us. And so we'll give you a little bit of a background on ourselves in a few minutes. At the top of your screen on the right hand side, you'll see that there's a blue box marked chat.

And by opening the chat box, if you're having any kind of technical difficulties, if you did not receive the materials. Sometimes we have some materials that are bounced back by folks' email systems. If you send a chat to the ICF event host, today it's Nicole, and I think next week is Nicole, and she will assist you in trying to solve those issues.

Shawna and I will also be rotating on the question and answer box. So while I'm talking, Shawna will be monitoring and answering the question and answer box, and vice versa when Shawna is training. So if you click on the Q&A box on the top right hand side there, you can type in questions, and that's where any questions related to the materials that we're presenting, please go ahead and type those in.

We will try to address those either directly to you immediately, sometimes at the end of a section. We'll also just discuss those as a group. And we also use those for our office hour session, either for any that we weren't able to get to during the time we had in the session, or ones that we think would be better presented to be able to talk about those as a group. And we oftentimes find that of course things that you have questions about, many other people have similar questions. And it's really helpful to be able to listen to those as part of that process.

So as I mentioned, this is our first week of four Wednesdays where we'll have a two hour session. Those begin at 1:00 Eastern Time. On Thursdays, the following day, we will have an office hour session that will begin at 1:00 p.m. Eastern Time. That's a one-hour session. And during that session we'll be going over the exercises. We'll also be answering any questions and kind of reviewing some of the common issues to try to help folks make sure that they have captured all of the information from those sessions.

So first I think we'll go ahead and introduce ourselves and so you have a little bit of an understanding of who we are. Shawna, do you want to introduce yourself?

Shawna LaRue Moraille: Sure. Hello, everyone. Good afternoon. Or good morning, depending upon where you are. I'm Shawna LaRue Moraille. I worked at ICF since 2001. And before that I worked at a PJ, I worked at a participating jurisdiction in New Jersey, and sat in many of your seats before as a HOME grantee. I've also worked at nonprofits and national organizations that do advocacy work around affordable housing and community development. I'm based in Ohio. So in case anyone is in Ohio, I'd love to hear from you.

And I think that's about it. Maybe I'll tell you a little bit more as the day goes on. So, Les?

Les Warner: Great. So I'm Les Warner. My background, I worked at the state level for a little over 20 years. So I was working with housing and community development at the point that the first HOME funds were available in 1992. So I've had the opportunity to experience some of this firsthand and kind of see the program grow and evolve over time. I've been with ICF for the last 12 years, and worked on training and technical assistance for HOME and CDBG, and I also have a uniform relocation act background. That's about it. I was formerly in Ohio and now I'm in southern Georgia on the coast.

All right. So now that we've kind of told you a little bit about who we are, unfortunately we're not in a room together where we could kind of go around the room. But Shawna and I kind of like have a feel for the folks that are in the room.

So we're going to do a poll here. And our first question is just asking how much experience do you have with the HOME program. So if you would vote 1 to 5 years, 5 to 10, or 10 or more years, we would appreciate that. Looks like the poll is open, so you could vote now.

Shawna LaRue Moraille: The poll will be closing in 15 seconds.

Les Warner: Thank you.

All right. So the results are in. Looks like we have a lot of folks who are in 1 to 5 year category. But we also have some folks in 5 to 10, and 10 or more years. And I think this training is really useful for each of those categories. For folks that are relatively new to the program, we're going to be going through all of the basics to try to make sure that you understand all of the requirements, and also introduce some of the other federal requirements that overlay with the HOME requirements themselves.

I also think for folks with a little more experience, this is a really good way to kind of check yourself as far as not only knowledge, but then thinking about your systems, and thinking about, okay, as we run our program and I'm being reminded about this requirement or that, thinking about how am I currently handling that, what kind of documentation do I have in place. So it's a really good way to kind of refresh your experience and your knowledge.

All right. Our second polling question is asking a little bit about your understanding of the HOME rules. Are you a novice, are you just learning, do you have good experience, or you can pretty much cite the regulations verbatim? If you'll vote now please.

Shawna LaRue Moraille: The poll will be closing in 15 seconds.

Les Warner: All right. So these results look pretty much as you would expect, that we have a lot of folks who are kind of in the early level of learning the HOME rules, but we have some folks with more experience. One thing I'll mention, particularly for folks that are newer, oftentimes when you're working in a program, you end up learning what you think are the HOME rules based on how your local program is being run.

And so it's important to know what's the actual HOME rule say versus what is my local policies and procedure that I put together. And so obviously you have to be in compliance with the HOME rule. You as a participating jurisdiction, your program may have added some additional rules or a little more restriction on that. But overall your program of course must comply with the HOME rules themselves. And so it becomes important to know what those actually are.

All right. So for this session or series, it's broken up into four Wednesday sessions. And so today we're going to be providing an overview of the program itself, and then also talking about some of the general program rules, so they apply to all activities that you would be undertaking under the HOME program using HOME funds. For our second session we'll be talking particularly about the general admin requirements about monitoring. And then we'll spend the second half of that session talking about community housing development organizations, or as we oftentimes call them, CHDOs.

Our third session we're going to be starting to then talk about our four eligible activities. So in third session we'll be talking about homeowner rehabilitation and the homebuyer activity. And then for session number four we'll be talking about rental. And that will also include the long term compliance during that affordability period, and the steps and the actions that the PJ would be responsible for undertaking.

So we have an awful lot of acronyms. And we will try to make sure that we call those out. So I just used the term "PJ." That's a participating jurisdiction. So that's an entity that's directly receiving HOME funds from HUD.

And you'll know here there's a little asterisk at the bottom of this, tenant based rental assistance, which is our fourth eligible activity, has been bumped to our final office hour session. That gives us a little bit more time in our fourth session on rental. And we have a lot to cover there. So it'd be important that you participate in that last office hour session because that's when we're going to be covering tenant based rental assistance and also answering final questions that you might have at the end of this series.

So there is an expectation that you would participate in all of the sessions. That's important so that you get all of the information that would apply to implementing the HOME program. We recognize that sometimes things change in people's schedules and you might have to miss our scheduled session. And so these sessions are being recorded. And each chapter is being recorded separately, and that link will be provided to you tomorrow.

So when that link comes to you, is emailed to you tomorrow, that will allow you to be able to access a recorded version of today's session. But that link will also be the same link that you would use for the future weeks' sessions and also for the office hour sessions. So if you have to miss a session, make sure you use that link and actually not miss out on one of our weeks.

So all of our sessions are two hours in length. They start at 1:00 p.m. eastern time. And then as I mentioned, our office hour sessions are Thursday the following day. We talked about participating in all four. You will get that link tomorrow. We will be taking about a 10 minute break. And it will be approximately halfway through. Sometimes our break happens slightly before the hour, sometimes it happens slightly after the hour. But it will be just about at the midsection between as we change over topics.

All right. So let's go into an overview of the HOME program before we get into some of the specifics. So the HOME program was put into place under the National Affordable Housing Act in 1990. And so the goal here was really to create a dedicated funding source for decent affordable housing for low income people.

You'll note as we go through the training, a lot of the things that we're talking about, the rules of program requirements, go back to what we're seeing in this chart. So we're going to be talking about how do we define decent housing. So looking at property standards, affordable housing, we're going to be talking about rents, and underwriting, making sure that it's going to be affordable. Because this is targeted for low income people, we're going to be talking about who's eligible to live in these units, how we're going to document that.

So as part of the HOME program's origins, there was a desire to include nonprofit capacity as part of this new program. And so when we talk about community housing development organizations, it's part of our set aside of HOME funds to work alongside and in partnership with our nonprofit partners, and bring some of that capacity in dealing with housing issues at the local level.

Also part of the program is including the local government and looking for an investment from the local government. So we'll be mentioning the match requirements that the local government receiving the HOME funds is required to contribute towards this and to match some of those funds. There's also a role for banks and for the private sector in trying to create decent affordable housing. And we'll be talking about some of these issues as we go through a number of rules.

So this slide is kind of helping you think about the origins of this. So as I mentioned, the National Affordable Housing Act was the source or creation of the program. And then HUD was tasked with creating the regulations. So the regulations for the HOME program are found at 24 CFR Part 92. So CFR is Code of Federal Regulations. And so here's where all of the specific HOME rules are found. And that will be something that you should be looking back to, to see well what does the rule actually say.

In addition to the HOME rule, we also have CPD notices. So the notices provide additional clarification and additional guidance. Those are something that are also enforceable. And so it would be important to also not only know the regulation itself, but also to work from those CPD notices. And you'll see throughout this training, we oftentimes will be noting a particular CPD notice that would apply to that particular topic. And in many cases we've provided a link to those.

So those are the HOME rules themselves. But then as I mentioned, the participating jurisdiction, a PJ, who is receiving those HOME funds, as part of their local policies and procedures will also have some program design elements that they've put in place. So while maybe HOME is allowing incomes up to 80 percent, maybe the local program has targeted things to 65 percent. And so it's important that you know not only the HOME rules themselves and what's in the notices, but also that local program design that's also been applied with that.

So let's talk a little bit about the final rules here. So as I mentioned, it's 24 CFR, Code of Federal Regulations, Part 92. And so our most recent update to the rule itself came out in July of 2013. And some of the key areas of that that you might want to familiarize yourself with, and we'll be talking about I think probably all of these in this section or throughout this series, at 92.2 is where we have our definition section that we define things such as commitment, CHDO, the definition of a project. That can be a very useful part of the regulations. At 203 is where you would find income methods, documentation. At 206 goes into really good detail on what's an eligible cost, what is not an eligible cost.

And then one of our really key tools in running our program, communicating with our partners, is our HOME written agreement. And so we may have a number of those; some for a for profit partner; one for a subrecipient or a CHDO. And so the regulations related to the written agreements are at 504 will be an important section of the CFR to be familiar with.

Also other key areas, the rental requirements, and lease requirements, and prohibitions are at 252 and 253, our home ownership requirements at 254. We're going to be talking quite a bit in both our homeowner -- homebuyer program and also in our rental about underwriting requirements and maximum subsidy levels. And those specific regulations are at 250, property standards at 251, and then the all-important record keeping, to show that we have followed the regulations, we can document our process and compliance. And so the record keeping requirements are found at 508.

So we mentioned about PJs, participating jurisdictions. And these are entities that are receiving a direct funding award from HUD. And that might be a city, might be a county, it could be a consortia, which is essentially contiguous units of local government, might be a small city in a county that have banded together, who might otherwise not have qualified for an award, a direct award HOME funds, that could create a consortia, have one of the members of the consortia appointed as the lead of that consortia, and so could be receiving funds in that way. Our states are also all PJs. And as mentioned, I worked at the state level as a state PJ.

Let's talk a little bit about some of the partners that we might be working with. So a state recipient is a unit of local government that's receiving funding from the state program. So sometimes when folks are asking us questions about what the rule requires, then we are asking, well now are you receiving your funding directly? Or are you a state recipient; are you a subrecipient?

Because in those cases, not only do they have to follow the HOME rule, but if they're receiving money from the state PJ or they're getting it from the local PJ, then we really have to look at their written agreement and the policies and procedures that are in place in addition to the HOME rule themselves. So states can work with state recipients. They also can work with CHDOs and other developers directly.

Subrecipients are entities that are receiving funding from a PJ. And they're going to manage a program on their behalf. So I might as a PJ think, well, I want to run a homebuyer program. I'm not sure that I have internally the staff and the capacity to be able to do that. And so they might provide a subrecipient with that written agreement with the funding. And they're going to run that program on behalf of the PJ. So they'd be held to the same regulations as the PJ and essentially running that program on their behalf. So that could be a public agency or a nonprofit.

In multiple places who have this training, because we recognize that we have folks that are working with the CDBG program, some of you are also working with things like low income housing tax credits, we're going to be pointing out some places that some of these things are a little different. So this is one of the cases that the definition of a subrecipient for HOME is a little bit different than for those of you that are working with a community development block grant program, CDBG. Just know that the rules are a little bit different.

We mentioned earlier about our community housing development organizations, CHDOs. And so they can be a key partner in developing housing units. They also are one of our linkages to the low income community. And we're going to be talking next week in a lot of detail about what is -- how do we define a CHDO, what are all the specific rules that would apply to that. And then one of our really key partners are our developer community. And whether that's a for-profit or a nonprofit that we're working with, they're a really important partner in being able to develop the units of affordable housing that's the goal of the program.

So as I mentioned before, we have four eligible activities. And we're going to be in week three and four going through those in great detail. So we have our homeowner rehabilitation. So we have existing homeowners that we will be assisting on bringing their housing up to standard. We also have a homebuyer activity. And this could be acquisition, might be new construction, could be involving rehabilitation.

We'll also be talking about rental development. And that could involve acquisition of existing units, might be new construction, might be rehabilitation. And then as I mentioned in our fourth week, the first half of our office hour session, we're going to be talking about tenant based rental assistance, TBRA.

This is similar to some of the public housing assistance that we might have -- you might be familiar with. But in this case the assistance is going directly to the tenant, as opposed to we're providing some kind of affordability subsidy to a project. This follows and is directed to the tenant themselves. And we'll be talking about the details of that in week four.

So here's what I think is a very useful chart. It contains a lot of the key concepts and regulations. We oftentimes call this the sheet cake chart, probably because the folks at ICF like to eat cake. So if we look on the left hand side of this, the blue box, 10 percent maximum for admin. So out of the PJ's allocation of HOME funds, the maximum that they can expend on their admin costs, and we'll talk about how those are defined, is 10 percent.

Now that includes, if they have program income, that they're receding into IDIS, they would be able to also take 10 percent of that. So that bumps up that total for admin a little bit on that. And keep in mind, this is not only for the admin needs for the PJ, but it would also be for a subrecipient, for a state recipient that would be administering a program on behalf of the PJ. So it's something that the PJ is monitoring and budgeting to make sure that they're going to live within those requirements.

In the box just to the right of that we have our CHDO operating. We'll talk more about that next week. But essentially the restriction here is that the maximum that you can provide in CHDO operating assistance is 5 percent of that overall PJ allocation. Now this is something that is optional. So some of you might be thinking, I don't think we actually do that. You're not required to.

But this is one of the options that you have in being able to support CHDOs. These are funds to support the CHDO itself. It's not project-specific. But there is an expectation that with the provision of this funding, that there's an expectation that there be a CHDO project in place or we're going to see one within the next 24 months. Because HOME of course is a housing production program. So all of our work is related to making sure that our funds go towards creating and sustaining affordable housing units.

If we look at the right side of this chart, you see we have this CHDO set-aside. So this is a minimum of 15 percent of whatever that PJ allocation would be. So annually when you get your allocation, do we then calculate or it's calculated for you, what's 15 percent of that. Now that's a minimum. You as the PJ might be targeting to use more of your funds in that way. And so you actually might be setting aside 20, 30 percent of your funding. But the rule requires at least 15 percent of that be in conjunction with a certified CHDO. And we're going to be talking about the CHDO eligible activities, how we define that, the role that the CHDO needs to be acting in as part of that project. So we'll talk about the details of that next week.

You'll notice at the bottom of that box there's this 10 percent pre-development. So the PJ can choose to provide up to 10 percent of whatever their total CHDO set-aside is in the form of pre-development loans. And so if I'm actually setting aside 30 percent of my PJ's allocation for CHDO activities, then it would be 10 percent of what 30 percent of that allocation is.

So the larger the set-aside is, the larger this can go. And we'll talk about the details next week, but this is really to provide funding to a CHDO to be able to incur some of the costs that are related to putting together a fundable project, doing some of the legwork that's required in that. And again, it has to relate in a HOME unit.

In the middle we have our big box which is really everything else. It's all of our eligible for activities. And these are any that are not part of that CHDO set-aside. So a lot of things included in this chart. And you'll see as we go along some of the things, the rules that we talk about, or some of the tracking requirements, really relate back to making sure you're going to be in compliance with these requirements.

So one of the requirements in the HOME regulations themselves is getting those funds committed. And this is committed to either a specific project, or it might be that we're committing funds to a state recipient or a subrecipient who's actually going to operate a program. For our CHDO funds we use the word reservation on this. These have to be for a specific project.

And for those of you that have been around for a while on this, you may remember under the old HOME rule that you actually have the flexibility to be able to do a written agreement with a CHDO and say, you know, I'm going to provide you $300,000 for my -- this year, without actually having identified a specific project.

And the rules have changed on that and become a little more specific. And so that CHDO reservation is recognized at the point where you have identified a project, you've gone through all of your required underwriting and eligibility to review, to make that commitment of funds specifically for that particular project.

So to recognize this as a commitment, it requires that you have a signed and dated binding agreement in place. And so we'll talk in a moment about the fact that it needs to have dated signatures as part of that. Some of you may have documents that require three or four signatures. So when it's completed, when it's fully executed, is when all of those signatures are in place.

There are some things that are not considered to be a commitment. I'll use the example of a state who might be providing some of their funding to another branch or another part of state government to operate one of their programs. They are not considered a subrecipient because they are essentially part of that same legal entity.

And so if we're simply providing money to another agency within that political entity, we probably have a written agreement in place, a memorandum in place that lays out what the requirements are, what they're going to do with the funding, the reporting, all of that. But that's not going to be recognized as a commitment. So we wouldn't have commitments until the day it actually identified individual projects and had a written agreement in place for that.

Also I mentioned about having consortia that are receiving HOME funds, and the fact that there would be a lead member of that. So if we have a written agreement that is simply between the lead PJ with one of the consortia members, but it's not specific to a program or a project that's being operated, that again is not going to be considered to be a commitment. We'd not have a commitment until we actually identified that program for activity that's being funded. And then we would recognize it.

So to be able to count this as, yes, we have committed funds; we have to have completed some steps here. So the PJ can't consider the funds to be committed until they've identified a project. So we need to make sure that we have an eligible project. And we're going to be talking about those.

But we also need to make sure that all of the necessary financing is secured. It's not uncommon for an applicant to come to you and say, we're seeking HOME funds, at the same time also we've applied for other funds, we're applied for a private loan. We need to make sure that those other sources of requested funds actually have been secured.

We also need a budget and a production schedule. So we're going to be talking about some of the timelines related to our HOME funds. And so that production schedule allows us to review and make sure that if we fund this, that we have a planned out project that actually can be completed within the deadlines that we're working with.

We also want that detailed budget because we're going to be talking about what's an eligible cost that HOME could be used for. And there are some things that HOME can't pay for. So we want to know what's the total cost; what's that budget that's needed to complete that project. We want to know that all the sources are in place.

And then we're going to be pretty specific when we provide funding to say, okay, we can pay for some of these items, but some of the items in this budget are things that you're going to have to use your other sources of funding on. And we want to be able to show that all of the things that we pay for with our HOME funds were things that were eligible for us to do so.

We're going to be talking at some length about underwriting and subsidy layering. We need to make sure that that process has been completed. So when we make that commitment of HOME funds, that we have determined this is the appropriate amount of money that's needed, we want to make sure that this is a viable project, that they have enough money to complete it, but also that it's going to be sustainable over time. So we'll be talking about the details of that later.

A market assessment also needs to be completed. And we'll talk about in some cases that market assessment -- let's say we're doing a larger-scale rental new construction project. We probably are going to have a commercial market study in place. And what we're trying to determine is, if we build these units, is there a market, is there a demand for these units, will they be affordable to the folks that want to occupy those. So we're trying to make sure that if we fund that, we'll have a feasible project, that we will be able to rent these units, by selling units if we're doing homebuyer. So that becomes part of our decision making process prior to making that commitment of funds.

We're also going to be very dependent upon the experience and capacity of our partners, specifically with a developer. We need to make sure that if we're going to commit funds to them, that they have the skills, that they have the financial stability and liquidity of assets, to be able to carry that project to completion, and make sure that we have the successful use of our HOME funds.

So these are all legwork before we kind of pull the lever on funding things, that we need to complete that assessment. We also need to make sure that our construction is going to start within 12 months. So again we've got a production schedule in place. We're going to be checking all these timelines to make sure if we fund this project, are we confident that it will be able to be completed within all the timelines that apply.

So some of you may be thinking as we're talking about commitments, well gee, I thought we don't have any commitment requirements anymore, why are we talking about this. So in recent years the Appropriation Act has suspended the 24 month HOME commitment requirement. So the regulations themselves include a requirement that within 24 months our HOME funds are committed to actual projects, to programs in that.

So for right now with our appropriations [inaudible], we have that commitment requirement suspended. So for any deadlines occurring between 2016 and 2019, those are currently suspended. Here's our reference to the most current notice which is the CPD notice 18-10, which lays out this information.

So HUD itself will not be enforcing those commitment deadlines during that time period. But just keep in mind that that requirement is still in the HOME regulations themselves. And so it could be in future appropriations that that might not be suspended in the future. So it's important to make sure that you understand these rules. The other part of this is that we're a housing production program.

You're being provided HOME funds to meet some of those local housing needs. And so it's important to make sure that you're keeping those funds moving, that you're working to identify eligible projects and getting those funds in place, so that you are showing that with this appropriation of federal dollars that you are making headway on addressing some of those needs.

So as part of our production, we're needing to be able to track to make sure that projects are actually completed. So let's first talk about the definition of when we consider a project to be completed and then also talk about those deadlines. So for a project to be completed, and we have a different definition for rental housing than for our other activities. But in all cases, all of the construction work has to be completed. And that means that we've completed that final inspection and that all of the required property standards have been met and then documented.

We also would have the final draw down of HOME funds having been disbursed. So we might in cases have projects where maybe we had cost savings. And so we have undisbursed funds and we would need to be amending that commitment to release those funds that are not going to be part of that project; because as part of this we're looking to see that that final draw down of the HOME funds for that project have been disbursed.

As part of this project completion, we need to make sure that the beneficiary information, so who actually was assisted in purchasing a house, or is occupying one of our rental units, or received tenant based rental assistance, we want to collect that information and report that into IDIS, which is our recordkeeping and our financial system. And that needs to happen before everything other than rental housing within 120 days of completion. We'll talk about that exception for rental housing I think in just the next slide.

Keep in mind that for homebuyer units, that also means that the homebuyer activity has been completed, that this property title has actually be transferred to the homeowner. And we're collecting that beneficiary information about who is that household that we assisted to become a homebuyer.

So here's the exception on the rental. On the other we talked about we're actually going to have that occupant and know that information. But for rental, projects are going to be marked in IDIS as being completed even though those units are not yet occupied. And so they'd be marked as completed and vacant.

And then as those units rent up, the PJ will need to be collecting that beneficiary information, and making sure that then that gets reported. So instead of having that record remain showing that, gee, I spent a lot of HOME money, I've got vacant units, we need to collect that data and make sure that it gets in the system to show who's actually occupying and benefitting from those units.

For tenant based rental assistance, it's at the point that that final draw down has been disbursed. And in some cases folks will have TBRA perhaps set up as a program. And in other cases they may have set up each individual household. But it would be at the point that the final payments have been made, so that final disbursement had been made depending on how you have set up your TBRA funding.

So here's our deadline that applies to this. So projects are required to be completed, it's in our definition that we just went through, within four years from the date that written agreement was executed. So if I executed a written agreement with an existing homeowner, and we're going to do a rehab for that, the maximum here would be four years from that date. If I am funding that private developer and they're going to build new rental housing, we need to make sure that the project's completion, which for rental means having completed all the construction draw down on the funding, we need to make sure that that is completed within four years of that written agreement.

So when we mentioned under the commitment requirements that we want that project timeline, part of that function is looking to see, if I fund this, I make this commitment this month in July, the clock has started ticking at that point. And we need to be confident that that project will be completed within four years. Now some of you may be saying, well gee, I think in my written agreements I'm not giving people four years, I'm giving them a much shorter period of time.

I think it's probably more common for written agreements to allow 18 to maybe 24 months for completion from the point that they are funding. But that's part of that evaluation process when you're making those commitments, to look at that project timeline and make sure that there's a plan in place. And that's really what you're also going to be tracking over time to make sure, are these projects still okay within the timeline that was laid out, or do we need to be talking with them about how do we get this project back on target.

So PJs do have the ability to request a one-year extension if they're not going to meet this four year project completion deadline. But to be able to do that, they'd have to provide information about the status of the project. So essentially how we determine that it could have been on time originally, what has happened since that point, so what are these obstacles that have put it behind schedule requiring us to ask for an extension, and then laying out what are the steps that we put in place to overcome this, what is our new timeline, making sure that all the funding is in place.

And then there would need to be some milestones as part of that so we can track that, if this one year extension is granted, that you're able to track that they will actually complete this and they're moving forward as planned. If you go past that four year project deadline and you have not received an extension, or you get to the end of that one year extension, you're going to have to repay that HOME investment.

So it's really important to the PJ that they make sure when I fund a project that it's very reasonable that they're going to be completed well ahead of these deadlines, and then also to have adequate oversight to make sure that you early on identify any project that seems to be struggling and work with them to make sure that you're going to meet this four year project completion deadline.

We also have within the regulations a nine-month sales deadline for homebuyer units. So we want to make sure that when we use our HOME funds to create affordable homebuyer units, that they're actually going to be sold and be occupied by eligible households. So to meet this deadline, we have to have a ratified sales contract in place with the buyer within nine months of construction completion -- construction completion at the point that we have met all of our property standards.

We then have nine months to make sure that we have a ratified sales contract in place. If they fail to meet this, then those units have to be converted to rental units. And that would mean triggering all the long term affordability requirements that would apply to the rental program or they'd have to repay the HOME investments.

So it becomes important to make sure as you're funding homebuyer projects, looking at your market assessment, to make sure that do we think that if we build these specific units in this particular location, is there an interest, is there demand, are there buyers that can afford this unit, because we need to make sure that we're going to meet this nine month sales deadline.

So that might mean that maybe we had a larger project that your assessment was that I'm not sure the market can absorb this many units within a nine-month period. We now might say, I'm going to phase this, I'm going to build a certain number of units that I'm confident I can sell within nine months, and then do a second project where we would build the additional units, to make sure that we're going to be in compliance with this.

There also is a rental occupancy deadline. So when we are creating affordable rental units, we need to make sure that these units are going to be occupied by income eligible tenants within 18 months of project completion. So we talked earlier about project completion for rental units is needing all of our construction being completed, meeting our property standards, having the final disbursement of those HOME dollars that are committed for that project.

So when we have completed the project, we've got 18 months to make sure that those units have been occupied. So within six months of the completion of the project, we begin to be looking at those units. And so after six months there may be questions about was your marketing plan in place, what's happening with this particular project, are we still on course to meet this 18 month deadline.

So it becomes important not only to evaluate can the project be completed in four years, but do they have a good marketing plan in place, is this the right number of rental units to complete the kind of units that are needed, so that you're confident that they will rent, and you'll be able to report compliance with those requirements.

If you fail to rent units, you're going to have to repay the HOME investment. So if I have 10 HOME units, and eight of them are rented during this time period and two of them are not, we will be calculating what are the HOME funds associated with those two units that failed to meet those deadlines. And that investment would have to be repaid.

All right. So we also have expenditure deadlines. So for FY 2014 and earlier HOME funds, there was a five year expenditure deadline in place for those funds. Also for our CHDO funds for 2014 and earlier, they also need to be expended within five years. For 2015 and later grants, we currently do not have an expenditure deadline.

And this was a change that occurred under the interim commitment rule. There is I believe a webinar that is posted on the HUD exchange and that might be something to look to.

But just keep in mind that currently we do not have an expenditure deadline. But again, you as the PJ need to make sure that your projects are moving forward, that things are being completed.

So it doesn't mean that having good oversight of your programs and making sure that things are on schedule and being completed, it's still an important function for running your program.

We'll be talking a little bit later in our series in more detail about IDIS. But this is the integrated data and information system. And this is where your consolidated plan and action plan are set up in laying out what your community needs are and how you're going to use each year's allocation. And then with that you're going to be setting up as you make commitments individual projects or programs. You'll be drawing the funds through this system. And you'll also then be reporting on how those funds were used, who was assisted as part of that.

So the HOME program is for federal dollars that are provided as a reimbursement for expenses that have been incurred. And so we complete something, inspect it, and then draw the money as a reimbursement for that expense that's already been incurred. And this is only for HOME-eligible costs. So as I mentioned, being really careful in the budget.

I think you all want to have line item budgets, so that for all the expenses within a project you can identify what are the things that we're paying for with the HOME funds, what things are coming from another source. And then again, we're going to need to be able to document those disbursements, the costs that were related to that. And all of this will be reported and drawn through the IDIS system.

A little bit about match. The match program, as we mentioned early on, part of the concept was to have local governments involved. This was a new source of funding. And so there was a requirement in place that the local government be contributing funding. So there's a requirement that there's a match of 25 percent of the HOME funds that are drawn down for project costs. So there's some things that are excluded from this calculation.

This is an overall program requirement. So it's not project by project. So you might well have some activities, some projects that could generate a lot of match, where others might generate very little or none. But this 25 percent is overall. And what we're looking for here is a permanent contribution. And it needs to be from a non-federal source.

Things that don't require to be matched are your admin funds, so we talked about that being a maximum of 10 percent of your allocation, our CHDO operating, and also if we had a CHDO pre-development loan that was forgiven. We'll talk about the specifics on that next week. But those are excluded from this match calculation. So to look for the regulations on this, you could look at 92.220 and at 97.03 to learn more about this.

So as a PJ, you're having to think about how am I going to meet this match requirement. And so identifying as you're looking at projects, projects that can generate match, having that as part of your written agreements with projects, and then tracking when those non-federal investments are made to those projects, to be able to track how you as a PJ are meeting those match requirements.

So I just want to point out that there will be folks in this training that might be a subrecipient, a CHDO, might be a developer. And so this requirement is for the PJ. You may have within your written agreement or your particular project have some identified match. And that might be part of your reporting requirements, part of the sources and uses. But the match requirement and compliance with this is going to be measured for each of the PJs.

All right. So sources of match on this could be cash, cash is always great, or cash equivalents. In some cases we may have projects where certain fees or taxes are going to be waived for that project. We might have donated land or property that would be part of that. That could be counted as a match source. In some cases we have large investments in infrastructure. Again it has to be non-federal dollars.

But infrastructure may be a good source of match for the PJ. A percentage of your housing bonds can also be credited towards match, things like donated labor and materials. In some cases we might have sweat equity by a homebuyer for instance on the unit that they are going to be owning. That can be counted as a source of match. And then in some cases we have services related to HOME assisted units such as counseling or other services. And that may also be something that would be eligible.

I will mention to you, there is a match notice which goes through in great detail for each of these sources of match. And they are a little different for each of these sources. I really encourage folks to use the match notice, read through it. That's something that in my day in working with this, we often went right back to the notice. Because each of these cases are a little bit different. And we want to make sure that we're specifically following those requirements. All right. Shawna, are there any specific questions that we need to handle now? Or can we let folks have a break?

Shawna LaRue Moraille: I think we can let folks have a break.

Les Warner: Okay. So let's take a 10-minute break. And if we can be back at 10 minutes after the hour, Shawna's going to take over, and we're going to talk about the general program rules.