

CHAPTER 1: OVERVIEW OF THE HOME PROGRAM

This chapter provides a general overview of the Home Investment Partnerships (HOME) Program, including a brief synopsis of the history of the program and a summary of the objectives. It also includes information on fund allocation, major program activities, income restrictions, match requirements, and monitoring and compliance reporting. These topics are discussed in greater detail in subsequent chapters.

A glossary at the end of the chapter (Attachment 1-1) includes terms important to a full understanding of the HOME Program.

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HISTORY AND GOALS OF THE PROGRAM

The HOME Program was created by the National Affordable Housing Act of 1990 (NAHA), and has been amended several times by subsequent legislation.

- ◆ **Objectives:** The intent of the HOME Program is to:
 - Provide decent affordable housing to lower-income households,
 - Expand the capacity of nonprofit housing providers,
 - Strengthen the ability of state and local governments to provide housing, and
 - Leverage private-sector participation.

ALLOCATION OF FUNDS TO PJS [92.50 AND 92.102]

- ◆ HOME funds are allocated by formula to PJs. PJs are state and local governments (including consortia) that receive funds to operate the program.
 - After set-asides for technical assistance and insular areas are subtracted from the total appropriation from Congress, 40 percent of each annual appropriation is allocated by formula to states and 60 percent to local governments.

- The formula is based in part on factors including age of units, substandard occupied units, number of families below the poverty rate and population.

◆ **Minimum allocations for state PJs:** Congress established a minimum allocation of \$3 million for state PJs.

◆ **Minimum thresholds for local governments:** In order to participate in the HOME Program, a local government's share of HOME funds, as determined by the formula calculation, must be at least \$500,000 (or \$335,000 in years in which Congress appropriates less than \$1.5 billion).

A local government whose share of HOME funds under the formula calculation is less than \$500,000 (or \$335,000 in years in which Congress appropriates less than \$1.5 billion) is not offered an allocation and cannot apply for designation as a participating jurisdiction under the HOME Program.

In addition, a local government must allocate at least \$750,000 (or \$500,000 in years in which Congress appropriates less than \$1.5 billion) to its HOME Program. To reach this minimum allocation level, a local government must:

- Have a direct allocation of HOME funds from HUD based on the formula calculation of \$750,000
- (or \$500,000 in years in which Congress appropriates less than \$1.5 billion);

OR

- Fill the gap between the minimum direct allocation from HUD of at least \$500,000 (or \$335,000 in years in which Congress appropriates less than \$1.5 billion) and \$750,000 (or \$500,000 in years in which Congress appropriates less than \$1.5 billion). The gap may be filled with local funds or state funds, including a transfer of state HOME funds to the local government.
- ◆ **Consortia:** A group of local governments may choose to form a consortium, particularly when one or more members are not eligible to receive a formula allocation, or their formula allocation would not meet the minimum threshold for funding. A consortium must:
- Comprise contiguous units of local government;
 - Provide HUD a notice of intent to form a consortium by March 1 of the year prior to funding (for example, fiscal year 2002 consortia requests are submitted by March 1, 2001);

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- Submit a written certification from the state that the consortium will direct its activities to alleviate housing problems within the state;
- Have a legally binding cooperation agreement between participating local governments which authorizes one local government to act as the lead agency and assume overall responsibility; and
- The consortium agreement may, at the option of its member units of general local government, contain a provision that authorizes automatic renewals for the successive qualifications period of three Federal fiscal years.

Each local government within the consortium generally must make a three-year commitment to participate. New governments may be added during this period, but none can drop out.

- ◆ **Remaining a PJ:** Once designated a PJ, the jurisdiction remains a PJ for subsequent years unless HUD revokes its designation, which may occur if HUD finds the PJ is unwilling or unable to carry out program requirements.
 - A recent change now allows PJs whose annual HOME allocations fall below the \$500,000 minimum participation threshold (\$335,000 in years in which the HOME appropriation is less than \$1.5 billion) to continue to receive HOME allocations.

ALLOCATION OF FUNDS BY PJs

Timeframe

- ◆ PJs must commit and spend their allocated funds within certain time-frames or they lose the HOME funds.
 - PJs have **24 months** to enter into written agreements with developers, owners, contractors, subrecipients, state recipients and Community Housing Development Organizations (CHDOs, a type of nonprofit housing organization) to commit HOME funds.
 - PJs have **five years** to expend HOME funds.

PLANNING AND ADMINISTRATIVE COSTS **[92.207]**

- ◆ PJs may use **up to 10 percent** of the total of their annual allocation plus any program income received for eligible and reasonable planning and administrative costs (see Chapter 9: General Administrative and Monitoring Requirements).
- ◆ Each PJ may reserve up to five percent of its annual allocation for CHDO operating expenses (refer to Chapter 3: CHDO Requirements and Activities for more details).

CHDOs

- ◆ Each PJ must reserve **a minimum of 15 percent** of its annual allocation for activities undertaken by qualified Community Housing Development Organizations (CHDOs).

(See Chapter 3 for more information on CHDOs.)

HOME-FUNDED ACTIVITIES

- ◆ **Homeowner rehabilitation:** HOME funds may be used to assist existing owner-occupants with the repair, rehabilitation or reconstruction of their homes.
- ◆ **Homebuyer activities:** PJs may finance the acquisition and/or rehabilitation or new construction of homes for homebuyers.
- ◆ **Rental housing:** Affordable rental housing may be acquired and/or rehabilitated, or constructed.
- ◆ **Tenant-based rental assistance (TBRA):** Financial assistance for rent, security deposits and, under certain conditions, utility deposits may be provided to tenants. Assistance for utility deposits may only be provided in conjunction with a TBRA security deposit or monthly rental assistance program.

ROLES AND RELATIONSHIPS BETWEEN THE PJ AND ITS PARTNERS

Overview

- ◆ The HOME Program requires PJs to maintain some existing partnerships and to forge many new ones. Partners play different roles at different times, depending upon the project or activity being undertaken. Typical partners are discussed below.

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Typical Partners

- ◆ **State governments:** States are given broad discretion in administering HOME funds. They may suballocate funds to units of local government directly, evaluate and fund projects, or combine the two approaches. States may undertake jointly-funded projects with local PJs. They may use HOME funds anywhere within the state including within the boundaries of local PJs.
- ◆ **Local governments and consortia:** Units of general local government, including cities, towns, townships and parishes, may receive PJ designation or they may be allocated funds by the state. Contiguous units of local government may form a consortium for the purpose of qualifying for a direct allocation of HOME funds. The funds are then administered by local governments and consortia for eligible HOME uses.
- ◆ **CHDOs:** A CHDO is a private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations. Each PJ must use a minimum of 15 percent of its annual allocation for housing owned, developed or sponsored by CHDOs. PJs evaluate organizations' qualifications and designate them as CHDOs. CHDOs also may be involved in the program as subrecipients, but the use of HOME funds in this capacity is not counted toward the 15 percent set-aside.
- ◆ **Subrecipients:** A subrecipient is a public agency or nonprofit organization selected by a PJ to administer all or a portion of the PJ's HOME Program. It may or may not also qualify as a CHDO. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not considered a subrecipient.
- ◆ **Developers, owners and sponsors:** Individuals, for-profit entities and nonprofits can participate in the HOME Program as owners, developers or sponsors of housing. When CHDOs use HOME funds as owners, developers or sponsors, this use of HOME funds counts toward the 15 percent CHDO set-aside.
- ◆ **Private lenders:** One of the goals of the HOME Program is to establish strong public/private partnerships. PJs are required to make all reasonable efforts to maximize participation by private lenders and other members of the private sector. The Community Reinvestment Act (CRA) requirements provide an incentive to private lending institutions to become involved in HOME Program activities.

- ◆ **Faith based organizations:** Faith-based or religious organizations are now able to compete on an equal footing with other organizations for HUD funding. Funding may be provided directly to any recipient, as long as those funds are not used to support inherently religious activities. As of the September 30, 2003 Final Rule for 24 CFR Part 92, HUD identified regulations for eight programs, including the HOME Program, to eliminate barriers and ensure that these programs are open to all qualified organizations regardless of their religious character (see Attachment 1-4 for more information).
- ◆ **Third-party contractors:** A PJ may contract with a private for-profit contractor to administer all or part of its HOME Program. Unlike public agencies or nonprofits, contractors must be procured through a competitive process in accordance with applicable Office of Management and Budget (OMB) procurement requirements. These requirements are found in 24 CFR Part 85 (for PJs) and Part 84 (for nonprofits).

PJ OBLIGATIONS

- ◆ When a PJ accepts HOME funds, it agrees to meet certain obligations.

Matching Requirement [92.218-92.222]

- ◆ Each PJ incurs a 25 percent matching obligation for HOME funds it expends. Matching contributions must be:
 - A permanent contribution to affordable housing;
 - From non-Federal sources; and
 - Provided by any of a broad array of public and private donors, such as local government agencies, state agencies, charitable organizations/foundations, and private sector organizations such as lending institutions and corporate donors.

Chapter 8 provides details on match requirements.

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Monitoring, Record-keeping and Reporting [92.508 AND 92.509]

- ◆ PJs must keep records that enable HUD to determine whether they have met program and project requirements. If HUD determines that certain program requirements have not been met, the PJ will be given an opportunity to prove that it has actually done so. If the PJ is unable to demonstrate compliance, HUD may take corrective or remedial actions. If program requirements remain unmet, HUD may take a series of steps, ranging from holding a hearing after which an administrative law judge makes the final decision, to barring the PJ from participating in further allocations of funds.
- ◆ PJs must also submit an annual performance report to HUD.
- ◆ Part II of Chapter 9 details the monitoring, record-keeping and reporting requirements.

ATTACHMENT 1-1

GLOSSARY OF HOME TERMS

Action Plan: The one-year portion of the Consolidated Plan (see below). It includes the PJ's annual application for HOME funds.

Adjusted Income: Adjusted income is annual (gross) income reduced by deductions for dependents, elderly households, medical expenses, handicap assistance expenses and childcare (these are the same adjustment factors used by the Section 8 Program). Adjusted income is used in HOME to compute the actual tenant payment in TBRA programs and the low HOME rent in rental projects in which rents are based on 30% of a family's adjusted gross income.

Affordability: The requirements of the HOME Program that relate to the cost of housing both at initial occupancy and over established timeframes, as prescribed in the HOME Final Rule. Affordability requirements vary depending upon the nature of the HOME assisted activity (i.e., homeownership or rental housing).

Annual Income: The HOME Program allows the use of one of three definitions of annual income: Section 8 annual income; annual income as reported on the U.S. Census long form; and adjusted gross income as defined for reporting on IRS Form 1040.

Commitment: Commitment means one of three things: (1) The PJ has executed a legally binding agreement with a State recipient, subrecipient, or contractor to use a specific amount of HOME funds to produce affordable housing or provide tenant-based rental assistance; or (2) has executed a written agreement reserving a specific amount of funds for a CHDO; or (3) has met requirements to commit to a specific local project as defined below.

Commitment to a specific local project. Commitment to a specific local project means that a legally binding agreement was executed meeting one of the following sets of requirements: (1) For rehabilitation or new construction projects, the PJ (or other entity) and the project owner will execute an agreement for an identifiable project under which construction can reasonably be expected to start within 12 months of the agreement date. If the project is owned by the PJ or state recipient, the project must be set up in the disbursement and information system and construction reasonably expected to start within 12 months of the set-up date. (2) If the project consists of acquisition of standard housing by the PJ, the agreement must be a binding contract for the sale of an identifiable property and the property title must be transferred to the PJ (or other entity) within six months of the date of the contract. (3) If the project involves the acquisition of standard housing and the PJ is providing HOME funds to a purchaser, under the agreement, the title of the property must be transferred to the purchaser within six months of the agreement date. (4) If the project consists of TBRA, the PJ must enter into a rental assistance contract with the owner or the tenant in accordance with the provisions of 24 CFR Part 92.209.

Consolidated Plan: A plan prepared in accordance with the requirements set forth in 24 CFR Part 91 which describes community needs, resources, priorities and proposed activities to be undertaken under certain HUD programs, including HOME.

Consortium: Geographically contiguous units of general local government consolidated to be in a single unit of general local government for HOME Program purposes when certain requirements are met.

Community Housing Development Organization (CHDO): A private, nonprofit organization that meets a series of qualifications prescribed in the HOME regulations at 24 CFR Part 92.2. A participating jurisdiction must award at least 15 percent of its annual HOME allocation to CHDOs.

Draw-Down: The process of requesting and receiving HOME funds. PJs and authorized state recipients draw down funds from a line of credit established by HUD.

Final Rule: The Final HOME Rule was published at 24 CFR Part 92 on September 16, 1996 and became effective on October 16, 1996. It was amended on August 22, 1997.

Group Home: Housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one-bedroom units) separate private space for each family.

HOME-Assisted Units: A term that refers to the units within a HOME project for which rent, occupancy and/or resale restrictions apply. The number of units designated as HOME-assisted affects the maximum HOME subsidies that may be provided to a project.

HOME Funds: All appropriations for the HOME Program, plus all repayments and interest or other returns on the investment of these funds.

HOME Investment Trust Fund: The term given to the two accounts - one at the Federal level and one at the local level - that "hold" the PJ's HOME funds. The Federal HOME Investment Trust Account is the U.S. Treasury account for each participating jurisdiction. The local HOME Investment Trust Fund account includes repayments of HOME funds, matching contributions and payment of interest or other returns on investment.

Household: One or more persons occupying a housing unit.

Insular Areas: Guam, the Northern Mariana Islands, the United States Virgin Islands and American Samoa.

Jurisdiction: A state or unit of general local government.

Low-Income Families: Families whose annual incomes do not exceed 80 percent of the median income for the area (adjusted for family size).

Match: Match is the PJ's contribution to the HOME Program -- the local, non-Federal contribution to the partnership. The PJ's match contribution must equal not less than 25 percent of the HOME funds drawn down for projects in that fiscal year.

New Construction: The creation of new dwelling units. Any project which includes the creation of new or additional dwelling units in an existing structure is considered new construction.

Participating Jurisdiction (PJ): The term given to any state, local government or consortium that has been designated by HUD to administer a HOME Program. HUD designation as a PJ occurs if a state or local government meets the funding thresholds, notifies HUD that they intend to participate in the program and has a HUD-approved Consolidated Plan.

Program Income: Gross income received by the PJ, state recipient, or a subrecipient directly generated from the use of HOME funds or matching contributions.

Project: A site or an entire building or two or more buildings, together with the site or sites on which the building or buildings is located, that are under common ownership, management and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking. The HOME Final Rule eliminated the requirement that all buildings fall within a four block radius.

Project completion: All necessary title transfer requirements and construction work have been performed; the project complies with all HOME requirements; the final draw-down has been disbursed for the project; and the project completion information has been entered in the disbursement and information system established by HUD. For TBRA, project completion means the final draw-down has been disbursed for the project.

Reconstruction (also rehabilitation): The rebuilding, on the same lot, of housing standing on a site at the time of project commitment. The number of housing units on the lot may not be changed as part of the reconstruction project, but the number of rooms per unit may change. Reconstruction also includes replacing an existing substandard unit of manufactured housing with a new or standard unit of manufactured housing.

Single-Room Occupancy (SRO): Housing consisting of single-room dwelling units that is the primary residence of its occupant or occupants. The unit must contain food preparation and/or sanitary facilities if the project involves new construction, conversion of non-residential space, or reconstruction. If the units do not contain sanitary facilities, the building must contain sanitary facilities shared by the tenants.

State Recipient: State PJs can award their HOME funds to units of local government to run HOME locally. Any unit of local government designated by a state to receive HOME funds is called a "state recipient." The state is responsible for ensuring that HOME funds allocated to state recipients are used in accordance with the HOME regulations and other applicable laws.

Subrecipient: A public agency or nonprofit organization selected by a PJ to administer all or a portion of the PJ's HOME Program. A public agency or nonprofit organization that receives HOME funds solely as a developer or owner of housing is not a subrecipient.

Targeting: Requirements of the HOME Program relating to the income or other characteristics of households that may occupy HOME-assisted units.

Tenant-Based Rental Assistance (TBRA): A form of direct rental assistance in which the recipient tenant may move from a dwelling unit with a right to continued assistance. Includes security and utility deposits associated with the rental of dwelling units.

Very-Low-Income Families: Families whose annual incomes do not exceed 50 percent of the median income for the area (adjusted for family size).

ATTACHMENT 1-2

HUD HOME ADDRESSES

HUD HOME PAGE	http://www.hud.gov/
BUSINESS OPPORTUNITIES	http://www.hud.gov/business/
GRANTEES	http://www.hud.gov/groups/grantees.cfm

HOME PROGRAM

<http://www.hud.gov/offices/cpd/affordablehousing/index.cfm>

- The HOME Front (online training):
<http://www.hud.gov/offices/cpd/affordablehousing/training/homefront/index.cfm>
- HOME Production Reports:
<http://www.hud.gov/offices/cpd/affordablehousing/reports/index.cfm>
- The Office of Affordable Housing Programs mailing list (sign up to receive an email each time the HOME Webpage is updated): <http://www.hud.gov/subscribe/index.cfm>

IDIS

<http://www.hud.gov/offices/cpd/systems/idis/index.cfm>

1. IDIS LOGIN
<http://www.hud.gov/offices/cpd/systems/idis/idis.cfm>
2. IDIS STARTUP KIT
<http://www.hud.gov/offices/cpd/systems/idis/start/index.cfm>
3. IDIS REFERENCE MANUA
http://www.hud.gov/offices/cpd/systems/idis/resources/reference_manual.cfm
4. IDIS LIVE and ARCHIVES
http://www.hud.gov/offices/cpd/systems/idis/resources/live_archives.cf