HOME Investment Partnerships Program

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Administering agency: HUD's Office of Community Planning and Development (CPD)
Year program started: 1990
Population targeted: Households with incomes below 80% area median income (AMI); when used to assist renters, 90% of a jurisdiction's rental units must be occupied by households with incomes below 60% AMI
FY14 funding: $1 billion
See also: *Consolidated Plan*

The HOME Investment Partnerships (HOME) program is a federal block grant intended to expand the supply of decent, affordable housing for lower income people.

HISTORY

The HOME Program was authorized in 1990 as part of the Cranston-Gonzalez National Affordable Housing Act.

PROGRAM SUMMARY

HOME is a federal block grant to 643 participating jurisdictions (PJs), which are states and certain localities that use the funds to provide affordable housing to low and moderate income households. States and localities use the funds for a variety of homeownership and rental activities. In general, all HOME money must benefit people with low or moderate incomes, tenant rents must generally be capped at a fixed percentage of the area median income, and units must be occupied by income-eligible households for a set period of time. The HOME program regulations are at 24 CFR Part 92. Numerous changes to the HOME regulations were finalized on July 24, 2013. A summary of key changes are at: http://bit.ly/1qWWD7J

Eligible activities. HOME dollars can be used as a grant or a loan to meet a variety of development costs such as: buying existing housing or vacant land for affordable housing; building new housing; rehabilitating existing housing; demolition to make way for affordable housing; relocation; and, site improvements and soft costs, such as engineering plans, attorneys' fees, title search, and fair housing services. HOME can also be used to help people purchase or rehabilitate a home by offering loans, loan guarantees, or down payment assistance. Tenants can be given grants for security deposits and rental assistance so that they pay no more than 30% of their income for rent and utilities. Although tenant-based rental assistance agreements are limited to two-year terms, they can be renewed without limit.

PJs can spend no more than 10% of their HOME dollars for overall program planning and administration, but there is no set limit on the use of HOME funds for project-specific administrative costs. Among other limitations, PJs cannot spend HOME dollars on public or assisted housing modernization, operation, or preservation, because public housing has its own separate funding accounts.

Community-based Housing Development Organizations (CHDOs). At least 15% of a participating jurisdiction's HOME funds must be spent for housing that is developed, sponsored, or owned by Community-based Housing Development Organizations (CHDOs). Up to 10% of the CHDO set-aside can be used to provide loans for project-specific technical assistance and site control, such as feasibility studies and consultants, as well as for seed money to cover pre-construction costs, such as architectural plans and zoning approval. If a PJ fails to reserve any portion of the minimum 15% CHDO set-aside within two years, the PJ and its low income residents lose that amount of money. Up to 5% of a PJ's HOME funds can be given to CHDOs for operating expenses. This amount is separate and apart from the minimum 15% CHDO set-aside and does not count against the PJ's 10% cap on administrative uses.

Any nonprofit can receive a HOME grant or loan to carry out any eligible activity, but not every nonprofit is a CHDO. In order to be considered a CHDO, changes to the HOME regulations in 2013 require a CHDO that is a developer or sponsor to have paid employees on staff who have housing development experience. However, another change could assist CHDOs by allowing those that own rental housing to operate it even if the CHDO does not have development expertise. The changes to the HOME regulations in 2013 introduced other changes that might make it more difficult for existing small and rural CHDOs to continue.

In addition, the HOME law requires accountability to low income community residents through significant representation on the organization's governing board. However, the regulations merely require that one-third of a CHDO's board members be elected representatives of low income neighborhood organizations, residents of low income neighborhoods, or other low income community residents. Since a low income neighborhood is one where only 51% of the residents have incomes below 80% of the area median income (AMI), it is possible that more affluent people with very different priorities could be on a CHDO board. Also, because the regulations allow 'community' to be defined as broadly as an entire city, county, or metropolitan area, it is possible to construct a CHDO that is not accountable to low income residents in a HOME project's neighborhood.

Formula allocation. A formula based on six factors reflecting measures of poverty and the condition and supply of the rental housing stock determines which local jurisdictions are PJs. Jurisdictions that do not meet the formula's threshold can get together with neighboring jurisdictions to form a consortium in order to get HOME funding.

Each year, the formula distributes 60% of the HOME dollars to local governments and consortia; the remaining 40% is allocated to states. Local PJs are eligible for an allocation of at least $500,000. Each state receives the greater of its formula allocation or $3 million. The state share is intended for small cities, towns, and rural areas not receiving HOME money directly from HUD. Every HOME dollar must be matched by 25 cents of state, local, or private contributions, which can be cash (but not Community Development Block Grant funding), bond financing proceeds, donated materials, labor or property, or other noncash contributions.

Beneficiaries. When HOME is used to assist renters, at least 90% of the PJ's assisted rental units must be occupied by households with incomes below 60% of AMI; the remaining 10% of the rental units can benefit those with incomes up to 80% of AMI, known as low income households. If a rental project has five or more HOME units, at least 20% of the HOME units must be occupied by households with incomes below 50% of AMI, known as very low income households. When HOME is used to assist people who are homeowners or who will become homeowners, all of that money must be used for housing occupied by households with incomes below 80% of AMI. These are minimum standards required by law. Advocates should work to improve HOME's targeting to people with extremely low incomes, those below 30% of AMI.

Affordability. To qualify as affordable rental housing, rent can be no greater than the lower of fair market rent (FMR) or 30% of the adjusted income of a hypothetical household with an annual income of 65% of AMI. In projects with five or more HOME units in which at least 20% of the HOME units must be occupied by households with very low incomes, rent is considered affordable to them if it less than 30% of their adjusted income or less than 30% of the income of a hypothetical household with an annual income at 50% of AMI. Actual rent limit figures are posted on OneCPD's HOME program web page at: http://bit.ly/1iOKVJb

Newly constructed rental projects must remain affordable for 20 years. Existing rental housing that is either purchased or rehabilitated must remain affordable for 15 years if more than $40,000 is spent per unit, 10 years if between $15,000 and $40,000 is spent per unit, and five years if less than $15,000 is spent per unit.

Homeowner-assisted units are considered affordable if, in general, the value of the home after assistance is less than 95% of the median area purchase price. Homeowner units must remain affordable for the same periods mentioned above. PJs must have resale and recapture provisions to ensure affordability during the required periods. A resale provision must require purchase by an income-eligible household if an original homeowner sells before the end of the affordability period. A recapture provision must ensure that all or a portion of HOME assistance is recouped if an owner sells or is foreclosed upon.

As of December 31, 2013, HOME has delivered completed physical units and provided another 274,944 tenant-based rental assistance contracts since 1992. Out of the 1,158,457physical units, only 38.8% (449,365) were rental units, 19.5% (225,516) were homeowner rehabilitation and/or new construction units, and 41.7% (483,576) were homebuyer units.

At the time of initial occupancy, households with incomes below 30% of AMI occupied 42.5% of the physical rental units, but only 16.5% of all 1,158,457physical units. Households with incomes below 30% AMI occupied 30.6% of the homeowner units, and 5.9% of the homebuyer units. In addition, 79.4% of the tenant-based rental assistance units were occupied by extremely low income people.

FUNDING

In FY11, Congress appropriated $1.6 billion for HOME formula grants, but cut it 38% to $1 billion in FY12 and FY13, which with the sequester netted only $948 million for HOME in FY13. Congress appropriated $1 billion again for FY14. The Administration's FY15 budget request for HOME is $940 million, with an additional $10 million set aside for the Self-help and Assisted Homeownership Program (SHOP).

FORECAST FOR 2014

The Administration's FY15 budget request seeks a number of statutory changes that were also proposed for FY14:

- When HOME appropriations are less than $1.5 billion, current law reduces the minimum HOME allocation to PJs to $335,000. HUD maintains that such small allocations are not sufficient to support affordable housing development that has an impact on communities. HUD is proposing amending the statute in order to reduce the number of PJs by establishing a single threshold of $500,000 regardless of the amount appropriated. HUD notes that if $940 million is appropriated in FY15, the formula would allocate less than $500,000 to 280 out of 642 PJs, 133 of which would be allocated less than $335,000.
- Currently, once a PJ's formula allocation falls below the threshold amount of $500,000 or $335,000 it remains eligible to continue receiving HOME funds under the "grandfather" provision. HUD proposes eliminating continuous grandfathering by phasing a PJ out over a five-year period once its formula allocation falls below the threshold for three years out of a five-year period.
- Currently, when PJs do not reserve CHDO funds within 24 months, the statute requires HUD to reallocate those funds to other CHDOs through a national competition. Because HOME funds now have only a three-year period of availability, HUD states that recaptured CHDO funds are not sufficient during any given year to warrant a national competition. Therefore, HUD proposes reallocating recaptured CHDO funds by formula to PJs for non-CHDO activities.
- HUD proposes allowing nonprofit organizations that operate statewide to be eligible for CHDO designation, a measure to assist primarily rural states.
- Tenants of HOME-assisted housing must be given a 30-day written notice when an owner intends to evict or deny renewing a lease. HUD proposes changing that provision of law if a tenant poses a direct threat to the safety of other residents or employees of the housing, of if the tenant presents an imminent threat to the property.

TIPS FOR LOCAL SUCCESS

At the local level advocates will want to continue to be actively involved in the Consolidated Plan's Annual Action Plan public participation process in order to influence the type of housing, location, and beneficiaries of HOME dollars.

Advocates can best influence how HOME dollars are allocated if they know how a jurisdiction has spent its previous allocations. To monitor their local PJ's accomplishments, advocates can access several useful reports on HUD's OneCPD website at: http://bit.ly/1iO2s2L

- The monthly Open Activities report lists each HOME project in a PJ, indicating tenure type (renter or homeowner), type of activity (such as rehabilitation, acquisition, or new construction), ZIP code, number of units, and amount budgeted and spent.
- The Vacant Unit Reports identify units marked vacant in HUD's reporting system.
- SNAPSHOT is a quarterly cumulative report that shows, in the aggregate, income category, race, household size, and household type of beneficiaries, as well as the number of units completed for each type of housing.
- Dashboard Reports are quarterly reports intended to provide a quick overview of a jurisdiction's use of HOME dollars. Using charts and graphs, Dashboard Reports show:
    - Cumulative HOME dollars received and percentage disbursed, committed, and uncommitted.
    - Cumulative number of units completed, and percentage of rental, homeowner rehab, and home buyer units.
    - Net number of units completed in the most recent quarter, with percentage of rental, homeowner rehab, and home buyer units.
    - Cumulative number and the last quarter's net new number of tenant-based rental assistance units.
    - Race and ethnicity percentages among rental, homeowner rehab, and home buyer projects.
    - Average total development cost per unit for rental, homeowner rehab, and home buyer projects.
- The National Production Report offers cumulative information since 1992.

WHAT TO SAY TO LEGISLATORS

The major responsibility of advocates is to continue pushing for increased federal appropriations.

FOR MORE INFORMATION

- National Low Income Housing Coalition, 202-662-1530, www.nlihc.org
- HOME Program information, 202-708-2470, http://1.usa.gov/XoDfUk
- HOME Program information is migrating to OneCPD, https://www.onecpd.info/home