

RENTAL HOUSING DEVELOPMENT FACT SHEET

HOME Builds Affordable Rental Housing

HOME funds can be used to rehabilitate existing rental housing or to build new rental housing. HOME funds may be used for the acquisition, new construction, or rehabilitation of rental housing, or for refinancing existing debt when it allows continued affordability in the units. HOME-assisted rental units are reserved for very low- and low-income residents and have controlled rents.

Developing rental housing with HOME funds makes sense for jurisdictions with:

- A limited supply of affordable rental housing;
- Extremely low vacancy rates for existing housing stock, where direct rental subsidies for tenants are unlikely to succeed; or
- Significant numbers of substandard or abandoned properties, where rehabilitation will assist in neighborhood revitalization.

HOME Rental Housing Helps Low-Income Residents

All households that occupy HOME-assisted rental housing must be low-income. Initially, most rental housing must serve very low-income households.

HOME Rents Are Controlled to be Affordable

Rents charged in HOME-assisted units may not exceed rents established by the HOME Program. There are two types of HOME rents:

- Typically, 20 percent of the HOME-assisted units are capped at the *Low HOME* rent to ensure affordability to very low-income residents.
- All remaining HOME-assisted units are capped at the *High HOME* rent, to ensure affordability to low-income residents.

HUD establishes HOME rents by unit size and metropolitan area on an annual basis.

HOME Rents Remain Affordable for the Long-Term

In order to increase the supply of affordable housing in a jurisdiction over time, HOME-assisted rental units must remain affordable for some period of time beyond initial occupancy. This means that the rents continue to be controlled, and the occupants must continue to be low-income. At a minimum, this period of affordability can range from five to twenty years, depending on the amount of HOME funds invested in the project. Participating jurisdictions (PJs) are free to increase these periods, as warranted by local housing needs.

HOME Rental Housing Involves Other Housing Partners

HOME rental housing is frequently developed with the assistance of nonprofit and for-profit developers. Rental housing development is an eligible form of investment for the portion of HOME funds that is set aside for investment by community housing development organizations. In addition, nonprofit housing partners can:

- Own, develop, or sponsor rental housing projects,
- Act as property managers, and
- Administer rental housing programs (as subrecipients to the PJ).

Learn More About the HOME Program

To obtain more information on the HOME Program, visit the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home>, or contact the Community Planning and Development (CPD) Office of U.S. Department of Housing and Urban Development. To locate the field office nearest you go to <http://www.hud.gov/directory/ascdir3.cfm>.

UNDERSTANDING RENTAL HOUSING DEVELOPMENT HOME Terms and Requirements

Eligible Households

To receive assistance, a household must be *low-income* or *very low-income*. This means that it has a gross annual household income of 80 percent or less (low-income), or 60 percent or less (very low-income), of the median income for its area. PJs are responsible for verifying that those assisted meet the low-income requirements prior to occupancy. Tenants must re-certify income eligibility on an annual basis thereafter.

Eligible Properties

PJs have ample flexibility to invest in a range of rental housing activities:

- Property Type.** A rental project may be of any size or style. For instance, HOME funds may be invested in traditional multifamily housing structures; scattered site rental units; transitional or permanent housing, including group housing, single room occupancy units (SROs); and elder cottage housing opportunity units (ECHO housing). PJs may also invest HOME funds in rental units that are occupied by low-income residents in mixed-income developments.
- Property Standards.** All properties assisted with HOME funds must meet applicable property standards for decent, safe, and sanitary housing, as well as local codes.

Eligible Costs

HOME rental project funds can be used to cover the following costs related to the development of non-luxury housing:

- Site acquisition and preparation costs, including demolition, site improvements, and utility connections;
- Construction materials and labor;
- Soft costs such as architectural and engineering, financing, accounting, recordation fees, and environmental reviews;
- Relocation costs;
- Loan Guarantee Accounts; and
- Initial operating deficit reserves.

Key Program Requirements

HOME requires that rental housing projects comply with the following rules:

- Long-term affordability requirements (controlled rents and low-income occupancy) must be secured through deed restrictions or covenants running with the land;
- HOME investments must be reasonable and may not exceed generous maximum per unit subsidy limits established by HUD. When combined with other public sources, PJs must review the financing to ensure the project is not overly subsidized;
- Units must meet applicable codes and property standards;
- Rents must be affordable and no greater than published HOME Rents;
- Assisted households must be low- or very low-income, as verified by the PJ;
- PJs must monitor and inspect projects throughout the affordability period to ensure continued compliance with rent restrictions, low-income occupancy requirements, and property standards; and
- Projects must meet other Federal requirements related to fair housing, environmental reviews, lead-based paint abatement, and prevailing wage.