

## **Key Points Regarding the HOME Program**

The Home Investment Partnership Act (HOME) was created by Title II of the National Affordable Housing Act of 1990. HOME is a federally funded, grant program for housing and replaces a number of former federal housing programs, including HUD's Rental Rehabilitation program. The HOME Program has great flexibility and can be used to fund many types of housing activities: first time homebuyer and homeowner rehabilitation; rental housing production and rehabilitation; and tenant-based rental assistance.

In Vermont, statewide HOME funds can be used for acquisition and rehabilitation of rental housing, new construction of rental housing where there is a documented need, and acquisition and improvement of mobile home parks.

### State of Vermont Annual Allocation

The Agency of Commerce and Community Development (ACCD) is the State recipient of HOME funds. The City of Burlington is the only community in Vermont that qualifies for its own funding. Under the formula allocation for states, Vermont receives the minimum State allocation of funds each year due to its small population.

Since 1992, the program's first funding year, ACCD has received Vermont's annual allocation of HOME funding and in turn has designated the Vermont Housing and Conservation Board (VHCB) to administer a statewide program. For FFY2013, this funding totals \$3,000,000, of which \$2,550,000 is available for project funding.

VHCB administers the HOME Program in accordance with the priorities established in the State of Vermont's Consolidated Plan (previously known as the CHAS) which focuses on rehabilitating existing housing, creating new units of housing where there is a demonstrated need, and serving the very lowest income Vermonters and those with special needs.

### Threshold Criteria under State's Consolidated Plan

The following criteria must exist in any application to be considered for a commitment of HOME funds: The following criteria must exist in any application to be considered for a commitment of HOME funds:

- Project must be perpetually affordable

At least one of the following Consolidated Plan priorities for affordable housing must be included:

- The preservation of existing units that meet the policy requirements set by the Department;  
or
- The development of new projects or programs that:
  - a. contribute new units to the housing inventory;
  - b. are cost effective and will provide long term affordability;

- c. are sustainable to the extent that they will not require recurring infusions of public dollars. A program or project that cannot meet this priority must clearly identify the anticipated shortfall and when it will occur; and
- d. meet regional housing needs.

Preference shall be given to:

- Projects located in Designated Downtowns or Village Centers versus areas that contribute to sprawl.

### Consolidated Plan Affordable Housing Priorities

On a comparative basis, applications that have met the threshold criteria described above will be initially evaluated and ranked according to how many of the following Consolidated Plan Affordable Housing Priorities are addressed in each application:

- House lower income families and individuals, with special preference to projects housing extremely low income families and individuals at or below 30% of area median income.
- Increase the supply of affordable rental housing through the acquisition and/or rehabilitation of existing units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Increase the supply of affordable rental housing through the construction of new units especially in communities where there are tight housing markets, very low vacancy rates or there is a high incidence of distressed housing.
- Promote mixed income developments to create integrated communities.
- Promote the development of new rental housing designed and built to a level of energy efficiency that meets or exceeds the levels required to qualify for the Energy Star label.
- Preserve existing affordable housing projects in a manner consistent with prudent investment criteria.
- Redevelop existing properties with consideration given for projects that leverage other resources specific to the preservation of historic structures.
- Redevelop foreclosed properties for affordable rental housing.
- Provide accessible or adaptable housing for persons with disabilities.
- Provide service enriched housing serving persons with disabilities.
- Produce affordable senior rental units in regions where a market analysis identifies a shortage of elderly housing affordable to lower income seniors.
- Provide service enriched housing that allows seniors the opportunity to age in place.

### Minimum HOME Affordability Period

Throughout the affordability period income must be verified annually, rents and utility allowances must be reviewed annually, and on-site inspections must be conducted every 1 to 3 years.

<u>Per Unit HOME \$</u>	<u>Minimum Affordability Period</u>
<\$15,000	5 years

\$15,000-\$40,000	10 years
>40,000	15 years
New Construction	20 years

### Maximum HOME Contribution per Unit

0BR	1BR	2BR	3BR	4BR
\$65,000	\$75,000	\$90,000	\$115,000	\$125,000

### HUD Income Requirements for Rental Housing

⇒ Incomes are restricted throughout the HOME Affordability Period

⇒ Multi-family Rental Housing

- Not all of the units in a building must be HOME assisted
- Home units can float in some circumstances and with VHCB approval
- Households must have income  $\leq 60\%$  of median income
- In projects with 5 or more units HOME units, 20% of units must be occupied by families with incomes  $\leq 50\%$  of median

⇒ Mobile Home Parks

- Not all of the lots in a mobile home park must be HOME assisted
- Each owner-occupant household of a mobile home renting a HOME designated lot must earn  $\leq 80\%$  of median income

### HUD Rent Affordability Requirements for Multi-family Rental Housing

HOME rents are restricted throughout the HOME Affordability Period and are limited to the lessor of HUD's Fair Market Rent or the High HOME rent. Projects with 5 or more HOME units are required to charge rents in 20% of the units that are the lessor of HUD FMR or the Low HOME rent. Rents are reduced if tenant pays for utilities using the Vermont State Housing Authority utility allowance. HOME rent restrictions do not apply to units with federal or state project-based assistance. The High HOME rent is 30% of adjusted income for households at 65% of median income. The Low HOME rent is 30% of adjusted income for households at 50% of median income.

### Other HUD Requirements for Multi-family Rental Housing

⇒ Tenant's income must be verified annually;

⇒ Units must be inspected for HUD Housing Quality Standards compliance every three years for projects with 1 to 4 units, every two years for projects with 5 to 25 units, and annually if more than 26 units;

⇒ Rents are reviewed and may be adjusted annually based on HUD Median Income (HUD publishes High and Low HOME rents annually);

⇒ Utility allowances are reviewed annually.

## Income Verification

- ⇒ At the time of application;
- ⇒ Annually throughout the HOME affordability period;
- ⇒ Upon initial verification and every five years after initial occupancy, third party documentation must be provided;
- ⇒ If household income increases to >80% median, rent becomes 30% of adjusted monthly income (does not apply to LIHTC projects).

## Housing Standards

### Multi-family rental housing

- ⇒ Meet all applicable local codes, rehab. standards, ordinances, zoning ordinances
- ⇒ Meet model National Building Code (BOCA) as enforced by Labor & Industry
- ⇒ Covered by HUD's Lead-Based Paint regulations
- ⇒ Must meet accessibility requirements
  - 504 Rehabilitation Act
  - 5.105(a) Fair Housing Act
  - VT Accessibility rules
- ⇒ Mobile Home Parks
  - Park must meet state codes and have all permits for electrical, water and sewer systems
  - Owner-occupied mobile homes must meet Housing Quality Standards

## Other Federal Rules and Laws That Apply to HOME Program

- ⇒ Uniform Relocation Act
- ⇒ Barney Frank Amendment (Section 104(d))
- ⇒ Davis Bacon (≥12 HOME assisted rental units or HOME designated mobile home lots)
- ⇒ Environmental Review
- ⇒ Equal Opportunity in Housing, Fair Housing Act, Title VI Civil Rights Act, Age Discrimination Act, 504 Rehabilitation Act, and Equal Employment Opportunity Act, Americans with Disabilities Act
- ⇒ Section 3 (economic opportunities for low income residents and businesses)
- ⇒ Outreach to Women and Minority Owned Businesses
- ⇒ Affirmative Marketing
- ⇒ Debarment and Suspension
- ⇒ Site and Neighborhood Standards at 24 CFR 983.6(b) (for new construction only)

## Developer Eligibility

Any individual or organization willing to agree to perpetual affordability and willing to meet priorities of Consolidated Plan and requirements of HOME program

## CHDOs

Nationally, the HOME program is viewed as a means to encourage the development and expand the capacity of non-profit community-based housing development organizations (CHDOs). Fifteen percent of each fiscal year allocation of HOME funds must be set-aside for projects developed by CHDOs. Up to 5% of the statewide total may be reserved for organizational grants for CHDOs. To be a CHDO, non-profit organizations must meet the following criteria:

- ⇒ Developer, sponsor, owner of HOME assisted housing that has effective management control of project
- ⇒ Legal status
  - organized under state law
  - 501(c)(3)
  - Purpose in By-laws, Articles of Incorporation, etc. "provision of decent, affordable housing to lower income households"
- ⇒ Clearly defined geographic service area
- ⇒ Organizational Structure
  - 1/3 governing board:
    - a) residents of low income neighborhood or
    - b) other low income resident of community (in this case need to check person's income to verify) or
    - c) elected representative of a low income neighborhood organization
  - not more than 1/3 board appointed by government or be public officials
  - have formal process for input and advice by low-income, program beneficiaries
- ⇒ Capacity
  - Financial accountability standards conform to OMB Circular A-110
  - experienced staff or experienced consultant
  - 1 year experience serving community where organization will be providing HOME assisted housing

#### Eligible Uses of HOME Funds (based on Vermont Con-Plan Priorities)

- ⇒ Development hard costs - actual cost of construction or rehabilitating housing
- ⇒ Demolition
- ⇒ Utility connections
- ⇒ Infrastructure improvements
- ⇒ Site improvements
- ⇒ Acquisition costs
- ⇒ Related soft costs
  - Architectural, engineering, other professional services

- Origination fees, title fees, recording fees, legal fees, appraisals, independent cost estimates, permits, impact fees, environmental review notices under 24CFR58, development fees
  - Affirmative marketing and fair housing information services
- ⇒ Relocation costs
- ⇒ In certain cases the following may be allowed (check with HOME staff):
- Pay off construction loans or bridge financing loans
  - Refinancing of existing debt

### Prohibited Uses of HOME Funds

- ⇒ Soft costs unless paid to a 3rd party (although development fees are allowable)
- ⇒ Shelters for the homeless
- ⇒ Operating reserves or sinking funds
- ⇒ Projects developed with Public Housing funds
- ⇒ Projects that have received HOME funds previously (unless within one year of project completion)