

# OAH HOME Workshop

2009 Funding Round



# Welcome!

OAH HOME Workshop  
Housekeeping

- Refreshments
- Bathrooms
- Cell phones

Thank you for participating!



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# OAH HOME Workshop Agenda

- Pre-application Process
- HOME Policies
- Underwriting Policies
- Other HOME Policies
- Site and Neighborhood Standards
- 8 Step Process
- Break
- Setting HOME Units
- Rents and Utilities
- Wrap Up



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# Pre-application Process

Contact:

Marie Palena  
marie.palena@dca.ga.gov



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# Pre-application Process

Core Plan - Section 6

- \$2.5 Million Maximum loan
- \$1.0 Minimum loan
- 15% set aside for DCA pre-qualified CHDOs



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# Pre-application Process

Section 9. A. 2. – Core Plan

- DCA will provide Consent Letter by May 1, 2009
- Must include DCA Consent in Application or will not pass Threshold
- If approved, must utilize HOME funds, or risk withdraw of tax credit Application or future Compliance scoring
- If selected in the 2009 Competitive Round, a Preliminary Commitment letter will be issued



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## Pre-application Documents

Pre-Approval/Waiver Submission (Tab 12)

- 2009 HOME & NSP Consent Application
- Project Description / Narrative
- Environmental / Relocation Acknowledgement
- Performance Workbook (Tab 13)

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## Pre-application Documents

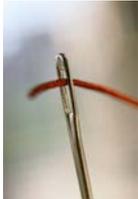
- Due no later than 4 PM, April 16, 2009
- Deliver to: DCA  
60 Executive Park South, NE  
Atlanta, GA 30329  
Attn: Andria Williams
- Attach check in the amount of \$500 payable to:  
Georgia Housing & Finance Authority  
(GHFA)

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## OAH HOME Program Updates

Contact:

Rod Peters  
rodrick.peters@dca.ga.gov



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## OAH HOME Program Updates

- Stimulus Bill
  - Housing Economic Recovery Act (HERA )
  - What does it mean for HOME Program?
  - 40/50 Rule
  - American Recovery and Reinvestment Act (ARRA )
  - More Money?
- Minimum term for permanent debt is 10 years
- No debt deals are allowed

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## OAH HOME Program Workshop

### Underwriting Policies

Contact:

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rodrick.peters@dca.ga.gov



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## OAH Underwriting Policies

### 2009 Changes

#### Core QAP Section 7, Part 1 and 2

- **Annual Operating Expense**
  - \$3600 per unit Urban Projects
  - \$3000 per unit Non-MSA/USDA
- **Debt Coverage Ratio**
  - 1.15 Minimum
  - 1.40 Urban
  - 1.50 Rural
- **Developer Fee Limitation**
  - 20% Developer Fee for Sustainability (Preapproval)

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## OAH Underwriting Policies (Cont.)

### 2009 Changes Core QAP Section 7, Part 1 and 2

- **Use Reasonable Figures!**
  - Industry Standard
- **Close Scrutiny of Costs**
  - Comments Section
  - Real Estate Taxes and Insurance
  - Determination for Construction Hard Costs
- **Operating Deficit Reserve**
  - 4 mths Debt Service + 4 mths Operating Expenses



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## OAH Underwriting Policies (Cont.)

- **Acquisition**
  - Identity of Interest Land Purchase
  - Lesser of Sales Price or Appraised Value
- **Permanent Debt Financing**
  - Construction Hard Costs Only
- **Rent up Reserve**
- **Replacement Reserve**



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## HOME Underwriting Policies

- **Fixed or Floating Units**
  - Designate at Commitment or Floating
  - Must be Fixed if not Comparable
- **HOME Units – Specify in Initial Application**
- **Identity of Interest**
  - 3rd Party Front End Analysis – DCA Commissioned



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## OAH Underwriting Policies (Cont.)

- **Revenue, Expense, and Vacancy Trends**
- **Deferred Developer Fee**
- **Syndicator Asset Management Fee**
  - Paid after debt service and excess cash flow payment
- **Construction Commencement**
  - Within One Year of Commitment



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## OAH Underwriting Policies (Cont.)

### Loan Terms

- **Construction Pd Int Rate:** 0%
- **Permanent Interest Rate:**  $\geq 1.00\%$ 
  - Rural:  $\leq .50\%$  (yrs 8-15)
  - $\leq .25\%$  (yrs 16-35)
- **Term:** 15-35 Yrs



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## HOME Underwriting Policies

### Loan Terms (cont.)

- **Non-Fully Amortizing Loans - Rural**
  - Principal (portion) and Interest must be paid monthly
  - Excess Cash Flow Account Required
  - Future Market Value – must exceed outstanding loan balance



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## HOME Underwriting Policies

### Misc.

- Construction commencement within one year of award
- Construction completion within 24 months
- Payment and Performance Bond – Required
  - Identity of Interest (Contractor and GP/Owner)
  - Request Waiver
  - Include Cost of Letter of Credit or Loan in General Requirements
- Retainage
  - 10% until 50% complete
  - 5% thereafter



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## SITE AND NEIGHBORHOOD STANDARDS

**Tracey Edwards**

[tracey.edwards@dca.ga.gov](mailto:tracey.edwards@dca.ga.gov)



## Site & Neighborhood Standards Overview and Purpose

HUD HOME 24 CFR 983.6(b)  
Site and Neighborhood Standards

All HOME-assisted **New Construction Developments** must comply with specific Site and Neighborhood Standards.



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## Standard of Review and Application Documentation Submissions Areas of Minority Concentrations

**Areas of Minority Concentration are areas where the percentage of minorities is more than 50%.**

Applicants proposing projects in census tracts which are designated as Minority Concentrations **must clearly document** that:

1. The proposed project will meet an overriding housing need in the area of the proposed project  
**OR**
2. That there are sufficient and comparable housing opportunities for minorities outside the area.



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## Required Application Documentation Areas of Minority Concentration

1. Map of proposed project site showing location in census tract;
2. Site map of proposed neighborhood;
3. Census tract data of proposed neighborhood population;



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## Required Application Documentation Areas of Minority Concentration (Cont)

4. Narrative on how the percentage of minority residents is determined;
5. DCA Site and Neighborhood certification form;
6. Documentation that establishes overriding need standard **or** sufficient and comparable standard;
7. Narrative on why the project meets HUD's standards for areas of Minority Concentration.



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## Standard of Review and Application Documentation Submissions Racially Mixed Areas

**A Racially Mixed area is a census tract that has 25% or more minorities.**

Applicants proposing projects in census tracts which are designated as Racially Mixed, must clearly document that the proposed project will not significantly increase the proportion of minority to non-minority residents.



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## Required Application Documentation Racially Mixed Areas

1. Map of proposed project site;
2. Site map of proposed neighborhood;
3. Census tract of proposed neighborhood population by;
4. Based upon the proposed number of units, show what increase of minority residents to non-minority residents will occur.



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## Standard of Review and Application Documentation Submissions Non-Minority Areas

**A Non-Minority area is a census tract that has less than 25% minorities.**

Proposing projects in census tracts which are designated as Non-Minority must submit documentation supporting this classification.



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## Required Application Documentation Non-Minority Areas

1. Map of proposed project site;
2. Site map of proposed neighborhood;
3. Census tract or enumeration district data of proposed neighborhood population.



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## Questions?



## ENVIRONMENTAL REVIEW REQUIREMENTS



## Environment Review Requirements Overview and Purpose

- All developments utilizing HOME funds are required to assess the environmental effects of that activity in accordance with the provisions of the National Environmental Policy Act of 1969 (NEPA) and US Department of Housing and Urban Development (HUD) regulations at 24 CFR Part 58.
- The Georgia Department of Community Affairs (DCA) requires applicants to conduct various activities required for the environmental review process at HOME application, including an Environmental Assessment (EA)/Phase I, as outlined in the Qualified Allocation Plan (QAP) and the Environmental Manual.



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## Environment Review Requirements Overview and Purpose

As the responsible entity referred to in 24 CFR Part 58.43, DCA must ensure that the environmental review process is satisfied before certain HUD funds are committed to specific projects. This entails:

- Determining the NEPA Classification for the HOME program;
- Reviewing and complying with regulations at 24 CFR Parts 58.6 & 58.5;
- Publishing any required public notices & submit documentation to HUD;
- Obtaining a letter of Environmental Release for all activities associated with HOME funding.



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## Environmental Review Process HOME projects

Once the pre-application for HOME funding is submitted to DCA, HOME Applicants **must** refrain from undertaking activities that would have an adverse environmental impact. In addition, during this period HOME Applicants may not commit or expend HUD or non-HUD funds.

### Prohibited activities include:

Acquiring  
Converting  
Repairing



Rehabilitating  
Leasing  
Construction



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## Environmental Review Process HOME projects

The following activities are allowed and may occur prior to the completion of the Environmental Assessment Review:

1. Purchase of a real estate land option
2. Relocation costs (if applicable)

Activities that generally have no physical impact on the environment are exempt (allowed) under 24 CFR §58.34(a)(1)-(11).



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## Activities that can be Undertaken

### Exempt activities include the following:

- Environmental and other studies;
- Information and financial services;
- Administrative and management activities;
- Inspections and testing of properties for hazards or defects;
- Purchase of insurance;
- Engineering or design costs;

-continued-



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## Activities that can be Undertaken (cont)

- Assistance for temporary or permanent improvements that do not alter environmental conditions and limited to protection, repair, restoration activities only necessary to control or arrest the effects from disasters or imminent threats to public safety including those resulting from physical deterioration.



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## HUD & HOME Environmental Questionnaire

As part of the environmental review process, all Applicants must submit a HUD & HOME Environmental Questionnaire. The Questionnaire is divided into three (3) sections:

Part	Should be completed by:
A	Applicant
B	Environmental Professional (EP)
C	Applicant and EP jointly



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## HUD & HOME Environmental Questionnaire and Application Requirements

The HUD & HOME Questionnaire is revised and must be completed and included as part of the Phase I Report at Application Submission for projects with HOME or DCA PBRA funding.

Supporting documentation should include:

- Maps
- Letters
- Narratives or Explanations



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## Review of HOME HUD Questionnaire



## HUD & HOME Environmental Questionnaire

### Common Errors and Omissions

- Incomplete questionnaires
- Missing supporting documentation
- Part C is lacking in detail and/or incomplete
- Failure to review the HUD/HOME Guidance
- Incorrect information: (e.g. name of local newspaper in the area of proposed site)
- Handwritten responses
- Failure to document or include all sources under the Environmental Laws and Authorities section
- Failure to keep DCA informed of changes in staff



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## Publication

Once the Environmental Assessment Review is completed & reviewed by DCA, and assuming no issues arise, DCA will publish a notice informing the community where the proposed project site will be built in the community.

If there are no objections after 15-17 days, DCA will request a release of funds from HUD.



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## NSP Environmental Review

The requirements for HOME are the same requirements for NSP!!!!



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## EIGHT-STEP PROCESS



## Overview and Purpose 8 Step Process

As a general policy, DCA avoids funding developments or any activities that may cause adverse effects to floodplains and wetlands. In extenuating circumstances, a project may be funded and a study of alternatives to project is **required**.

This is the Decision Making (8 Step) process which requires:

- Consideration of alternatives
- Public notices
- Mitigation of damages



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## FLOODPLAINS



## Protection of Floodplains

- General Rule: In no event will any HOME-funded new construction or rehabilitation projects be accepted for funding that will place buildings in a 100 year floodplain / floodway unless it will be reclassified out of the 100 year floodplain / floodway for those areas where buildings and improvements will be placed prior to project completion.
- Policy: Avoid construction in the floodplain.



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Why?



### The 8-Step Process Step 1

Is the site in the 100 yr Floodplain?  
If **No**, Applicant must:

- Photocopy FIRM Map and panel;
- Mark the site on the required Site Map; &
- Include a copy of the FEMA map(s) for the subject property in Appendix A of the Phase I Report, *although* there is no 100-year floodplain/floodway identified on the subject property.

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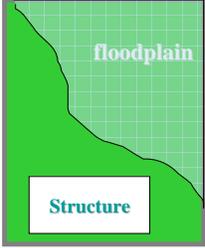
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### The 8-Step Process Step 1

Is the site in the 100 yr Floodplain?

The site?  
The building?  
Both?

If **YES** to building or both,  
continue to Step Two!




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### Step 2 Early Public Notice

Notify the public at the earliest possible time of a proposal to consider an action in a floodplain to allow the affected and interested public in the decision making process. Allow for a 15 DAY comment period. Notice shall state:

- The name of the project
- Proposed location
- Describe the activity
- Amount of property in the flood plain
- Location of the environmental record
- Name the DCA official to send comments




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### Step 3 Evaluate Alternatives

During this step, you need to ask:  
"If there are alternative sites..."

For example, need to evaluate:

- Natural conditions
- Social demands/needs
- Economic cost
- Legal limitation

"...will the alternative methods achieve project goals?"

If no "project" alternative,  
then go to the next step.

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### Step 4 Identify Impacts

During Step 4, you need to assess the impact to the floodplains as well as the impact to people and property.

Types of impact can include:

- Positive and negative
- Concentrated and dispersed
- Short and long term

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### Step 5 Minimize, Restore and Preserve

If an alternate site was chosen, you need to demonstrate the following with the alternative site:

- Minimize harm to lives and property
- Limit fill of floodplain
- Minimize grading
- Relocate non-conforming structures
- Preserve natural drainage
- Maintain buffers
- Use detention ponds
- Minimize tree cutting

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### Step 6 Reevaluate the Project

During Step 6, you need to ask:  
"Is project still feasible considering:

- Exposure to floods?
- Potential to increase hazards?
- New information gathered in Steps 4 and 5?

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### Step 7 Publish the Final Notice

If it is determined there is no practicable alternative to locating the proposed project site, then:

Publish Final Notice that:

- Justifies location in floodplain
- Lists the alternatives considered
- Lists all mitigation measures
- Waits seven days.

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### Step 8 Implement the Project

Upon completion of the Decision Making process in Steps 1 through 7, you may implement the proposed action. DCA and the Applicant have a continuing responsibility to ensure that the mitigating measures identified in Step 7 are implemented. So, DCA's Program Staff will:

1. Continue to monitor the process; and
2. Ensure mitigation measures are implemented.

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### Eight Step Process Timing:

Remember:  
The 8 Step Process  
must be completed  
prior to FONSI!




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### Application Requirements

If the proposed project site has wetlands or floodplain issues, then at application the Applicant must provide:

- A FEMA Conditional Letter of Map Amendment or Map Revision based on Fill showing property eligible for reclassification out of floodplain/floodway area at time of Application Submission or
- Evidence that the property is eligible for flood insurance which will be in place if awarded funding from DCA.

The Final Letter must be provided prior to cost certification process or conversion, whichever is first to occur.

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### WETLANDS PROTECTION




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## Protection of Wetlands

**General Rule:** No project will be accepted for any DCA funding or approved for tax credits (including HOME funds and/or other HUD funding sources) if more than one-tenth of an acre of jurisdictional wetlands will be disturbed on the subject property.

### DCA's Policy:

- Avoid destruction / modification of wetlands
- Identify long and short term impacts (destruction and / or modification of wetlands)
- Avoid support of construction in wetlands
- Requires 8-step process



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## Protection of Wetlands

- The presence of jurisdictional wetland areas or any potential jurisdictional wetland areas on the property must be clearly shown on the Site Map, and the Environmental Professional must provide a jurisdictional wetlands delineation to verify existence of wetlands and to determine the extent thereof.
- A copy of the NWI map, USGS topographic map and any necessary wetlands delineation report must be included in Appendix A of the Phase I Report.



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## Protection of Wetlands

Avoid assistance unless the 8-step process is completed

### AND:

- There is no alternative;
- Minimize harm to wetland; and
- Consider economic & environmental impact.



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## 24 CFR Part 55

HUD's wetlands regulation currently only covers floodplain.

- Similar to floodplain regulation
- Requires 8-step process
- Can be conducted jointly for floodplain and wetland



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## Questions?



## Determining HOME-Assisted Units

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Reference: HUD CPD Notice 98-2



## Maximum HOME Investment

- HOME maximum per unit subsidy limit applies
- Amount of actual subsidy per unit depends on:
  - Proportion of total project cost that is HOME-eligible
  - How many units are HOME-assisted units
  - The financial needs of the project



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## Determining HOME Units

- Only units receiving HOME \$ are subject to HOME requirements
- Number of HOME units must be specified at application submission
- Applicants must select either "fixed" or "floating" for HOME units



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## HOME-Assisted Units

- Number of units specified in Application
- HOME allows proportional funding
  - Amount depends on unit sizes and features
- Fixed & Floating units:
  - Fixed = specific units always HOME
  - Floating = total fixed, HOME units float (all units must be comparable)



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## HOME-Assisted Units

- Five or more HOME-assisted units
  - At least 20% of the HOME assisted units must be occupied by very low income families ( $\leq 50\%$  AMI)
  - Remaining HOME-assisted units must be occupied by families with incomes  $\leq 60\%$  AMI
- HOME-assisted unit rents may not exceed Fair Market Rent (FMR)

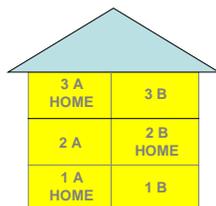


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## Fixed & Floating Units



- Fixed = 1A, 2B, 3A always HOME units
- Floating = unit nbers change but always have 3 HOME units



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## Allocation Costs

### Determining Total HOME-Eligible Costs

For projects with HOME and non-HOME units, allocate costs across units:

- If HOME and non-HOME units are *comparable*, costs can be pro-rated ('floating' units must be comparable)
- If units are not comparable, actual costs must be determined unit-by-unit (must have 'fixed' units)



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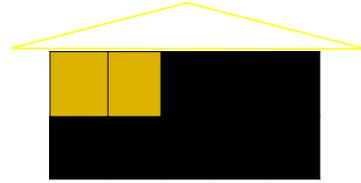
### Allocation Limits

HOME investment is **lowest** of:

1. 221(d)(3) limits applied to rental units
  - DCA Threshold, Sect 1M, Unit Cost Limitations (HOME)
2. Proportion of total cost that is HOME eligible
3. Actual amount of funding
  - Determined in Part Three-D: HOME Allocation in Application

### Nbr of HOME Units Example #1

- Total cost: \$800,000
- 221(d)(3) Limit (1BR): \$117,000/unit
- Proportion of units: 20% of units
- HOME investment: \$160,000



### Nbr of HOME Units Example #1

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

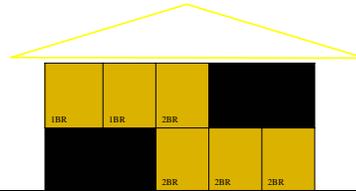
$$2 \text{ units} \times \$117,000 = \$234,000$$

- Proportion of units that are HOME-assisted: (20% of total units x total cost)

$$20\% \times \$800,000 = \$160,000$$

### Nbr of HOME Units Example #2

- Total cost: \$900,000
- 221(d)(3) limit (1BR): \$117,000
- 221(d)(3) limit (2BR): \$142,000
- Proportion of units: 60% of units
- HOME investment: \$540,000



### Nbr of HOME Units Example #2

- Maximum investment for HOME-assisted units per 221(d)(3) limit:

$$2 \text{ units} \times \$117,000 = \$234,000$$

$$4 \text{ units} \times \$142,000 = \underline{\$568,000}$$

$$802,000$$

- Proportion of units that are HOME-assisted: (60% of total units x total cost)

$$60\% \times \$900,000 = \$540,000$$

## Determining HOME Units

### Question and Answer

## OAH HOME Workshop

Calculating HOME Rents  
QAP Appendix I Threshold Criteria  
Section E and G

Willa Turner  
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## Utility Allowances

- Applications utilizing both DCA Tax Credit and HOME funding must use the utility allowance of the PHA that administers Section 8 for the locality of the project

– Most often this will be DCA

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## Utility Allowances

- Projects utilizing USDA assistance (for buildings or residents), or HUD annually reviews rents and utilities, must use allowances provided by those sources
- This excludes USDA 538 and HUD insured loans such as the 221(d)(4)

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## Utility Allowances

- If local PHA does not have an allowance (i.e., Electric Heat Pump), then applicant must include DCA allowance amount with explanation in Comments Section.

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## Calculating Rents

- High HOME (60%) & Low HOME (50%) rent limit
  - Published by HUD – around March
- Adjust rents for tenant-paid utilities
  - Subtract utilities to determine rent paid by tenant
- HOME rents may go up or down over time
  - But not lower than floor rents if elected during underwriting

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## Calculating Rents

MSA					
Albany	Eff.	1 BR	2 BR	3 BR	4 BR
60% High HOME Rent	507	543	651	753	840
50% Low HOME Rent	422	452	542	627	700
Fair Market Rent (FMR)	427	456	535	718	741

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## Calculating Rents

- What is the High HOME rent for a 2 BR unit?
  - (Remember: Lesser of High HOME rent or FMR)
  - » Ans.  $535 - 75 = 460$
- What is the Low HOME rent for a 3 BR unit?
  - » Ans.  $627 - 95 = 532$



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## HOME Rents

- Most Frequent Error
  - Fair Market Rents not used when applicable.
- Consequence
  - Project deemed infeasible and fail threshold because of insufficient cash flow.
- Solution
  - Carefully select rents and double check them.
  - Make sure the FMRs are used when applicable.



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## HOME and NSP Consent Application

- Specific to HOME & NSP Funding
- If consent granted, must include Consent Letter in Application for Competitive 2009 Funding Round



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## HOME and NSP Consent Application

- ✓ Required Submissions
- ✓ Number of HOME units
- ✓ HOME Allocation Worksheet
- ✓ Development Budget –
  - Acquisition, Construction Costs,
  - Relocation, Other Development costs



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THANK YOU!



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