



Using HOME For Homebuyer Programs: A Workshop for CHDOs

NY DHCR/HTFC

Franke Consulting Group

Funded in part by: HUD-NY CDTA

Workshop Objectives

- Review of CHDO qualifications
- Explain HOME rules for homebuyer programs & projects
- Examine DHCR/HTFC requirements for funding CHDO homebuyer projects

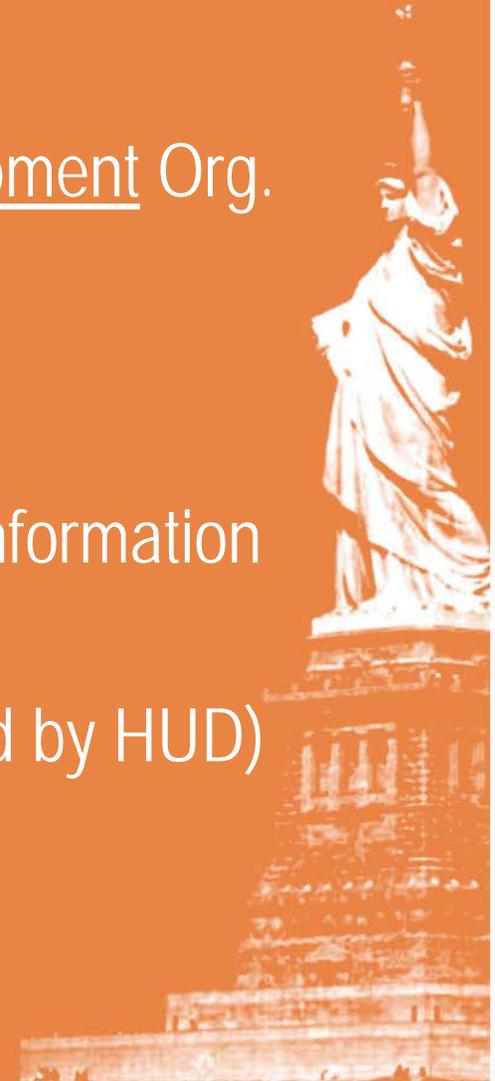




Background on HOME & CHDO

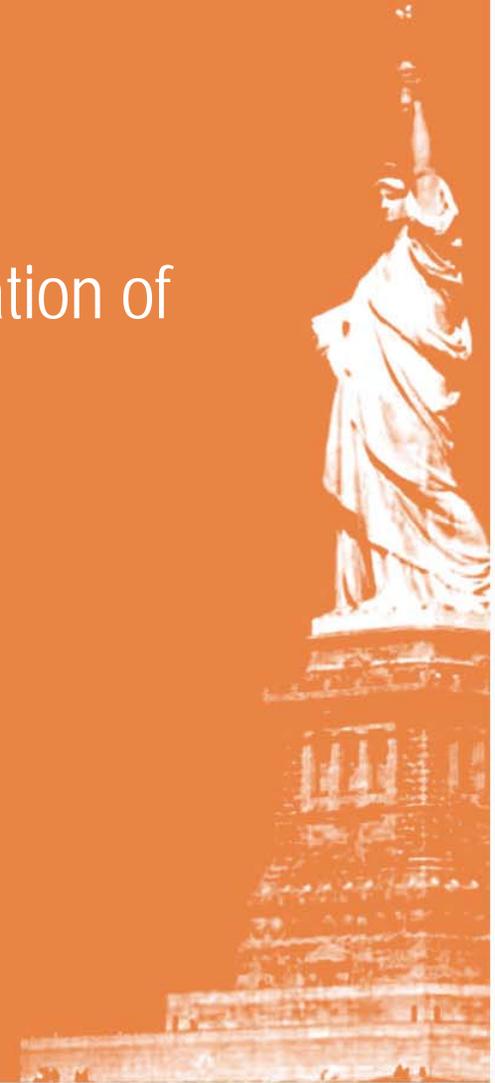
HOMEspeak

- NAHA: Nat. Aff. Housing Act of 1990
- CHDO: Community Housing Development Org.
- PJ: Participating Jurisdiction
- HAU: HOME-Assisted Unit
- IDIS: Integrated Disbursement & Information System
- AMI: Area Median Income (defined by HUD)
- LI: Low Income (80% AMI)
- VLI: Very Low Income



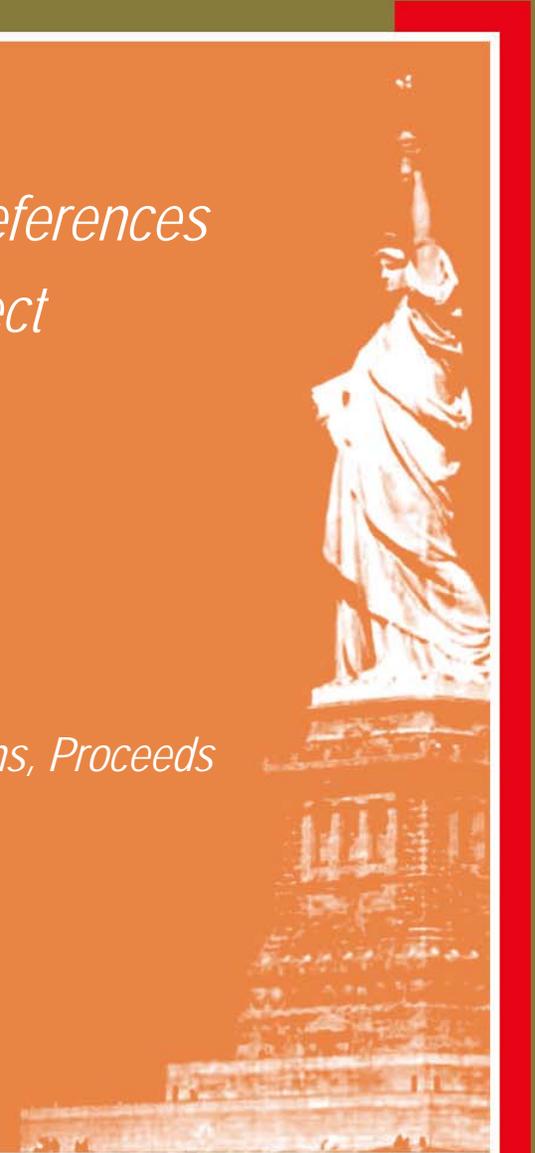
The Rules

- 24 CFR Part 92: HOME rules
- Part 91: Consolidated Plan
- Part 84/85: Nonprofit/public administration of Federal Funds
- Part 35: lead-based paint
- Part 58: Environmental review
- Part 135: Section 3



What's a Quickfinder?

- HOME rules at a glance
 - *Summary of HOME & CHDO rules/references*
 - *Reflects Federal rules, does not reflect state/local limitations/requirements*
- 1. *CHDO Quickfinder*
 - *CHDO Setaside & Eligible Activities*
 - *Optional CHDO benefits:*
 - *Operating Expenses, Pre-Development Loans, Proceeds*
- 2. *HOMEbuyer Quickfinder*



CHDO QuickFinder

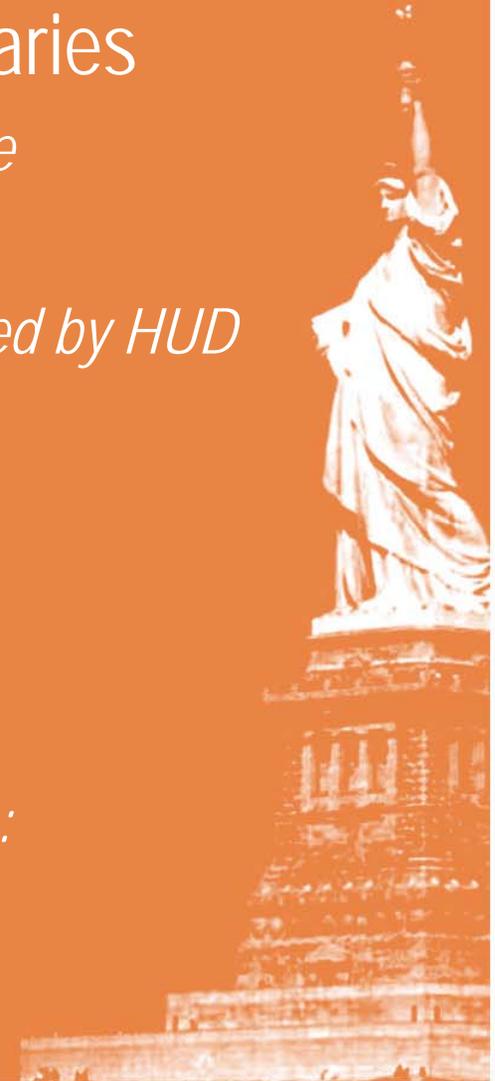
A Reference Guide to CHDO Requirements of the HOME Program

HOME Investment Partnership Program – Title II of National Affordable Housing Act of 1990 (NAHA)

<ul style="list-style-type: none">◆ Regulations: 24 CFR Part 92: key CHDO sections<ul style="list-style-type: none">● 92.2: Definition of CHDO (CHDO qualifications)● 92.300 - 92.303: set-aside, pre-dev loans● 92.208: CHDO operating expenses● 92.504(c)(3): written agreements for developers (incl. CHDOs)◆ HOME Notices:<ul style="list-style-type: none">● CPD-97-11 (new version expected in 2003)● CPD-01-13: CHDO reservations (annual issuance)● CPD-96-09: CHDO operating expenses● CPD-97-09: CHDO proceeds◆ HOMEfires Vol 2 No 1 (3/99): Eligible activities chart◆ Training Manual: Building HOME, Chapter 8◆ HUD HOME Program: www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm◆ Community Connections Clearinghouse: 1-800-998-9999 or www.comcon.org	
 The CHDO Set-Aside	92.300(a)
<ul style="list-style-type: none">◆ 15% of PJ's annual allocation must be reserved for CHDO projects◆ Funds must be committed to CHDO development projects:<ul style="list-style-type: none">● Requires acquisition, construction or rehabilitation component to be a "development" project● CHDOs must have "effective project control" (CHDO must own, develop or sponsor the project)◆ Funds must be reserved specific CHDOs and committed to CHDO projects within 24 months.◆ CHDO allocation tracked on cumulative basis (see Commitment Notice CPD-01-13 or successor)	
 Eligible CHDO Activities	92.300(a), CPD-97-11
<ul style="list-style-type: none">◆ Rental housing:<ul style="list-style-type: none">● Acquisition and/or rehabilitation of rental housing● New construction of rental housing◆ Homebuyer housing:<ul style="list-style-type: none">● Acquisition and/or rehabilitation of properties for sale to homebuyer● New construction of homebuyer properties● Direct financial assistance (i.e. downpayment and closing costs) to purchasers of HOME-assisted homebuyer housing owned, sponsored or developed by a CHDO with HOME funds	

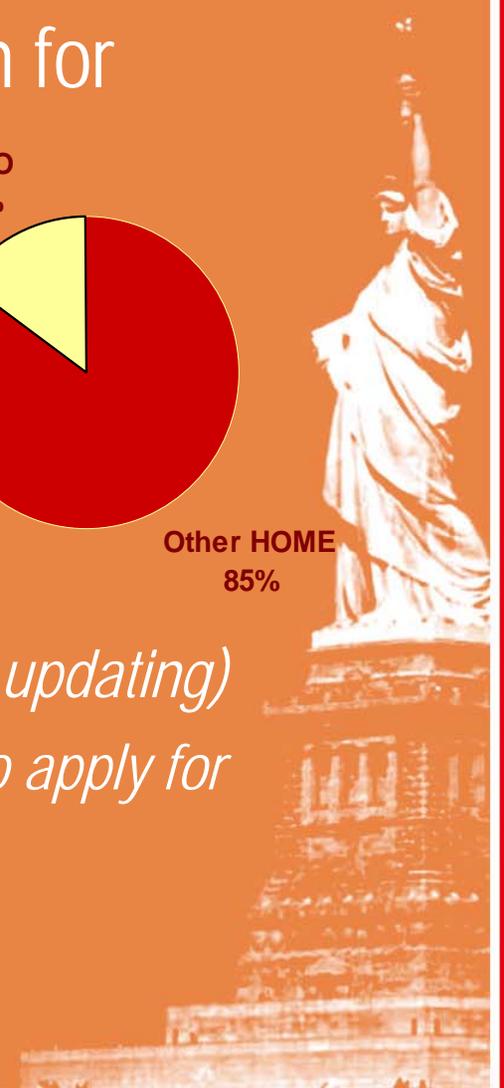
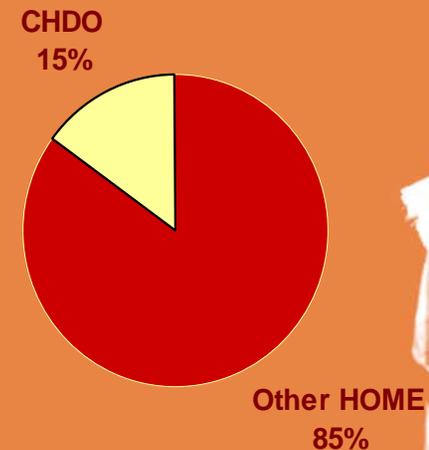
Access to TA & Materials

- HUD TA/Training: CHDO intermediaries
 - *Training, org. & management assistance*
 - *Pass-thru funds*
 - *Request thru DHCR or local PJ; assigned by HUD field offices*
- On the Web:
 - *DHCR www.dhcr.state.ny.us*
 - *HOME: www.hud.gov/homeprogram/*
 - *Community Connections Clearinghouse:
– 1-800-998-9999 or www.comcon.org*



The CHDO Set-Aside

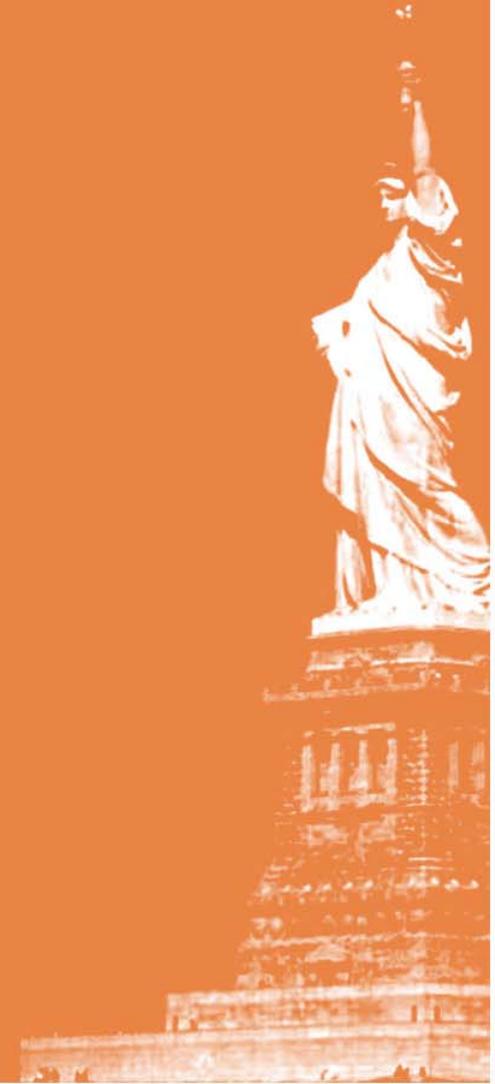
- At least 15% of PJ annual allocation for CHDO development projects:
 - *Rental housing & homebuyer*
 - *"own, develop or sponsor"*
- Nonprofit must qualify as CHDO
 - *CHDO definition in 92.2*
 - *Checklist: Notice CPD-97-11 (HUD is updating)*
 - *Each PJ certifies; check local process to apply for certification*



Benefits Of Being A CHDO

Access (at PJ's option) to:

- CHDO development funds
 - *15% of PJ's HOME \$*
- Operating assistance funds
 - *PJ option; up to 5% of HOME dollars*
- Pre-development loan (forgivable)
 - *PJ option; up to 10% of CHDO \$*
- Access to CHDO intermediary TA



CHDO Operating Expenses

- Up to 5% (optional) of PJ's funds for:
 - *CHDOs with CHDO project funds, or*
 - *CHDOs expected to receive CHDO \$ w/in 24 mos*
- Use for:
 - *General operating expenses or dev costs*
 - *Sometimes in lieu of Developer Fees*
 - *Not for subrecipient administration*
 - *Can't exceed 50% of op. costs from HOME*



Pre-Development Loans

- Up to 10 % of PJ's CHDO \$\$ (1.5%+)
 - *Not limited by project*
- Two types of loans (92.301)
- Terms:
 - *Repaid from construction/ permanent loans or project income*
 - *May be waived if project infeasible or canceled beyond CHDO control*

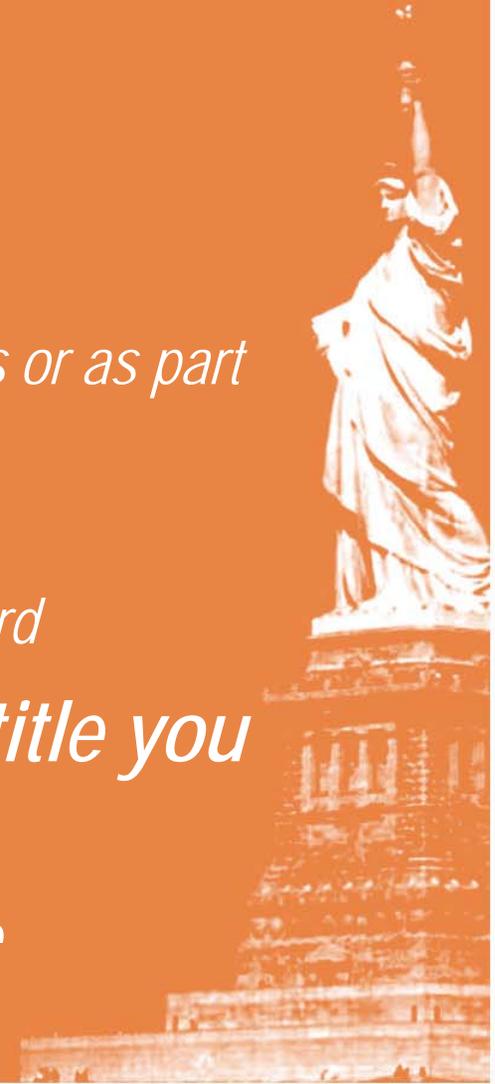




Qualifying as a CHDO

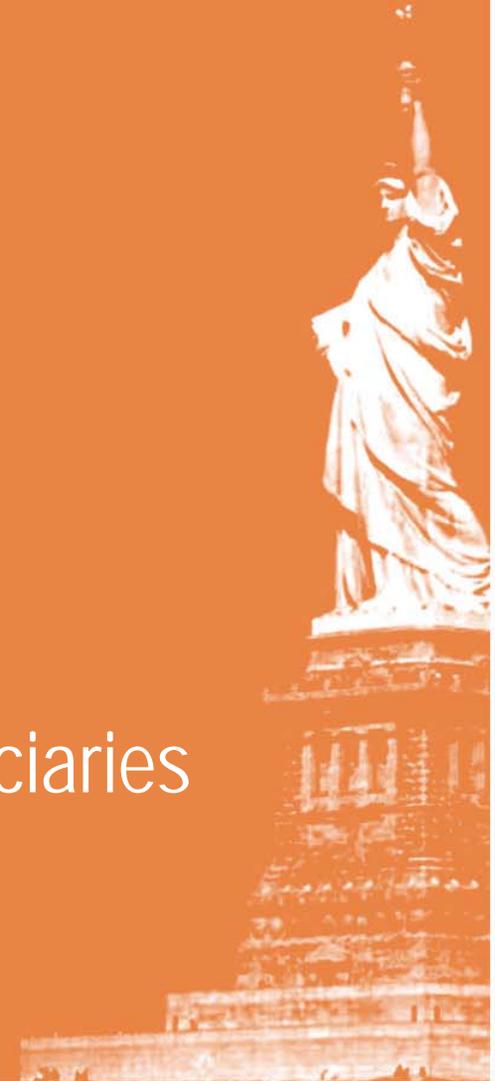
Qualifying As A CHDO

- Must meet CHDO definition (92.2)
 - *See HUD Notice 97-11*
- Must submit qualifications to PJ
 - *Pre-application CHDO approval process or as part of RFP*
 - *State & local PJ - separate approvals*
 - *Must qualify at time of each CHDO award*
- *Qualifying as CHDO does not entitle you to funding*
 - *It only makes you eligible to compete*



Qualifying As A CHDO, cont.

- Board Requirements:
 - *At least 1/3 low income*
 - *low income*
 - *resident of low-income neighborhood*
 - *represent low-income organization*
 - *No more than 1/3 public officials*
 - *No fronts for developers*
- Formal advisory process: L/I beneficiaries



Qualifying As A CHDO, cont.

- 501(c)(3) or (c)(4) status/parent
- Capability & Experience:
 - *Financial management system (84.21)*
 - *Development experience/capacity*
 - *1 year experience in serving community*
- Geographic service area
 - *Not entire State*



DHCR/HTFC Qualification Process

- Must certify with your DHCR Regional Office
 - *Contact RO for guidance*
- Must update certification every 5 years
- Must maintain CHDO qualifying status for the life of the project
- DHCR will confirm ongoing status as part of monitoring





What Activities Are
Eligible for CHDO
Funds?

Eligible CHDO Activities

- Must be development project:
 - *Acquisition, construction and/or rehabilitation of rental housing*
 - *Acquisition, construction, or acquisition/rehab of homebuyer housing*
 - *(TBRA, owner-occ rehab, rental refinancing not eligible for CHDO)*
 - *If not CHDO eligible, still eligible for HOME*
- CHDO must have "effective project control"
 - *"Own, develop or sponsor"*



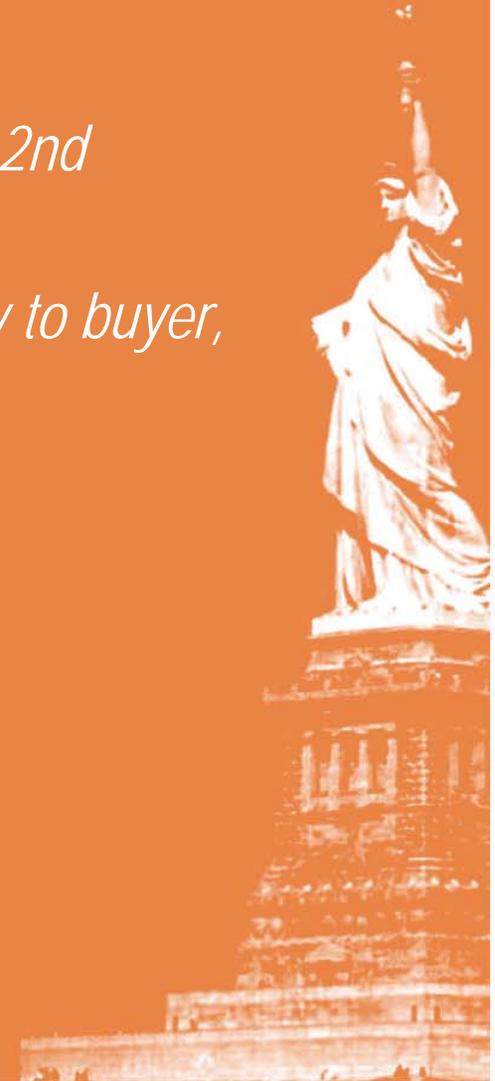
"Own, Develop, or Sponsor"

- The CHDO is the owner when it...
 - *Holds title or long-term lease*
 - *It maintains effective control*
- The CHDO is the developer when it has a written agreement to...
 - *Obtain financing, construct, & maintain/manage property (rental)*
 - *obtain financing, construct, & transfer property/loans (homebuyer)*



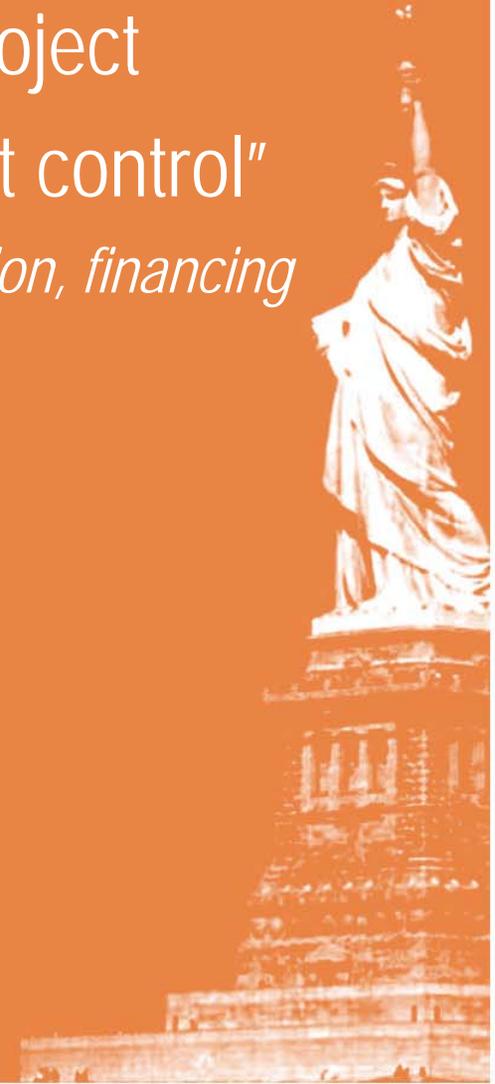
Own, Develop, Sponsor, cont.

- The CHDO is the sponsor when...
 - *it develops a property and conveys it to 2nd nonprofit (rental)*
 - *it owns, develops, and conveys property to buyer, including lease-purchase (homebuyer)*



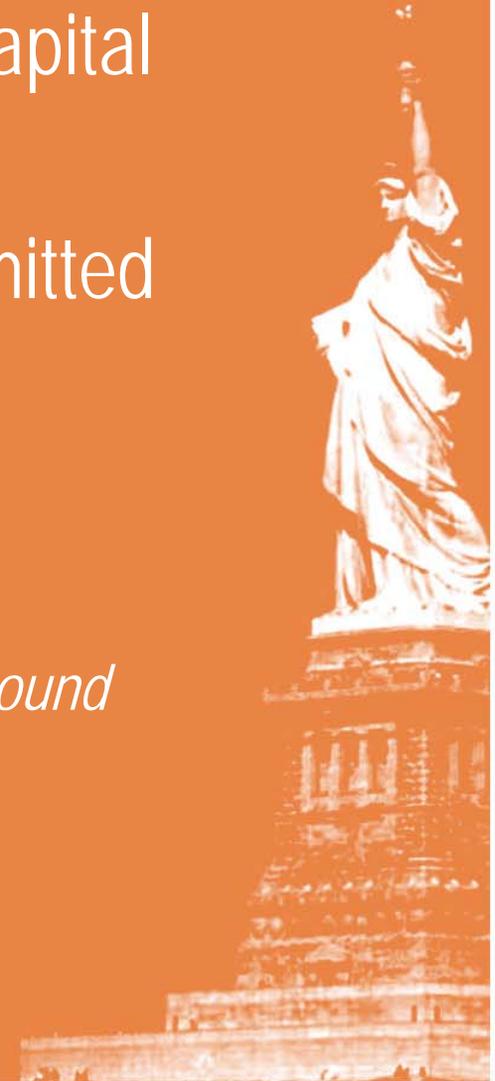
Bottom Line

- Project must be a “development” project
- CHDOs must have “effective project control”
 - *Must control key decisions in the selection, financing and implementation of the project*



DHCR/HTFC Funding

- Rental projects: Unified Funding Capital Project application
- Homebuyer projects: may be submitted using Program (LPA) application
- Generally, up to \$30,000 per unit
 - *Subject to possible increase next round*
 - *Ave. per unit assistance: \$25,000 last round*
- Next Unified Funding round:
 - *Expected to be issued in November*
 - *Expected due in February/March*

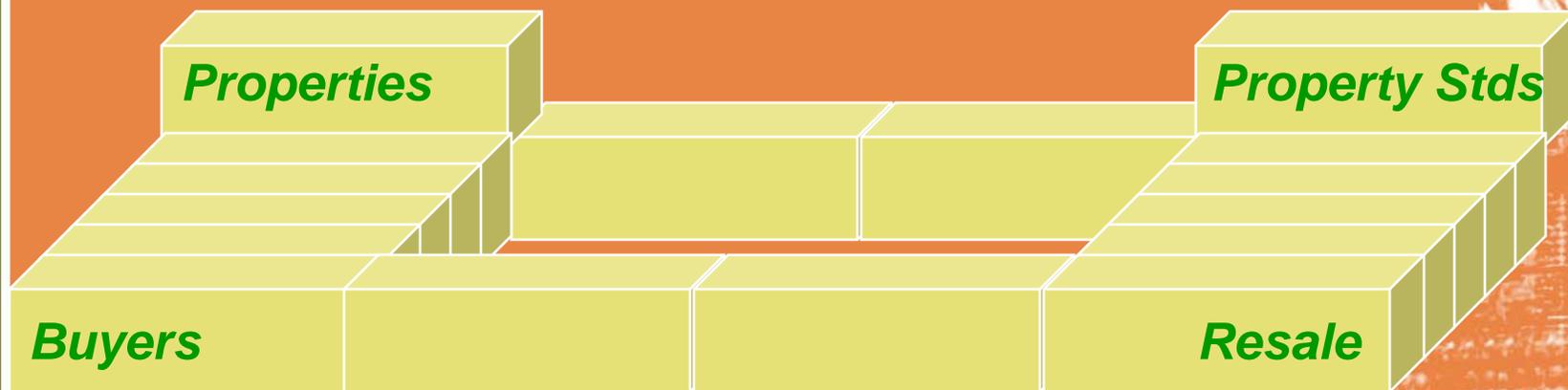




HOME Requirements for Homebuyer Projects

Statutory Cornerstones

- Four “cornerstone” compliance issues for homebuyer projects:



HOMEbuyer Cornerstone Requirements 2

1. Eligible buyers: less than 80% AMI
2. Eligible properties:
 - *Single/family, 2 - 4 unit, coop, condo*
 - *Value less than FHA 203(b) limit **
 - *Lease-purchase: complete w/in 3 yrs.*



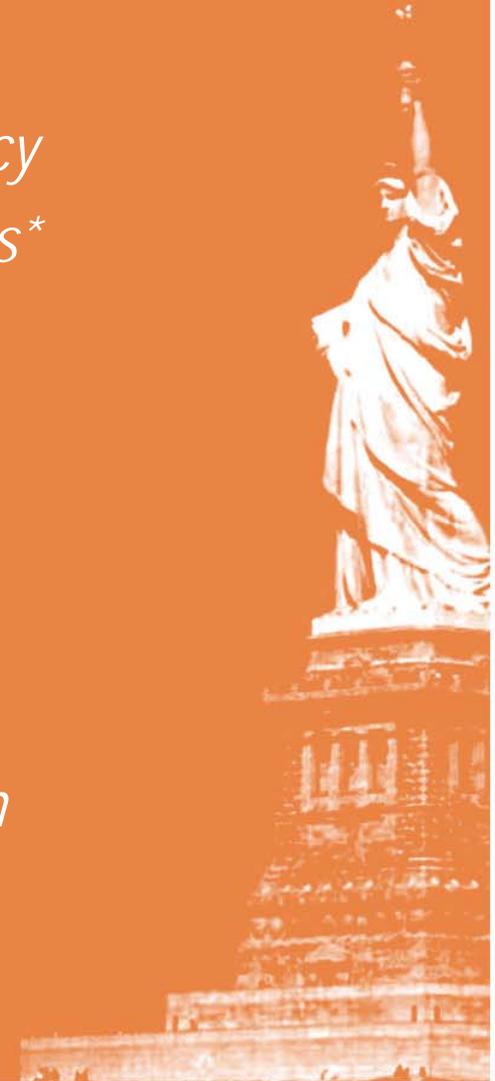
HOMEbuyer Cornerstone Requirements 3

3. Property Standards:

- *No health/safety violations on occupancy*
- *Home must pass HQS(codes) w/in 2 yrs**

4. Compliance requirements:

- *Principal residency*
- *Resale to low income or recapture \$*
 - *amortization optional*
- *Compliance period: 5 - 15 years*
- *No ongoing HQS or income certification*



The Federal Overlay: Other Requirements

- Environmental Review:
 - *Homebuyer assistance only: exempt*
 - *Most single family (1-4) categorically excluded*
 - *Single-family (1 -4) not excl. if density >4; changed footprint in floodplain, change in land use*
 - *Multi-family (5+ units) not excl if new, major rehab or change in use*
- Davis Bacon: if 12+ HAU's in project construction contract
- EEO, M/WBE, Section 3 apply to any bidding/employment



The Federal Overlay, cont.

- Relocation: URA & HCDA 1974 S. 104(d)
 - *Relocation notices required to seller/occupant*
 - *Benefits to physically/economically displaced*
- Lead Paint: if pre-78 & not exempt
 - *Risk assessment & interim controls/abatement*





Recapture & Repayment

What's Required?

- HOME statute requires resale restrictions or recapture for minimum compliance period
 - *HUD regs give resale + 4 recapture options*
- HUD: full recapture of HOME \$ in the event of noncompliance or foreclosure (or DILOF)
 - *Unless certain provisions in note/mortgage*



Development v. Buyer Subsidies

1. Development subsidies

- *Dev costs in excess of value/price*
- *Not mortgaged to buyer; not subject to repayment*

2. Buyer subsidies or "purchase assistance"

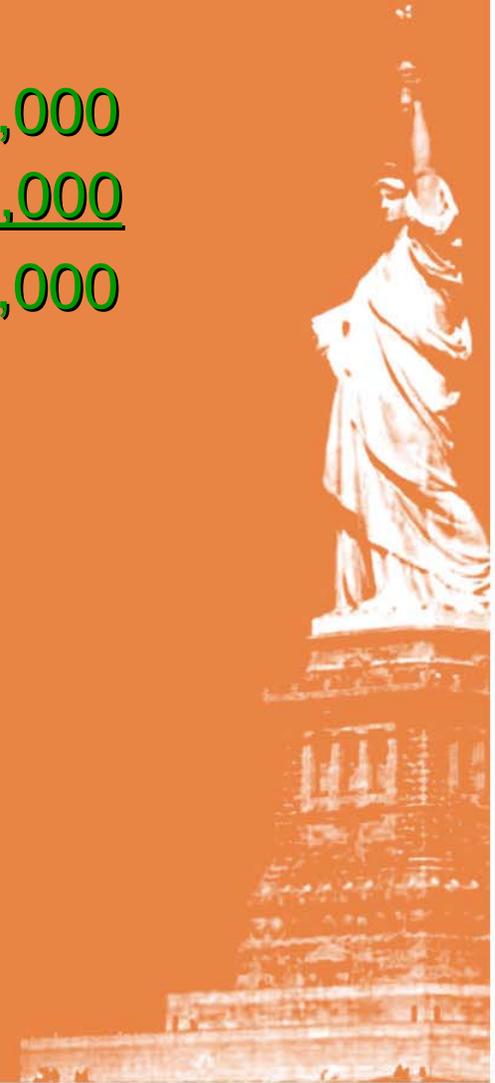
- *Any assistance that reduces the effective cost to the buyer*
- *May be deferred/soft loans (2nd mortgages) or downpayment/closing cost assistance*



“Development Subsidies”

Total Development Cost	\$100,000
- <u>Fair Market Value</u>	- <u>80,000</u>
Development Subsidy	\$ 20,000

- Not mortgaged or recaptured from homebuyer



Homebuyer Purchase Assistance

Downpayment/Cl. Cost Assistance	\$ 2,500
+ <u>2nd Mortgage/Price Subsidy</u>	<u>- 10,000</u>
Total HOME Mortgage	\$ 12,500

- Must secure by resale/recapture mechanism



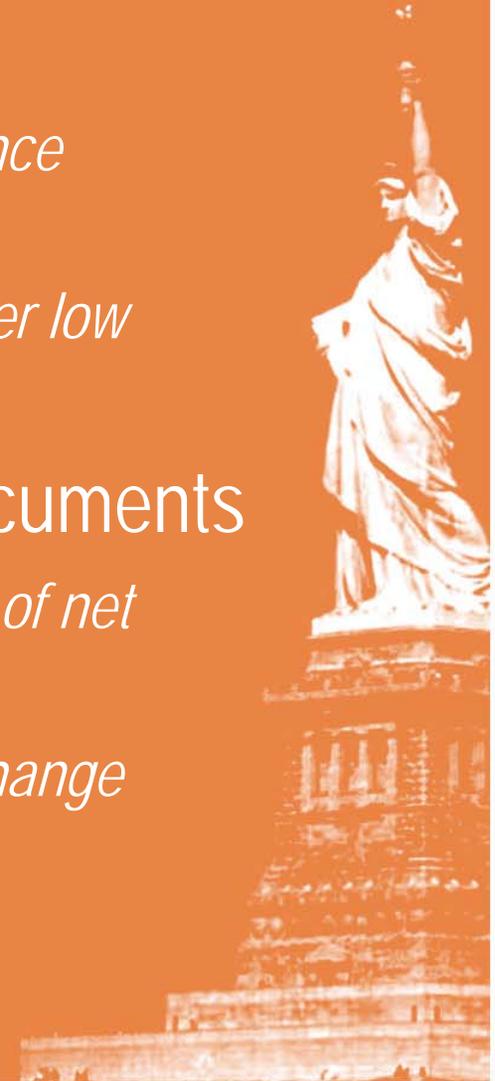
Resale/Recapture Options

1. Resale to Low Income Buyer
2. Recapture Options:
 1. *Full recapture*
 2. *Declining Balance Recapture*
 3. *Equity Sharing*
 4. *Return of Equity First*



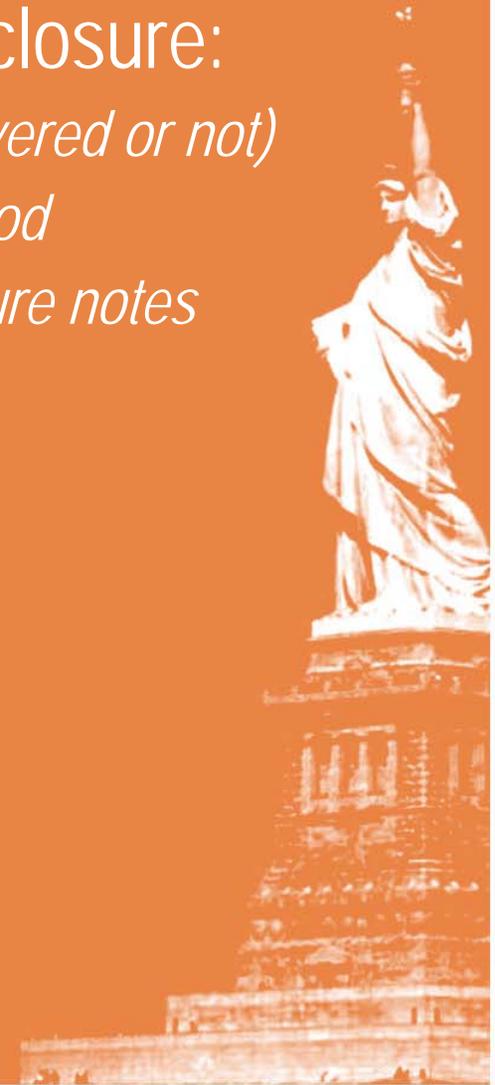
HTFC Resale/Recapture Policy

- HOME Program Notice 03-02
 - *Buyer subsidy subject to declining balance recapture & shared net proceeds*
 - *If development subsidy, resale to another low income buyer requirement*
- HTFC has issued standard loan documents
 - *New recipients must use "recapture out of net proceeds" option*
 - *Existing recipients are encouraged to change*
 - *Contact Regional Office if questions*



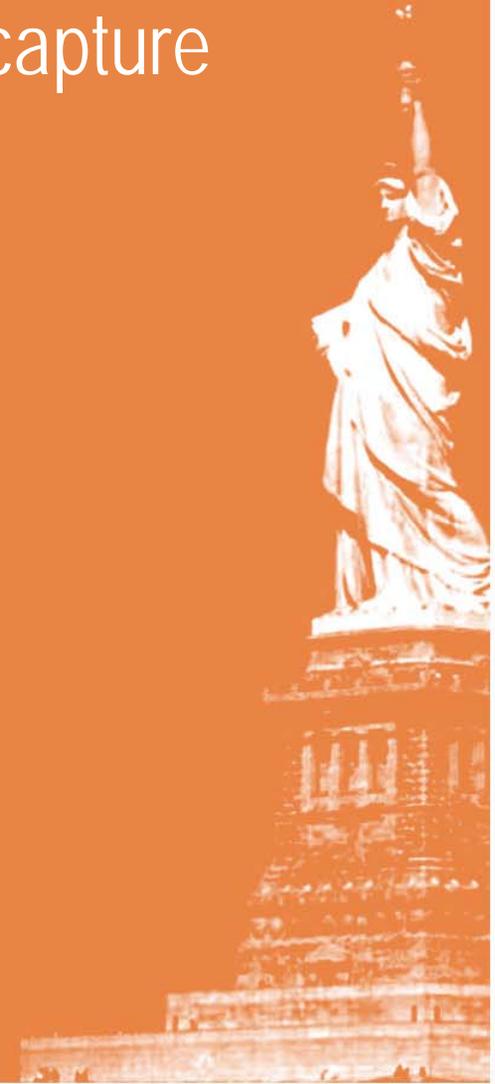
Repayment Policy

- If foreclosure or deed in lieu of foreclosure:
 - *Funds need to be repaid (whether recovered or not)*
 - *Until completion of min affordability period*
 - *Except homebuyer projects with recapture notes "out of net proceeds"*
- HTFC policy
 - *Repayment due to HTFC*



Recaptured Funds

- Homebuyer recapture subject to recapture rule (92.503(c); CPD-97-09 p. 13)
- 92.504(c)(1)(viii) - disburse first
 - *"For additional HOME projects"*
 - *HUD doesn't permit new admin charge*
- Tracking/reporting:
 - *IDIS entry & reporting*
 - *Revolving loan fund "workaround"*





DHCR/HTFC
CHDO Homebuyer
Project Funding

Applying for DHCR/HTFC Project Funding

- Next Unified Funding round:
 - *Expect to issue in November*
 - *Expected due date: February/March*
- Obtain the LPA Application
 - *Download last yr's @*
www.dhcr.state.ny.us/ocd/nofas/uf04.htm
 - *But expect some changes*
- Attend pre-application workshops
- Talk to Regional Office staff

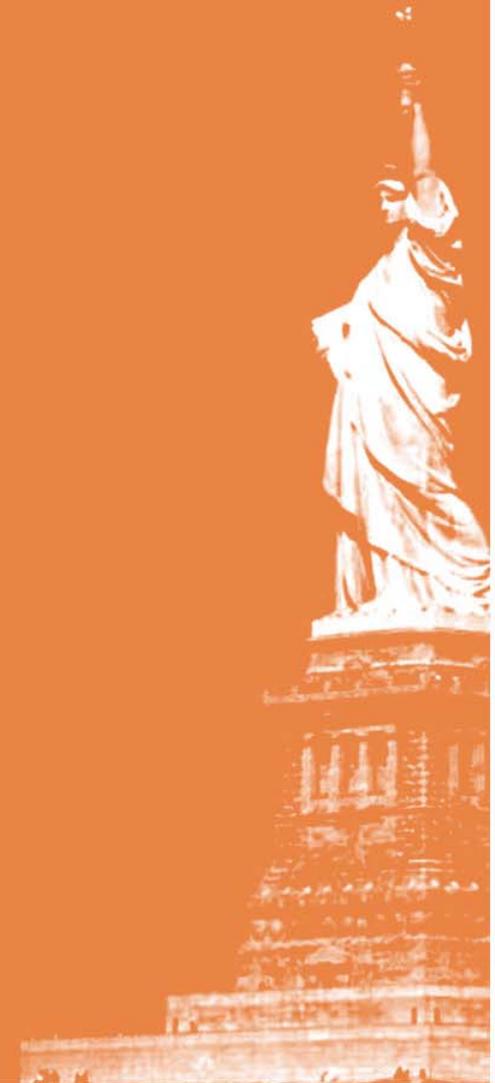


Application Contents

1. Application Summary
2. Proposal Summary
3. Organization's Relevant Experience
4. Budget/Financing Plan
5. Program Schedule

Attachments:

- A. *Needs Statement*
- B. *Administrative Plan*
- C. *Funding Commitments/PHA Participation*
- D. *Community Needs Strategy*
- E. *CHDO Determination Letter*



Needs Assessment

Need based on:

1. *Average income to be assisted*
2. *# / % persons below the poverty level*
3. *Homeownership rate in the service area; and,*
4. *Affordability index for the service area (follow calculation instructions)*



Administrative Plan Requirements

- program design
- program service area boundaries
- staffing plan
- process for determining eligibility
- contracting/construction mgt procedures
- financial management procedures
- record-keeping and reporting
- post-occupancy compliance
- compliance with other federal requirements
 - *Env review, relocation, labor stds, LBP, conflict of interest*



Special CHDO Requirements

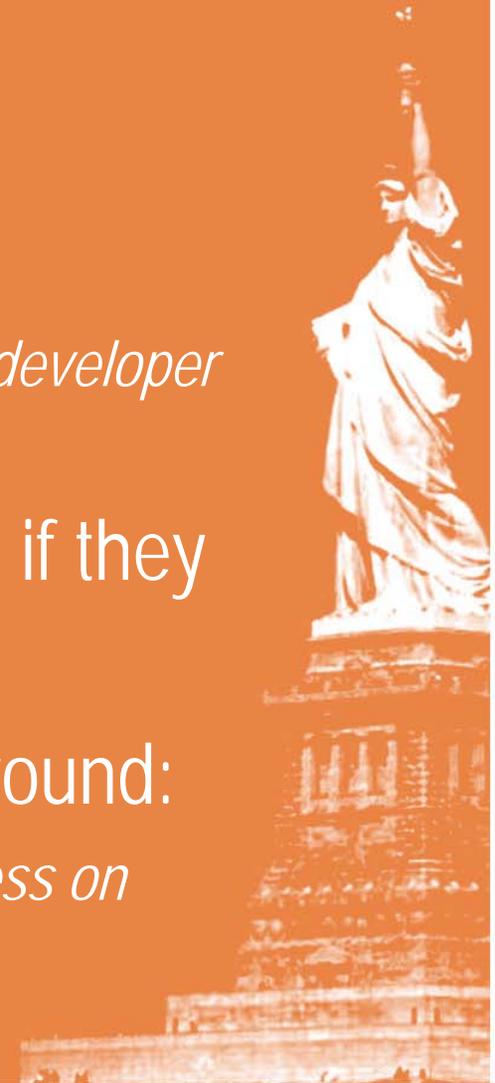
Explain:

- process for identifying and acquiring properties
- sources for acquisition and construction financing, incl conditions of non-HOME funding
- Transfer/mgt process:
 - *Who will take title to assisted properties during construction*
 - *when title will be transferred to the home buyer; and,*
 - *who will be responsible for managing construction/rehab*



Other CHDO Guidelines

- Up to \$30,000/un assistance
 - *Subject to increase next round?*
- Up to 8% for administrative costs
 - *(rental projects can get up to \$2000/un developer allowance)*
- CHDOs can retain CHDO proceeds if they submit plan for reuse
- Some changes expected from last round:
 - *expect more emphasis on impact and less on income served*



How To Be Competitive

- Follow instructions carefully
- Be complete
- Allow time to proof application
 - *Internal inconsistencies are a common problem*
- Watch scoring
 - *& for changes in scoring emphasis*



CHDO Pre-Development Funding

- DHCR expects to make pre-dev assistance available to CHDO homebuyer projects in 2005
- Currently, rental projects can receive up to \$5,000/un up to \$45,000



Wrap Up

- Evaluations
- Future seminars

Have a safe trip home!

