

# HOME Investment Partnerships Program

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**Administering Agency:** HUD's Office of Community Planning and Development (CPD)

**Year Started:** 1990

**Population Targeted:** Households with income less than 80% of area median income (AMI); when used to assist renters, 90% of a jurisdiction's HOME-assisted rental units must be occupied by households with income less than 60% AMI.

**Funding:** FY21 funding is \$1.35 billion, the same as FY20, which was an increase from FY19 funding of \$1.25 billion.

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 about 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 AMI, and units must be occupied by income-eligible households for a set period. The HOME Program regulations are at 24 CFR Part 92. Numerous changes to the HOME regulations were finalized on July 24, 2013. NLIHC has a [summary of key changes](#).

## 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 allocation 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

At least 15% of a participating jurisdiction's HOME funds are set aside exclusively to be spent on 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. Until recently, if a PJ failed to commit any portion of the minimum 15% CHDO set-aside within two years, the PJ and its low-income residents would lose that amount of money.

However, the FY19 and FY20 appropriations acts suspended the two-year deadline to commit CHDO set-aside funds. Consequently, a PJ can choose to not use some or all of the 15% CHDO set-aside and use those untapped CHDO funds for other HOME-eligible uses after two years. This temporary suspension of the two-year commitment rule could make it easier for other nonprofits to access more HOME dollars; or it could simply enable a PJ to avoid funding of such community-based nonprofits for other developers. The FY21 appropriations bill retains this suspension.

The FY19 and FY20 appropriations acts also suspended the two-year commitment rule for non-CHDO funds. The FY21 appropriations bill retains this suspension.

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. As of the 2013 regulation changes, in order to be considered a CHDO, a nonprofit that is a developer or sponsor must have paid employees on staff who have housing development experience. However, nonprofits seeking to keep or obtain CHDO status can do so while allowing those that own rental housing to operate 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 incomes less than 80% of 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. The state share is intended for small cities, towns, and rural areas not receiving HOME money directly from HUD. Local PJs are eligible for an allocation of at least \$500,000. (In years when Congress appropriates less than \$1.5 billion, PJs are to receive a minimum of \$335,000 in. However, the FY20 appropriations bill and the FY21 proposed appropriations bill suspend this provision.) Each state receives the greater of its formula allocation or \$3 million. 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, property, or other noncash contributions.

### **Beneficiaries**

When HOME is used to assist renters, at least 90% of a PJ's HOME-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-assisted units, at least 20% of the HOME-assisted 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 incomes, those with incomes less than 30% of AMI.

## **Affordability**

Maximum rents that may be charged to assisted households are not based on a household's actual income. Instead, maximum rents are, with one exception, based on a fixed amount. To qualify as affordable rental housing, rent may 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-assisted units in which at least 20% of the HOME-assisted units must be occupied by households with very low incomes, rent is considered affordable if it is less than 30% of the income of a hypothetical household with an annual income at 50% of AMI, or less than 30% of their adjusted income. Actual rent limit figures are posted on the HUD Exchange HOME program webpage.

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.

At the close of FY20 on September 30, 2020, HOME had delivered 1,326,925 completed physical units and provided another 339,013 tenant-based rental assistance contracts since 1992. Out of the 1,326,925 physical units, 40% (527,939) were rental units, 19% (254,978) were homeowner rehabilitation and/or new construction units, and 41% (544,117) were homebuyer units.

At the time of initial occupancy, households with incomes less than 30% of AMI occupied 44% of the physical rental units, but only 17% of all 1,311,924 physical units. Households with incomes less than 30% of the AMI occupied 30% of the homeowner units, and 5.7% of the homebuyer units. Twenty-six percent of the rental units have had households assisted with Housing Choice Vouchers. In addition, 79% of the tenant-based rental assistance units were occupied by extremely low-income people.

## **FORECAST FOR 2021**

The 2021 budget is the first not limited by the Budget Control Act spending caps, so there may be an opportunity to expand the HOME program.

## **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 HOME page of HUD's Exchange website.

- 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.

- The Vacant Unit Report identifies units marked vacant in HUD's reporting system.
- SNAPSHOT is a quarterly cumulative report that shows, in the aggregate, percentages by income category, race, household size, and household type of beneficiaries each by activity type (rental, homeowner, homebuyer, tenant-based rental assistance), 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 percentages disbursed, committed, and uncommitted.
  - Cumulative number of units completed, and percentages of rental, homeowner rehab, and homebuyer units.
  - Net number of units completed in the most recent quarter, with percentages 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.
  - Income range, family size, and household type breakouts for rental, homeowner, and homebuyer activities.
- The National Production Report offers cumulative information since 1992.

New in 2018, HUD posted three frequently requested ad hoc reports about HOME

investments and units by state and by congressional district:

- HOME Units Completed within LIHTC Projects by State provides the number of HOME units completed within Low-Income Housing Tax Credit projects by state since 2010. The report also provides a breakdown of overall HOME funds disbursed for LIHTC projects and the average amount of HOME funds disbursed per LIHTC project.
- HOME Units Completed by State provides the number of HOME units completed since 1992 by state. The report also provides a breakdown of completed HOME units by tenure type and the amount of HOME funds committed and disbursed.
- HOME Units Completed by Congressional District provides the number of HOME units completed since 1992 by congressional district. The report also provides a breakdown of completed HOME units by tenure type and the amount of HOME funds committed and disbursed.

## 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 fully fund the HOME program at \$1.750 billion.

## FOR MORE INFORMATION

National Low Income Housing Coalition, 202-662-1530, [www.nlihc.org](http://www.nlihc.org).

HUD's HOME program website, 202-708-2470.

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