

# ***CDBG WEBCAST***

***HUD, OFFICE OF BLOCK GRANT ASSISTANCE***





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# **MODULE 4: *Housing and Other Real Property Activities***

# WELCOME

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- ❑ Training Presented by HUD, Office of Community Planning and Development, Office of Block Grant Assistance (OBGA)
  - ◆ Richard Kennedy, Director, OBGA
  - ◆ Stan Gimont, Deputy Director, OBGA
  - ◆ Steve Johnson, Director of Entitlement Programs
  - ◆ Diane Lobasso, Director of State Programs
  - ◆ Paul Webster, Director of Financial Management Division

# CDBG TRAINING SERIES



- ❑ Eight modules in series:
  - ◆ Module 1: Welcome, CDBG Statutory/Regulatory Context, National Objectives
  - ◆ Module 2: State CDBG Program
  - ◆ Module 3: Administration/Planning, Financial Management, Including Program Income
  - ◆ **Module 4: Housing and Other Real Property Activities**
  - ◆ Module 5: Public Facilities And Public Services
  - ◆ Module 6: Economic Development, Including Public Benefit
  - ◆ Module 7: Section 108
  - ◆ Module 8: IDIS, Performance Measurement, Reporting
- ❑ Training presented by OBGA staff
- ❑ Available on HUD's website at:  
<http://www.hud.gov/offices/cpd/communitydevelopment/programs/index.cfm>

# MODULE 4 TOPICS AND TRAINERS

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## □ Topics:

- ◆ Homeowner rehabilitation
- ◆ Homebuyer activities
- ◆ Rental housing
- ◆ Housing services
- ◆ Lead paint
- ◆ Code enforcement
- ◆ Historic preservation

## □ Trainers:

- ◆ Dick Kennedy
- ◆ Steve Johnson
- ◆ Steve Rhodeside

# APPROACHES TO HOMEOWNER REHABILITATION

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- ❑ Many options for types of rehab programs
- ❑ Assistance can be in form of grants, loans, loan guarantees, interest subsidies
- ❑ Minor/moderate/substantial rehab possible:
  - ◆ May or may not involve bringing all items up to code
  - ◆ May also include other improvements to enhance livability of unit
  - ◆ No required property standards but grantees may adopt

# APPROACHES TO HOMEOWNER REHABILITATION (cont)

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- ❑ Special purpose programs OK
  - ◆ Energy efficiency and weatherization
  - ◆ Emergency repair
  - ◆ Handicapped accessibility
  
- ❑ Reconstruction:
  - ◆ CDBG now allows as rehab
  - ◆ Same lot but not necessarily standing at time of project commitment
  - ◆ Manufactured housing is allowed if part of the community's permanent housing stock

# APPROACHES TO HOMEOWNER REHABILITATION (cont)

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- ❑ CDBG entitlement regulations allows refinancing if part of rehab and makes that rehab affordable
  - ◆ No refinancing only



# HOMEOWNER REHAB ELIGIBLE COSTS

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- ❑ Costs of labor and materials eligible
- ❑ Related eligible costs:
  - ◆ Initial homeowner warranty premium
  - ◆ Hazard insurance premium (except with grant)
  - ◆ Flood insurance premium
  - ◆ Lead-based paint testing & abatement
- ❑ Purchase of construction equipment not eligible
  - ◆ Tool lending programs are OK
- ❑ Be sure to follow CDBG rules on eligible rehab costs (States follow HCDA) PLUS A-87 cost reasonableness

# ESCROW ACCOUNTS

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- ❑ Escrow accounts provide an excellent way to pay contractors
- ❑ Used for loans and grants for primarily residential structures
- ❑ Require an executed contract with homeowner authorizing escrow account

# ESCROW ACCOUNTS

## (cont)

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- ❑ Funds deposited in account must be used within 10 working days
- ❑ Limited to paying actual rehab costs
- ❑ Account must be interest bearing & interest must be paid to HUD quarterly
- ❑ Above requirements are for entitlements and are safe harbor for States.

# LUMP SUM DRAWDOWNS

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- ❑ Lump sum drawdowns may be used to establish a rehab fund with a private financial institution
- ❑ If states wish to do lump sum, use entitlement regulations
- ❑ Subject to certain limitations:
  - ◆ Cannot exceed the grant amount needed for specific program
  - ◆ Cannot be used solely for investment
  - ◆ Admin costs not eligible

# LUMP SUM DRAWDOWNS (cont)

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- ❑ Grantee must execute a written agreement with institution
- ❑ First funds must be committed within 45 days of deposit
- ❑ Disbursements must begin within 180 days
- ❑ Financial institution must provide specific considerations in exchange for deposit
- ❑ Account must earn interest
- ❑ Interest is considered program income

# HOME PURCHASE ELIGIBLE ACTIVITIES

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- ❑ Two ways to approach home purchase activities:
  - ◆ Assistance to homebuyers
  - ◆ Development assistance
- ❑ Eligible activities for assistance to homebuyers:
  - As direct homeownership assistance -- now a separate & permanently eligible activity
  - As a public service activity (subject to cap)

# HOME PURCHASE ELIGIBLE ACTIVITIES (cont)



- ❑ Direct homeownership assistance means:
  - ◆ Up to 50% of required downpayment
  - ◆ Reasonable closing costs
  - ◆ Principal write-down
  - ◆ Acquisition financing
  - ◆ Acquisition of mortgages guarantees
- ❑ As public service, only downpayment assistance eligible
- ❑ IDAs:
  - ◆ Dedicated savings accounts
  - ◆ Use program funds as matching
  - ◆ Can deposit funds in IDA if family eligible

# HOME PURCHASE ELIGIBLE ACTIVITIES (cont)

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- ❑ Development assistance for homeownership
  - ◆ Acquisition with rehabilitation
  - ◆ Activities supporting creation of new homeowner units by developers
    - Acquisition (if nonprofit/public developer)
    - Infrastructure (if public ownership)
    - Clearance and demolition
  - ◆ New construction of housing by CBDOs as part of eligible CBDO projects



# APPROACHES TO RENTAL HOUSING

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- ❑ Many possible approaches:
  - ◆ Acquisition
  - ◆ Rehabilitation
  - ◆ New construction
  
- ❑ Acquisition:
  - ◆ Grantees subsidize the purchase
  - ◆ In return units are rented to LMI persons at affordable rent
  - ◆ Must be public or nonprofit purchaser

# APPROACHES TO RENTAL HOUSING (cont)

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## □ Rehabilitation

- ◆ Can be combined with acquisition
- ◆ CDBG mandates no standard
- ◆ Can do historic preservation
- ◆ Conversion = changing something into affordable housing
- ◆ Reconstruction = re-building same size structure on same site

# APPROACHES TO RENTAL HOUSING (cont)



## □ New construction

- ◆ CDBG cannot generally be used to construct rental housing
  - Exception for CBDOs/§105(a)(15) for States
  - Exception for special needs facilities
  - CDBG can be used to support new construction
    - ◆ Acquisition and disposition
    - ◆ Site clearance and assemblage
    - ◆ Site improvements

# ELIGIBLE RENTAL PROJECTS

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- ❑ Project ownership can be public or private
- ❑ Mixed use is allowed
  - ◆ Can pay for both commercial and residential
- ❑ Mixed income is also possible
- ❑ Special needs projects are allowed
  - ◆ Includes group homes, SRO, transitional
- ❑ Can develop facilities but these are not “housing”
  - Not subject to new construction ban
  - Must be owned by public agency or nonprofit

# RENTAL HOUSING ELIGIBLE COSTS

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## □ Expenditures may include:

- ◆ Labor & materials
- ◆ Refinancing (if necessary & appropriate)
- ◆ Energy efficiency improvements
- ◆ Utility connections
- ◆ Lead-based paint activities
- ◆ Rehab services (loan processing, specs, etc.)
- ◆ Handicapped accessibility improvements

# INELIGIBLE HOUSING ACTIVITIES

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- ❑ New construction, unless by CBDO
- ❑ Direct mortgage guarantees
- ❑ Purchase of construction equipment
- ❑ Mortgage or utility payments, except when:
  - ◆ Provided for less than 3 months in an emergency & payments made to provider
  - ◆ When provided as a loan
  - ◆ When provided by CBDO as part of CBDO project

# NATIONAL OBJECTIVES FOR HOUSING



- ❑ Most common national objective is LMI housing
  - ◆ Only L/M national objective that can be used
- ❑ To meet the housing national objective, structures must be occupied by low/mod households
  - ◆ One unit structures occupied by LMI
  - ◆ One unit of duplex occupied by LMI
  - ◆ 51% of 3+ units LMI occupied by LMI

# NATIONAL OBJECTIVES FOR HOUSING (cont)



- ❑ Multi-family housing:
  - ◆ 51% of units in each structure occupied by LMI households AND
  - ◆ Rents must be affordable; grantee determines what is “affordable”
  - ◆ If carried out by CDFI w/target area or in NRS, may aggregate projects to meet 51%
- ❑ Properties with less than 51% LMI can be assisted when:
  - ◆ Assistance reduces development cost of new construction, multifamily rental project
  - ◆ Project not designed for elderly households
  - ◆ At least 20% of units will be occupied by LMI households
  - ◆ CDBG does not bear greater portion of cost than proportion of units that are occupied by low/mod



# NATIONAL OBJECTIVES FOR HOUSING (cont)



- ❑ *Some* activities may qualify under Slum/Blight Area Basis or Spot Basis
- ❑ If Slum/Blight Area Basis:
  - ◆ Area must meet requirements & rehab must address deterioration
  - ◆ Building must be substandard & all deficiencies must be addressed before less critical work done
- ❑ If Spot Basis, rehab limited to elimination of public health/safety issues

# HOUSING SERVICES

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- ❑ Housing services may be eligible as:
  - ◆ Public service activity
  - ◆ Part of other CDBG activity (program delivery) OR
  - ◆ As separate activity when activities linked to HOME Program activities
- ❑ As public service, housing services may fit under Area Benefit or Limited Clientele of Low/Mod National Objective
- ❑ As part of CDBG or HOME housing activity, housing services must qualify under the Low/Mod Housing National Objective

# ELIGIBLE LEAD-BASED PAINT ACTIVITIES



- ❑ Costs for evaluation and reduction of lead hazards in housing
  - ◆ Inspection
  - ◆ Testing surfaces
  - ◆ Abatement
  - ◆ Relocation
- ❑ Lead paint evaluation and reduction eligible as independent activity even when buildings are not scheduled for rehab
- ❑ Typically use the Low/Mod Housing national objective
  - ◆ If homeownership units, all occupants must be low/mod
  - ◆ If owner occupied or rental, 51% of properties with 2 or more units must be occupied by low/mod
- ❑ Slum/Blight Area Basis also possible
  - ◆ Area must meet requirements
  - ◆ Activity must address slum/blight conditions

# CODE ENFORCEMENT ACTIVITIES



- ❑ Costs for code enforcement eligible if:
  - ◆ Enforcement takes place in a deteriorated or deteriorating area
  - ◆ Enforcement is accompanied by public or *private* improvements or services
- ❑ Eligible costs include:
  - ◆ Inspection (e.g., salaries and overhead)
  - ◆ Enforcement (e.g., salaries and legal costs)
- ❑ Costs of correcting violations not eligible as code enforcement, but may be eligible as rehab
- ❑ Typically use Low/Mod Area Benefit
  - ◆ Area must contain 51% low/mod persons and
  - ◆ Area must be primarily residential in nature
- ❑ May also use Slum/Blight Area Basis
  - ◆ Area must meet qualifying requirements
  - ◆ Activity must address slum/blight conditions

# HISTORIC PRESERVATION ACTIVITIES



- ❑ Funds may be used for preservation, rehabilitation or restoration of historic properties
- ❑ Both public and private properties are eligible
- ❑ Historic properties include properties
  - ◆ Listed or eligible to be listed in the National Register of Historic Places
  - ◆ Listed in a State or local inventory of historic places
  - ◆ Designated as a State or local landmark or historic district by appropriate law or ordinance
- ❑ Wide range of national objectives possible:
  - ◆ Low/Mod Housing criteria, if residential
  - ◆ Low/Mod Area Benefit, Limited Clientele, or Job Creation/Retention if non-residential
  - ◆ Slum/Blight Area Basis, Spot Basis or Urban Renewal (possible for entitlements only)