2019 Building HOME Webinar Series IV, Chapter 2

Shawna LaRue Moraille: Okay. Great. Welcome back, everyone. Can you hear me?

Les Warner: Yes.

Shawna LaRue Moraille: Okay. Great. Wonderful. So we're going to talk about Chapter 2, general program rules. And the reason this is separated out from each of the activities that you're going to go through with Kris and with Les throughout the rest of the series, is that there's a couple things that you need to know particularly those of you that are new to the HOME program, that we only cover in this Section because it is a broad brush across all the activities, it's the basics of the program, etc.

So if I tend to go through something more quickly, I might say like, hey, that's going to be covered in the activities Section. So don't be worried. You may hear something twice. Or once, depending upon the topic. So let's go ahead and get started.

Okay. So Les covered how important definitions are in the regulations, 92.2. And I have to tell you the definition of a project is one of like the number one questions that we get. Because you guys are out doing your great work, you're either funding as a PJ or you're a nonprofit developing affordable housing, and you might be doing something that's scattered site, you might be doing something that is one building. But there's a couple things to keep in mind.

So a site, a project in the HOME program is a site or sites under common ownership, management and financing. And you're being funded for the project underneath XYZ, LLC, perhaps. We have a lot of scattered site here in Ohio. So you're undertaking it as an entire entity. It's funded. Everything is going together in terms of a package. So just try to keep that in mind. If you're doing tenant based rental assistance, you might be serving one or more families underneath the TBRA program. That is also considered a project. And project definition will be important when we talk about the affordability period and when we talk about Davis-Bacon which is a labor requirement. So you have to know what your project is in order for other parts of the regulation to be triggered.

So we have to make sure that you know what's a HOME-assisted unit. So it's units that receive HOME. And so those units, and they need to be designated even if you have a rental project where you might have units that float throughout the project. But they need to be designated at the time of the commitment and the written agreement or codified shortly thereafter. So those HOME units follow affordability requirements, they have to be serving those who are income eligible, there are property standards that need to be met, if it's rental the right rents are being charged, etc.

We have some of you out there that are doing like really interesting like mixed income projects or mixed use. Mixed income may have those that are assisted, those that are low income and below, and they might be higher income or unrestricted. So that's an example of mixed income. You might have some projects that are mixed use where you've got commercial and you might have residential. And obviously HOME has to go toward the residential piece. But all of those are totally fine to do and meet the definition of a HOME-assisted unit.

So one thing that's amazing about the HOME program is that it gives you a lot of flexibility if you're the PJ to decide what types of subsidy do I want to provide. And the majority of you out there are probably doing some type of loan. And that could be loans that you require that there is some payback over time. You might have those that there are payments that are required on a monthly basis or annual basis.

Some of you are doing cash flow loans, where it might be a rental project and there might be cash flow that is generated through that project. And that might be due back to the PJ. Some of you may decide, you know, don't pay me until the end of the affordability period has been met, or don't pay me at all at the end of the period of affordability. So there's many different options. And we call those forgivable loans.

So loans are used typically with any project that has a period of affordability. So homebuyer and rental, those two activities, that's where we're going to see loans. The HOME program also allows for grants to be done. And grants are a good use for maybe its owner occupied rehabilitation. It's called homeowner rehabilitation in the agenda for this particular series.

But I always think homeowner rehabilitation sounds like you're rehabbing the homeowner. But owner occupied rehabilitation is a great place to use grants, where it's just simply there's no payments, there's nothing, it's just granted to maybe an elderly person or those with disabilities who might be doing some rehabilitation.

When we have really high interest rates, I know it's hard to believe that we have that because they've been so low, but when we did have interest rates that were super high, you could do interest rate subsidies where you're buying down the interest rates. We haven't seen that in years. Equity investments, this is also less common.

But you could decide as the PJ that you want to have an equity investment in a project. So you could certainly do that to be a part of the ownership structure. This is extremely rare, but some PJs have had to step in in rural areas and other places where there simply isn't another owner that's a part of the equity investment.

Loan guarantees, this is also one that's allowable underneath the regulations, but it has not been used very much in the industry. Seems like there's a lot more interest potentially with loan guarantees. But it is something where you would literally set aside an amount of HOME funds and you would guarantee loans in that pool. So there's a certain cap on that. But it's not used as readily, but there are a couple of instructions in the regulations you can take a look at.

So in terms of financing, you can pay for construction financing or bridge loans. You can also pay for permanent financing. One thing about construction financing or something that's really quick like that, you can do it, but just because the money is paid back to you as the PJ does not mean that the project is not HOME-assisted. So just keep that in mind. And then there could be other forms, again great thing about the HOME program, lots of flexibility. They left it open in case there's another type of subsidy assistance you want to provide.

In terms of eligible costs, there's a wide variety of eligible project costs. And this is something that Les and Kris will go over in detail with each of the various activities. Just know that you can pay for hard costs, so construction costs. You can also pay for soft costs, like legal fees and things like that, and then any number of different types of projects. So in HOME we see new construction, we see rehabilitation.

Reconstruction is where it's completely rebuilt on the project site. Conversion, this is not like a religious conversion, but it might be conversion in terms of -- I've seen old wool mills; I've seen chocolate factories in Lancaster, Pennsylvania. Basically there was like another use for the project. Schools are great. Lots of those in Ohio. But it's been converted to residential. So those sometimes make great projects, keeping the neighborhood interesting and also historic.

You can pay for improvements on the HOME project site. So improvements might be landscaping, things like that. The key word in that particular bullet is on. So if you're taking notes, you might just want to underline the word on for yourself. Acquisition, so you can pay for acquisition of land that's vacant. Construction must begin with 12 months. Or maybe it's acquisition of land that might have something on it that is considered to be improved land.

Demolition, so you can pay for demolition, so long as again we still have that 12 months. So construction has to begin within 12 months if you're paying for demolition costs. Relocation, Les mentioned that he's a relocation expert. Relocation is one of those that's the cross-cutting or other HUD requirements that kick in when you have a HOME-assisted project.

So if we have those that are relocated either temporarily or permanently relocated, you have relocation costs that are eligible and can be paid for by the HOME program. And it could be a household that'll be displaced. So it's actually over income. So all of those folks, they have to be provided notices and everything, and relocation benefits. So just know you can pay for the costs. It could be somebody that is income eligible. It could be somebody that's above the income limit for the project.

Refinancing, so I don't know a lot of folks that have done refinancing of private debt for multi-family. But you certainly could. You can also refinance for owner occupied rehabilitation. Maybe there's a small amount on the homeowner's first mortgage as a part of your rehabilitation you can refinance their first mortgage as a part of the rehabilitation activity.

It has to be tied to that however, but some PJs we've seen that. Les will talk more about an operating reserve or initial lease up reserve. It is limited to 18 months. The only thing I'm going to mention about that is that, as many of you know, particularly those working in rental, and I spent some time working for a [inaudible] developer, projects sometimes don't move forward because lease up is tough. So that is an option to pay for the initial lease up time period in terms of an operative deficit reserve.

You can pay for predevelopment costs. This is something that with the 2013 HOME final rule they clarified a little bit further. But if you have work write-ups, and architectural drawings, and things like that, sort of like that are costs that are generated kind of before the development occurs, you can go back 24 months and pay for those costs. It's really up to you obviously as the PJ.

So those were all eligible costs. I'm going to talk now about ineligible costs. And sometimes it's good to know what you can't pay for and have these kind of at the top of your mind. So reserve accounts, so project reserve accounts, so maintenance reserves and things like that, you cannot pay for those. That's different than that initial operating reserve that we talked about that's limited to 18 months.

This is ongoing throughout the period of affordability. You cannot match for other federal programs. So HOME cannot stand in to match. The only exception to that is McKinney-Vento, which is the homeless programs. HOME funds are allowed to match that particular program.

Assistance to, and these are common questions that we've gotten over the years as well. So public housing units, so if it's 19 it's actually Section 9 of the 1937 act. You cannot assist HOME funds in the same unit as public housing. I know some of you are doing rental assistance demonstration type activities, or RAD.

RAD, like they lose their public housing identity over time -- at conversion, sorry. So at conversion, so those can be assisted; similar to like Hope 6 and a couple other programs that have been around that are not funded anymore. RAD functions the same way. But if it's straight up 1937 public housing funds in those units, you cannot comingle with HOME.

Halfway houses, this is getting to be like a really dated term. But if it happens to be some type of sobriety housing or something like that, where there are short term stays, might look like a group home or something like that, those typically don't have a lease. And so that's the thing to keep in mind too about even dormitories, farm worker housing, and definitely student housing. Basically they do not have a lease. So it needs to be a common lease in your community. So things that don't have common - don't have leases cannot be done.

So a couple more things that are still -- we're still talking about ineligible here. So HOME projects during the period of affordability. There are some exceptions and I'll let Les and Kris talk about those. But basically if you fund the activity or fund the project, you can't put more money in later.

If the PJ happens to own property themselves, so some of you may have property that might be in a land bank or might be owned by the jurisdiction, you cannot just simply acquire that property unless you're acquiring it as part of a home project. So a lot of times these PJ owned properties are simply deeded to a nonprofit or something like that. And then they can develop the property.

So key, we talked about tenant based rental assistance as eligible. What is not eligible is project based rental assistance. So that's rental assistance that stays with the property when it's developed and it helps reduce the tenant's rent that they're paying. So you cannot do project-based rental assistance; doesn't work like project-based Section 8.

You cannot pay delinquent taxes either. So this is like one of the Office of Management and Budget, like the OMB requirements. This is for any federal program for the most part. You cannot satisfy those delinquent taxes. You need to find another funding source for that. It's just simply ineligible.

We've had some clarification with the HOME final rule that came out in August of 2013 about fees. So as the PJ you can charge developers an application fee. A lot of housing finance agencies have been doing that for a number of years. So it's totally fine to charge a developer an application fee. You can also charge the owner of a rental housing project a monitoring fee.

You've got to document how you develop that monitoring fee. And there's a slide later in the rental portion of this Building HOME series. But you can do it. It's for new projects funded on or after the date - in August of the effective date of the rule. And it has to be included in your underwriting, and there's a couple other things.

PJ may charge for homebuyer counseling. That's the other hat that I'm wearing these days besides CPD programs, working with the HUD's office of housing counseling. And so there is a requirement that home buyers receive housing counseling. And you can charge for that housing counseling. Owners can also -- any type of nominal application fee to apply to live in a rental housing project, or to apply for home ownership assistance, or something like that, you can charge application fees.

Tenants may have parking fees or service fees. All of those are totally fine. Any type of fee that's collected by the PJ or subrecipient in terms of how you handle that, is that you simply reduce your next administrative draw by that amount. And it's called an applicable credit that you see here.

Okay. That's allowable fees. Again it's good to know what you can do. What you can't do, that's this slide. So ineligible fees. So you cannot charge any type of servicing, origination, or any type of like underwriting fees. That's something that you would pay for out of your admin. And that's the for PJ, or subrecipient, or state recipient.

Okay. Subsidy limits. So the HOME program has a couple of limits that you need to be aware of. This is the first one that we're talking about here. So at a minimum each unit on average has to have at least $1,000 except for tenant based rental assistance.

So if you have a four unit project, at least $1,000 has to be in each of those units or greater in order for you to do the project. So home is about making sure that the investment has like a minimum in terms of the time that it takes to develop the project, etc. It's got to be a substantial amount. We haven't talked about this, but there are property standards and other things. So of course you're going to need to invest at least this minimal amount of dollars.

There's also a maximum. So we've got a floor and then now we've got a ceiling. So the maximum is a separate subsidy limit, and it is based upon the 234 limit that came out from HUD. And there is a new notice, a relatively new notice, it's been out for a couple years, that kind of walks through that. It's for nonprofit elevator is the max limit, even if you don't have an elevator, and even if you're not a nonprofit.

So this notice kind of talks about each of those. And that's the cap. Les always reminds me to mention that you may as a PJ have already decided, look, we're not putting any more than like $30,000 in a unit, or $50,000. These max subsidy limits are pretty high, like 85, 95, for like a one bedroom project. So they're pretty high, so you may as part of your program design see something that's lower. But you do have to have the maximum involved.

So in terms of the actual subsidy amount, so while HUD has a maximum, you may have one as part of your program design as we talked about. But you know, what does the project actually need? The project may not need $90,000 per unit. So you need to figure out with the developer that you're working with or if you're the developer working with a PJ, about what do you need on a per unit basis.

Also make sure that you understand how many HOME-assisted units you're going to get, what does the financing look like, where is the gap assistance that HOME is going to be filling. You're going to have other permanent financing, for example if it's rental you might have tax credits from the housing finance agency. There's a number of different financing resources that are going to go into the project. HOME is going to be on the smaller end.

So if you have a mix of HOME and non-HOME units, then you do have to do cost allocation. You do have to do that for both homebuyer development as well as rental units as well. So the point about cost allocation is to make sure you're not paying for more than your fair share.

So if you receive half the number of HOME-assisted units, then you're providing approximately 50 percent of the Total Development Costs or TDC for the project. There is a gray cost allocation notice. There was a webinar on cost allocation done a couple years ago. And you're going to be looking at how many units are in the project and/or how much money the project needs and kind of back into the number of units. So it walks through both do I know the units or do I know the financing that they need in terms of HOME, and then triple check those numbers.

So there might be units that are exactly the same. So they're comparable. There may be units that typically happens in new construction. It might be rehabilitation where the units are different configurations, different square footage, things like that. So a couple things kind of go into cost allocation.

So the next kind of piece that goes with cost allocation is underwriting and subsidy layering. So there is a notice that came out in 2016, I think it's 16-11 if I'm remembering correctly. And it's on subsidy layering. So you do need to have guidelines in place for how you're going to be looking at the project costs, figuring out what's eligible, and looking at the developer experience, the market demand. There's a bunch of things that go into subsidy layering that you're going to want to take a look at, make sure that you're in compliance. So sorry, it's 15-11, I apologize. So you've got cost allocation notice, you've got subsidy layering, and definitely check out the webinar.

We do have - and this was done kind of recently - there was a webinar done on homeownership and procedures, and about how homebuyers must be also underwritten as well. There is also a pretty helpful notice, 18-09, that goes into further detail about underwriting a homebuyer, trying to figure out how to right size the investment for that homebuyer. I think Kris and Les will talk about that more when they do the Homebuyer Section, but just wanted to let you know.

You have to make sure that besides your guidelines for subsidy layering, each project must have a subsidy layering analysis in the file. If it is exactly the same analysis as the tax credit entity, and the project is being funded by tax credits, and everything's the same, you still need to show that you've reviewed that subsidy layering that was done. Same is true for HUD financing. There might be some HUD multi-family funds in there or [inaudible] through the homeless program. But basically you need to have your own analysis. And that has to be in every single project file.

Okay. So this will triple check me whether or not we covered everything. So this is our first quiz. So Nicole's going to open up the lines here to do the poll. So which of the following activities trigger underwriting and subsidy layering? So we've got A, rental development, homebuyer development, homebuyer down payment assistance, owner occupied rehabilitation with an amortizing loan. So please vote now for the correct answer.

Nicole: The poll will be closing in 15 seconds.

Shawna LaRue Moraille: Great. Thanks. Okay. Great. All right. So amazing. Almost all of you chose E. That's the right answer. So a couple of you chose some of the other answers. Okay. I can still see them. So we need to do it for any type of development activities, so rental development, homebuyer development. We talked about homebuyers when they receive down payment assistance, I just mentioned that. They must also be underwritten.

And then finally, and I don't think I actually mentioned this, so I apologize, but any type of homeowner rehabilitation that has an amortizing loan. So where there'll be payments associated with that, you also have to provide underwriting or do underwriting because you need to figure out how much they can afford to pay you on a monthly basis or something like that. So it's E, all of the above. Thanks. These quizzes are always so fun.

So let's talk about the type and condition of the property. So a couple things about the property. So you can do a wide number of various home projects that you might be looking at. What you can't do is you can't do any of the facilities that you see here. So shelters, like homeless shelters, dorms, nursing homes. Okay? Again, going back to every single rental type environment, you must have a lease with that tenant. And it's on an individual basis. So [inaudible] facilities, whenever I look at a written agreement and I see public facility, I don't want to see that in HOME. These are rental housing projects.

Okay. So any time there's HOME money that's spent, the unit must be in standard condition. And that's going to depend upon the type of activity. So this is your property standard if you're the PJ.

Different types of standards out there, so you might have building or housing codes. So sometimes some jurisdictions have new construction related codes. They might have building codes. They might have codes related to pulling permits if there's some type of rehabilitation that's going on.

You might have some occupancy codes as well. So in terms of occupancy, it covers things like the number of people that can be in individual units. It also may cover like habitability standards that may be in your jurisdiction. Large cities such as Chicago and New York, it's going to have unit requirements in terms of habitability standards.

You also in addition to those that are going on in your jurisdiction, you also have written rehabilitation standards. And those talk about what materials are going to be used, what's allowable, what do you require for roofing materials, or if somebody needs a new HVAC like what standards must be met. Windows, what certain R-factor do you need for windows. So what are your materials, and then methods, or how you're going to make sure that the particular item is installed correctly. So there's installation instructions, things like that.

We also have lead based paint if it's a [inaudible] unit. We've got accessibility requirements. I mean there's any number of things that go into your written rehabilitation standards. Every single activity that Les and Kris will go over talk about property standards. And we're still waiting on a little bit more guidance related to property standards. So stay tuned on that. But those are forthcoming.

So let's talk a little bit about the households. And we have a couple slides about this. 100 percent of your units have to serve those that are at or below 80 percent or low income, in terms of their income limits for the household. So 80 percent and below. You may have some other targeting. Some people say I'm going to serve everyone at 60 percent or less in my rental housing project or a tenant based rental assistance.

In terms of say different limits than CDBG, and this might be an edit that you might want to take a look at, Les, so it's not the limits that are different, they're just called something different and CDBG. So words are different for 80 percent than they are for 50 percent in HOME and CDBG. But the limits are exactly the same. So we have HOME income limits. They've been published annually. They're available at the link that's provided here. They just came out. The effective date was June 28th. And also the calculator which is on this page has been updated for those income limits as well.

So you have two definitions that you can use. This is to qualify any household in any of the four HOME activities, homebuyer, unoccupied rehabilitation, rental and tenant based rental assistance. You can choose either the Section 8 or the part 5 definition, or you might want to look at the IRS. 90 percent of folks out there that I'm aware of have chosen the Section 8 definition of income. It's rare that we see IRS. That's used. There are a couple of differences between the two.

But Section 8 is the one that we have the most guidance about. And it's also the one that's used by housing authority. If we've got other HUD financing involved, it also is helpful. Tax credits requires the use of the Section 8 definition. So that's why most people use it. So here's a link to the calculator that you can use as well. And if we get time at one of the office hours, I'm happy to demo the calculator.

So income basics. So what do you include or what you don't include in terms of income for the household. So we are looking at gross annual income, gross social security, gross wages, etc. Now what you include and what you exclude, which is here, that's going to vary depending upon the definition. So for example, part 5 includes child support. IRS excludes it. Adjusted income is also another piece that you might use in your program. Or you do use if you have tenant based rental assistance. It's also used for the uniform relocation act.

There are mandatory deductions for elderly, disabled, etc. I always tell monitors, and if you're a monitor you might see some adjustments off of gross income, $400 might be taken off for an elderly household, things like that. Sometimes it's hard when you monitor the files what's gross versus what's adjusted.

But it's always good to know what those adjustments are when you go out and monitor to make sure somebody did it correctly. We're always anticipating income 12 months forward. We're looking at a snapshot of that household today. And then we're projecting for 12 months. So we're going to look at what are they going to earn over the course of the year, did they have any cost of living adjustments, what's the bonuses, things like that, will they receive a raise.

So you're going to calculate for the household and then compare the calculation to the income limits for the number of people. And then we're looking also at the household member. We're not just looking at the immediate family. Because there are a lot of different types of households out there. So you are going to make sure that you collect two months of source documentation. So that is two months of wage statements.

It has to be for the recent period. And make sure that you're using those. So that's something that came with the final rule as well. And if you want to use - if you have other sources that are like social security letters, things like that, that only comes out once a year. If it's traditional, social security, it might be updated more recently than that, like social security, disability, etc., often changes.

So the income determination, like your calculation is good for six months. Within that six month time period you have to provide the home assistance. So if it's homebuyer, then you have to make sure that they've signed the HOME agreement. We have a couple other options for rental. And that's what you see here. So for rental, we do have to look at tenant income annually. But you only have to collect source documentation every sixth year of the period of affordability. And you guys will talk more about that in rental, but there's some other options if it's not every sixth year of affordability. For tenant based rental assistance, you're looking at income eligibility annually.

So I mentioned this before, that we have an affordability period. And that affordability period is where you can look at it as your time where your financial investment equals the time that you have affordable units and also your monitoring if you're the PJ. So we have the period of affordability for homebuyer, you have it for rental activities, basically any place where there's development going on.

So it's your return on investment. So the larger the investment, often you have a longer period of affordability. And that's something to keep in mind. Sometimes you can do more units and have a lower period of affordability. So sometimes you want less units and might have a longer period of affordability. Every project is going to vary. So you need to keep that in mind.

So it doesn't matter in terms of period of affordability if you've got a loan or a grant. So your subsidy choice that I talked about a little bit ago, that's really up to you in terms of how you want to design that.

The only thing we would say, and Les would say this too, like an affordability period if there's something that's involved, like I mean most people do loan, because you want to make sure that you've got some incentive to if the project doesn't live through the period, you're on the hook as the PJ to pay the money back to HUD.

So you need to make sure that you've got a written agreement in place, and a deed restriction, and make sure that that project is going to live through the period of affordability. If not, they got to pay you back the loans. Loans are really what you need to keep as part of your policy and procedures.

If they pay you back, so sometimes people get the money back. We mentioned short term financing or bridge loans. Even if they pay the money back, you still have the period of affordability, you still have to watch it. You just do not have the carrot or the stick that you might yield if the property owner doesn't do what they're supposed to do.

So again, for compliance or for monitors out there, the period of affordability is of the utmost importance. We have some PJs that have longer periods of affordability. We haven't gotten to the chart. But the period of affordability is 5, 10, 15, 20 years. Some PJs have 50 year period of affordability. Some people have perpetuity.

So you can do it for longer. We would just make sure that you have it clearly stated in your written agreement what is the HOME period of affordability and what's your extended use period. Make sure that that's clear. Because remember, you can't put more HOME money into a project if it's in its period of affordability.

So when does it start, also a very common question. It starts when the activity is marked as complete in IDIS. If your project doesn't live through the period of affordability, then you have to repay the funds. So that's good for everyone on this call to know. The PJ is obviously on the hook, but then your owners, developers, others that are listening, they may have to repay the money if they do not do what they need to do in terms of the HOME project.

So here's the chart. So we have this kind of divided into what's rehabilitation versus new construction. So homebuyer and rental housing, if it's acquisition or rehab, have the 5, 10 or 15 years, that you see on this side. If it's new construction, and this is just a rental, then you have the

20 years that you see there. And that's just rental housing. If you've got homebuyer new construction, you're still in the 5, 10 or 15.

And then if you do any type of refinancing of rental housing, it's automatic 15 years. So one caveat to this chart is it is for homebuyer, sorry, you will learn about resale and recapture with Kris and Les. And they will walk through when it's going to be 5, 10 or 15 years. So there's a lot of options there. So that's our period of affordability and that's when we need to make sure that the projects are in compliance.

So this chart, probably Les and I, we did not develop this chart. It's been a part of Building HOME for - it predates me, 2001, like I said earlier on the call. But some people have found this really helpful. So I'm going to go through it. But Les and Kris will probably revisit this because there's a lot going on here.

Remember when Les talked about the fact that in your own local policies might be different than the federal rules that we're going over. This is one of those places when we talk about owner occupied rehabilitation. The HOME rules say that there is no period of affordability. And that it's the local option. So you may have owner occupied rehabilitation that you're doing, that maybe you have like a five year period of affordability. But that's your decision. Or it might be 10 years.

This money is so precious. And I know you have a lot of people that you're serving in your owner occupied rehabilitation system. So a lot of people talk about like I'm not going to have a period of affordability, or maybe I am because I want some loan repayments to come back to me. And I want to make sure that it's kind of being watched for a period of time. You can decide in terms of serving again, hey, we've got the period of affordability which is the middle column, we've got the serve again column. It's really up to you if you want to serve Mrs. Jones over and over and over again in your owner occupied rehabilitation program.

I will tell you that when I worked in local government, large county in New Jersey, we made sure that Mrs. Jones could age over time. And we put in different accessibility things in our rehabilitation standards, so that we didn't have to serve Mrs. Jones again. But it's really up to you. It's your own policy. You can decide. I'm going to do tenant based rental assistance next, because that's also the easy one.

I'm going to do all the easy stuff in this webinar and then all the hard stuff you can wait for Les and Kris to describe to you. So tenant based rental assistance. So there is no set affordability period. There is a limit on assistance, though you can only serve up to 24 months for tenant based rental assistance. But you can continue to renew that TBRA contract. You can do it for 24 months, renew it, and do it for another 24 months. It's up to you how long you want to serve the families in your jurisdiction.

So the two middle columns though, homebuyer and rental, so let's do those next. So for homebuyer, we've got that 5 to 15 year period of time. And you have some options here. So in terms of serving again, you might have the same house in your community. That happens all the time in small communities. But it might just be a different buyer.

You could also have the same buyer. Maybe you want to serve them again in a different house. That can also happen. So it just depends on what you want to do in your program about serving Mr. Smith for a homebuyer program. Like do you want to serve Mr. Smith, basically, again; or do you want somebody to be able to purchase a home a second time with HOME funds.

And you can of course within the first year of completion, the 10th month, so long as it's within that one year, if you needed to do something to the homebuyer unit, you certainly can do so. But it's only up to that one year past project completion.

So rental, 5 to 20 years, you might look at it within the 10 month inspection if there's anything that needs to be done before that one year mark. We found that a fire code might have changed and you might need different sprinklers. Or there's some other thing that happened during that first year, you can totally serve the project again, but it has to be within that first year.

And then we do have some rental units, we have some here in Ohio, where the rental -- and they're scattered sites, and the tenant is able to buy the unit over time. So you might be able to assist that tenant to buy. And it's easily done if it's single family units as opposed to a larger property. But we have seen some rental projects over time that have turned into condos. So a couple more things about that, but we'll leave that there for today.

So in terms of terminated or failed projects, so HOME funds are expended. They have to be for those activities where you expect them to perform and to go through the whole period of affordability. So even if you terminate that relationship, you still have to make sure that the funds are repaid. There's no getting around that.

Some projects unfortunately fail. I mentioned before that some projects fail within that first lease up period, which is why some PJs are choosing to fund that initial operating reserve. So projects that fail, they are deemed ineligible, and basically you have to pay back the money. And it's the entire amount. There's no such thing as like proration in rental. In homebuyer I'll leave that for Les and Kris to talk about what might be different about those.

And then finally, I mentioned before relocation, I mentioned Davis-Bacon is a labor requirement. So I have a good friend, Scott Ledford, who always talked about this slide as, if you have one dollar of HOME funds, that one dollar is attached to a 50-pound brick, and that 50-pound brick includes all these other federal regulations that you have to be in compliance with; because you can meet the HOME requirements all day long, but you have to have folks that specialize in your office in all of these different types of requirements. So they're kind of put all together. I'm just going to touch on a couple of these.

Les, did you guys provide the other federal chapter, or will you to this group? I can't remember.

Les Warner: I'm not sure. I'll double-check that.

Shawna LaRue Moraille: Okay. Thanks. So we have obviously fair housing applies no matter what, non-discrimination. Need to make sure that those that are applying to any type of activity in your program, that they're treated fairly and equitably. You have handicap accessibility requirements. Section 504 actually covers accessible office space, as well as your units as well.

So you need to make sure that you've got a certain number of units that are accessible to those that need it with disabilities. You have the OMB requirements related to uniform financial standards. Right now it's called the 2 CFR Part 200 Super Circular. We'll talk about that next week. There's a couple things that changed there. But basically it's the financial requirements related to your program.

Environmental review requirements - oh, I'm sorry. Back on the super circular, there is a financial management course on the HUD Exchange. But to my knowledge it's not updated for the most recent super circular. I believe they're working on that. And it'll replace that. But environmental review has wonderful training that you can take.

There's a lot of resources on environmental review. It is Part 58 that you follow as a PJ. The lead safe housing rule, so there are a couple things relating to lead based paint, lead safe housing rule. There's a bunch of training that's going on that's actually in person around the country, if you just want to look up lead safe housing rule. But pre-78 units, there's a couple things that you need to keep in mind related to how the paint is handled and how the rehabilitation is handled as well. So there's a couple things there.

Les mentioned relocation. So there are some requirements around acquisition with federal funds, as well as relocation. So that is something where if you got activities that you are funding, a couple things to keep in mind about making sure that again there might be notices that you have to provide. You might to provide relocation benefits, things like that.

There is a difference between acquisition of housing that's voluntary and involuntary. And there's some differences there to kind of keep in mind. We always work with PJs and also developers as well. It's always good to make sure that you have as part of your application, is this project occupied, or is it vacant, or is it owner occupied? Asking that question is helpful.

There are several labor standards requirements. So I mentioned Davis-Bacon. If you've got 12 or more home assisted units, then you have to pay the prevailing wage. Davis-Bacon, there's also other labor requirements, there's Section 3 businesses, there's also fair labor standards act. There's a couple of different labor standards that are triggered.

And then any time that you're contracting with a construction contract or a vendor, you should look at this excluded parties list. That is a system for work management. It's Sam [ph] now. I believe that's what it's called. You need to look to just make sure that no one is debarred or suspended each time that you issue a contract to them. I remembered that right, correct, right? I think it's Sam. I can triple check while we do some wrap up here.

Les Warner: You're correct.

Shawna LaRue Moraille: Okay. Great. I thought, Sam, that sounds kind of funny to me. All right. Well that was the end of Chapter 2. I know I didn't leave us very much time, Les. But are there any things that you want to briefly mention before we wrap up for today?

Les Warner: Yeah. I'll just -- there was a question kind of raised which I'll give a short answer here, and then suggest that you stay tuned because we will talk more tomorrow in the office hour session. There was a question about, well gee, if I pay back the funds, why does the affordability period still apply?

And so a thing that made the use of HOME funds eligible was the fact that for that project, if it was a project that requires it, that an affordability period was going to be in place, because we're a housing production program creating affordable units. So for instance, you might use your HOME funds to provide a construction loan for let's say a multi-family rental project.

And when they complete the project and they close on the permanent financing, they would be paying back those HOME funds. So you've paid off that loan. It's still a HOME rental project because you provided HOME funds in that. And so it still has an affordability period that needs to be completed as part of that.

We're going to be talking I think in two weeks about homebuyer projects. And we'll go in a lot of detail about the triggers for either recapture or resale, and the affordability and prepayments of those. There's sort of more to that topic, but the key here is that if we used HOME money as part of that project at any point, it is a HOME project. And so there is an expectation that there be an affordability period if that's required by the type of activity they're undertaking.

I think that probably takes about as much time as we have here. So I will remind folks that tomorrow we have our office hour session at 1:00. The first exercise we are being asked to complete in advance of our office hour session, and we will then go through that together as a group. Also bring any questions that come up or you have not gotten enough of an answer or clarity to.

And we will spend some time going through today's session and identifying some topics that we probably need to spend a little more time on, where there might be common questions that are coming up on that.

So thanks everybody for the participation in this. And we look forward to you joining us tomorrow in the office hour session, and next week for our second session on Wednesday. Thanks, everybody.

Shawna LaRue Moraille: Thanks.