

# Funding Affordable Housing Development: An Introduction



November 2024

## Regional Housing Legal Services

RHLS is a nonprofit law firm with unique expertise in affordable, sustainable housing and its related components — community and economic development, utility matters, and preservation of home ownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe, and affordable housing for lower-income Pennsylvanians.

# Webinar Overview

- For people who are new to housing development or have limited experience who want to know more about how to fund the creation of affordable homes.
- Just an overview; each program has detailed guidelines.
- Focusing on resources for housing development; not covering programs for tenants, homebuyers, or homeowners.
- Covering the major and most commonly used programs.
- Not including COVID funding (CARES Act, ARPA)
- If you have a development in mind and want more information, get in touch with us and we will connect you with one of our attorneys.

## Disclaimer

The information included in this presentation is not legal advice. Regional Housing Legal Services has verified that the information about each program is accurate as of November 2024, but it is subject to change. Please visit the websites of the administering agencies to get the most up to date information about program requirements and contact them directly with specific questions.

# HOME Investment Partnerships Program

42 U. S. C. §12701 et seq.  
24 CFR Part 92

- Created by National Affordable Housing Act, also known as Cranston-Gonzales, as a block grant dedicated to increasing the supply of affordable homes.
- Dept of Housing and Urban Development (HUD) distributes funds annually by formula including:
  - ❖ Poverty
  - ❖ Age of rental housing
  - ❖ Condition of rental housing
  - ❖ Cost of producing housing

# HOME: What's It For?

- “[T]o expand the supply of decent, safe, sanitary, and affordable housing, with primary attention to rental housing, for very low-income and low-income Americans” (24 CFR §12722)
- New construction, rehab, acquisition, demolition related to creation of homes
- Rental assistance, including security deposits
- Housing counseling
- Build capacity of community organizations to engage in housing development and management
- Involve the private sector

# HOME: Who Administers It?

## ➤ Participating Jurisdictions (PJ)

- ❖ States
- ❖ metropolitan cities – (1) central city in a metropolitan area; (2) any other city in metro area with a population of 50,000 or more
- ❖ urban counties - populations of at least 200,000 (excluding the population of PJ cities); some smaller counties that meet other qualifications
- ❖ consortia – “geographically contiguous units of general local government” (24 CFR 92.101)
- ❖ must qualify to receive a minimum amount under the HOME distribution formula based on poverty and condition and age of rental properties
- ❖ 25% match of non-federal funds or in-kind contributions

# HOME: Who Administers It?

- DCED manages the state's allocation
  - ❖ DCED sends a portion of HOME funds to the PA Housing Finance Agency (PHFA) for PennHOMES to fund rental development or rehabilitation projects of 24 or more units.
  - ❖ Remainder made available to local, non-PJ governments on a competitive basis
  - ❖ PJs may also apply, but only for CHDO set-aside projects or if their direct allocation is less than \$500,000. PJ must contribute \$1,000 of their own HOME funding for each assisted unit



# HOME: Who Can Use It?

- PJ may use funds directly to carry out programs
  - ❖ DCED does not carry out any programs on its own
- PJ may contract with others to undertake eligible programs
  - ❖ Public agency
  - ❖ For profit developer/owner
  - ❖ Nonprofit organizations
  - ❖ Community Housing Development Organization (CHDO)

# HOME: CHDOs

## Community Housing Development Organizations

- 501(c)(3) or (c)(4) nonprofit organization
- history of serving the community within which the housing assisted by HOME will be located
- provision of affordable housing is one of the purposes in organizational documents
- one-third of the board members must be low income, residents of low-income communities, or elected representatives of organizations serving low-income areas
- has formal process for low-income community input re: design, siting, development, management of housing to be developed

# HOME: CHDOs

- May be sponsored or created by a for-profit entity, **but:**
  - ❖ for-profit entity cannot have primary purpose of developing or managing housing (e.g., builder, developer, or real estate firm)
  - ❖ for-profit cannot appoint more than 1/3 of the membership of the CHDO's governing body
  - ❖ officers and employees of for-profit may not be officers or employees of CHDO
  - ❖ CHDO must be free to contract for goods and services from vendors of own choosing

## HOME: CHDOs

- May be created by government entity, **but:**
  - ❖ governmental entity may not appoint or control more than 1/3 of board
  - ❖ not more than 1/3 of board may be employees of governmental entity or public officials

## HOME: CHDOs

- Must have demonstrated capacity for carrying out projects assisted with HOME funds
  - ❖ must have paid employees with development experience
    - in the first year of funding, requirement may be satisfied by contracting with a consultant to train staff
- CHDO must own, develop, or sponsor the project, as terms are defined in 24 CFR 92.300.

# Proposed Regulations

## Federal Register, May 29, 2024

- Wide variety of proposed changes including tenant protections, green building and energy efficiency, CHDO requirements, and more
- Proposed CHDO requirements:
  - ❖ Allow low-income representation to include people designated by a neighborhood organization (not limited to “elected by” the organization) and representatives of nonprofit housing or service organizations working in the neighborhood
  - ❖ Limit on government officials and employees on CHDO board would only apply to officials/employees of the PJ that created the CHDO; clarify the *no* governmental entity may appoint more than 1/3 of the board
  - ❖ Demonstrate capacity with volunteers who are also board members or officers; cannot be paid or working on time donated by another entity

## HOME: CHDOs

- PJ must set aside at least 15% of its allocation for CHDO projects
  - ❖ Up to 10% of set-aside for loans to CHDOs for technical assistance, site control, or pre-development expenses on specific HOME-eligible projects.
- PJ may use up to 5% of its allocation for CHDO operating expenses.

# HOME: How much money is there?

- Federal: \$1.25 billion in FY 24
- PA received \$53.1 million FY 24
  - ❖ Local government PJs: \$34.5 M
  - ❖ DCED: \$18.6 M
- No budget yet for FY25; Continuing Resolution through December 20, 2024



# HOME: Citizen Participation

- Every Entitlement Community submits a Consolidated Plan (ConPlan) to HUD
  - ❖ covers use of HOME, CDBG, Emergency Solutions Grant (ESG) funding, and several smaller programs
- Law requires planners to seek citizen participation through public meetings and comments
  - ❖ must be a publicly available Citizen Participation Plan that encourages citizen participation (especially for low- and moderate-income people)
  - ❖ also covers performance reports submitted HUD

## For More Information

- RHLS presentation: [www.rhls.org/pafundingreport](http://www.rhls.org/pafundingreport)
- National Low Income Housing Coalition  
([www.nlihc.org](http://www.nlihc.org))
  - ❖ [Advocates' Guide](#)
  - ❖ [Budget information](#)

**For More Information**

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[www.rhls.org](http://www.rhls.org)

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