

HOME Application Supplement – Existing Owner-Occupied Housing Rehabilitation

Introduction

The Pennsylvania Department of Community and Economic Development’s (DCED) needs assessment and goals for the 2019-2023 Consolidated Plan found rehabilitation of existing residential properties needed across the commonwealth. To address this need, DCED’s HOME Program has identified housing rehabilitation as a moderate priority for HOME funds. This assessment was based on the number of low-income residents, age of the housing stock, and other factors, such as lead based paint and radon hazards.

Applications for Existing Owner-Occupied Housing Rehabilitation (EOOH) are to be submitted by units of local government (cities, towns, counties, boroughs, and townships). These programs are generally administered by the unit of local government or by third party administrators contracted by the local government. Counties and cities are eligible to apply for up to \$750,000.00 and other units of local government may apply for up to \$500,000.00.

Applicants considering applying for EOOH should review their program design, including past performance and consider what is a reasonable number of units that can be completed in a maximum of 36 months. Applicants will need to ensure they are addressing all code deficiencies in properties, have sufficient contractors to provide service, do not exceed the HUD 95% value limit for the project area in question, and document after rehab value of the property.

All sections of HOME Program application on [DCED’s Electronic Single Application \(ESA\)](#) must be completed in their entirety to be considered for funding. Incomplete applications will be denied. Applications not funded will not be held over, but can be resubmitted as a new application in a subsequent funding round.

General Policies and Procedures

Applicants considering applying for HOME EOOH project funding may reference the following resources and procedures when building their program and preparing their application:

1. See [DCED’s Housing Rehabilitation Guidebook](#)
2. Documentation of income eligibility for the household in compliance with CFR 92.203 Income Determination
 - [DCED Income Eligibility Technical Assistance Manual & Training](#) (June & July 2020)
 - Use of the following HUD resources is also strongly recommended:
 - [HUD Income Calculator](#)
 - [HUD Webinar: Determining Income for the HOME Program](#)
 - [HUD Building HOME: Chapter 4 – Income Determination](#)
3. Calculate the after rehabilitation appraised value using the PA Department of Revenue’s Common Level Ratio for the appropriate jurisdiction and document in the project file.

§92.254 Qualification as affordable housing: Homeownership.

- (a) **Acquisition with or without rehabilitation.** Housing that is for acquisition by a family must meet the affordability requirements of this paragraph (a).
- (1) The housing must be single family housing.
 - (2) The housing must be modest housing as follows:
 - (i) In the case of acquisition of newly constructed housing or standard housing, the housing has a purchase price for the type of single-family housing that does not exceed 95 percent of the median purchase price for the area, as described in paragraph (a)(2)(iii) of this section.
 - (ii) In the case of acquisition with rehabilitation, the housing has an estimated value after rehabilitation that does not exceed 95 percent of the median purchase price for the area, described in paragraph (a)(2)(iii) of this section.
 - (iii) If a Grantee intends to use HOME funds for the rehabilitation of owner-occupied single- family properties, the Grantee must use the HOME affordable homeownership limits provided by HUD for newly constructed housing and for existing housing. HUD will provide limits for affordable newly constructed housing based on 95 percent of the median purchase price for the area using Federal Housing Administration (FHA) single family mortgage program data for newly constructed housing, with a minimum limit based on 95 percent of the U.S. median purchase price for new construction for nonmetropolitan areas. HUD will provide limits for affordable existing housing based on 95 percent of the median purchase price for the area using Federal FHA single family mortgage program data for existing housing data and other appropriate data that are available nation-wide for sales of existing housing, with a minimum limit based on 95 percent of the state-wide nonmetropolitan area median purchase price using this data.
- (b) **Rehabilitation not involving acquisition.** Housing that is currently owned by a family qualifies as affordable housing only if:
- (1) The estimated value of the property, after rehabilitation, does not exceed 95 percent of the median purchase price for the area, described in paragraph (a)(2)(iii) of this section; and
 - (2) The housing is the principal residence of an owner whose family qualifies as a low-income family at the time HOME funds are committed to the housing. In determining the income eligibility of the family, the Grantee must include the income of all persons living in the housing.
- (c) **Ownership interest.** The ownership in the housing assisted under this section must meet the definition of “homeownership” in §92.2, except that housing that is rehabilitated pursuant to paragraph (b) of this section may also include inherited property with multiple owners, life estates, living trusts and beneficiary deeds under the following conditions. The Grantee has the right to establish the terms of assistance.
- (1) **Inherited property.** Inherited property with multiple owners: Housing for which title has been passed to several individuals by inheritance, but not all heirs reside in the housing, sharing ownership with other nonresident heirs. (The occupant of the housing has a divided ownership interest.) The Grantee may assist the owner-occupant if the occupant is low-income, occupies the housing as his or her principal residence, and pays all the costs associated with ownership and maintenance of the housing (e.g., mortgage, taxes, insurance, utilities).
 - (2) **Life estate.** The person who has the life estate has the right to live in the housing for the remainder of his or her life and does not pay rent. The Grantee may assist the person holding the life estate if the person is low-income and occupies the housing as his or her principal residence.

- (3) **Inter vivos trust, also known as a living trust.** A living trust is created during the lifetime of a person. A living trust is created when the owner of property conveys his or her property to a trust for his or her own benefit or for that of a third party (the beneficiaries).

The trust holds legal title and the beneficiary holds equitable title. The person may name him or herself as the beneficiary. The trustee is under a fiduciary responsibility to hold and manage the trust assets for the beneficiary. The Grantee may assist if all beneficiaries of the trust qualify as a low-income family and occupy the property as their principal residence (except that contingent beneficiaries, who receive no benefit from the trust nor have any control over the trust assets until the beneficiary is deceased, need not be low-income). The trust must be valid and enforceable and ensure that each beneficiary has the legal right to occupy the property for the remainder of his or her life.

- (d) **Beneficiary deed.** A beneficiary deed conveys an interest in real property, including any debt secured by a lien on real property, to a grantee beneficiary designated by the owner and that expressly states that the deed is effective on the death of the owner. Upon the death of the owner, the grantee beneficiary receives ownership in the property, subject to all conveyances, assignments, contracts, mortgages, deeds of trust, liens, security pledges, and other encumbrances made by the owner or to which the owner was subject during the owner's lifetime. The Grantee may assist if the owner qualifies as low-income and the owner occupies the property as his or her principal residence.

HOME funds may be used to assist homeowners with the repair, rehabilitation, or reconstruction of owner-occupied units.

- (e) **Accessibility Requirements.** Design and construction of all DCED HOME developments must conform to the Fair Housing Amendments Act of 1988, the Pennsylvania Uniform and Construction Code, and Section 504 of the Rehabilitation Act of 1973, as amended. The site, buildings, and dwellings must conform to the Uniform Federal Accessibility Standards, the ANSI A117.1-2009, and/or the 2010 ADA Standards for Accessible Design, as applicable. The owner and architect of the development are responsible for ensuring the design of the development meets all applicable accessibility requirements.

HOME Application Checklist – Existing Owner-Occupied Housing Rehabilitation

The purpose of this checklist is to assist applicants with pulling together and organizing their required HOME Existing Owner-Occupied Housing Rehabilitation application documents prior to their final submittal on [DCED’s Electronic Single Application \(ESA\)](#). A document listed here is a required element of the HOME Existing Owner-Occupied Housing Rehabilitation application unless marked otherwise. DCED recommends reviewing this checklist thoroughly to ensure all final documents include all elements outlined in the listed prompts and share the correct naming conventions. Check off documents as you go.

The number listed before the documents here are where the forms or upload prompts are located within the ESA addenda.

Documents where the form template is provided by DCED within ESA or in the Federal Program Resource Library for download are **bolded**. All other listed documents must be created/provided by the applicant.

General Application Checklist

- #2 – Pre-Application Discussion with HOME Grant Manager
- #3 – **Resolution of HOME Program Applicant**
- #4 – **Assurances & Special Conditions Form**
- #5 – **Citizen Participation Report and related documents**
- #8 – **Limited English Proficiency Guidance & LAP Certification**

Existing Owner-Occupied Housing Rehabilitation Application Checklist

- #16a – **Compliance Checklist**
- #17i – Community Needs/Trends
Include the following in this document:
 - Detail the reason why properties need rehabilitation (age of housing stock, number and/or percentage of low-income residents, elderly, etc. and how the HOME Program will address the need.
 - Provide waiting/inquiry lists, or other evidence of the need for the proposed activity.
 - Describe how the program meets local or state Consolidated Plan and other program priorities listed in the Guidelines.
 - If the proposed project will promote diversity or is part of a comprehensive community development strategy, the narrative must describe how low-income housing needs are currently being substantially addressed.
- #17ii – Demographics
In this document, applicants must provide the total/sum of the renter and homeowner households in the subject area by age and income qualifications. Include a five-year projection, if possible. Sources of data, projections, and estimates should be clearly identified. Data should reflect the most recent decennial Census reports, current America Community Survey information, and/or data acquired from third-party providers.

- #17iii – Activity Description
Include the following in this document:
 - Describe the proposed activity and how it will address the stated need.
 - Provide estimates of the numbers of units, households and persons that will benefit.
 - Describe the activity's role in the comprehensive community development strategy, and how the activity will further the program priorities.
 - Describe community and private sector support for the program and the program's impact on stability and reinvestment in the community. Also cite any potential environmental problems such as lead based paint, radon, asbestos, floodplain impact, etc. Affirm the project has been reviewed to determine if any of the project is within a designated floodway using the best available data. Identify Flood Insurance Rate Map (FIRM) or other source used for this determination.

- #17iv Program Design & Housing Rehabilitation Guidelines
 - Provide a copy of local program design which specifies the form of assistance, (grant, deferred loan, etc.), minimum and maximum amounts of assistance, provisions for repayment (as applicable), placement, and removal of liens. All applications must demonstrate that the proposal is consistent with the minimum HOME requirements by completing the HOME PROGRAM COMPLIANCE CHECKLIST.
 - In the Local Program Design, the applicant should also detail:
 - A Program Income Reuse Policy and procedures to report all HOME program income to DCED (as specified in 24 CFR 92.305)
 - Systems and processes to identify any potential conflict of interest and report it to DCED for review (as specified in 24 CFR 92.356)

- #18 – Management Plan/Description of Local Staff Capacity
 - The project administrative team (including third party vendors) must be in place at time of application. Detail tasks necessary to accomplish all project activities including required staff and/or organization(s). Include the following information in your documentation:
 - Identify all third-party contracts, include copies of the first page and signature page of contracts.
 - All agreements between the Applicant and any entity involved in the administration and/or delivery of the proposed activity must be executed before undertaking activities. Contracts must clearly identify the duties of each.
 - The Agreement must be either a sub-recipient agreement or a third-party contract, depending on the responsibilities.
 - Provide detailed information for staff and/or third-party vendors to complete each task including skill level and/or experience. Current, up to date resumes may be included.
 - General tasks include but are not limited to environmental review, financial recordkeeping, Integrated Disbursement and Information System management (IDIS), procurement, contracting, day to day program administration, oversight of third-party contracts, closeout and audits.
 - Specific tasks identified should include major program components such as intake, inspections, work write-ups, contract monitoring, etc. These activities ensure that an effective management system is developed and maintained to provide for compliance with administrative requirements of the HOME program.

- A financial management system with appropriate record-keeping and internal controls is essential to justify all expenditures and to provide safeguards against fraud and mismanagement. HOME applicants must demonstrate that adequate capacity exists to complete the proposed activity within stringent timeframes.
 - If more than one agency and/or organization will be involved, detail coordination and lead responsibility.
 - Include a list of all contractors to be used in the program with copies of all relevant licenses such as lead-based paint, radon, etc.
 - Provide management and monitoring plans detailing how the program will be executed including compliance with affordability and other applicable requirements as well as time frames for program implementation and completion (detail on the Project Completion Timetable Form.)
- #19 – Copies of Executed Agreements/Contracts with Other Entities
Copies of executed agreements or contracts with any entities (other than those under direct supervision of the applicant) involved with the project must be provided. This may include, but not limited to, procurement of a contract administrator, developer or management agent and long-term affordability monitoring.
- #20 – Certification of Capacity
- #21 – Scope of Work
A detailed scope of work and plans must be submitted at time of application. The scope of work should describe construction type, methods of insulation, interior and exterior finishes, mechanical systems, and any special features of the project that may increase qualification ranking.
- #22 – Project Completion Timetable
Beginning with the application submission date, outline below a timetable for completion of the number of HOME assisted units projected in the application. The timetable should include all significant milestones, emphasizing those related to environmental clearance, application intake, inspections or property assessment and/or clearance of lead paint-based paint where applicable, bidding, award of local construction contracts, construction schedule with firm completion date(s). HOME applicants must recognize that DCED HOME contracts may contain up to a maximum 36-month period of performance. Applicants need to assure they are meeting both the number of units they are projecting and that those same units are completed within that maximum 36-month performance period. Applicants need to assure that the number of units projected are actually completed within the timetable provided. Successful applicants who do not complete the projected numbers of units within the applicable time period they provide will impact their capacity rating going forward. DCED would strongly suggest that applicants under-promise and over-deliver on both the number of units projected as well as the time frames provided for completion. Potential applicants with questions specific to construction schedules, time frames, etc. should contact their respective DCED HOME grant manager.
- #41 – HOME Budget Form & Narrative
- #42 – Other Secured Funding