



# Creating and Maintaining Affordable Housing

The HOME Investment Partnerships Program

Winter 2007

# HOME Investment Partnership Program

- Created by the Cranston-Gonzalez National Affordable Housing Act (Nov. 28, 1990)
- Administered by the offices of Multi-Family Housing and Federal Programs through the Department of Housing and Community Affairs.
- HOME Regulations – 24 CFR Part 92
- HOME Laws – 42 USC 12701–12840

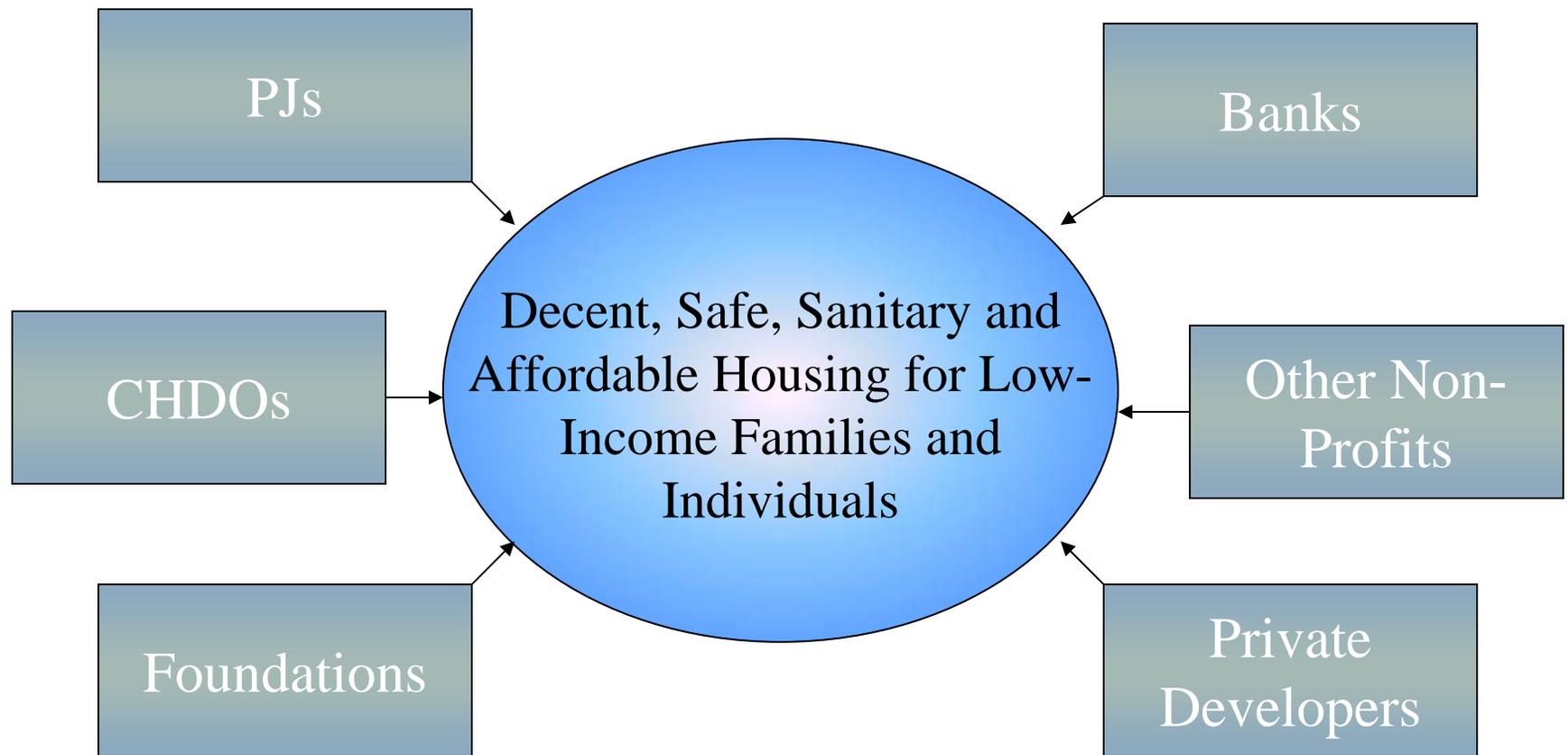


# Purpose

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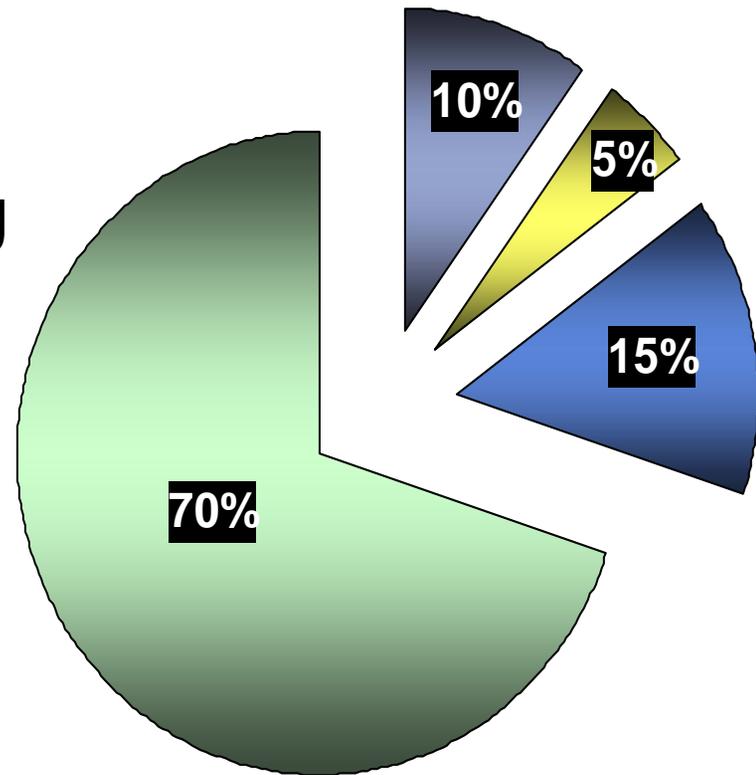
- To expand the supply of decent, safe, sanitary and affordable housing, particularly rental housing for low and very low-income persons and families;
- To mobilize and strengthen the ability of state and local governments to design and implement strategies for achieving affordable housing;
- To promote the development of partnerships among governments, non-profit organizations and the private sector to utilize all available resources for the production of affordable housing; and
- To encourage matching contributions from participating jurisdictions for each housing unit assisted with HOME funds. Participating jurisdictions must provide matching contributions from non-federal sources.

# Building Partnerships



# Allocation

- 10% Admin
- 5% CHDO Operating Expenses
- 15% CHDO Set-aside
- 70% Non-CHDO Projects



# Uses

## Eligible

- Acquire housing units
- Build new rental or owner occupied housing
- Rehabilitate rental or owner-occupied housing
- Provide assistance to eligible homebuyers
- Provide tenant-based rental assistance
- Perform demolition
- Provide necessary on-site and off-site improvements for HOME-assisted projects
- Pay relocation costs

## Ineligible

- Operate or modernize public or assisted housing
- Provide rental assistance for certain special mandated purposes under Section 8 assist properties eligible for prepayment
- Provide project reserve accounts
- Provide matching contributions required under any other federal program



# Period of Affordability

- Restricts income and rent limits for a specified period of time based on:
  - HOME cost per unit and/or
  - Type of construction.
- New construction – always 20 years
- Rehab and acquisition – based on cost per unit.
- HUD insured properties – equal to insurance terms
- Imposed by deed restrictions, covenants running with the land, or other mechanisms approved by HUD
- Often extended via loan documents to 30 – 40 years (the life of the loan)



# Period of Affordability

<u>HOME Investment</u>	<u>Per-unit Cost</u>	<u>Term</u>
Rehabilitation / Acquisition	Under \$15,000	5 years
	\$15,000 - \$40,000	10 years
	\$40,000 +	15 years
New Construction		20 years
HUD Insured Projects		Equal to insurance terms

# Rental Requirements

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- At least 90% of HOME units must serve tenants at or below 60% AMI
- Rents cannot exceed Fair Market Rent less the monthly utility paid by tenant
- Rents cannot exceed 30% of the adjusted income for a family at or below 65% AMI
- Projects with 5+ units, not less than 20% of the rental units must be occupied by:
  - very low-income families who pay not more than 30% of the family's monthly adjusted income as determined by HUD
  - very low-income families and bearing rents not greater than 30% of the gross income of a family whose income equals 50% of the median income for the area

# Homeownership Requirements

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- Must be principal residence for a family which qualifies as a low-income family at the time of purchase (80% AMI)
- Purchase price of the property must be less than 95% of median area purchase price
- If the owner sells, transfers, leases or rents, abandons or refinances the property during the term of affordability, the owner is subject to repayment of the HOME funds at the rate of recapture as determined by the county

# Other Requirements

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## **Federal Requirements**

- Equal Opportunity and Fair Housing
- Affirmative Marketing
- Environmental Review
- Flood Insurance
- Labor (Davis-Bacon)
- Lead-Based Paint
- Conflict of Interest
- Debarment and Suspension
- Energy Efficiency
- Handicap Accessibility
- Housing Quality Standards

## **Local Requirements**

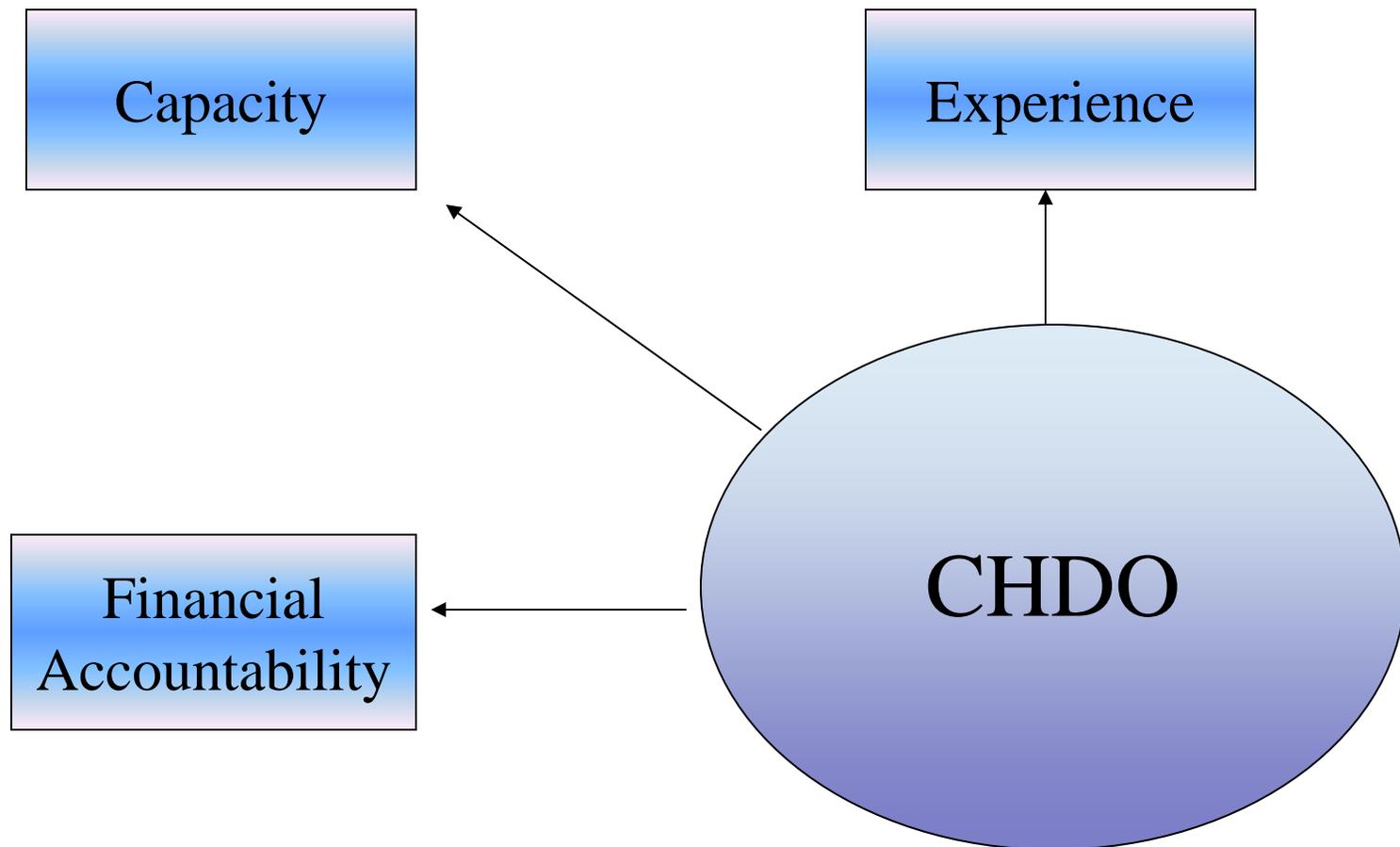
- MBE/WBE
- Evidence of Procurement
- Construction
- Zoning
- Maryland Historic Trust

# Community Housing Development Organizations (CHDO)

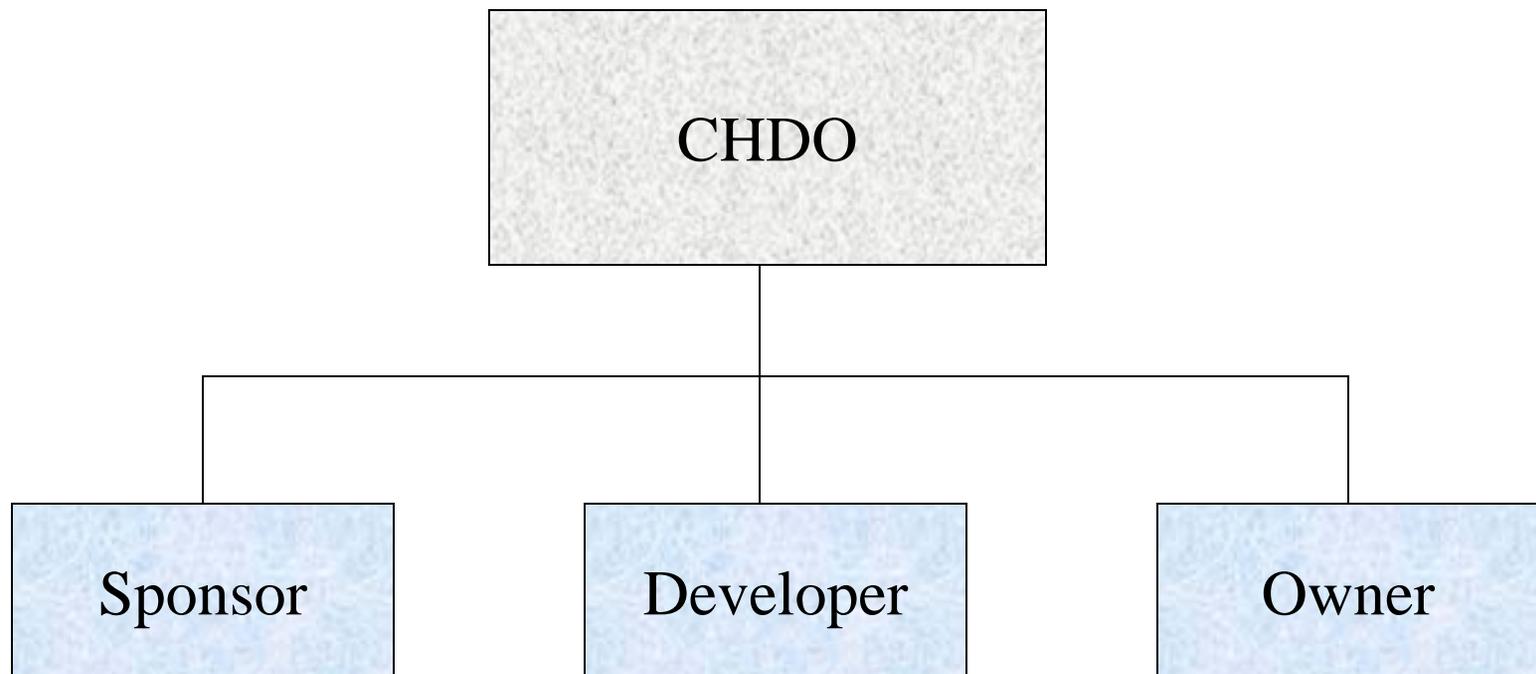
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- A CHDO is a private, nonprofit organization which:
  - Has among its purposes, the provision of decent housing that is affordable to low-income and moderate-income persons
  - Has demonstrated its capacity to carry out activities assisted with HOME funds
  - Has a history of serving the community where the housing to be assisted with HOME funds is to be located
  - Is organized under state and local laws
  - Has a tax exemption under section 501(c)3 of the internal revenue code

# CHDO Requirements



# CHDO Eligible Activities



# Case Studies

- Seneca Heights
- MHP MPDU Acquisitions
- HUI Acquisitions
- Churchill Senior Housing
- The Glen



# Seneca Heights



- Reconstruction of an old Econo Lodge motel
- Unit Breakdown
  - 57 units, 11 HOME
  - 40 for single adults
  - 17 (2 – 3 BR) for transitional use
- Funding
  - HOME ~ \$1M
  - HIF - \$4M
  - State - \$4M

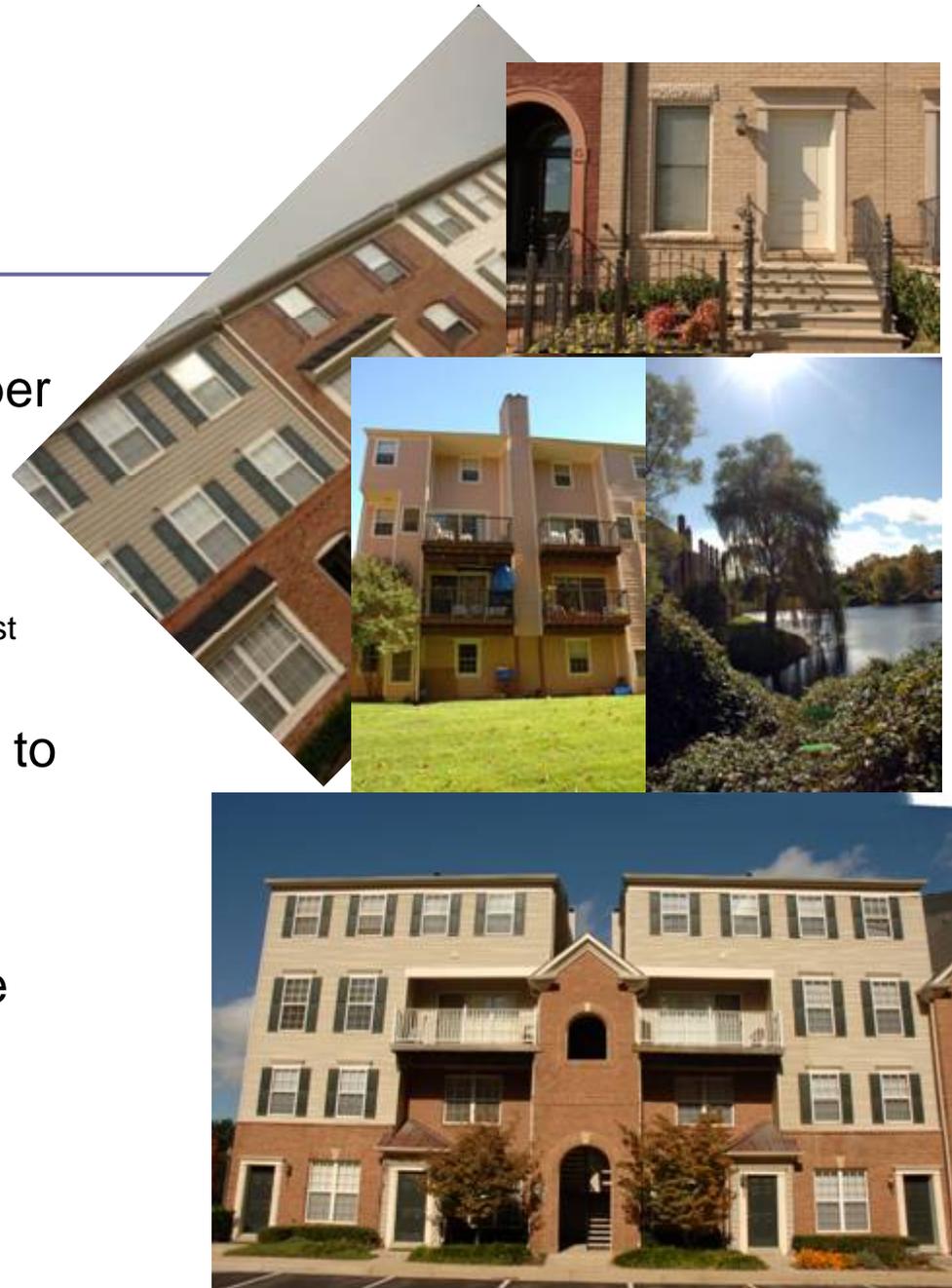
# MHP Acquisitions

- Montgomery Housing Partnership receives HOME funding in “blocks”
- Typically between \$600k - \$1M
- Leverages funds with a 1<sup>st</sup> Mortgage private bank loan and / or with fundraising to purchase MPDU's
- Provides affordable housing often to large families



# HUI Acquisitions

- Housing Unlimited Inc. receives HOME funding per application
- Typically between \$30k - \$100k
- Leverages funds with a 1<sup>st</sup> Mortgage from Maryland CDA and with fundraising to purchase MPDU's
- Provides special needs housing to chronically mentally ill adults who are capable of independent living



# Churchill Senior Housing



## ■ Funding

- Total ~ \$8.6M
- Bond Financing ~ \$5.6M
- LIHTC \$1.7M
- HOME \$1.2M
  - Leveraged 6.05%
  - 40-year Affordability Period

## ■ Vital Stats

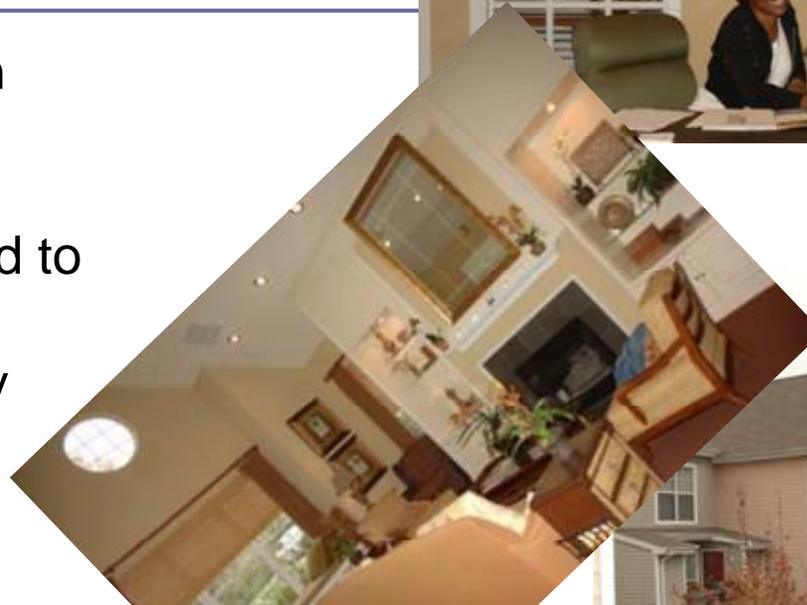
- 121 elderly (62+) rental units
- 84 HOME (48, >50% AMI)

## ■ Purpose

- Provides senior housing with a myriad of amenities including several community rooms, an exercise equipment, a game room, a library, etc.

# The Glen

- 90-unit new construction rental project featuring piggyback townhouses
- 15 HOME units restricted to 60% AMI
- Owned and managed by HOC
- Funding:
  - Total ~ \$10.2M
  - Bond financing ~ \$7.2M
  - State grant \$1.3M
  - HOC ~ \$840k
  - HOME \$800k
    - Leveraged 11.7%



# Administrative Process

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- Application
- Staff Review and Underwriting
- Loan Committee
- Director Decision
- Closing on Property/ Loan documents



# Administrative Process (cont')

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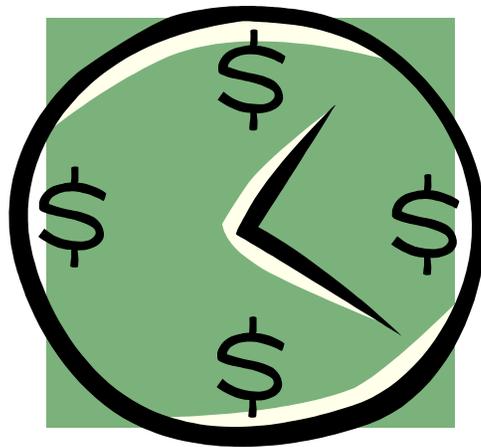
## ■ **Step 1: Application Process**

- Developer submits application to the Department of Housing and Community Affairs.
- Application is straight forward, requiring information that is needed for a normal development project.
- Rolling application, no deadlines
- Staff reviews application and analyzes requests

## ■ **Step 2: Loan Committee**

- Designated by the Director of the Department of Housing and Community Affairs.
- Diverse group of county residents and staff
- Holds Monthly meetings or as needed
- Staff prepares packet and presents requests to Committee
- Reviews application and meets with applicant
- Determines if request meets threshold criteria and funding guidelines
- Makes Recommendations to Director

# Administrative Process (cont')



## ■ Step 3: Director Decision

- Director of the Department of Housing and Community Affairs:
  - Reviews recommendations by Loan Committee
  - Determines which requests will be funded
  - Determines the conditions and terms of the loan

## ■ Step 4: Award of Funds

- Developer receives funding via low interest or cash flow loans. Funds available at closing or as needed.
- Terms: Typically 0-3% interest. Often, cash flow loans or deferred payments

# Factors Considered During the Review Process

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## ■ Purpose:

- Complies with HOME mission and guidelines
- Public purpose: serves low income population
- Neighborhood need
- Need for physical improvement

## ■ Compatibility:

- Project design
- Land use and zoning
- Community support

## ■ Feasibility/ Cost:

- Financial feasibility and need
- Leveraging
- Cost reasonableness
- Market feasibility
- Readiness to go forward
- Availability of support services
- Development team capacity

# Summary

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- HOME Goals
  - Produce decent, safe, sanitary and affordable housing
  - Build Partnerships
  
- Gap Financing / Leveraging
  
- Restrictions / Requirements
  
- CHDOs

# Useful Links

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- **HOME Fires**

- <http://www.hud.gov/offices/cpd/affordablehousing/library/homefires/>

- **HOME Regulations**

- <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/regs/home/index.cfm>

- **HOME Statutes**

- <http://www.hud.gov/offices/cpd/affordablehousing/lawsandregs/laws/home/homelaws.pdf>

- **Montgomery County Housing Department and Community Affairs**

- <http://www.montgomerycountymd.gov/apps/dhca/index.asp>

- **U.S. Department of Housing and Urban Development**

- <http://www.hud.gov>

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