



**Summary of the HOME Program
Description Changes**

**Substantial Amendment to the State of
Tennessee Consolidated Plan**

Introduction and Background

On November 1, 2011, the U.S. Senate approved the Minibus Appropriations Bill, which covers the U.S. Department of Housing and Urban Development (HUD) and included a 38% reduction in the allocation for the 2012 HOME Program. The State of Tennessee is expecting a reduction of nearly 36% in its HOME allocation for 2012 and is required to incorporate new requirements into the HOME Program that were included in the appropriations bill. As a result of the anticipated reduction and new program requirements, Tennessee Housing Development Agency (THDA) is making changes to the HOME Program Description through a substantial amendment to the State of Tennessee's Consolidated Plan. The HOME Program is one of four HUD programs covered by the State Consolidated Plan. The purpose of this document is to describe, in writing, changes to the HOME Program Description and to allow for public comment regarding the substantial amendment to the Consolidated Plan. The changes to the HOME Program are as follows:

Allocation of Funds

2012 HOME funds will be allocated as follows:

- 10% for Administration;
- 15% for Community Housing Development Organizations (CHDOs);
- 10% for Supportive Housing Development; and
- 65% for Eligible projects in Urban and Rural areas of the state.

Supportive Housing Development

Ten percent (10%) of the total allocation will be reserved for eligible applicants proposing projects to develop supportive housing. Supportive housing projects are limited to rental activities. They include, but are not limited to housing designed for persons with a specific type of disability who could not reside in housing that is available to the general public due to a condition that can be either a permanent or temporary disability. There must be on-going, on-site services because without the on-site services, the disabled persons would be unable to maintain themselves in the housing. Supportive housing applications must include documentation of on-going, on-site supportive services. If there are not enough applications for the Supportive Housing Development Set-aside, the remaining funds will be combined with the funds in the Regional Allocation.

Urban/Rural Allocation

The urban allocation is 44% and the rural allocation is 56% of the remaining 65% of the funding. Percentages are based on the low-income population in the designated urban and rural counties. Urban areas include the following counties: Anderson, Blount, Bradley, Carter, Coffee, Dyer, Gibson, Hamilton, Hamblen, Haywood, Madison, Maury, Montgomery, Putnam, Roane, Rutherford, Sumner, Unicoi, Williamson, and Wilson. All other counties are considered rural. The urban allocation does not include the low-income populations of the local participating jurisdictions of Chattanooga, Clarksville, Jackson, Knox County, Knoxville, Memphis, Metropolitan Nashville-Davidson County, Shelby County, Sullivan County and Washington County, excluding the Town of Jonesborough.

Administration

The HOME Program includes a set-aside of ten percent for administrative costs. THDA will spend up to ten percent of its HOME allocation for administrative and planning expenses. THDA will use four percent of the total funds for its own administrative expenses. The remaining six percent is available to pay the administrative costs of local governments and non-profit recipients.

Eligible Applicants

CHDOs

The CHDO must have demonstrated capacity for carrying out activities assisted with HOME funds and may satisfy this requirement by having paid employees with housing development experience. A non-profit organization does not meet the test of demonstrated capacity based on any person who is a volunteer or whose services are donated by another organization or by hiring a consultant. In order to be eligible for the 2012 HOME Program, a CHDO will have to provide documentation that neighborhood market conditions demonstrate a need for the project.

Eligible Activities

Housing Rehabilitation

Under the 2012 HOME Program, Reconstruction, Conversion and New Construction without Acquisition are no longer eligible Homeownership Rehabilitation Programs.

The use of HOME funds will be limited to the rehabilitation of existing structures. A maximum of \$40,000 per house for rehabilitation hard costs (excluding building inspections, LBP inspections, energy related inspections and administration) will be allowed. Dilapidated structures which require reconstruction are not eligible and should not be scored. Priority should be given to repair or replacement of roofs, HVAC systems, electrical systems, plumbing systems, foundation problems, water supply issues, exterior painting to maintain the structure and limited interior painting. The structure must exhibit at least one code violation as revealed by a code inspection.

HOME regulations require that after the work is complete, the structure must meet the building code in force for that location or the applicable International Code. Units assisted with HOME funds must require at least \$1,000 of rehabilitation work to bring the unit into compliance with the applicable codes. Structures that cannot be brought up to code with the maximum grant funds would be ineligible.

CHDO Homeownership Program

HOME funds are to be used as the primary method of financing (without interest cost) for the development of affordable single-family units either through new construction or acquisition and rehabilitation of substandard units by the CHDO. Any homeownership unit developed by a CHDO that cannot be sold to an eligible homeowner within six months of project completion must be converted to rental housing and rented to an income eligible tenant under the rental requirements of 24 CFR 92.252.

Rental Housing Programs

Supportive Housing Development includes new construction, acquisition, and/or rehabilitation of housing, including transitional housing, single-room occupancy housing and group homes for persons with a physical, emotional or mental disability who require on-site supportive services to maintain themselves in housing. The provision of on-site supportive services is required.

Applicants proposing rental projects must document that neighborhood conditions demonstrate a need for the project. Grantees will be required to repay any HOME funds expended on projects that are not completed and ready for occupancy within 4 years of the date the Written Agreement between the Grantee and THDA is executed.

CHDO Proceeds

CHDO proceeds are the HOME funds returned to a CHDO upon the sale of a unit developed by the CHDO from the buyer's permanent financing. The 25% cap on the amount of CHDO proceeds that can be used for operating or administrative expenses has been eliminated from the HOME Program Description.

Program Requirements

Energy Conservation

In addition to meeting the 2006 International Energy Conservation Code, new construction projects must be Energy Star qualified and certified by an independent HERS rater or achieve a Home Energy Rating System (HERS) index of 85 or less when tested by a certified rater.

Urban/Rural and Supportive Housing Matrices

Need

For homeownership projects, the need factors used are the percentage of owner households that are low income; the percentage of owner households with cost burden; the percentage of owner units built before 1960; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing facilities; and the percentage of food stamp recipient households in the county.

For rental projects, the county need factors used are the percentage of tenant households that are low income; the percentage of low income tenant households with cost burden; and the percentage of units built before 1960 occupied by tenant households; the percentage of homes lacking complete kitchen facilities; the percentage of homes lacking complete plumbing facilities; and the percentage of food stamp recipient households in the county.

Not Proportionately Served

THDA shall award up to 50 additional points to applications submitted from areas where the amount of THDA and HOME funding is below the state average. The formula for awarding these points is based on the percentage of 1992 – 2011 HOME dollars awarded in each county. For multi-county projects, this score is calculated proportionately according to the number of units in each county.

Public Comment

THDA has made this summary of program description changes available for public comment at www.thda.org using the standard methods developed in the State of Tennessee Consolidated Plan. THDA will also hold a public meeting on April 10, 2012. A summary of public comments received will be included in the substantial amendment to the State of Tennessee Consolidated Plan.