

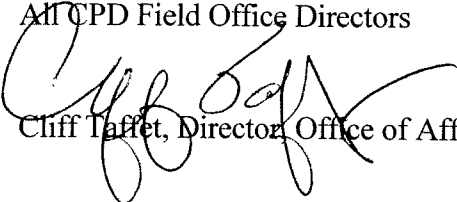


U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
WASHINGTON, DC 20410-7000

OFFICE OF COMMUNITY PLANNING  
AND DEVELOPMENT

JUN 29 2007

MEMORANDUM FOR: All CPD Field Office Directors

FROM:   
Cliff Taffet, Director, Office of Affordable Housing Programs, DGH

SUBJECT: Summary of significant changes contained in HUD Notice  
CPD 07-06 - *Commitment, CHDO Reservation, and Expenditure  
Deadline Requirements for the HOME Program*

On June 1, 2007, the Office of Affordable Housing Programs (OAHP) issued HUD Notice CPD 07-06, *Commitment, CHDO Reservation, and Expenditure Deadline Requirements for the HOME Program*, superseding HUD Notice CPD 01-13. The purpose of this memo is to highlight for you some of the most significant changes between the two notices and to ask that you share this information with your HOME participating jurisdictions (PJs).

### **1. Program Income**

The Notice clarifies the treatment of HOME program income when determining compliance with a PJ's commitment and expenditure requirements. This is being done in order to bring the calculation of commitments and expenditures into line with the HOME statute and regulations, and Treasury Department rules regarding program income.

- The amount of program income disbursed will not be included in the calculation of total HOME funds committed and/or expended by the HOME PJ. Previously, these funds were included in calculating commitments and expenditures.
- During a transition period, lasting until December 31, 2007, OAHP will continue to apply any program income disbursed by a PJ toward its commitment and/or expenditure totals.
- A revised Deadline Compliance Status Report has been posted on the HOME Reports webpage that excludes program income that has been disbursed. The old version of the report will continue to be posted through December 2007.
- For all calendar year 2008 deadlines, a PJ's commitments and expenditures will be compared to their commitment and expenditure requirements without taking into consideration the amount of program income disbursed.

## **2. Administrative Funds and the Commitment Requirement**

The Notice also provides clarification regarding the amount of funds required to be committed and the types of funds that are counted as HOME commitments. This is being done in order to bring the commitment requirement into line with the HOME statute and regulations.

- A PJ's commitment requirement will be equal to the sum of its original allocations (cumulative HOME grants) through the deadline year, unless there have been deobligations, which are subtracted from the commitment requirement. Unlike in previous years, the ten percent administrative allowance is not subtracted from the commitment requirement.
- Administrative funds reserved are counted as HOME commitments.
- The difference between the PJ's ten percent administrative allowance and the amount it actually reserved to program administration (in the AD subfund) must be committed to HOME projects in order to be counted as a commitment.

## **3. Requests to Reduce the CHDO Reservation Requirement**

The Notice describes the procedure in which a HOME PJ can request a reduction to its CHDO reservation requirement for any given year based on cumulative reservations to CHDOs in excess of the 15 percent statutory requirement.

- Unfortunately, there is a large sum of CHDO funds that have been reserved to CHDOs but never committed to HOME projects. The goal of creating a review procedure for requests to reduce a PJ's 15 percent CR subfund in any given year is to ensure field office and OAHP involvement in the review, recommendation, and decision making process with the aim of reducing the amount of reserved CHDO funds that do not move to project commitment.
- Since compliance with the 15 percent CHDO reservation requirement is measured cumulatively, OAHP has allowed a PJ, upon request, to lower its CHDO reservation (CR) subfund in a specific year to less than 15 percent, provided its cumulative reservations to CHDOs do not fall below the 15 percent requirement. In order to reduce the 15 percent that IDIS automatically subfunds to the CR subfund, the PJ must now submit a written request to its HUD Field Office, which should review the PJ's overall CHDO reservations, commitments, and disbursements (IDIS report PR25) to determine whether this action is warranted, and then forward its recommendation to OAHP to process the adjustment in IDIS.

#### **4. Acceptable Commitment Documentation**

The notice specifies the documentation acceptable as evidence of HOME commitments not entered into IDIS prior to the deadline, and requires field offices to submit to OAHP a summary of documentation it counted as commitments.

- All written agreements submitted as evidence of commitment prior to the deadline must have dated signatures.
- If PJ owns the land or is the developer, the notice requires evidence that construction is expected to start within 12 months, such as:
  - If the construction will be undertaken by contractors, completed architectural plans and, if required, the construction permit, along with an executed contract for construction of the project.
  - If the construction will be undertaken by the PJ's employees, completed architectural plans and, if required, the construction permit, along with a schedule for construction work.
  - If the PJ will acquire the land with HOME funds with the intention to convey it to a developer for a HOME project, there must be an actual project before the PJ may use HOME funds for acquisition, and the PJ must document that construction on the specific project will begin within 12 months.
- Field office staff must submit a summary of the commitment documentation it counted as evidence of commitments not entered into IDIS prior to the deadline to Evelyn Rumph in OAHP. This summary must include types of contracts, the date they were executed, the funding amounts, and verification by the field office that the contracts were not set up as HOME activities in IDIS as of the date of the PJ's commitment deadline.

#### **5. Field Office Monitoring of Deadline Requirements**

For a HOME PJ with a commitment, CHDO reservation, and/or expenditure shortfall, the field office must notify the PJ in writing four (4) months prior to the deadline and again one (1) month prior to the deadline. The notification will:

- alert the PJ of an impending deadline and its current shortfall in meeting one or more requirement;
- give the PJ an opportunity to set up and fund activities; subgrant funds to CHDOs, subrecipients, or state recipients; and/or draw down funds in IDIS prior to its deadline;
- caution the PJ of potential deobligation if action is not taken by the deadline; and
- notify the PJ of the possibility of receiving technical assistance.

For a HOME PJ that has a commitment, CHDO reservation, and/or expenditure shortfall after its deadline, the field office must notify the PJ in writing within 30 days of the missed deadline.

Sample letters for both prior to and after the deadline can be found in Attachment 6 of the Notice.

Any questions regarding HUD Notice CPD 07-06 can be directed to Peter Huber of my staff at [Peter.H.Huber@hud.gov](mailto:Peter.H.Huber@hud.gov) or 202-402-3941.