

Top 10 things to know about managing properties that have HOME funds:

1. Read the Regulatory Agreement. This agreement provides specifics on how many units are considered “HOME-assisted”, and at what income and rent levels. This agreement is a contract between the County and the property owner. Non-compliance under this agreement is considered to be a default under the loan agreement.
2. Rents cannot exceed HOME program rent limits minus a utility allowance. When the project has multiple funding sources with different requirements, the most restrictive requirement applies.
3. Section 8 and HOME
Housing Choice Vouchers: Rents on HOME units cannot exceed the “high HOME” or “65 percent rent limit” even if a tenant has a Section 8 voucher.

Project-Based Section 8: Rents are based on fair market rent, so rents on HOME units that are also a Project-Based Section 8 unit can exceed “high home” or “65 percent rent limit”.
4. Rents cannot be increased more than once per year and require written County approval prior to tenant notification. A request for a rent increase should be sent to the County 60 days before the new rents are to take effect. The request should include the effective date of the increase, current rent and utility allowances, and proposed new rents and utility allowances for each unit type.
5. Household incomes cannot exceed HOME program incomes. When the project has multiple funding sources with different requirements, the most restrictive requirement applies.
6. **HOME Regulations 24 CFR 92.203(a) requires that HOME units be determined to be income eligible by examining source documentation (3rd party verification and/or statements). This includes all the different sources of income as well asset verification (checking account, savings account, etc.). The HOME program requires that at least two months’ worth of source documentation be collected.**
7. Tenant must be income eligible at move-in. Incomes must be recertified once a year.
8. Tenants who become “over-income” may stay in their apartment. The next available unit must be rented to an income eligible tenant at the appropriate income level to bring the property back into compliance under the regulatory agreement. (See the Over Income definition in the attached glossary for incremental income increases.)
9. HUD required tenant protections:
 - The initial lease period must be for 12 months. Upon renewal, with mutual agreement between the tenant and landlord, the lease may be month to month.
 - Tenants must be provided with at least 30 days notice to vacate. This also applies to evictions.
10. The property, including interior and exterior areas, must be maintained to pass the required physical inspection.

Glossary

AMI: This refers to area median income. HUD determines the area median income based on a household size of four for Alameda and Contra Costa County. The AMI is the same for all regions of both counties. HUD then applies its own formula to the AMI to determine income levels at 30, 50, 65, and 80 percent of the AMI for household sizes ranging from 1 to 8 members. The State of California also uses the HUD AMI to determine incomes and rents for the tax credit program. The published income and rent limits may be different between the HOME and tax credit programs.

Floating Units: Rather than have specific units in a project designated as HOME-assisted and always required to be occupied by HOME-eligible tenants, the County allows the HOME units to “float.” This allows greater flexibility in identifying HOME units.

HOME-assisted unit: A unit that has received HOME subsidy and is controlled through the County Regulatory Agreement.

HOME, or HOME Investment Partnerships Act program: A federal program administered through HUD. HOME funds are provided to the County through HUD for the development of decent affordable housing. Any project that receives HOME funds must comply with federal regulations. Non-compliance requires the repayment of HOME funds to the U.S. Treasury.

HOME incomes: Extremely-low (30 percent AMI), very-low (50 percent AMI), and low income (80 percent AMI) standards are determined by HUD and provided to the County on an annual basis. These incomes are not superseded by any other program, including tax credits.

HOME rents: Maximum tenant rents that are determined by HUD based on income limits and number of bedrooms, and apply to the HOME program. These rents are not superseded by any other program, including tax credits. “High-HOME rents” are rents at the 65 percent AMI levels. The actual maximum rent allowed to be charged to a tenant is the HOME rent minus the utility allowance.

Household Income: The household income includes all income earned or received by all adult members, regardless of who is on the lease or the relationship between the household members. Incomes must be certified at occupancy and annually thereafter. (Incomes may be certified at a single point during the year, or on the anniversary of the tenant’s move-in date.)

HUD: U.S. Department of Housing and Urban Development.

Maximum tenant rent: See HOME rents and Utility allowance

Over-income: When a tenant’s income has increased from the initial restricted affordability for a HOME-assisted unit, they are considered to be over-income. For example, their income may increase from 30 percent AMI to 50 percent AMI. Under the HOME program, they are eligible to stay in their apartment. However, the development will no longer have the required mix of affordability under the regulatory agreement. The next available unit must be rented to an appropriate household so that the project is back in compliance with the regulatory agreement. The HOME program does not require tenants to move when incomes reach 140 percent AMI. That is a tax credit regulation. However, once the household income exceeds 80 percent AMI, the rent should be increased to the lesser of 30 percent of the household income, or fair market rent.

Physical Inspections: The Contra Costa HOME Consortium has contracted with the Building Inspection Division to complete the physical inspections. The HOME program requires the local jurisdiction to monitor the physical condition of HOME-assisted properties on a specific schedule based on the number of units in a project.

Regulatory Agreement: Legal and binding agreement between the project owner and the County which restricts the use and occupancy of the development. The regulatory agreement states how many units are to be designated as HOME-assisted. It identifies how many units at each income level are HOME units. Many regulatory agreements also specify how many units of different sizes (i.e. number of bedrooms) are designated as HOME-assisted. For example: a regulatory agreement may state that there are 11 HOME-assisted units, seven of which are affordable at 30 percent AMI, and four of which are affordable at 50 percent AMI. In addition, of the 30 percent units, there must be two 1-bedroom units, three 2-bedroom units, and two 3-bedroom units. The regulatory agreement also details how to treat tenants who become over-income.

Utility allowance: HOME regulations require that the maximum rent charged to a tenant be lowered by the cost of the tenant's utilities. The Housing Authority of Contra Costa County (HA) periodically publishes a utility allowance, which must be used for the HOME program. Actually utility cost surveys may not be substituted for the HA schedule. This schedule is used to determine the cost of utilities paid by tenants, which offsets a like amount of the rent that may be charged. For example: if the HOME rent maximum is \$500 and the utility allowance is \$50, then the maximum rent that can be charged to the tenant is \$450. The tenant's total housing cost cannot exceed the rent maximum.