

**U.S. Department of Housing and Urban Development
Community Planning and Development**

Special Attention of:

All Secretary's Representatives
All State/Area Coordinators
CPD Division Directors
All HOME Coordinators
All HOME Participating Jurisdictions

Notice: CPD-94-17

Issued: July 5, 1994
Expires: July 5, 1995

Cross References: Supersedes CPD 92-32

Subject: Field Office Guidance on Manufactured Housing under the HOME Program.

TABLE OF CONTENTS

I.	PURPOSE.....	2
II.	DEFINITIONS.....	2
111.	BACKGROUND AND GENERAL DISCUSSION OF ELIGIBLE ACTIVITIES.....	3
IV.	PERMANENT FOUNDATIONS.....	5
V.	APPLICABILITY OF THE UNIFORM RELOCATION ACT.....	6
VI.	ELIGIBLE HOME ACTIVITY SCENARIOS	
	Existing Homeowner Scenarios	7
	Low-Income Homebuyer Scenario	10
	Rental Housing Scenario	11
	Pad-Only Rental Projects	13
V11.	PROJECT IDENTIFICATION	14

CGHP Distribution: W-3-1, W-2, R-1-3 (Adm), R-6, R-9, Special (CPD Regional and Field
Office Directors)

I. PURPOSE:

This notice is a comprehensive revision of directive CPD-92-32 and incorporates amendments to the National Affordable Housing Act of 1990. These amendments, part of the Housing and Community Development Act of 1992 and Multifamily Housing Property Disposition Reform Act of 1994, make certain new provisions applicable to owners of manufactured units. This notice includes both statutory changes and regulatory changes made by the Interim Rules published on June 23, 1993, April 19, 1994, and expected to be published in July, 1994.

This notice was developed to assist Participating Jurisdictions (PJs) under the HOME Program in identifying eligible activities involving manufactured housing. While the notice makes a distinction between a manufactured home and a modular home, it will only address the use of HOME funds with regard to manufactured housing.

II. DEFINITIONS:

Low-Income Homebuyer - means an individual or an individual and his or her spouse who qualifies as low-income at the time of purchase. The home must be the principal residence of the low-income family.

Long-term Lease - In the context of the HOME Program, a long-term lease is a written, binding agreement whose term is, at a minimum, equivalent to the affordability period required for a property based on the level of HOME subsidy (for example, five to 15 years).

Manufactured home - The MHCSS (24 CFR 3280) defines a manufactured home to be "a structure, transportable in one or more sections which, in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and *includes the plumbing, heating, air-conditioning, and electrical systems contained therein*" (emphasis added).

Permanent foundation - The manufactured home procedural and enforcement regulations (24 CFR 3282.12) define a site-built permanent foundation as "a system of supports, including piers, either partially or entirely below grade," and that meets the criteria as further defined in Section 3282.12. HUD Handbook 4930.3, *Permanent Foundations Guide for Manufactured Housing*, further defines a permanent foundation as one which "must be constructed of durable materials at the site, with attachment points to receive a manufactured home."

The only time HOME funds may be used without requiring a permanent foundation is when assisting homeowners who rent the land on which their unit sits. In such

circumstances, the unit's foundation must, at minimum, comply with the standards prescribed in the most current ANSI Handbook A225.1.

Utility hook-ups - A utility hook-up is an on-site, permanent, public or private utility source (for example, electric, water, sewer/septic, natural gas) for use by individual manufactured home units.

III. BACKGROUND AND GENERAL DISCUSSION OF ELIGIBLE ACTIVITIES:

The HOME Program offers broad discretion in the types of single family (one to four unit) properties eligible to receive HOME funds. A manufactured home is an eligible property under the Program.

It should be made clear that a **mobile home falls within the definition of a manufactured home**. "Mobile home" and "trailer" were commonly-used terms prior to 1976 when Congress adopted in legislation the term "manufactured home" to take their place. Therefore, throughout this notice, the term manufactured home shall refer to all types of non-motorized manufactured housing units (thus excluding recreational vehicles) which meet the definition in 24 CFR 3280.2 (a)(16), Manufactured Home Construction and Safety Standards (MHCSS).

A manufactured home differs from a modular home in that a manufactured unit is a complete package with its systems (for example, heating, electric and plumbing), and fixtures in place at time of delivery. Manufactured homes possess a permanent chassis (as defined at 24 CFR 3280.902 (a)), and must comply with the Manufactured Home Construction and Safety Standards (MHCSS) in 24 CFR 3280 and the procedural and enforcement regulations of 24 CFR 3282. Modular homes do not possess a permanent chassis, and are often partially prefabricated at the factory with its systems added on site. Once assembled, the modular unit becomes permanently fixed to one site and must comply with applicable local building codes. Because this notice pertains to manufactured homes, the discussions and scenarios that follow will exclude modular homes.

HOME funds can be used in a number of ways to assist manufactured homes. Most of the eligible activities discussed in Section 92.205 (a)-(c) of the Interim Rule apply to manufactured homes, except new construction. Some eligible activities include:

- ◆ providing incentives to develop and support affordable rental housing and homeownership
- ◆ acquisition (of land for a homesite or a manufactured home unit)
- ◆ assistance to low-income homebuyers

- ◆ moderate or substantial rehabilitation¹
- ◆ replacement of a manufactured home unit
- ◆ rental assistance

It should be noted that **new construction is not an eligible activity with regard to a manufactured home.** The reason for this is that a manufactured home is a unit constructed at the factory and transported to the site. Therefore, construction is an inapplicable activity in the context of manufactured units.

Eligible activities involving a manufactured home must meet five important conditions. These conditions are:

- ◆ the manufactured home must be situated on, and anchored to, a site-built permanent foundation (except when the owner of a manufactured home rents the lot on which the unit sits);
- ◆ the manufactured home must accommodate, and be connected to, utility hook-ups;
- ◆ the manufactured home (if produced after June 15, 1976) must have met the standards of 24 CFR 3280 at construction as evidenced by the HUD label affixed to the structure. if produced before June 15, 1976 the home must have met applicable State and local codes;
- ◆ the acquisition or rehabilitation of a manufactured home must meet the appraised value standards as established in 92.254 (a)(1)(i) and (ii). NOTE: The June 23, 1993 Interim Rule eliminated the reference to the section 203 (b) limits as a cap on value and allowed HOME funds to be used on properties whose values do not exceed 95 percent of the median purchase price for the jurisdiction;
- ◆ a manufactured unit being acquired or rehabilitated with HOME funds must, at a minimum, meet the housing quality standards of 24 CFR 882.109 as required by 24 CFR 92.251.

¹ Moderate rehabilitation means the rehabilitation of residential property at an average cost for the project of \$25,000 or less per dwelling unit. Substantial rehabilitation means the rehabilitation of residential property at an average cost for the project in excess of \$25,000 per dwelling unit. See Section 92.2.

In addition to the above conditions, PJs must target specific income groups when using HOME funds. For example, when HOME funds are used to assist low-income homebuyers and existing homeowners, the assisted family's annual income must not exceed 80% of the median income of the area. In addition, the home must be the principal residence of the low-income family. Further, PJs must consider the environmental impact (if any) of manufactured home projects. When locating sites for manufactured housing units, PJs should be mindful of the surrounding environmental conditions, and the environmental review requirements of Section 92.352.

When HOME funds are used with respect to rental assistance, two constraints on occupancy apply:

1) Program Targeting Rule - Under Section 92.216, 90% of HOME rental units must be occupied by families whose annual incomes are at or below 60% the area's median income (for tenant-based rental assistance, 90% of *families* must have such incomes). The balance of the units may be occupied by tenants with annual incomes above 60% but not more than 80% of median. This rule applies to all units and families assisted by each fiscal year's HOME allocation. The rule is not project specific, and applies to rental and tenant-assisted activities combined.

2) Project Rule - specifies the occupancy of units in each rental project. This "project" rule requires under Section 92.252 (a)(2) that for projects with three or more rental units, or in the case of an owner of multiple one or two unit projects with a total of three or more rental units, not less than 20% of the HOME-assisted units must be occupied by families who have annual incomes that are 50% or less of median income.

In theory, the balance of the units (80%) may be occupied by any family with an annual income 80% or less of median. However, in practice, virtually all HOME-assisted rental units will be occupied by tenants with annual incomes of 60% or less of median in order to meet the overall funds targeting requirement described above.

IV. PERMANENT FOUNDATIONS:

In all cases under the HOME Program, when the owner of the manufactured unit is the same entity as the owner of the pad (e.g., individual, cooperative, CHDO, corporation), whether assistance is being provided for the unit or the pad, the unit must have a permanent foundation. The permanent foundation requirement has been adopted because one of the primary objectives of HOME is to increase the supply of safe, permanent, affordable housing. The term "permanent foundation" and its requirements are specifically described in HUD Handbook 4930.3, *Permanent Foundations Guide for Manufactured Housing*. The creation of a permanent foundation, or the improvement of an existing foundation to become permanent, are both eligible HOME activities.

In cases where the homeowner rents the pad and the unit's foundation does not qualify as a "permanent foundation," as described in HUD Handbook 4930.3, requiring a permanent foundation would be both costly and unreasonable. PJs must assess local criteria for manufactured home foundations and, at minimum, comply with those foundation types described in the most current American National Standards Institute (ANSI) Handbook A225.1.

The difference in foundation types may have implications when obtaining Federally insured mortgages. For example, to receive a Title 11 Federally insured mortgage, manufactured homes are *required* to be anchored to a permanent foundation. Other requirements for Federally insured mortgages are found in HUD Handbook 4145.1, Revision 2, paragraph 3-4.

V. APPLICABILITY OF THE UNIFORM RELOCATION ACT:

PJs should be aware of the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) and 49 CFR Part 24, Subpart F, which expressly deal with manufactured homes, when assessing potential HOME projects. Several important areas of considerations include:

1) Displacement as a result of the acquisition, rehabilitation or demolition of a manufactured home for a HOME-assisted project is subject to the URA and HUD Handbook 1378, *Tenant Assistance, Relocation and Real Property Acquisition*. See especially Paragraph 3-8 of Handbook 1378. (The URA relocation provisions apply whether or not the manufactured home is classified as real or personal property under State law.)

2) The acquisition of a manufactured home that is considered to be real property under State law and/or the home site is subject to the URA (see Chapter 5 of Handbook 1378).

3) Cost Effective Acquisition -- Undesignated Sites. Paragraph 5a of HUD Handbook 1378 discusses acquisition programs that do not involve preselected sites. To comply with the URA and carry out cost-effective programs, HUD recommends that, where possible, the participating jurisdiction limit acquisition under such programs (for example, a low-income homebuyer program) to arm's-length, voluntary transactions where, *before the seller executes the final contract of sale*, the seller is informed:

- ◆ that the property will not be condemned if negotiations fail to result in an amicable agreement, and
- ◆ of the estimated fair market value of the property. (This does not, however, preclude the buyer from negotiating a sale at a lower price.)

If these timely disclosures are made, the purchase is exempt from the real property acquisition requirements of the URA and a seller-occupant of the property is not eligible for URA relocation assistance. (To prevent misunderstanding, the purchase offer and the contract of sale should contain an acknowledgment that the sale is not made under the threat of taking by eminent domain and the seller will not receive any relocation assistance under the URA.) However, any tenant-occupant displaced by acquisition, rehabilitation or demolition for a HUD-assisted program is covered by the URA relocation requirements and is entitled to relocation assistance to help rent (or buy) and move to a comparable replacement dwelling.

4) Coordination with CPD Relocation/Realty Staff. Acquisition and relocation issues are often highly technical. This is especially the case with manufactured homes where the owner of the unit may not own the site and a displaced occupant may buy a replacement unit but rent the site, or vice-versa. Accordingly, program staff are urged to consult with CPD relocation/realty staff and to encourage participating jurisdictions to consult with such staff about URA issues that may arise in connection with an assisted manufactured home program. Discussion during the early planning stages can prevent unnecessary expense. PJs are encouraged to refer to HUD Handbook 1378, *Tenant Assistance, Relocation and Real Property Acquisition* when assessing potential HOME projects and their relocation assistance implications.

VI. ELIGIBLE HOME ACTTVITY SCENARIOS:

Existing Homeowner Scenarios

Rehabilitation of existing manufactured housing stock is an eligible activity under the HOME program. Manufactured unit owners could qualify for HOME funds to pay for rehabilitation including the creation or repair of a permanent foundation, acquisition of land for the permanent placement of the unit, and relocation costs associated with moving a unit. For example:

The White family owns a manufactured home as well as the lot on which it sits. The unit rests on a temporary foundation and contains all utility hook-ups. Their income qualifies them as a low-income family under the HOME Program (that is, their annual family income is below 80% of the area's median income). The manufactured home requires roof repair and electrical updating, but they do not have the money to make these repairs. It is anticipated that the repairs will cost \$8,000.

QUESTION: *Can PJ commit HOME funds to this project? If so, what requirements apply?*

ANSWER: Yes. A PJ may commit HOME funds to such a project. The Whites meet the income targeting requirements (i.e., their annual family income does not exceed 80% of area median). However, the foundation must be made permanent to qualify as an eligible project (HOME funds may be used to pay for the permanent foundation). In addition, to qualify for HOME funds the manufactured unit must have met the standards of 24 CFR 3280 at construction (if produced after June 15, 1976); meet housing quality standards as specified at 24 CFR 882.109 after rehabilitation is complete; be the Whites' principal residence; and the appraised value of the home (including the land) after repair must not exceed the appraised value standards as established in Section 92.254 (a)(1)(i) and (ii).

PJs should be mindful of the limitations of obtaining Federally-insured mortgages when properties did not meet the requirements of 24 CFR 3280 at production, and are encouraged to refer to HUD Handbook 4145.1, Revision 2 for guidance.

QUESTION: *If the Whites rented their pad could the PJ commit HOME funds to this project?*

ANSWER: Yes. A PJ may commit HOME funds to such a project. Assuming all of the previously-mentioned requirements are met, the PJ could provide HOME funds to perform the necessary repairs on the White's manufactured housing unit. If the White's unit could not be economically repaired making replacement of the unit more cost-effective, the PJ may elect to assist the Whites in acquiring a new manufactured home. Homeowner rehabilitation projects do not have any recapture or resale provisions.

The December 22, 1992 Interim Rule expanded the definition of reconstruction to include the option of replacing an existing substandard manufactured housing unit with a new or standard manufactured housing unit. With this change, the decision of replacement versus rehabilitation is left to the PJ's discretion based upon the condition of the structure and the feasibility of rehabilitation.

Further, the April 19, 1994 Interim Rule allows the "reconstructed" unit to be placed anywhere on the existing lot. This flexibility allows PJs to meet current zoning requirements that would effect the reconstruction site. Thus, when a manufactured home is acquired to replace a substandard unit, it too may be placed anywhere on the existing lot.

When a HOME project involves the replacement (via acquisition) of a manufactured unit, PJs should assess the "trade-in" or "scrap" value, if any, of the unit being replaced when determining the level of HOME subsidy being provided. PJs should develop a consistent approach to account for such value. For example, if the unit possesses a "trade-in" value, perhaps that amount should be subtracted from the total replacement costs. Regardless of the approach determined, PJs should be mindful of the potential value that exists in the unit being replaced.

Another important item to note is that **land acquisition is an eligible activity under the homeowner rehabilitation program.** Thus, it is possible for an existing homeowner to use HOME funds to acquire the land on which the unit sits, or land on which the unit can be relocated. This activity is important for two reasons: 1) it enables existing homeowners to use ownership arrangements such as fee simple title, lease purchase agreements and participation in limited-equity cooperatives, and 2) it enables a PJ to assist homeowners with substandard lots (for example, a lot in a flood plain, or on a hazardous waste site.) HOME re-sale or recapture provisions (see also the *First-Time Homebuyers and the HOME Program* model dated March, 1993) do not apply to land acquired under an existing homeowner program.

Because many manufactured housing parks contain a diverse group of families with incomes ranging above and below 80% of median, it is necessary to examine how HOME funds can be used in such situations. For example:

A manufactured housing park association, which consists of 100 families who own their units and rent the pads, would like to acquire the park from the current owner, make necessary site improvements, and sell each pad to the current residents. Family incomes among association members vary, with only 50% of the association having incomes below 80% of the area's median.

QUESTION: *Can a PJ assist this association? If so, what requirements apply?*

ANSWER: Yes. A PJ may choose to assist this association, or any cooperative or condominium of this type. However, the amount of HOME funds that can be used is directly proportionate to the number of families with incomes below 80% of the area's median.

Thus, in the situation described above where only 50% of the families have incomes below 80% of median, HOME funds would be limited to 50% of the total acquisition and improvement costs. Stated differently, eligible costs must be prorated to reflect the number of units occupied by families with incomes below 80% of median divided by the total number of units. The HOME project, in this instance, would consist of assisting the 50 families who meet the income targeting criterion, and cover only 50% of the acquisition and improvement costs. Owner-occupied units assisted with HOME funds must have permanent foundations. As long as the pads are being sold to those who *already have possession of*² their units (whether they own the unit or rent from a third party), no resale (or recapture) provisions or affordability periods apply. The sale price

² For systems purposes, this would be considered assistance to an existing homeowner.

of the pads should be negotiated between the PJ and the developer based on the level of HOME subsidy provided.

Low-Income Homebuyer Scenario

Manufactured homes present a viable means of providing affordable housing to many low-income residents. Therefore, costs associated with unit and site acquisition, and site improvements may qualify under the low-income homebuyer program. This is true provided that all restrictions contained in Section 92.254 are met, including the resale (or recapture) provisions and affordability period requirements³

Mr. and Mrs. Smith qualify as a low-income family. The Smiths once owned a manufactured home but sold it three years ago. They now wish to buy a new manufactured home for use as their principal residence. The Smiths have found a parcel of land which can accommodate their home with available utility hook-ups. The land, however, is vacant, and does not have a permanent foundation. The PJ has determined that the cost of the manufactured home plus the land and the improvements (for example, constructing a permanent foundation) will meet the appraised value standards as established in Section 92.254(a)(1)(i) and (ii).

QUESTION: *Can the PJ use HOME funds to assist the Smiths? If so, what requirements apply?*

ANSWER: Yes. HOME funds can be used to: 1) acquire the parcel of land, 2) perform the necessary site improvements (including constructing a permanent foundation), 3) acquire the manufactured home, 4) transport the unit to the acquired lot and 5) perform all necessary activities to secure the unit to the foundation and to hook-up the utilities. All of the above are eligible costs under the HOME Program.

In accepting the HOME assistance, the Smiths would: a) be required to make the property their principal residence, and b) if they wished to sell the property within the affordability period, follow the resale guidelines (or recapture provisions) of the PJ which

³The April 19,1994 Interim Rule modifies the affordability periods for homeownership. Under §92.254 (a)(4), the minimum periods of affordability are: 5 years where the per unit amount of HOME funds provided is under \$15,000; 10 years where the per unit amount of HOME funds provided is \$15,000 to \$40,000; and 15 years where the per unit amount of HOME funds provided is over \$40,000.

would conform to the requirements of Section 92.254(a).

Within the low-income homebuyer program, low-income families may enter into lease-purchase agreements (that is, a lease with an option to buy the unit and land) with a PJ, developer, or non-profit organization even though the use of HOME funds does not immediately result in home ownership. However, this ownership arrangement has one additional requirement: **the purchase should occur within a 36-month period (from the time of entering into the lease-purchase agreement.)**

In the event the potential homebuyer does not purchase the property, it may be sold to another eligible homebuyer. If no eligible homebuyer is found, the property must be made available for rent in accordance with all HOME rental requirements. A subsequent lease-purchase agreement will not be permitted for this same property.

A limited-equity cooperative (where a homebuyer buys "shares" in the project) will also be considered as an eligible form of assistance to a homebuyer provided that the cooperative housing meets the HOME affordability requirements outlined in Section 92.254(a).

Rental Housing Scenario

Manufactured housing can be used to increase rental opportunities for low-income families. In situations where HOME funds are being used to provide funds for both pad and unit which are under common ownership and to be provided as rental housing, such a project would be treated similarly to any stick-built HOME rental project. A manufactured housing rental project could qualify as affordable housing provided that it meets the requirements of Section 92.252. These requirements include:

- ◆ rent limitations
- ◆ provisions that the units will be occupied by low-income families
- ◆ five to 15 year affordability periods (depending upon the amount of HOME funds used per unit. See Section 92.252.)

A manufactured housing rental project may use HOME funds to undertake activities such as land acquisition, unit acquisition, site improvements and/or rehabilitation, unit rehabilitation, or demolition. For example:

A State is assisting a local non-profit to acquire a parcel of land to be converted to a low-income manufactured housing park. The land parcel selected has utilities available to the site, but not on site; and contains a concrete structure which will require demolition. HOME funds will also be used to acquire the manufactured units.

QUESTION: *Can a PJ commit HOME funds to this project? If so, what requirements apply?*

ANSWER: Yes. A PJ may commit funds to the non-profit's project provided that it meets the rent limitations contained in Section 92.252 (a-c). In addition:

- ◆ the project must remain affordable for a period of time based on the amount of HOME funds used per unit [Section 92.252(a)(5)];
- ◆ the rental units must meet the targeting requirements and rent restrictions discussed in Part 3 of this notice;
- ◆ the manufactured home must accommodate, and be connected to, utility hook-ups;
- ◆ the units must be situated on and anchored to permanent foundations;
- ◆ the units must meet housing quality standards as required by 24 CFR 92.251, and;
- ◆ the unit must have been built to the standard of 24 CFR 3280 (if produced after June 15, 1976) as evidenced by the HUD label.

Every HOME-assisted rental unit is subject to rent controls designed to make sure that rents are affordable to low-income families. These maximum rents are referred to as *HOME rents*. Individual HOME rents for various jurisdictions are available, and may be obtained, from the Office of Community Planning and Development in each Field Office.

There are two HOME rents established for projects: high HOME rents, and low HOME rents. **High HOME rents** require that 80% of HOME-assisted rental units must have rents that are the lesser of:

The Section 8 Fair Market Rents (FMRs) or area-wide exception rents for existing housing minus tenant-paid utilities, **or**

- Rents which are 30% of adjusted income for families at 65% of median income minus tenant-paid utilities.

Low HOME rents paid by tenants to owners are established under §92.252(a)(2). At least 20 percent of all HOME-assisted units in each project must be occupied by very low-income families (not exceeding 50 percent of area median income). Low rents are set at:

(a) not more than 30 percent of the occupant's monthly adjusted income, or

(b) not more than 30 percent of the gross income of a family at 50 percent of area median income, adjusted for family size.

High and Low HOME rents apply only when an owner is renting out the unit along with the pad. As mentioned above, when only the pad is being rented, the PJ and the owner must negotiate affordable rent levels.

NOTE: Both High and Low Rents include utilities, but do not include subsistence or the costs of supportive services. HUD will provide average occupancy per unit assumptions to be used in calculating the maximum rents.

HOME funds can be used to pay for a percentage of the project, within the maximum subsidy limits, equal to that proportion of the total number of units occupied by HOME-eligible families.

Pad-Only Rental Projects

Because not every owner of manufactured housing owns the land on which the unit sits, we need to examine how HOME funds may be used to improve homesites for families who *already have possession of* their units. A family may own their unit or, rent or lease their unit either from the same owner as the pad or from a third party. HOME funds can be used to assist in the acquisition, development, or rehabilitation of a manufactured home park.⁴ For example:

⁴For systems purposes, this would be considered assistance to an existing homeowner, unless the unit is also HOME-assisted and is being rented from the same owner as the pad, in this case it would be considered "rental" and rental project restrictions would apply.

A PJ would like to use HOME funds to assist developers (either for profit or non-profit) to acquire and improve a homesite which is intended for use by existing homeowners of manufactured housing. The developer would retain legal title to the improved homesite, with an agreement to rent each HOME-assisted homesite to a low-income owner. Reasons for such a project may include relocating an existing homeowner to a newly created manufactured housing home park, or acquiring an existing park to reduce land rental costs.

QUESTION: *Can HOME funds be used to assist developers? If so, what requirements apply?*

ANSWER: Yes. This scenario describes an eligible HOME activity provided that several conditions are met. The owner of a manufactured unit must qualify as low-income; the unit must have met the standard of 24 CFR 3280 at production (if constructed after June 15, 1976); the unit must be connected to utility hook-ups; the appraised value of the unit must not exceed the appraised value standards as established in Section 92.254 (a)(1)(i) and (ii); and, at minimum, the unit must comply with the foundation standards described in the most current ANSI Handbook A225.1.

In addition, the developer must agree to recorded deed restrictions, see Section 92.252 (a)(5), which ensure that the homesite will be rented to low-income families throughout the affordability period, which ranges from five to fifteen years depending upon the amount of HOME subsidy used per homesite. Rents charged during this period should be negotiated between the PJ and the developer based on the level of HOME subsidy provided (in no case should the negotiated rent exceed the HOME rent limits).

If these requirements are met, HOME funds can be used to pay for a percentage of the improvements (including the acquisition of the land) equal to that proportion of the total number of pads being resided on by low-income families (i.e., eligible HOME units.)

Also note that because a pad-only project is considered assistance to existing homeowners, CHDO set-aside funds may not be used.

VII. PROJECT IDENTIFICATION:

The Program recognizes the importance and prevalence of manufactured housing and provides for various homeownership and rental opportunities. The above scenarios illustrate the flexibility of the HOME Program. Flexibility, however may lead to some confusion over identification of project type (i.e., rental, existing homeowner, low-income homebuyer) and occupancy requirements. Here too, PJs may find some flexibility,

however, here are some basic guidelines:

- ◆ When HOME assistance is being used only in conjunction with the pad (i.e., acquisition, development, rehabilitation), whether for rental or ownership, the project should be reported as an **existing homeowner** project.⁵
- ◆ When HOME assistance is being used to improve an existing unit or to replace a substandard unit, the project should be reported as an **existing homeowner** (homeowner rehabilitation) project.
- ◆ If HOME assistance is being used to acquire a unit and land for homeownership, the project should be reported as a **low-income homebuyer** project.
- ◆ When HOME assistance is being used in conjunction with the pad and the unit, under common ownership, for rent, the project should be reported as a rental project.
- ◆ When HOME assistance is being used to acquire a unit for homeownership (not replace an existing unit) which is set on a rented pad, the project should be reported as a **low-income homebuyer** project.

It may be possible to have more than one type of project on one site. That will be the case if a PJ uses HOME funds to assist with the development of a manufactured housing park where HOME funds will be used to provide some rental units as well as empty pads for rental by existing homeowners. In that case, the PJ must set up two projects in the Cash and Management Information (CMI) system - a rental project for the rental units and an existing homeowner project for the existing homeowners who will occupy the pads. Affordability restrictions would be differentiated between renters and homeowners.

One family may also be represented under two different projects. If a family were to be assisted with the acquisition of a manufactured home and then place that home on a rental lot which was also assisted with HOME funds, the family would be associated with both a homebuyer project and assistance to existing homeowners.

Although this notice has provided the basic requirements of the HOME Program and the various ways funds can be used to support manufactured housing, additional questions should be directed to the HOME Program coordinator in your Field Office.

⁵Unlike existing homeowner programs where there are no re-capture or re-sale provisions, HOME-assisted pads for rental must be rent restricted as negotiated by the PJ and developer for, at least, the time periods specified under 24 CFR 92.252(a)(5).