Office of Affordable Housing Programs Update

NCDA Conference   —   June 13, 2023

HOME Reform Initiative

- HOME Rulemaking – White House Housing Supply Action Plan
  - OAHP conducted comprehensive review of statute and regulations and is currently drafting proposed rule
  - HUD has previously identified these topics in OMB Semi-Annual Agendas
    - CHDOs
    - Community Land Trusts
    - HOME Rents
    - Property Standards
  - Publication expected late 2023

HOTMA Final Rule

- Housing Opportunity Through Modernization Act of 2016 (HOTMA)
  - Major reform legislation for public housing and Section 8 programs
    - Revises HUD's Part 5 income regulations- creates new requirements for determining a family's assets and income
    - Streamline and align administrative processes in HUD rental programs
    - Target scarce resources to most needy families through the income and asset examination process
  - OAHP issued conforming regulations for HOME and HTF to align and reduce administrative burden of calculating income on units assisted by multiple HUD programs
  - Final Rule published on February 14, 2023; effective date January 1, 2024

HOTMA Final Rule: Key Provisions

- Key Provisions of Final Rule (24 CFR Part 5):
  - **Annual income**: used for determining eligibility for assistance in PIH, MFH, and certain CPD programs (24 CFR 5.609)
  - **Adjusted income**: used for calculating a tenant's rent in PIH, MFH, and certain CPD programs (24 CFR 5.611)
  - **Net Family Assets**: creates a new definition of net family assets (24 CFR 5.603)
  - **Earned Income Disallowance**: sunsets a benefit which disregards increases in income for persons with disabilities 2 years after effective date of rule (24 CFR 5.617)
  - **Asset Restrictions**: sets limits on value of net family assets and real property ownership (24 CFR 5.618) - Not applicable to HOME but impacts occupant if unit/tenant is assisted by another HUD program subject to requirement

HOTMA Final Rule

New HOME provisions to align and reduce administrative burden:

- Requires PJs to accept income determinations made in units assisted by Federal or state project-based rental assistance programs (e.g., PBV)
  - Includes initial and interim reexamination of annual & adjusted income
- Allows PJs to accept income determinations made by PHAs in units occupied by federal TBRA recipients (e.g., HCV, HUD-VASH)
  - PJs may need data sharing agreements w/PHAs and/or owners
- Requires use of Part 5 definition of annual income (24 CFR 5.609(a) and (b)) in rental projects where PJ is required to or chooses to accept income determinations done by PHAs, Section 8 owner, or rental assistance provider

Implementing HOTMA

- To implement the HOTMA Final Rule OAHP:
  - OAHP will issue guidance and provide training for HOME, HOME-ARP and the Housing Trust Fund (HTF)
  - Update HOME Monitoring Exhibits
  - Update CPD Income Calculator

NSPIRE Final Rule

- National Standards for Physical Inspection of Real Estate (NSPIRE) Final Rule published May 11, 2023
- Strengthens HUD's physical condition standards, and aligns inspections for HUD-assisted housing inspected by HUD's REAC
- Replaces UPCS and HQS
- Incorporates affirmative requirements at 24 CFR 5.703, for example
  - Smoke detectors
  - Carbon monoxide detectors (as required by 2021 Appropriations Act for applicable programs)
    - Not applicable to HOME and HTF
  - GCFI outlets
  - Guardrails and interior lighting fixtures
  - A permanent heating source
  - Prohibition on unvented space heaters that burn gas, oil or kerosene
  - Source of safe drinking water
  - Sanitary facility and kitchen area requirements

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

EQUAL HOUSING OPPORTUNITY

Key NSPIRE Provisions for HOME and HTF

- Conforming changes replace references to UPCS in Parts 92/93 with NSPIRE
  - For HOME TBRA, reference to HQS is removed
  - HUD must establish and publish in the Federal Register lists of specific deficiencies that must be corrected in HOME- and HTF-assisted housing based on NSPIRE
- 24 CFR 5.705 – 5.713 (inspection procedures; scoring, ranking and appeals; etc.) do not apply to HOME and HTF
- Applies affirmative requirements at 24 CFR 5.703, except:
  - Carbon monoxide detectors
  - Sanitary facilities and kitchens in SRO units
- Continues to require compliance with state and local housing quality standards and codes

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

EQUAL HOUSING OPPORTUNITY

Key NSPIRE Provisions for HOME and HTF

- HOME TBRA: PJs must have written property standards for housing
  - Rule aligns TBRA with ongoing property condition standards of rental housing
    - Must require that housing meet state and local codes and ordinances;
    - be free of health and safety defects; and
    - meet lead-based paint requirements
- TBRA/Rental Housing: Strengthens property standards for ongoing inspections
  - In absence of state/local codes, HOME and HTF housing must not contain specific deficiencies established by HUD in the Federal Register based on NSPIRE
  - Previously, HOME and HTF required that inspections include all inspectable items and areas specified by HUD

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

EQUAL HOUSING OPPORTUNITY

HOME/HTF NSPIRE Implementation

- Rule applies to HOME/HTF commitments executed on or after October 1, 2023
- HUD will publish a Federal Register Notice to:
  - Clarify property standards and inspections requirements, and
  - Establish lists of specific deficiencies that must be corrected in HOME/HTF housing.
- Additional OAHP HOME/HTF TA Plan:
  - Live webinar with opportunity for QA following publication of the Notice
  - Inspection checklists by activity (rehabilitation, acquisition of standard housing, TBRA and ongoing property condition of rental housing)
  - Written rehabilitation standards toolkit
  - Primers on Capital Needs Assessments, analysis of useful life of major systems, and sizing replacement reserve
  - How to evaluate construction costs, schedule for progress inspections
  - Sample form for annual owner certification

HOME Homebuyer Program Training

- HOME Homebuyer Program training series
  - 6-week series targeted to HOME PJs providing homeownership assistance
  - Local PJ cohorts to promote peer learning, cross-collaboration to address local issues
  - Ensures PJs understand key regulatory requirements related to designing HOME homebuyer assistance programs
  - Includes required reading, live webinar sessions, prerecorded training content, peer-to-peer discussion forums, case studies, and other exercises
  - Completed cohorts in Los Angeles and San Francisco in 2022
  - Registration is announced through your Field Office
    - Late June: New York and New Jersey Cohort
    - July: Pittsburgh/Buffalo/Columbus Cohort
    - October: North Carolina

HOME Program Performance Concerns

- FY 2015 HOME grants expire this September (2023)
- PJs are at risk of losing funds - even committed funds - to expiration

Year	Unexpended – All PJs	Uncommitted –All PJs
2015	$17,214,878	$11,031,440
2016	$57,296,831	$44,349,071

- 172 PJs have unexpended 2015 funds
- 122 PJs have uncommitted 2015 funds

HOME Program Performance Concerns

- Slow <u>commitment</u> of HOME funds

- Allocation Years Uncommitted:
  - What is it?
  - National avg. = 2.47 years
  - 1 PJ with > 6 years of allocations uncommitted
  - 11 PJs with 5 – 6 years of allocations uncommitted
  - 57 PJs with 4 – 5 years of allocations uncommitted
  - 128 PJs with 3 – 4 years of allocations uncommitted
  - 207 PJs with 2 – 3 years of allocations uncommitted
  - 242 PJs with < 2 years of allocations uncommitted

HOME Program Performance Concerns

- Four-year project completion requirement
  - HOME projects must be completed within 4 years of commitment
    - Appropriations law requirement, now in regulation
  - 1-year extension is possible upon request (before deadline)
  - PJ must repay funds disbursed for projects not completed by deadline
  - Currently, <u>226</u> projects nationwide funded by <u>99</u> PJs do not meet the requirement
    - HUD will be following up with those PJs

HOME Program Performance Concerns

- 18-month Rental Unit Occupancy requirement
  - HOME-assisted rental units must be initially occupied by eligible tenants within 18 months of project completion
  - PJ must repay HOME funds invested in any housing unit that has not been rented to eligible tenants 18 months after the date of project completion
  - Currently <u>632</u> units nationwide in projects completed by <u>90</u> PJs do not meet the requirement
    - HUD will be following up with these PJs
    - Vacant units prevent grant closeout

HOME-ARP Update
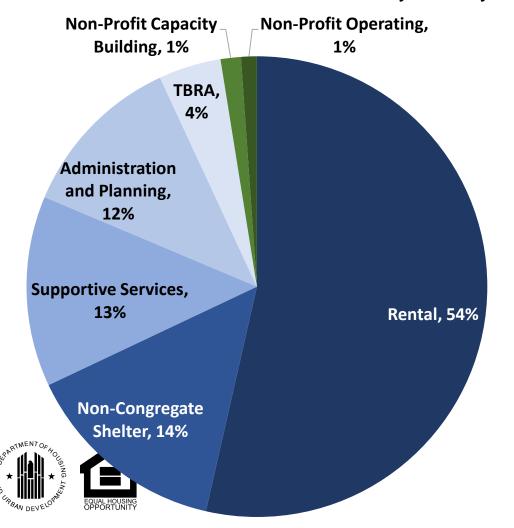
HOME-ARP Program Status

- All 643 HOME participating jurisdictions that were expected to submit a HOME-ARP Allocation Plan met the March 31st deadline
- Field Offices have accepted 534 plans to date
  - Other PJs are working on resubmissions or have resubmitted those plans for Field Office review
- To date, PJs have set up 127 HOME-ARP activities in IDIS
  - Three HOME-ARP activities have been completed in IDIS

How PJs are Planning to Use HOME-ARP Funds

Distribution of HOME-ARP Funds by Activity

Pie chart segments:
- Non-Profit Capacity Building, 1%
- Non-Profit Operating, 1%
- TBRA, 4%
- Administration and Planning, 12%
- Supportive Services, 13%
- Non-Congregate Shelter, 14%
- Rental, 54%

Housing Goals
- 18,778 Units Produced
- 22,134 Units Supported

Note: Data reflect plans as reported by PJs in their Allocation Plans. Data are current as of June 5, 2023, and include data for 534 PJs with approved plans as of that date.
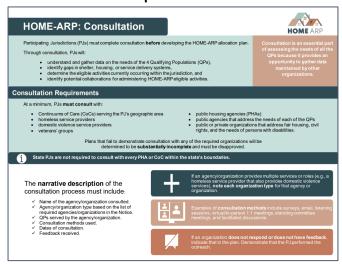
Help for Rejected Plans

- HOME-ARP Allocation Plan Handouts are available on specific topic areas
    - Allocation Planning Roadmap
    - Consultation
    - Public Participation Requirements
    - Needs Assessment and Gap Analysis
    - Preferences, Methods of Prioritization, and Limitations
- Handouts are available here: https://www.hudexchange.info/resource/6822/home-arp-allocation-plan-handouts/

Example Handout

Plan Rejected? Help Available

- Direct technical assistance (TA) is available to assist PJs with resubmission of disapproved plans

- Request Direct TA through TA portal on the HUD Exchange.

- Submit Questions to your Field Office or directly to OAHP via HOME-ARP Mailbox - HOMEARP@hud.gov

Upcoming Technical Assistance

- OAHP, in collaboration with Community Compass TA providers, is implementing a robust technical assistance plan, including:
  - Implementation Problem Solving Clinics (focus on program administration)
  - Topical Webinars
  - Sample agreements, templates, and tools
  - Sample policies and procedures, checklists, etc
  - Model Guides (e.g, TBRA Program Guide, Rental Housing Compliance)
  - Tools (e.g., Cost Allocation Tool, Underwriting Tool)
- HOME-ARP HUD Exchange page being redesigned - check out the many products and webinars already developed and posted there