

Section Three: **HOME Narratives**



Introduction
Federal Investment Criteria
Affirmative Marketing Policies

What Does This Section Contain?

The *2003 Annual Action Plan* provides specialized information about the Municipality's HOME funds.

What Does This Mean to Me?

This section answers the following questions:

- What is the Federal Investment Criteria ?
- What types of projects can HOME fund?

Introduction

The Municipality of Anchorage is a Participating Jurisdiction for HUD's HOME Investment Partnerships (HOME) program. It receives HOME entitlement funds annually that it may use to promote affordable housing in the Municipality through activities such as homeowner rehabilitation, homebuyer activities, rental housing development, and tenant-based rental assistance (TBRA).

HOME grant funds have specific requirements applicable only to HOME activities like the 25 percent match with non-Federal funds for HOME dollars allocated to a project. Eligible activities include homebuyer and homeowner rehabilitation activities. Homebuyer programs may be structured for acquisition, acquisition and rehabilitation, and new construction of affordable homes.

Federal Investment Criteria

Federal regulations require the Community Development Division to apply the following criteria to HOME funds:

- Recipients must be at or below 80 percent of area median income adjusted for household size.
- Up to 10 percent of the grant can be spent on administration and planning. This does not include 10% of recaptured funds.
- At least 15 percent set-aside annually for eligible Community Housing Development Organizations (CHDOs).

What is a Community Housing Development Organization (CHDO)? A CHDO (pronounced cho'do) is a private nonprofit, community-based service organization whose primary purpose is to provide and develop decent, affordable housing for the community it serves. Certified CHDOs receive certification from The Community Development Division indicating that they meet certain HOME Program requirements and therefore are eligible for the HOME CHDO set-aside funding. The HOME Program definition of a CHDO is found at 24 CFR Part 92.2.

Eligible Uses of HOME Funds

A variety of affordable housing activities are eligible under the HOME program:

1. Administration.
2. Planning.
3. Acquisition.
4. New housing construction.
5. Housing rehabilitation.
 - Demolition and clearance.
 - Utility connections.
 - Site improvements.
 - Relocation.
6. Tenant Based Rental Assistance.
7. Affirmative marketing and minority outreach.

Eligible Uses of CHDO Funds

1. Acquisition and/or rehabilitation of rental housing.
2. New Construction of rental housing.
3. Acquisition and/or rehabilitation/new construction of homebuyer properties.
4. Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

Affordability Periods

The HOME program sets affordability periods that relate to the sale/resale of the property. These periods are based on the amount of HOME funds provided for the property. The Municipality must control the sale/resale of any homebuyer property through either resale or recapture provisions as set forth in §24CFR 92.254.

HOME Funds Provided	Affordability Period
Less than \$15,000	5 Years
\$15,000- \$40,000	10 Years
More than \$40,000	15 Years

Table 3-1

Resale/Recapture Guidelines

If affordability periods (described above) are not met, the Community Development Division must have guidelines in place for recapturing property assisted with HOME funds or reselling it.

Resale

In projects where HOME funds are used for acquisition and/or rehabilitation and no loan subsidy is given, a Resale provision will be utilized in the form of a second mortgage using a Promissory Note and Deed of Trust (DOT), or written directly into the DOT. The terms of affordability are defined by regulation and dictate the terms of the second-mortgage loans. The housing must remain the principal residence of the family for the duration of the period of affordability. A detailed description of default and actions under default reside in the Deed of Trust.

In the event the “Borrower” intends to sell the property during the affordability period, the housing will only be available to families qualifying as low-income as stipulated in the applicable program’s policies and will use the property as their principal residence as defined in the Deed of Trust.

The resale price shall provide the original HOME-assisted homeowner a fair return on investment to include the homeowner’s investment and any capital improvements. The price shall also remain affordable to a reasonable range of low-income homebuyers. These resale-price assurances are delineated and guaranteed as provisions in the Deed of Trust as applicable.

Recapture

When down payment assistance or other loan assistance is provided, the Deed of Trust and Promissory Note will document the restrictions needed to comply with HUD 24 CFR 92.254 (a)(5)(ii). The Deed default provisions may include (but are not limited to) payment schedules, superior encumbrances, occupancy requirements, use of property, materially false information and/or material, and compliance with federal regulations and program policies.

The housing must continue to be the principal residence throughout the applicable affordability period. Loan balances at the time of a default according to the Deed of Trust and Note shall be due and payable, including amortized loans and loans with other types of payment requirements. The balance of loans reduced over a time period coinciding with the affordability periods shall also be due and payable upon default.

HOME funds used to reduce the purchase price to an affordable price are subject to the same recapture provisions as above and may be treated as either a loan with payment requirements or loans reduced over time.

When HOME funds are used to assist homebuyers acquiring single-family housing containing one or more units, the recapture provisions apply as above to both the unit used as the homebuyer's primary residence and the assisted rental-units. For the rental units, the affordability requirements of 24 CFR 92.252 will apply, except that the Municipality may terminate the affordability period upon the recapture of the HOME funds.

Match

The HOME Program regulations require a 25% match to HOME funds spent on eligible projects. The Municipality came into January 2003, the beginning of PY2003, with a match deficit of \$60,375.38. Since the beginning of the year, the tax-abatement process with Anchorage Neighborhood Housing Services has come to a close with the verification of HOME-compliant files in the Adelaide Project and the Stephens Park Apartments CHDO projects. With the payment of the check to ANHS in June of 2003, the Municipality is allowed to recognize \$197,249 of match credit. Less the match deficit carryforward from the start of the year, the residual match credit will come to \$136,873.62.

The Municipality also carries on its books over \$2 million in restricted match-credit from affordable housing bonds proceeds. Housing bond proceeds may be used for up to 25% of a PJ's annual match-obligation. A match-obligation is incurred when HOME funds are drawn down from the PJ's Treasury account. To calculate the amount of bond match-credit to apply, the following formula may be used: non-housing bond match-credit divided by 75%; then, subtract the non-housing bond match-credit from the quotient. Utilizing this formula, the tax-abatement agreement with ANHS will allow the Municipality to use \$44,624.54 of the bond proceeds. Total match-credit amounts to \$182,498.16. This amount of match-credit will make possible a HOME draw-down of \$729,992.64.

The Municipality now has the Affordable Homeownership program administered by Habitat for Humanity, Anchorage that will provide HOME match. Habitat utilizes volunteers and donations to construct new homes for low income households. Other programs like the Homeowner Rehabilitation Program and the HARP Program (CHDO) will also provide systematic -forms of HOME match-credit.