

# Home Investment Partnerships Program



## A Citizen's Guide

City of Huntington, West Virginia

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## **Introduction**

Decent, affordable homes are more than bricks and mortar; they are the cornerstones of strong families and strong neighborhoods. Even in the most prosperous communities, there are low-income families who pay most of their incomes for housing, sometimes for physical inadequate or overcrowded units. Some cannot obtain shelter at all. Through the HOME program, the U.S. Department of Housing and Urban Development helps State and local governments implement long term affordable housing strategies that respond to each community's unique mix of needs and resources.



## **What is the HOME Program?**

The HOME program, established under Title II (Home Investment Partnerships Act) of the National Affordable Housing Act, represents a historic affirmation of the Federal government's commitment to providing decent, safe, and affordable housing for all Americans and to alleviating the problems of severe rent burdens, homelessness, and deteriorating housing nationwide.

But HOME is not only about doing good – it is also about working smart. In addition to providing States and localities with financial assistance to meet their most urgent housing problems, HOME has been designed to help them develop the skills, institutions, relationships, and vision they will need

to confidently and effectively tackle affordable housing and other important community issues in the years to come.

HOME empowers States and local governments, known as participating jurisdictions (PJ's), to design and implement their own affordable housing strategies.

HOME extends and strengthens partnerships among all levels of government and the private sector.

HOME builds the capacity of these partners by funding technical assistance activities, as well as by setting aside funding to ensure that community-based nonprofit organizations participate in local strategies.

HOME mobilizes community resources by requiring that participating jurisdictions match a portion of their HOME allocations from non-Federal sources.



## **How Are HOME Funds Allocated?**

Because HOME funds are limited, HUD ensures that they go to the communities that need them. Ever year HUD determines the amount of HOME funds that States and local governments are eligible to receive using a formula designed to reflect relative housing need. This process is called "formula allocation." After money has been set aside for the America's insular areas (American Samoa, Guam, Northern Mariana Islands, and U.S. Virgin Islands) and for nationwide HUD technical assistance, the remaining

funds are divided between States (40 percent) and units of general local government (60 percent).

States are automatically eligible for HOME funds and receive either their formula allocation or \$3 million, whichever is greater. Local jurisdictions eligible for at least \$500,000 under the formula (\$335,000 in years when Congress appropriates less than \$1.5 billion for HOME) can also receive an allocation. Communities that do not qualify for a formula allocation can band together with one or more neighboring localities in a legally binding consortium whose members' aggregate allocations would meet the threshold for direct funding. Dozens of consortia have already been formed, enabled communities to take a more regional, collaborative approach to meeting their affordable housing needs. The City of Huntington joined together with the two counties to form the Cabell-Huntington-Wayne HOME Consortium.

Communities that do not qualify for a direct formula allocation or as part of a consortium may still participate in the HOME program by applying for program funds made available by their State.



### **How Do Communities Apply for HOME Funds?**

Signing up for the HOME program is easy. Shortly after HOME funds become available each year, HUD informs eligible jurisdictions of the amounts earmarked for them. A newly eligible jurisdiction must notify HUD of its intent to participate in the program.

Then, like other participating jurisdictions (PJ's), it must prepare (and HUD must approve) a Consolidated Plan, which forms the blueprint for its affordable housing strategy. The Consolidated Plan process enables a jurisdiction to document its housing and community development needs and to formulate a strategic plan for addressing those needs – and it shows how the proposed use of HOME funds fits into this broader, coordinated strategy.



### **How Can Communities Use HOME Funds?**

Unlike traditional categorical grant programs, HOME funds give communities the flexibility to undertake a broad range of affordable housing activities. States and localities may use their HOME funds to:

- Acquire property.
- Construct new housing for rent or homeownership.
- Rehabilitate rental or owner-occupied housing.
- Improve sites for HOME assisted development or demolish dilapidated housing on such sites.
- Pay relocation costs for households displaced by HOME activities.
- Provide financing assistance to low-income homeowners and new homebuyers for home purchase or rehabilitation.
- Provide tenant based rental assistance or help with security deposits to low-income renters.

- Meet HOME program planning and administration expenses.

Home funds may not be used to support:

- Public and assisted housing operation, modernization, and preservation activities for which HUD already provides other dedicated funding.
- The ongoing operation of rental housing through, for example, operating subsidies or reserve accounts.
- Matching funds for other Federal programs.



### **Serving Low-Income Families**

HOME assistance is targeted to ensure that the program serves the affordable housing needs of the families who most urgently need it, the low- and very low-income households.

At least 90 percent of HOME funds used for rental housing must be invested in units that are occupied by families earning no more than 60 percent of the area median income, with the remaining families earning no more than 80 percent of the median income. The rents in HOME assisted units must be affordable to low-income families and remain affordable for a reasonable amount of time.

Homeowners assisted with HOME funds must have incomes at or below 80 percent of the area median income. Assistance must be for the owners'

principal residence and carries with it provisions intended to ensure that, in the event of resale or default, the home either remains affordable or the HOME subsidy is recaptured to be used again. The estimated value of the property after assistance must not exceed 95 percent of the median area purchase price.



### **Leveraging Community Resources**

Two key features of the HOME program help unleash the tremendous capacity of participating communities. First, HOME encourages States and localities to mobilize their own resources through a requirement that PJ's contribute or match 25 cents for each dollar of HOME funds spent on affordable housing. As a rule of thumb, investments from State or local government or the private sector qualify as matching contributions, whereas Federal funds (such as Community Development Block Grants) do not qualify. But sources of match include more than cash – PJ's can also use the value of donated land, construction materials, voluntary labor, and foregone interest or taxes, as well as many other services and benefits that nonprofit development can attract.

HOME also helps foster the growth and capacity of local nonprofits by requiring that each PJ sets aside 15 percent of its allocation to fund housing that will be owned, developed, or sponsored by entities designated as community housing development organizations (CHDO's). These are private, nonprofit agencies organized under State or local law, accountable to the community they

serve, and committed to and experienced in providing decent, safe and affordable housing for low-income people.

For more information, call the Department of Development and Planning HOME office (304) 696-4486 ext. 2039. Our office is located in City Hall, Room L-7. Office hours are 8:00 a.m. to 4:30 p.m., Monday through Friday.