

## Eligible / In-Eligible HOME Program Activities & Match Requirements

**Project:** a site or sites together with any building (including manufactured housing unit) or buildings located on the site(s) under common ownership, management and financing, to be assisted with HOME funds as a single undertaking. A project includes all of the activities associated with the site and building. For tenant based rental assistance (TBRA), project means “assistance to one or more families”.

**HOME – Assisted Units:** The HOME Program distinguishes between the units in a project that have been assisted with HOME funds and those that have not.

**HOME – Assisted Unit:** This distinction between HOME-assisted and unassisted units allow HOME funds to be spent on mixed income projects while still targeting HOME dollars only to income eligible households.

Eligible HOME Costs	HOME Program Conditions
New Construction	<ul style="list-style-type: none"> <li>➤ HOME funds may be used for new construction of both rental and ownership housing.</li> <li>➤ Any project that includes the addition of dwelling units outside the existing walls of a structure is considered new construction.</li> </ul>
Rehabilitation	<ul style="list-style-type: none"> <li>➤ This includes the alteration, improvement or modification of an existing structure.</li> <li>➤ It also includes moving an existing structure to a foundation constructed with HOME funds.</li> <li>➤ Rehabilitation may also include adding rooms outside the existing walls of a structure, but adding a housing unit is considered new construction.</li> </ul>
Conversion	<ul style="list-style-type: none"> <li>➤ This refers to rebuilding a structure on the same lot where housing is standing at the time of project commitment.</li> <li>➤ HOME funds may be used to build a new foundation or repair an existing foundation.</li> <li>➤ Reconstruction also includes replacing a substandard manufactured house with a new manufactured house. During the reconstruction, the number of rooms per unit may change, but the number of units may not.</li> </ul> <p><i>*Note: Replacing a manufactured housing unit with a stick-built unit is considered a homebuyer activity even if the applicant/beneficiary owns the lot and existing manufactured unit.</i></p>
Site Improvements	<ul style="list-style-type: none"> <li>➤ Site improvements must be in keeping with improvements to surrounding standard projects.</li> <li>➤ They include new, on-site improvements (sidewalks, utility connections, sewer and water lines, etc.) where none are present.</li> <li>➤ They are essential to development or repair of existing improvements.</li> <li>➤ Building new, off-site utility connections to an adjacent street is also eligible.</li> <li>➤ Off-site infrastructure is not eligible as a HOME expense, but may be eligible for match credit.</li> </ul>
Acquisition of Property	<ul style="list-style-type: none"> <li>➤ Acquisition of existing standard property, or substandard property in need of rehabilitation, is eligible as part of either a homebuyer program or rental housing project.</li> </ul>



Eligible HOME Costs	HOME Program Conditions
	<ul style="list-style-type: none"> <li>➤ After acquisition, rental units must meet HOME rental occupancy, affordability and lease requirements.</li> </ul>
Acquisition of Vacant Land	<ul style="list-style-type: none"> <li>➤ HOME funds may be used for acquisition of vacant land only if construction will begin on a HOME Project within 12 months of purchase.</li> <li>➤ Land banking is prohibited.</li> </ul>
Demolition	<ul style="list-style-type: none"> <li>➤ Demolition of an existing structure may be funded through the HOME Program only if construction will begin on the HOME project within 12 months.</li> </ul>
Relocation Costs	<ul style="list-style-type: none"> <li>➤ Both permanent and temporary relocation assistance are eligible costs. Staff and overhead costs associated with relation assistance are also eligible. Refer to Uniform Relocation Act and Section 104(d) also known a Barney Frank Amendments.</li> </ul>
Refinancing	<ul style="list-style-type: none"> <li>➤ HOME funds may be used to refinance existing debt on single-family, owner-occupied properties in connection with HOME funded rehabilitation. The refinancing must be necessary to reduce the owner’s overall housing costs and make the housing more affordable.</li> <li>➤ Refinancing for the purpose of taking out equity is not permitted.</li> <li>➤ HOME funds may be used to refinance exiting debt on multi-family projects being rehabilitated with HOME funds, if refinancing is necessary to permit or continue long-term affordability, and is consistent with PJ established refinancing guidelines.</li> </ul>
Capitalization of Project Reserves	<ul style="list-style-type: none"> <li>➤ HOME funds may be used to fund an initial operating deficit reserve for new construction and rehabilitation projects for the initial rent-up period. The reserve may be used to pay for project operating expenses, scheduled payments to a replacement reserve and debt service for a period of up to 18 months.</li> </ul>
Project – Related Soft Costs	<ul style="list-style-type: none"> <li>➤ Costs must be reasonable and necessary. Examples of eligible project soft costs include:</li> <li>➤ Finance-related costs;</li> <li>➤ Architectural, engineering and related professional services;</li> <li>➤ Tenant and homebuyer counseling, provided the recipient of counseling ultimately becomes the tenant or owner of a HOME assisted unit;</li> <li>➤ Project audit costs;</li> <li>➤ Affirmative marketing and fair housing services to prospective tenants or owners of an assisted project; and</li> <li>➤ PJ staff costs directly related to projects (not including tenant based rental assistance).</li> </ul>

The table below provides a listing of **in-eligible** HOME activities.

<b>Prohibited HOME Activities</b>	<b>HOME Program Conditions</b>
Project Reserve Accounts	<ul style="list-style-type: none"> <li>➤ HOME funds may not be used to provide project reserve accounts (except for initial operating deficit reserves) or to pay for operating subsidies.</li> </ul>
Tenant-Based Rental Assistance for Certain Purposes	<ul style="list-style-type: none"> <li>➤ HOME funds may not be used as rental assistance in conjunction with the federal Rental Rehabilitation Program to prevent displacements.</li> <li>➤ They also may not be used for certain mandated existing Section 8 program uses, such as Section 8 rent subsidies for troubled HUD-insured project.</li> </ul>
Match for Other Programs	<ul style="list-style-type: none"> <li>➤ HOME Program funds may not be used as the ‘nonfederal’ match for other federal programs except to match McKinney Act funds.</li> </ul>
Development, Operations or Modernization of Public Housing	<ul style="list-style-type: none"> <li>➤ HOME Program monies may not be used to provide assistance authorized under Section 9 of the 1937 Act (Public Housing Capital and Operating Funds).</li> </ul>
Properties Receiving Assistance under 24 CFR Part 248 (Repayment of Low-Income Housing Mortgages)	<ul style="list-style-type: none"> <li>➤ Properties receiving assistance through the Low Income Housing Preservation and Resident Homeownership Act (LIHPRHA) or the</li> <li>➤ Emergency Low Income Preservation Act (ELIHPA) is not eligible for HOME assistance except if the HOME assistance is provided to priority purchasers. These programs are no longer funded.</li> </ul>
Double Dipping	<ul style="list-style-type: none"> <li>➤ During the first year after project completion, the PJ may commit additional funds to a project.</li> <li>➤ After the first year, no additional HOME funds may be provided to a HOME-assisted project during the relevant period of affordability, except that:               <ul style="list-style-type: none"> <li>✓ Rental assistance to families may be renewed.</li> <li>✓ Rental assistance may be provided to families that will occupy housing previously assisted with HOME funds.</li> <li>✓ A homebuyer may be assisted with HOME funds to acquire a unit that was previously assisted with HOME funds.</li> </ul> </li> </ul>
Acquisition of PJ Owned Property	<ul style="list-style-type: none"> <li>➤ A PJ may not use HOME Program funds to reimburse itself for property in its inventory or property purchased for another purpose.</li> <li>➤ However, in anticipation of a HOME project, a PJ may use HOME funds to:               <ul style="list-style-type: none"> <li>✓ Acquire property.</li> <li>✓ Reimburse itself for property acquired specifically for a HOME Project with other funds.</li> </ul> </li> </ul>
Project Based Rental Assistance	<ul style="list-style-type: none"> <li>➤ HOME funds may not be used for rental assistance if receipt of the funds is tied to occupancy in a particular project.</li> <li>➤ Funds from another source, such as Section 8, may be used for this type of project-based assistance in a HOME – assisted unit.</li> <li>➤ HOME funds may be used for other eligible costs such as rehabilitation, in units receiving project – based assistance from another source.</li> <li>➤ For example, Section 8 or state-funded project-based assistance.</li> </ul>
Pay for Delinquent Taxes, Fees or Chargers	<ul style="list-style-type: none"> <li>➤ HOME funds may not be used to pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.</li> </ul>



**Basic Facts about Match**

**Overview**

- The HOME Program requires that participating jurisdictions (PJ) (and by extension its sub-recipients and CHDOs) provide match in an amount equal to no less than 25 percent of the total HOME funds drawn down for project costs.
- Match is a permanent contribution to affordable housing.
- Match is not leveraging. Match is the sub-recipient’s contribution to the HOME Program – the local, nonfederal contribution to the partnership.

Acceptable Sources of Cash Match	Unacceptable Sources of Cash Match
<ul style="list-style-type: none"> <li>➤ Local or state general revenues</li> <li>➤ Housing trust funds</li> <li>➤ Foundations, donations</li> <li>➤ State appropriations</li> <li>➤ HFA reserves that are not federal funds (e.g., bond proceeds)</li> <li>➤ The interest rate subsidy achieved by the exemption of state or local taxes</li> <li>➤ Program income from Housing Development Action Grant (HODAG), Rental Rehabilitation Program (RRP), or Urban Development Action Grant (UDAG) after grant closeout.</li> <li>➤ Present value of the interest subsidy for loans made at rates below market.</li> </ul>	<ul style="list-style-type: none"> <li>➤ All Community Development Block Grant funds.</li> <li>➤ Other federal grant funds.</li> <li>➤ Funds raised through federal Low Income Housing Tax Credits.</li> <li>➤ The interest rate subsidy attributable to federal tax exempt financing.</li> <li>➤ Owner equity in a project.</li> <li>➤ Cash contributions from investors, applicants for or recipients of HOME assistance.</li> <li>➤ Expenditures on program administration.</li> </ul>

**Keys to Understanding the Match Requirement**

**Overview**

- There are match credits and match debits
  1. **Debits:** For virtually every dollar of HOME funds drawn down for project, there is a \$0.125 match obligation.
  2. **Credits:** Match credits are a community’s non-federal contribution of cash, assets, services, labor and other resources of value to the HOME Program.

**Meeting the Match Obligation**

**Overview**

Meeting the match obligation poses a challenge to many sub-recipients. That is why it is important to have a strategy for managing the match. Sub-recipient’s need to:

- Plan ahead to meet match needs.
- Consider the timing of draw-downs and investments in relationship to matching requirements.
- Be creative when looking for matching contributions.
- Set up a system for calculating and tracking both match obligations and match credits.
- Have a strategy for finding match and addressing unexpected match shortfalls.

Match Recommendations	Overview
<p>Create a Match Record Keeping System that Works</p>	<ul style="list-style-type: none"> <li>➤ Sub-Recipient’s must keep a running log of match obligations and match credits as they are generated. HUD Notice CPD 97-03 includes a sample HOME Match Log.</li> <li>➤ The Match Log will serve as a management tool for the sub-recipient and a monitoring tool for the City or HUD. The City or HUD will examine the sub-recipient’s log during monitoring visits to determine whether a sub-recipient has met its match requirement for the fiscal year.</li> <li>➤ The sub-recipient is also required to maintain documentation in its project files that establish that each match contribution claimed:                         <ol style="list-style-type: none"> <li>1. Is eligible;</li> <li>2. Has been made with respect to a HOME-assisted or HOME eligible project; and</li> <li>3. Has been valued in accordance with the HOME regulations and with customary and reasonable means of establishing value.</li> </ol> </li> <li>➤ Sub-recipient’s might also want to create a log of projected match obligations and credits to estimate their status through the year.</li> <li>➤ Sub-recipient’s should supply potential match contributions with voucher slips and timesheets, so that they can easily report their contributions in a standard format. These documents should also be used by the sub-recipient in-house.</li> </ul>