

# THE HFA INSTITUTE 2024

## HOME Rental Compliance

January 7, 2024

1:00 – 2:30 PM ET

2:45 – 3:45 PM ET

4:00 – 5:30 PM ET



National Council of  
State Housing Agencies



**MRBs and  
Other Federal  
Homeownership  
Programs**  
JANUARY 10 – 12



**Housing Credit**  
JANUARY 9 – 11



**Section 8 and  
Other Federal  
Multifamily  
Programs**  
JANUARY 10 – 12



**HOME and  
Housing Trust  
Fund**  
JANUARY 7 – 9



# Welcome

## Trainer

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  - [Les.Warner@ICF.com](mailto:Les.Warner@ICF.com)



# RENTAL HOUSING ACTIVITIES

# Eligible Activities

Range of possible approaches under HOME:

- Acquisition
- Rehabilitation
- Reconstruction/conversion
- New construction

# Acquisition

- PJ subsidizes the purchase of units
- In return, units are rented to low-income persons at HOME rents
- Assisted units must meet all HOME rules:
  - Rental occupancy
  - Affordability
  - Unit quality
  - Lease provisions

# Rehabilitation

- Alter, improve, modify an existing structure
  - Can add rooms outside of existing building envelope
  - If add dwelling units = new construction
- Wide range of approaches possible:
  - Moderate rehab
  - Substantial rehab
  - Historic preservation
  - Reconstruction
  - Conversion
- Can be combined with acquisition
- Requires compliance with property standards for all HOME assisted units

# New Construction

Can finance all aspects of the development or focus on specific cost

- Example: HOME funds land acquisition, LIHTC funds construction
- When mixed financing, need to determine “HOME-assisted units” (more later)

# Conversion and Reconstruction

- Reconstruction = re-building same size and type of structure on same site
  - Unit standing at project commitment or destroyed within past 12 months
  - Number of bedrooms may change but number of dwelling units cannot
- Conversion = changing non-residential structure into affordable housing
- Both may be considered rehabilitation or new construction for HOME purposes
  - Reconstruction: if add dwelling units = new construction
  - Conversion: if add units beyond envelope = new construction
  - May differ for purposes of environmental review

# Reconstruction: New Construction or Rehabilitation

- Reconstruction is rehabilitation under the following conditions:
  - PJ commits HOME funds within 12 months of the date of the property's destruction or demolition.
  - The reconstructed property:
    - Is built on the same site as the original structure; it does not need to be on the same footprint.
    - Is the same type of housing (i.e., stick-built v. manufactured housing unit) as the original property.
    - Contains the same number of units as the original property; note, the number of rooms per unit may differ.
- Reconstruction is new construction when:
  - Reconstructed property has more or fewer units than the original property.
  - Property destruction or demolition occurred more than 12 months prior to project commitment.

# Eligible Costs

- Acquisition of land and structures
  - For vacant land, construction must be expected to begin within 12 months
- Site preparation
  - Includes sidewalks, roads, utilities
  - Must be on-site or hook-up to nearby utility
- Demolition
  - Construction must begin within 12 months
- Construction labor and materials

## Eligible Costs (cont)

- Soft costs (e.g., financing fees, legal fees, architect, enviro review, developer fee, affirmative marketing, 18-month operating deficit reserve)
- Pre-development soft costs eligible if incurred up to 24 months before commitment of HOME funds
  - Eligible costs to develop and prepare plans, drawings, specs or work write-ups permitted
  - Include costs such as architectural and engineering fees and professional services fees

## Eligible Costs (cont)

- Operating deficit reserve:
  - Initial operating deficit reserve in new construction AND rehab projects allowed
    - Reserve cannot exceed 18 months
  - Reserve can be used only for:
    - Project operating expenses
    - Scheduled payments to replacement reserves
    - Debt service
- Make up difference between income and expenses

## Eligible Costs (cont)

- Relocation
  - Can pay replacement housing, moving, advisory services, temporary relocation
  - For any household in HOME project
- Refinancing
  - If related to rehabilitation and \$\$ lower than rehab cost
- Loan guarantee

# Ineligible Costs

Cannot pay for:

- Other types of project reserve accounts (beyond the 18 month operating reserve)
- Development, operations, modernization of public housing (more later)
- Acquisition of PJ owned property
- Project based rental assistance
- Delinquent taxes, fees, charges
- Items not allowed under 2 CFR Part 200 or not deemed cost reasonable
- Match for other federal programs

# Allowable Fees

- PJ may charge developers an application fee appropriate to type of application
- PJ may charge owner a monitoring fee (for projects funded after 8/23/13 only) – see HOMEfires Vol. 14, No. 2: Guidance on Establishing a HOME Monitoring Fee
- Owners may charge tenants for reasonable and customary fees
  - Application fee, parking, services

# Project Deadlines

## 4-year project completion deadline—

- Projects must be completed 4 years from the date the written agreement is executed
- Otherwise, must repay HOME investment

## Rental occupancy deadline—

- Units must be occupied by income-eligible tenants within 18 months of project completion (reporting requirements if not occupied within 6-months)
- Otherwise, must repay HOME investment

# Definition of a HOME Assisted Unit

- Any unit that receives HOME funds is considered HOME assisted
- HOME units are subject to all HOME requirements, including affordability periods, income restrictions, property standards, etc.
- HOME funds may also be spent on mixed-income projects, where some units are HOME assisted while others are not

# Applicant/Beneficiary

- 100% of HOME \$\$ must assist households  $\leq$  80% HUD Section 8 (Part 5) Low-Income Limit
- Lower income targeting for some activities

Note: different limits than CDBG

- HOME income limits published annually and available here:  
<https://www.hudexchange.info/programs/home/home-income-limits/>

# What Counts As Income?

- Two definitions
  - Section 8 (Part 5)
  - IRS Adjusted Gross Income
- PJ must use single definition of income for each HOME program, or for each rental project

**Use the Income Calculator on the  
HUD Exchange website:**

<https://www.hudexchange.info/incomecalculator/>

# Income Basics

- Gross annual income determines eligibility
  - Adjusted income used for TBRA payment/rents for over income tenants
- Anticipate income for next 12 months
- Compare income to published income limits to determine eligibility
- Income is based on all household members not just family (related individuals)

# Income Determinations

- Determine income using **at least 2 months** of source documentation
  - Income determination is good for 6 months
- Recertify rental income annually:
  - Source docs required every 6<sup>th</sup> year of affordability period
  - For other years can use: source documents, written statement from household, or statement from administrator of another program
- For TBRA, income must be examined annually using source docs

# Forms of Assistance

HOME allows grants, loans and other forms of assistance

Common forms of assistance with rental housing:

- Predevelopment loans and grants as defined by HOME
- Construction loans
- Permanent mortgage loans
- Bridge loans
- Credit enhancements

# Assistance Amount

- Subsidy limits, both maximum and minimum apply
- Actual subsidy subject to cost allocation, project underwriting and subsidy layering analysis
  - Notice 16-15 provides guidance
  - Comparability of units in project will determine the steps in calculating
    - Minimum assisted units and
    - Maximum investment

# Cost Allocation

Purpose: HOME funds should not pay more than what is eligible and proportionate given the number of HOME units

- Cost allocation Notice 16-15 provides guidance on determining:
  - Minimum number of HOME units
  - Maximum HOME investment
- Comparability of units determines process used

# Underwriting/Subsidy Layering

- PJs must have underwriting and subsidy layering guidelines
- Review each project to assess:
  - HOME funds needed
  - Reasonable profit or return on owner/developer investment
  - Financial viability for the entire affordability period
  - Sources and uses
  - Market demand for the project
  - Developer capacity

# Underwriting/Subsidy Layering (cont)

- Capital needs assessment is required for rehab projects with 26 or more total units
- If remaining useful life of component(s) less than period of affordability:
  - An adequate replacement reserve must be established
  - Underwriting must include regular payments to reserve account

# Key Partners in Rental Development

- Many types of partners in developing rental housing:
  - Public agencies
  - CHDOs
  - Non-profit developers
  - For-profit developers
- If CHDO acts as owner, developer or sponsor, counts towards CHDO set-aside

# Eligible Projects

- Group homes, transitional housing and SROs are eligible
  - Tenants must have a lease
  - Tenants must be low-income
  - Housing cannot be conditioned on participation in service programs( except for transitional housing)
- Facilities, shelters, dormitories, half-way houses and student housing are not eligible
- SROs (next slide)

# Eligible Projects: SROs

- Designation must be consistent with local zoning and building code classifications
- Rent maximum limitations
  - Units with both sanitary and food prep facilities-FMR based on 0 BR FMR (Low HOME apply, if 5 + HOME units)
  - Units with no sanitary or food prep facilities (or just 1), FMR based on 75% of 0 BR FMR (Low HOME do not apply)
  - More later on High and Low HOME rents

# Ineligible Projects

Cannot assist:

- Property previously assisted with HOME during its affordability period
- 1937 Act Public Housing units

# HOPE VI Public Housing Units

- HOME funds may be used to develop HOPE VI units if no PH Capital Funds are used
- Units may receive PH Operating Funds
- Units may subsequently receive PH Modernization Funds

# Property Standards

## Rehabilitation:

- Applicable state/local codes, or if none, International Existing Building Code
- PJ's written rehab standards, including:
  - Minimum deficiency list (to be issued by HUD based on UPCS)
  - Health and safety of occupied units
  - Useful life of major systems
  - Lead based paint
  - Accessibility
  - Disaster mitigation, if applicable
  - Broadband

# Property Standards

New construction:

- State/local code OR
- If no state/local code, International Residential Code or International Building Code of the International Code Council
- Accessibility requirements
- Disaster mitigation, if applicable
- Broadband

# Property Standards

## Acquisition only:

- Newly constructed within 1 year of HOME commitment, must meet standards for new construction
- Otherwise, meet standards for rehabbed property
- PJ must inspect and document compliance no earlier than 90 days before HOME commitment

# Required Review and Inspections

For new construction and rehab:

- Review and approve work write-ups, plans and specs and written cost estimates
  - Costs reasonable, and plans/specs meet rehab standards?
- Required inspections:
  - Initial property inspection to identify deficiencies
  - Progress and final inspections to ensure work done in accordance with approved plans/specs

## Other Standards

- Handicapped accessibility (Section 504) requirements may apply
- Site and Neighborhood Standards apply to new construction of rental housing
- Fair Housing applies to all projects
- Affirmative marketing applies to 5 or more HOME-assisted units

# Other Federal Regulations

- HOME regulation lists other requirements that apply
- Refer to other requirements for applicability
- List includes regulations about:
  - Non-Discrimination (92.505(a))
  - Handicapped Accessibility (Part 8, Section 504)
  - 2 CFR Part 200
  - Section 3, 24 CFR Part 75
  - Environmental (Part 58)
  - Lead Paint (Part 35)
  - Relocation/acquisition (Part 42)
  - Labor standards (92.354)
  - Excluded parties (debarred/suspended) (92.350)

# Ongoing Property Standards

- PJ's property standards for rental housing during affordability period based on:
  - State/local codes and requirements,
  - Health and safety, AND
  - Lead based paint
- If no state/local codes, must include all inspectable items and areas from UPCS

# Occupancy and Lease Up Requirement

Rental units must be occupied within 18 months of completion

- Marketing plan to HUD if not occupied by 6 months
- Repayment of HOME funds if not occupied by 18 months

# Ensuring Affordability

<b>HOME Activity</b>	<b>HOME Investment Per Unit</b>	<b>Length of Compliance/Affordability period</b>
Rental housing acquisition and/or rehabilitation	Less than \$15,000	5 years
	\$15,000 - \$40,000	10 years
	\$40,000+	15 years
New construction of rental housing	Any \$	20 years
Refinancing of rental housing	Any \$	15 years

- If project does not remain compliant for entire affordability period, HOME investment must be repaid

# Enforcement of Affordability Restrictions

- Must be legally enforced for the term of the affordability period through:
  - Covenants
  - Deed restrictions
  - Other methods approved by HUD
- May only be terminated upon transfer by or deed in lieu of foreclosure
  - Unpaid balance must be returned to local HOME account

# HOME Rent Limits

- High HOME and low HOME rent limit
  - Published by HUD
  - Tenants given notice of increases to occur at lease renewal
- Actual unit rents can be less but not more than HOME limits
  - Rents not usually set as a percentage of individual household income
  - Special provision for low HOME units with project-based assistance

# HOME Rent Limits (cont)

- HOME rents are inclusive of utilities
- Adjust rents for tenant-paid utilities
  - Subtract utilities to determine rent paid by tenant
- PJ may use HUD Utility Schedule Model format
- HOMEfires Vol. 13, No. 2: Guidance on How to Establish Utility Allowances for HOME-Assisted Rental Units
- Utility allowance must be updated annually

# High HOME rents

- Published by HUD
- Based on lower of:
  - 30% of 65% of median income for area; OR
  - Fair market rent

# Low HOME rents

- Published by HUD
- Based on:
  - 30% of 50% of median income for area, OR
  - Rent does not exceed 30% of the family's adjusted income, OR
  - If project gets state or federal project based assistance, the unit is occupied by a household at  $\leq 50\%$  of median and tenant payment capped at 30% of adjusted income, can use maximum rent under project based program
- If low HOME rent exceeds high HOME, use high HOME rent

# HOME Rent Example

	1 br	2 br	3 br	4 br	5 br
High	600	670	740	810	860
Low	550	630	710	810	860
FMR	630	710	740	810	860
50%	550	630	710	820	915
65%	600	670	800	910	1010

Assume: 3 br unit, \$120 utility allowance  
Rent?

# HOME Rents Over Time

- HOME rents may go up or down over time
  - Owner not required to accept rents lower than rents in the initial agreement
- PJ must:
  - Provide new HOME rents to owners/managers annually when published
  - Review and approve rents, or require changes if not in compliance

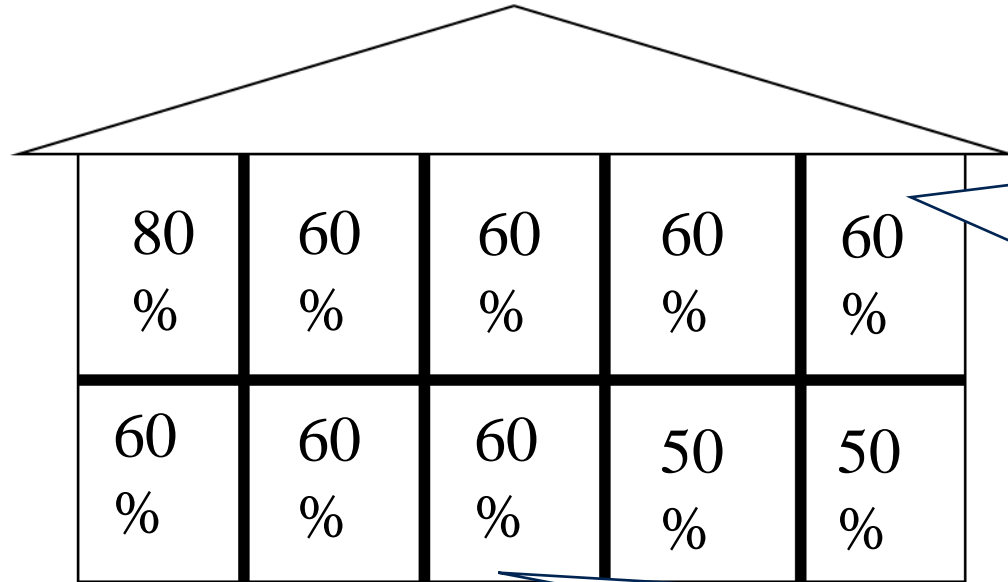
# The Program Rule

- 90% of households assisted with HOME rental and TBRA must have incomes at/below 60% of AMI
  - Applies when funds are spent -- initial occupancy
  - NOT project-specific
  - Balance of units may be at/below 80% of AMI

# The Project Rule

- Projects with 5 or more HOME-assisted units:
  - At least 20% of units occupied by households at/below 50% of AMI *[Note: can have more than 20%!]*
  - Determination of appropriate unit type is based on gross income of household
  - Rents must be at low HOME rent level
  - Balance of units may be at/below 80% of median with high HOME rent level
- Determine eligibility for low HOME unit based on gross not adjusted income

# Program and Project Rule Illustrations

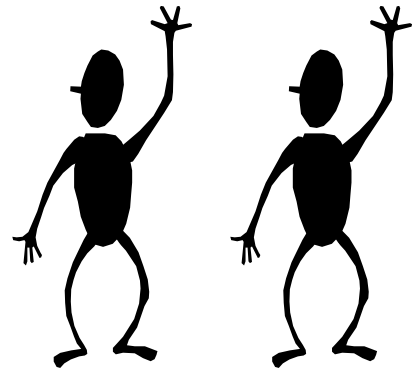


80 %	60 %	60 %	60 %	60 %
60 %	60 %	60 %	50 %	50 %

Initial occupancy meets both rules:

- 9 units at or below 60%
- 2 units at or below 50%

TBRA HHs at or below 60% of AMI, meets Program Rule



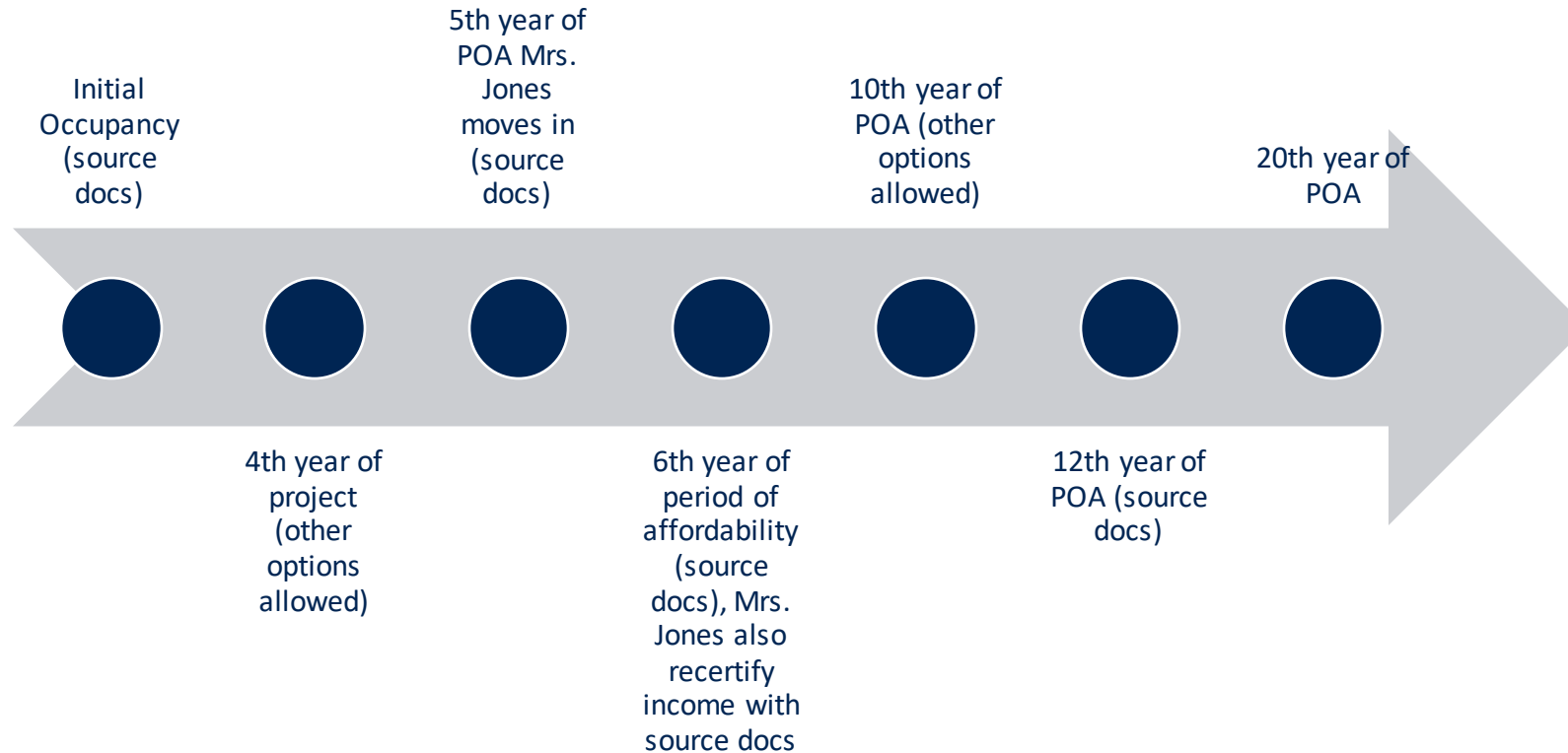
# Initial Income Eligibility

- To determine eligibility, use 1 of 2 income definitions:
  - Part 5 (gross) income
  - Adjusted gross income defined by IRS for IRS Form 1040
- At least 2 months of source documentation must be obtained and verified

# Annual Income Re-examinations

- Annually, tenant income must be re-examined
  - Review at least 2 months of source docs OR (at PJ discretion)
  - Get written statement and certification from the family OR
  - Get written statement from another means-tested government program
- At least every 6th year of affordability period, source docs **MUST** be reviewed

# Annual Income Re-examinations (cont)



# HOME Lease Terms

- Leases must be for at least 1 year, unless agreed upon by owner and tenant
- Leases may not contain certain provisions
- Owner may terminate tenancy with 30 days notice under certain conditions
- Owners **MUST** adopt written tenant selection policies and criteria

# Tenant Selection Criteria

- Tenant selection policies and criteria must be based on local housing needs and priorities consistent with the PJ's Con Plan
- Owner must have selection policies that:
  - Comply with PJ's affirmative marketing requirements
  - Limit the housing to very low and low-income
  - Limit eligibility or give preferences to particular segment of population, ONLY if in written agreement and Action Plan
  - Not exclude applicants with voucher or TBRA

# Tenant Selection Criteria: Special Needs Housing

May limit eligibility to tenants with physical and developmental disabilities who need services offered at the project

- Limited to those with disabilities that interfere with ability to obtain and maintain housing
- Families could not obtain or maintain housing without these offered services
- Families cannot be required to accept services
- Must be open to all eligible persons with disabilities who may benefit from the services

# VAWA

- Violence Against Women Reauthorization Act of 2013 Final Rule applies to project committed on or after Dec. 16, 2016 and all HTF projects
- VAWA protects any person who is **BOTH**-an applicant or tenant of a covered project: **and**
  - A survivor of
    - Domestic violence,
    - Dating violence,
    - Sexual assault, or
    - Stalking

## VAWA( cont)

- Projects required to adopt emergency transfer plans
- Must allow tenants who qualify to transfer to another HOME/HTF unit in same project if considered safe or may assist to move out of project into another HOME/HTF project
- May utilize TBRA for emergency transfers if a part of TBRA plan
- May bifurcate lease to evict abuser

# Maintaining HOME Project Unit Mix Throughout the Affordability Period

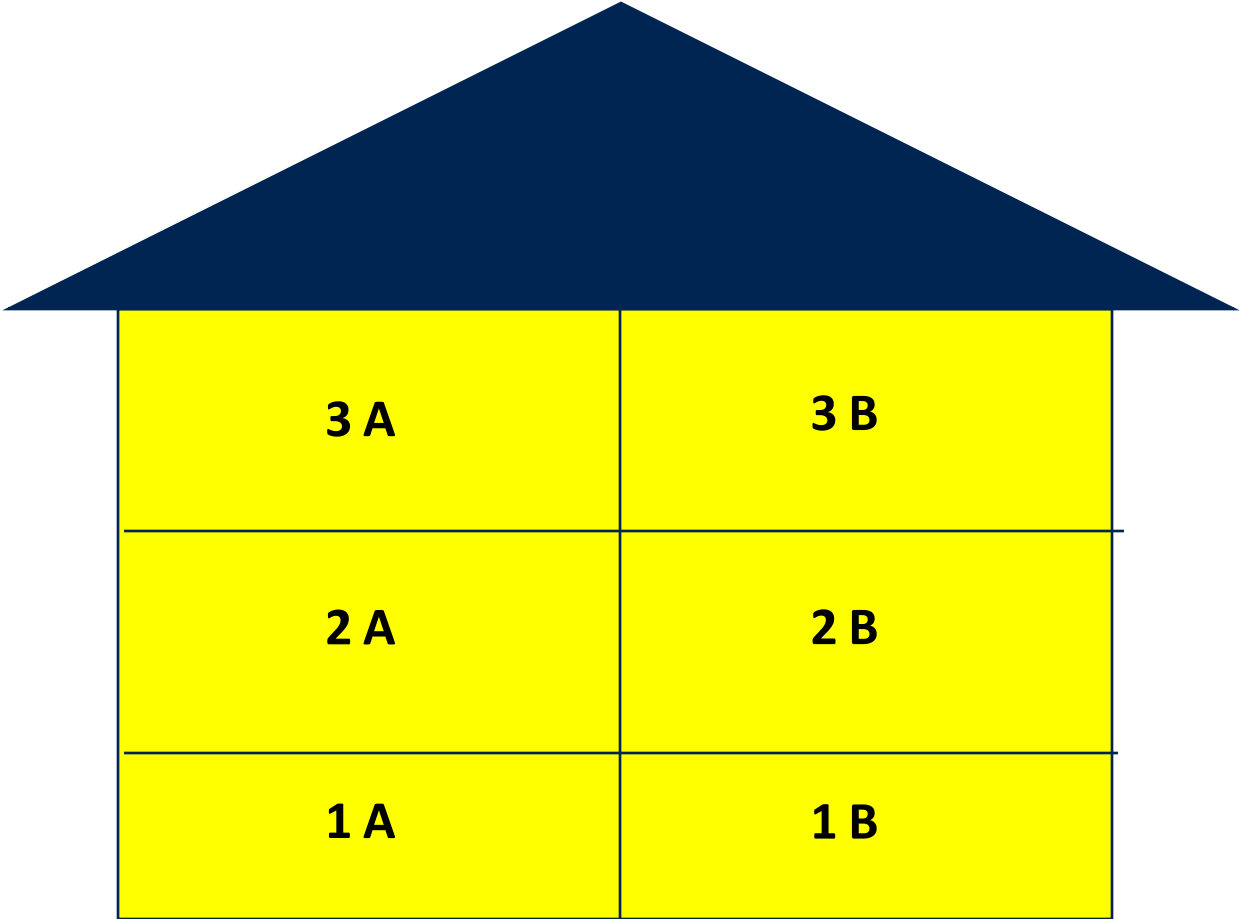
The project owner must take certain steps to maintain compliance with HOME rent and occupancy throughout the affordability period

- The total number of HOME-assisted units, as required in the written agreement with the PJ
- The correct number of High and Low HOME rent units
- When tenant income changes, to restore compliance with the unit mix requirements

# Fixed and Floating Units

- Only units receiving HOME \$\$ are subject to HOME requirements
  - Known as “HOME-assisted units”
- For properties with HOME and non-HOME units, must select “fixed” or “floating” HOME units
  - Fixed = HOME units for entire affordability period
  - Floating = unit numbers change but always have same portion of HOME units

# Fixed & Floating Units (cont)



# Floating Units

Units must be comparable

- Same number of bedrooms
- Amenities
- Square footage

# Maintaining HOME Project Unit Mix

## Key Terms for Discussion

**HOME-assisted unit:** Unit currently designated as compliant with HOME rules

**Market rate unit:** All non-HOME assisted units in project

**Unit type:** Fixed or floating

**Net HOME rents:**

- *Low HOME:* Current HUD-published Low HOME rent minus tenant-paid utilities
- *High HOME:* Current HUD-published High HOME rent minus tenant-paid utilities

\*\* Note: for simplicity, these slides assume no other types of assisted units in project (such as LIHTC or CDBG)

# Key Terms for Discussion (cont)

## Income categories:

- *Very low income (VLI)*: Household earns  $\leq$  50% of AMI
- *Low income (LI)*: Household earns  $\leq$  80% of AMI
- *Over income (OI)*: Household earns  $\geq$  80% of AMI

**Existing (original) tenant:** Tenant currently living in HOME-assisted unit

**New tenant:** Tenant who moves into HOME-assisted project

# Over-Arching Points

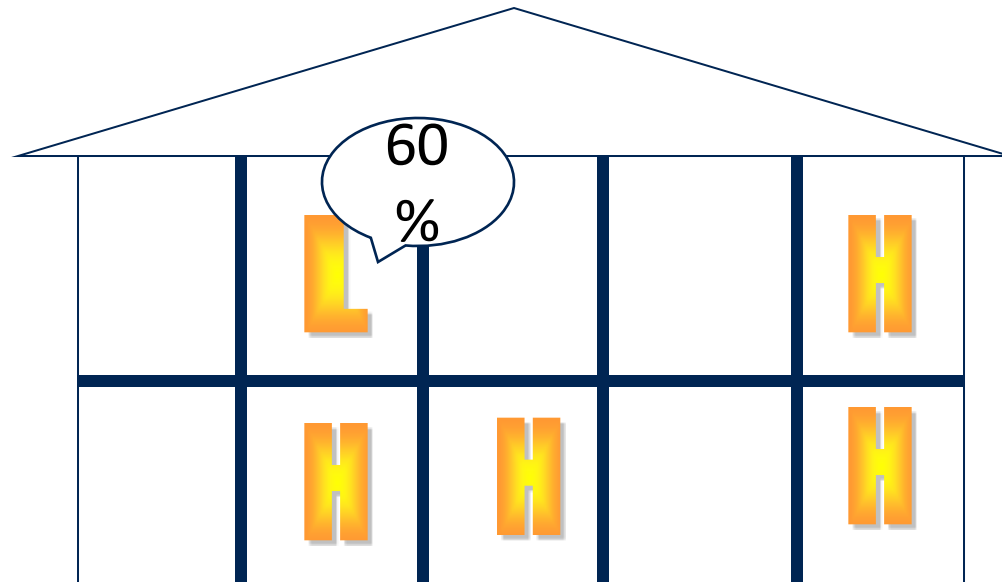
- Must maintain mix of HOME & market rate units
  - Designated in written agreement
- Must maintain proportion of Low & High HOME rent units
  - Minimum Low HOME: 20% of HOME-assisted units
  - Actual percentage established in written agreement
- Existing tenants are never required to move due to income change
  - Neither *required* to move out from project nor required to move to different unit in same project
  - Existing tenant may *choose* to move out if he/she does not like their new rent; this is not “displacement”

## Over-Arching Points (cont)

- For LI in Low HOME unit, cannot change rent from Low to High HOME until substitute Low HOME unit is identified
- For OI in either Low or High HOME unit, can change rent as permitted by lease – do not need to wait for substitute unit
  - Project may be in “temporary non-compliance”
- Tenant income is verified annually; allowable rent changes occur when permitted by lease
  - Tenant is provided 30 days notice of rent change
- Depending on existing tenant incomes and units, unit swap may be possible
  - Example: need Low HOME unit & VLI household lives in High HOME unit

# Example #1: Low HOME Above 50% but Below 80% of AMI

5 HOME assisted units, 4 High (H) and 1 Low (L)  
Low HOME unit tenant recertified at 60% of AMI



# Increases in Tenant Income

Income greater than 80% AMI

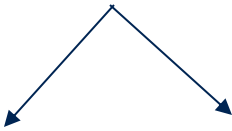
Income between 50 - 80% AMI

MATTERS ONLY FOR LOW HOME RENT UNITS



- Rent: **stays at Low HOME rent** until High HOME rent unit is designated as Low HOME rent
- Once replacement is identified, rent **adjusts to High HOME rent**
- Unit is now designated as a High HOME rent unit

SAME ACTIONS FOR HIGH AND LOW HOME UNITS



**Fixed unit:**

- Rent: raised to 30% of monthly adjusted income
- Next Available **HOME** unit must address High/Low HOME unit proportions
- No action for next available non-HOME unit

**Floating unit:**

- Rent: raised to LESSER OF 30% of monthly adjusted income or Comparable Market Rent
- Next available **non-HOME** unit
  - Must be designated as HOME unit and
  - Address High/Low HOME unit proportions

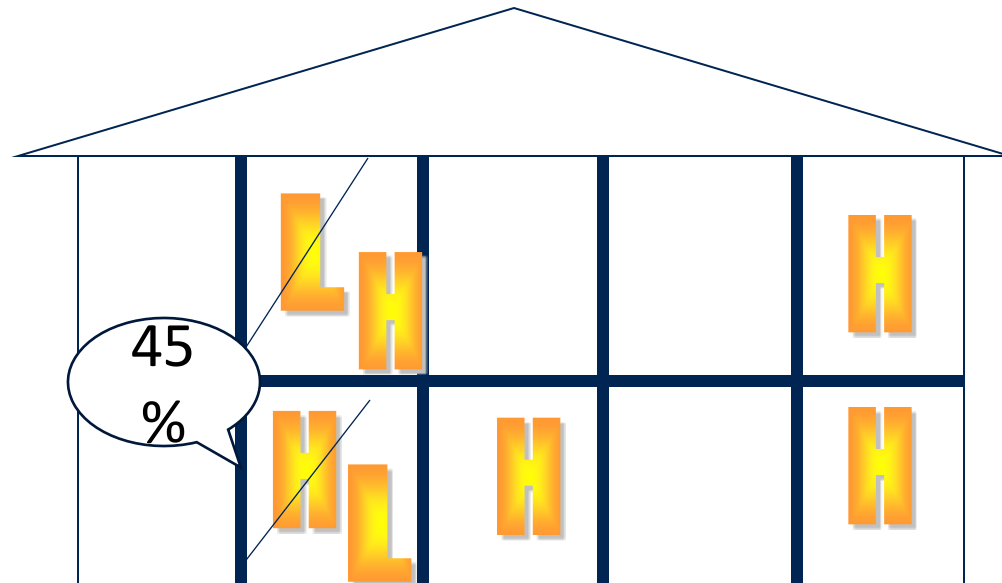
# Example #1 Low HOME Above 50% but Below 80% of AMI (cont)

Next steps to maintain unit mix

- Steps are the **same** for either fixed or floating
  - Look for a High HOME unit where a tenant is at or below 50% of area median income, make swap
  - If High HOME unit not available, rent remains at Low HOME until swap is made
  - After swap, owner may increase rent to High HOME rent as lease permits

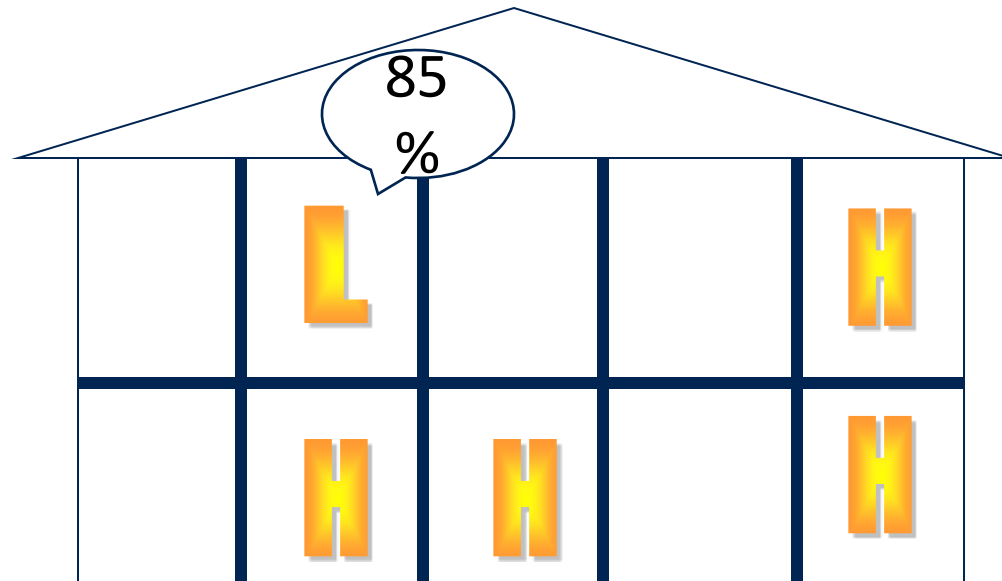
# Example #1 Low HOME Above 50% but Below 80% of AMI (cont)

5 HOME assisted units, 4 High (H) and 1 Low (L)  
High and Low can simply swap



## Example #2: Fixed Low HOME unit income rises above 80%

5 HOME fixed assisted units, 4 High (H) and 1 Low (L)  
Low HOME unit tenant recertified at 85% of AMI – over income



# Increases in Tenant Income

Income greater than 80% AMI

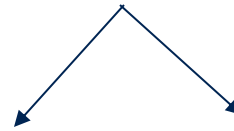
Income between 50 - 80% AMI

MATTERS ONLY FOR LOW HOME RENT UNITS



- Rent: **stays at Low HOME rent** until High HOME rent unit is designated as Low HOME rent
- Once replacement is identified, rent **adjusts to High HOME rent**
- Unit is now designated as a High HOME rent unit

SAME ACTIONS FOR HIGH AND LOW HOME UNITS



- Fixed unit:**
- Rent: raised to 30% of monthly adjusted income Next Available **HOME** unit must address High/Low HOME unit proportions
  - No action for next available non-HOME unit

- Floating unit:**
- Rent: raised to LESSER OF 30% of monthly adjusted income or Comparable Market Rent
  - Next available **non-HOME** unit
    - Must be designated as HOME unit and
    - Address High/Low HOME unit proportions

## Example #2: Fixed Low HOME unit income rises above 80% (cont)

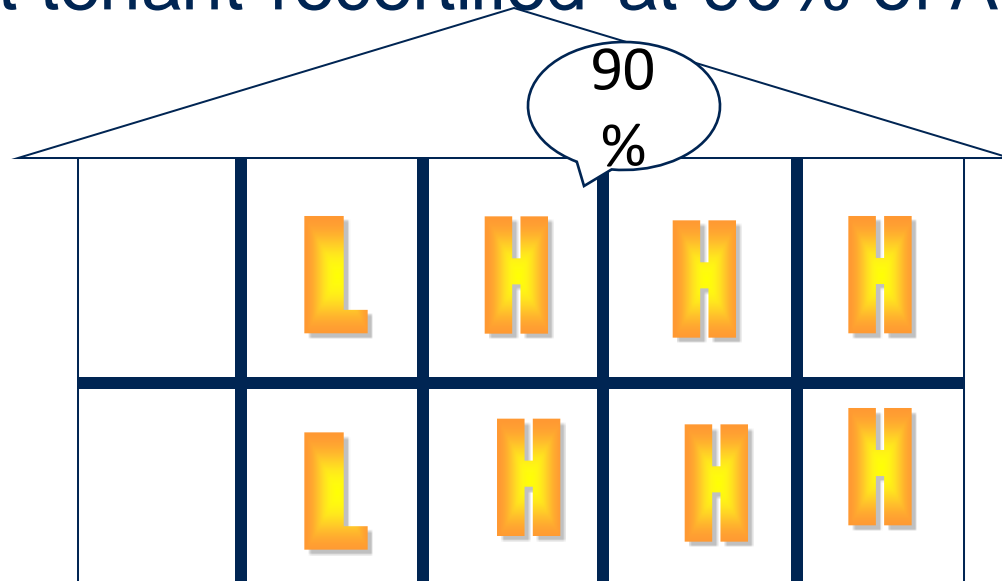
Next steps to maintain unit mix

- For fixed over income, **adjust rent first** as the lease permits and then find unit to swap
  - Adjust rent to 30% of the household's adjusted monthly gross income
- Identify High HOME unit with tenant at or below 50%, and make swap
- If no High HOME unit available, unit/project remains “temporarily out of compliance” until the tenant moves out, there is a vacancy in a High HOME unit, etc.
  - Low HOME unit must be replaced first

# Example #3: Fixed High HOME unit income rises above 80%

8 HOME assisted fixed units, 6 High (H) and 2 Low (L)

High HOME unit tenant recertified at 90% of AMI – over income



# Increases in Tenant Income

Income greater than 80% AMI

Income between 50 - 80% AMI

MATTERS ONLY FOR LOW HOME RENT UNITS



- Rent: **stays at Low HOME rent** until High HOME rent unit is designated as Low HOME rent
- Once replacement is identified, rent **adjusts to High HOME rent**
- Unit is now designated as a High HOME rent unit

SAME ACTIONS FOR HIGH AND LOW HOME UNITS



- Fixed unit:**
- Rent: raised to 30% of monthly adjusted income
  - Next Available **HOME** unit must address High/Low HOME unit proportions
  - No action for next available non-HOME unit

- Floating unit:**
- Rent: raised to LESSER OF 30% of monthly adjusted income or Comparable Market Rent
  - Next available **non-HOME** unit
    - Must be designated as HOME unit and
    - Address High/Low HOME unit proportions

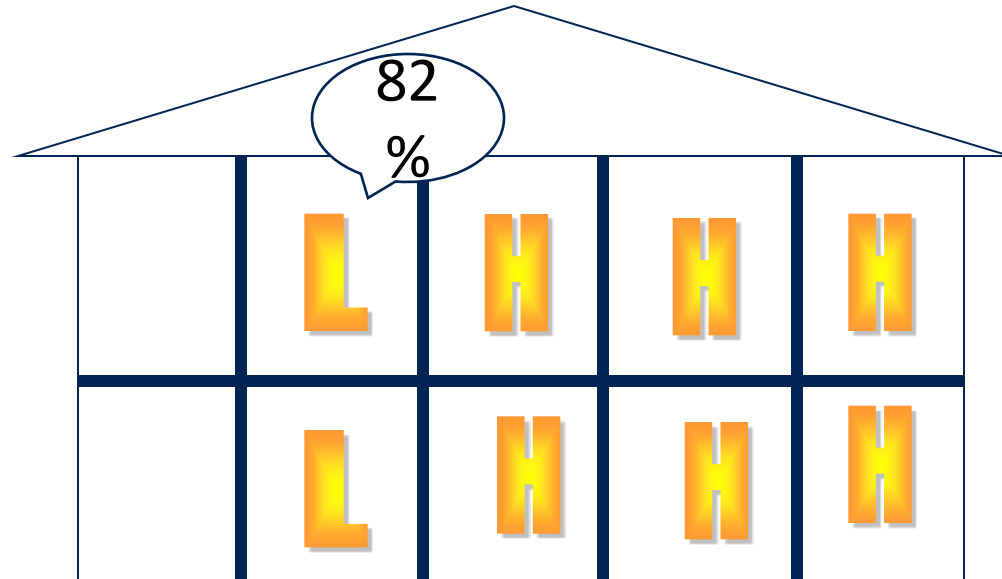
## Example #3: Fixed High HOME unit income rises above 80% (cont)

Next steps to maintain unit mix

- For fixed over income, **adjust rent first** as the lease permits and then find unit to swap
  - Adjust rent to 30% of the household's adjusted monthly gross income
- Unit/project remains “temporarily out of compliance” until unit is swapped which for fixed may be a long time
  - Again, if project is short Low HOME units, must be replaced first

## Example #4: Floating Low HOME unit income rises above 80%

- 8 HOME-assisted floating, 6 High (H) and 2 Low (L)
- Low HOME unit tenant recertified at 82% of AMI – over income



# Increases in Tenant Income

Income greater than 80% AMI

Income between 50 - 80% AMI

MATTERS ONLY FOR LOW HOME RENT UNITS



- Rent: **stays at Low HOME rent** until High HOME rent unit is designated as Low HOME rent
- Once replacement is identified, rent **adjusts to High HOME rent**
- Unit is now designated as a High HOME rent unit

SAME ACTIONS FOR HIGH AND LOW HOME UNITS



### Fixed unit:

- Rent: raised to 30% of monthly adjusted income
- Next Available **HOME** unit must address High/Low HOME unit proportions
- No action for next available non-HOME unit

### Floating unit:

- Rent: raise to LESSER OF 30% of monthly adjusted income or Comparable Market Rent
- Next available **non-HOME** unit
  - Must be designated as HOME unit and
  - Address High/Low HOME unit proportions

## Example #4: Floating Low HOME unit income rises above 80% (cont)

Next steps to maintain unit mix

- For floating over income, **adjust rent first** as the lease permits and then find unit to swap
  - Adjust rent to the lesser of 30% of the household's adjusted monthly gross income, or
  - Comparable market rate unit rent
- Identify next available (market or High HOME) unit at or below 50% of AMI
  - Low must be replaced first

# Monitoring Rental Housing

- PJs must verify compliance with HOME requirements each year; this includes tenant selection policies are followed
- PJ may charge nominal fee for monitoring – projects funded on or after August 23, 2013
- Owner must certify annually units are suitable for occupancy
- Inspections
- Financial oversight
- HOME lease terms

# Inspections

- PJ must have:
  - Inspection procedures
  - Detailed inspection checklists and procedures
  - Procedures for training and certifying inspectors
- Frequency of inspections during affordability period:
  - Once within 12 months of completion
  - At least every three years thereafter
  - More often if health/safety issues or other problems identified

# Inspections (cont)

- Sample size
  - 1-4 HOME –assisted units
    - 100% of units must be inspected
  - 5+ units
    - Statistically valid sample
    - HUD will provide guidance through notice
- A follow-up on-site inspection to verify that deficiencies were corrected must occur within 12 months
- Projects with non-hazardous deficiencies
  - PJ may allow a third party inspection

# Financial Oversight

- PJ must do an annual review of financial condition
  - Applies to projects with 10 or more HOME units
- If PJ sees problems, must take action, such as:
  - More frequent reporting and monitoring
  - Provide technical assistance
  - Assist in identifying additional non-federal funding or another appropriate owner

# On-Site Manager's Unit

After project completion, PJs may convert a HOME-assisted unit to on-site manager's unit

- Must be needed for stability of the project
- Project must be 100% HOME-assisted; and
- Maximum per unit subsidy limit may not be exceeded

# Troubled Projects

- Applies to existing HOME rental projects no longer financially viable within the affordability period
  - Troubled: operating costs significantly exceed operating revenue
- PJ may request HUD approve investing additional HOME funds into the property if new + old HOME funds does not exceed current subsidy limits
- PJ may request HUD approve reduction in number of HOME units if original number higher than required

# HUD Exchange HOME Page – Rental Topic

## HOME Topics

CHDO	Consolidated Plan	Consortia	Cross-Cutting Requirements	HOME & Other Federal Programs
Homeowner Rehabilitation	Homeownership	IDIS	Program Termination	Match
Monitoring	Program Administration & Management	Rental Housing	Tenant-Based Rental Assistance	

## HOME Rental Housing

HOME Investment Partnerships Program (HOME) funds may be used for the acquisition, new construction, or rehabilitation of affordable rental housing. HOME-assisted rental units must be occupied by income eligible tenants, and carry rent and occupancy restrictions for varying lengths of time depending upon the amount of HOME funds invested per unit. Included in this topic area is information about program design issues, subsidy layering, lease terms, calculating rents, using HOME with Low-Income Housing Tax Credits, and managing for ongoing compliance.

For more information on Rental Housing, see 24 CFR 92.252.

### Find by Resource Type

- Policy Guidance and FAQs
- Guidebooks and Tools
- Videos and Training Material

### Policy Guidance and FAQs

#### FAQs

[HOME Rental Housing Development FAQs](#)

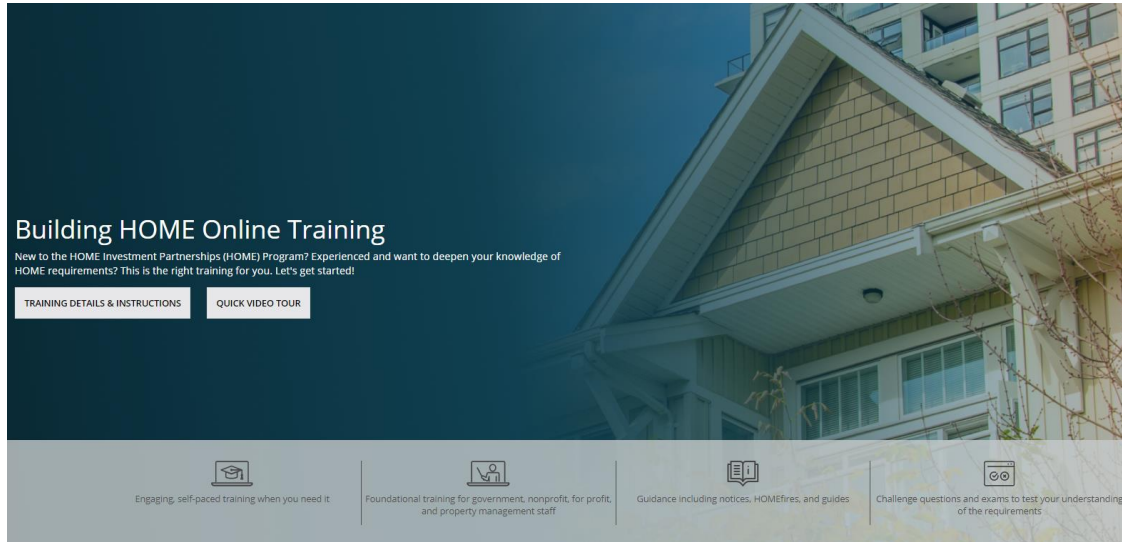
View HOME Rental Housing Development FAQs.

#### Program Limits

[HOME Maximum Per-Unit Subsidy Limits](#)





This notice establishes an interim policy that Field Office staff and PJs must follow directing PJs to use the Section 234-Condominium Housing basic mortgage limits, for elevator-type projects, as an alternative to the Section 221(d)(3) limits in order to determine the maximum amount of HOME funds a PJ may invest on a per-unit basis in HOME-assisted housing projects.

# Building HOME Online Training



**Building HOME Online Training**  
New to the HOME Investment Partnerships (HOME) Program? Experienced and want to deepen your knowledge of HOME requirements? This is the right training for you. Let's get started!

[TRAINING DETAILS & INSTRUCTIONS](#) [QUICK VIDEO TOUR](#)

-  Engaging, self-paced training when you need it
-  Foundational training for government, nonprofit, for-profit, and property management staff
-  Guidance including notices, HOMEfires, and guides
-  Challenge questions and exams to test your understanding of the requirements



<https://www.hudexchange.info/trainings/building-home/>

# HOME Monitoring Webinar Series

## Webinar series covers:

- PJs' responsibilities for monitoring HOME programs, projects, subrecipients, partners, and contractors
- How PJs develop their own monitoring strategies as required by the HOME Final Rule
- What proper documentation is required to meet compliance requirements
- How PJs can prepare for HUD monitoring
- How to utilize the CPD Monitoring Handbook and HOME exhibits

<https://www.hudexchange.info/news/home-monitoring-webinar-series-spring-2021/>

# Additional Resources

- *Compliance in HOME Rental Projects: A Guide for PJs* (May, 2012) available at: <https://www.hudexchange.info/resource/2394/compliance-in-home-rental-projects-a-guide-for-pjs/>
- *Compliance in HOME Rental Projects: A Guide for Property Owners* (May, 2012) available at: <https://www.hudexchange.info/resource/2395/compliance-in-home-rental-projects-a-guide-for-property-owners/>
- Need technical assistance to prepare for HUD monitoring? [Request TA on the HUD Exchange.](#)

- Questions?
- Contact Information  
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