

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 income below 80% of area median income (AMI); when used to assist renters, 90% of a jurisdiction's rental units must be occupied by households with income below 60% AMI.

Funding: FY16 funding was \$950 million. From the beginning of FY17 through April of 2017, all programs operated under a Continuing Resolution (CR).

Also see: *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 640 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 can be found 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; demolishing structures to make way for affordable housing; relocation; making site improvements; and paying 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 may spend no more than 10% of their HOME dollars for overall program planning and administration, but there is no 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 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 Housing Development Organizations (CHDOs). Up to 10% of this 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 a 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, a change to the HOME regulations in 2013 require a nonprofit that is a developer or sponsor

to have paid employees on staff who have housing development experience. However, another change in 2013 could assist nonprofits seeking to keep or obtain CHDO status by allowing those that own rental housing to operate it even if the nonprofit does not have development expertise. The 2013 HOME regulation amendments introduced other changes that might make it more difficult for existing small and rural CHDOs to continue.

The HOME statute requires a CHDO to be accountable 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 can be one where only 51% of the residents have income 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 appropriated by Congress to local governments and consortia; the remaining 40% is allocated to states. Local PJs are eligible for an allocation of at least \$500,000 (\$335,000 in years when Congress appropriates less than \$1.5 billion). 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 income less than 60% of AMI; the remaining 10% of the rental units can benefit those with income 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 income less than 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 income less than 80% of AMI. These are minimum standards required by law. Advocates should work to convince their PJ or state to improve HOME's targeting to people with extremely low income, those with income less than 30% of AMI.

Affordability. To qualify as affordable rental housing, rent can be no greater than the lower of the 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 income, rent is considered affordable to them if it is 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 the HUD Exchange HOME program web page at: <https://www.hudexchange.info/manage-a-program/home-income-limits>

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 or recapture provisions. A resale provision is intended to ensure continued benefit to low income households during the affordability period by requiring 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 during the affordability period.

As of the close of FY16 on September 30, 2016, HOME has delivered 1,240,608 completed physical units and provided another 321,293 tenant-based rental assistance contracts since 1992.

Out of the 1,240,608 physical units, only 39.4% (488,689) were rental units, 19.3% (239,988) were homeowner rehabilitation and/or new construction units, and 41.3% (511,931) were homebuyer units.

At the time of initial occupancy, households with income less than 30% of AMI occupied 43.9% of the physical rental units, but only 25% of all 1,240,608 physical units. Households with income less than 30% AMI occupied 30.5% of the homeowner units, and 5.9% of the homebuyer units. Twenty-six percent of the rental units have had households assisted with Housing Choice Vouchers. In addition, 79.3% 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 both FY12 and FY13, which with the sequester netted only \$948 million for HOME in FY13. Congress appropriated \$1 billion again for FY14, and further reduced HOME to \$900 million for FY15. The Administration's FY16 budget request was \$1.05 billion; Congress appropriated \$950 million. For FY17 the Administration, Senate, and House all proposed \$950 million again; however, there was no FY17 appropriation and the HOME Program, along with all other programs, have been operating under a Continuing Resolution (CR) through April, 2017 which has kept HOME funding at FY16 levels.

FORECAST FOR 2017

Funding may be at risk in FY18. In 2011, Congress passed the Budget Control Act, which set in motion very low spending caps. Since then, Congress and the White House have reached short-term agreements to provide limited budgetary relief—with parity for both defense and nondefense programs, which includes federal affordable

housing programs. In FY18, the low spending caps will return with potentially devastating impacts on affordable housing programs.

President Trump has indicated that he wants to lift the spending caps on defense programs, putting the full weight of the budget cuts on non-defense programs. Moreover, President Trump's proposed Penny Plan would cut non-defense spending by an additional 1% each year for 10 years. Together, these cuts would dramatically reduce funding for federal affordable housing programs, putting the HOME program at risk.

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 the HUD Exchange website, <https://www.hudexchange.info/programs/home>.

- The monthly Open Activities Report lists each HOME project in a PJ that is still “open,” 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. (<https://www.hudexchange.info/manage-a-program/home-pjs-open-activities-reports>)
- The Vacant Unit Report identifies units marked vacant in HUD's reporting system. (<https://www.hudexchange.info/manage-a-program/home-pjs-vacant-unit-reports>)
- 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. (<https://www.hudexchange.info/manage-a-program/home-performance-snapshot-and-pj-rankings-reports>)
- 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 (<https://www>.

[hudexchange.info/manage-a-program/home-dashboard-reports](https://www.hudexchange.info/manage-a-program/home-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 homebuyer units.
- Net number of units completed in the most recent quarter, with percentage of rental, homeowner rehab, and homebuyer 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 homebuyer projects.
- Average total development cost per unit for rental, homeowner rehab, and homebuyer projects.
- The National Production Report offers cumulative information since 1992. (<https://www.hudexchange.info/manage-a-program/home-national-production-reports>)

WHAT TO SAY TO LEGISLATORS

The major responsibility of advocates is to continue pushing for increased federal appropriations. Advocates should ask Members of Congress to:

- Lift the spending caps with parity for defense and nondefense programs.
- Fully fund the HOME program at \$1.2 billion.

FOR MORE INFORMATION

National Low Income Housing Coalition, 202-662-1530, www.nlihc.org

HOME program information, 202-708-2470, http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/programs/home

Most HOME program information has migrated to HUD Exchange, <https://www.hudexchange.info/programs/home>