

US Department of Housing and Urban Development

Special Attention of:

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Regional Administrators

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HOME Participating Jurisdictions

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Subject: Using HOME Funds for Single Room Occupancy (SRO) and Group Housing

1. **PURPOSE AND BACKGROUND**

This Notice provides guidance on using HOME funds for Single Room Occupancy (SRO) and Group Housing projects. The HOME Investment Partnership Program interim rule, (24 CFR Part 92, as amended) cites general targeting, subsidy and rent rules governing HOME-assisted projects while also providing a revised SRO definition. Application of targeting, subsidy and rent rules depends on how the participating jurisdiction (PJ) chooses to classify the project: one unit (usually determined by size) or separate and identifiable units. This notice discusses the options that are possible when applying subsidy, targeting, and applicable HOME rents.

The new construction of SRO housing is no longer restricted and is considered an eligible activity for all PJs under §92.205 with specific eligible costs being set forth in 92.206. This includes the conversion of non-residential space into an SRO as well.

2. **DEFINITIONS**

A **Group Home** is housing occupied by two or more single persons or families consisting of common space and/or facilities for group use by the occupants of the unit, and (except in the case of shared one bedroom units) separate private space for each family. It also includes group housing for elderly or disabled persons. Supportive services may be provided. These structures are usually large single-family units that are being used for this purpose. PJs may choose to consider them as a single unit for HOME assistance purposes or, depending upon their size, choose to classify them as single room occupancy (SRO) units.

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Single Room Occupancy (SRO) housing means housing consisting of single room dwelling units that is the primary residence of its occupant or occupants. The definition under Section 92.2 has been revised to require the unit to contain either food preparation or sanitary facilities (it May contain both) only if the project consists of new construction, conversion of non-residential space, or reconstruction. For acquisition or rehabilitation of an existing residential structure, neither food preparation nor sanitary facilities are now required to be in the unit. If the units do not contain sanitary facilities, the building must contain sanitary facilities that are shared by tenants. SRO does not include facilities for students.

3. **REQUIREMENTS: PROJECT CLASSIFICATION AND SUBSIDY LIMITS, INCOME TARGETING AND RENT RULES**

Different requirements apply to HOME-assisted housing depending upon whether the project is classified as **one unit or contains separate and identifiable units**.

Since the newly revised SRO definition now provides that neither food preparation nor sanitary facilities are required in the unit when there is acquisition or rehabilitation of an existing residential structure, there may be instances where some rehabilitated units can be classified as either a Group Home or an SRO project. In any event, the PJ must make that determination.

This section classifies housing by type of project, and specifies the HOME subsidy limits, income targeting and rents for each type.

- A. A Group Home** is considered a one-unit project. All occupants of single-unit HOME-assisted projects, except supportive services providers, must be low-income.

Subsidy Limits

The entire project is considered a single unit for determination of maximum HOME subsidy limits 92.250. The subsidy limit is based on the number of bedrooms in the unit. For example, a three-bedroom group home would be eligible for the Section 221 (d)(3) limit for a three-bedroom unit. Bedrooms occupied by resident supportive service providers are counted as eligible bedrooms for subsidy purposes.

Income Targeting

Since the HOME program-wide income targeting requirements in Section 92.216 state that 90 percent of the funds used for rental housing or

tenant assistance must be used for dwelling units occupied by families whose annual income does not exceed 60 percent of area family median income, it is expected that most, if not all, tenants would be below 60 percent of area median income. All tenants, other than live-in service providers, must be low income (incomes at or below 80 percent of area median).

Rents

Rents in HOME-assisted group homes are based on the appropriate Section 8 Existing Housing Fair Market Rent (FMR) for the unit size. For example, a group home with four bedrooms would use the FMR for a four-bedroom unit. Each family's rent will be its proportionate share of the total unit rent. Rent includes utilities, but does not include food or cost of any supportive services provided. Because a group home is a single unit, there is no low HOME rent.

NOTE: Live-in supportive service provider bedrooms are not counted in calculating tenants' rent. For example, if one bedroom of a four-bedroom unit is occupied by a service provider, the maximum unit rent is the FIVIR for a three bedroom unit.

- B. Single Room Occupancy Projects** consist of clearly identifiable, separate units. Only units occupied by persons/families below 80% of area median income may be assisted with HOME funds.

Subsidy Limits

The maximum per-unit subsidy limits under §92.250 are the §221 (d)(3) limits for zero-bedroom units.

The maximum subsidy is calculated on the basis of the number of HOME-assisted units in the structure(s) times the allowable per unit subsidy amount. However, in no event may the maximum subsidy exceed the actual development cost of the HOME-assisted units based on their proportionate share of the total development cost. Common area rehabilitation costs may be covered in the same proportion or percentage as HOME-assisted units are part of the project. For example, if five out of 10 units in the structure(s) are HOME-assisted, HOME funds may be used to cover one-half the cost of common area rehabilitation costs.

Income Targeting

As with group homes, it is expected that most, if not all, SRO tenants would be below 60 percent of median income. In addition, in SRO projects with 3 or more units, 20 percent of the units must be occupied by tenants with incomes below 50 percent of the median income.

Rents

If a HOME-assisted SRO unit has neither food preparation nor sanitary facilities, or only one, the rent may not exceed 75 percent of the FMR for a zero-bedroom unit. The "lesser of" rule comparing the FMR to 30 percent of 65 percent of area median income and low HOME rents do not apply in this circumstance.

For an SRO unit with both food and sanitary facilities contained within the unit, the standards set forth in Section 92.252 relative to **High and Low HOME** rents apply. **High HOME rents** are established at the lesser of the Section 8 Existing Housing FMR, or 30 percent of 65 percent of area family median income, adjusted for family size. With respect to **Low HOME rents**, at least 20 percent of all HOME-assisted units in each project must be occupied by very low-income families (not exceeding 50 percent of area median income). Low rents are set at:

- (1) not more than 30 percent of the occupant's monthly adjusted income, or
- (2) not more than 30 percent of the gross income of a family at 50 percent of area median income, adjusted for family size.

NOTE: HOME rents include utilities, but do not include food or the costs of supportive services.