HOME PROGRAM
HOUSING REHABILITATION/DISASTER RELIEF/PEOPLE WITH DISABILITIES

HOME HRA General Program Info:

- **When funds are available thru the RSP agreement**, a City or County is eligible to apply for the Texas HOME Program funded through the Texas Department of Housing and Community Affairs (TDHCA). The program is called the Housing Rehabilitation Assistance (HRA) Program. The state has reinstated Match, but any city with a population under 3000 will be exempt from this. A City with a population over 3000 will pay 1% per 1000 people, of the hard cost of construction which is estimated to be 100,000. For example, if your City/County has a population of 7000, the City/County would have a match of 7% of 100,000 to be paid with in-kind services or cash.

- **Competitive Award Process**- The State may implemented this award from year to year, in which the city would put in a competitive award application. This is done thru a scoring process. This is different from the RSP agreement but the rules are basically the same between either funding except that the median income for the competitive award has to be under 60% and the funds are guaranteed to the City/County for qualified households. No word this year as to whether this award process will be implemented.

- The HRA program funds rehabilitation or reconstruction of homes owned and occupied by low-to-moderate income residents of your City/County. Eligible homes must be inside the City limits, and homeowners must have clear and marketable title to their property, be current on their property taxes (and mortgage, if applicable), and must have incomes below the 80% area median family income limits for your county.

    - Example of Medina County 80% AMFI limits for 2018 are as follows:

Family Size:	1	2	3	4	5	6	7	8
Annual Income:	39,350	44,950	50,550	56,150	60,650	65,150	69,650	74,150

- Funds are granted to cities using a reservation system. A City/County will need to apply for a Reservation System Participant (RSP) agreement with the state. In the reservation system, the City/County does not get a grant for a certain amount of funds to build a certain number of houses. Instead, the City/County applies to participate in the reservation system and "set-up" (or "reserve the money for") houses as they are cleared through the eligibility process. If money is available in the contract system at TDHCA at the time a household is deemed eligible, it can be set-up and funds reserved for that house. You can set up as few as one house or as many as up to 4 at a time. The RSP agreement would be open for a period of Three Years. After this time you must reapply.

- Cash reserves required.

  The City/County has to commit to having $40,000.00 in unencumbered cash reserves to cash flow the project – i.e. to pay the contractor and wait for reimbursement from the State. These reserves are not a permanent injection of cash into the project, but rather an amount to be used to pay invoices and wait for reimbursement from TDHCA. Cash reserves have to be backed up with a resolution and financial statements or with a line of credit and a letter from a CPA indicating that the City/County does have the financial capacity to cash flow the project.

- **<u>Steps after RSP status approved by TDHCA:</u>**
  1) Advertise a Request for Proposals for professional services and conduct a selection process to choose a grant administrator
  2) Conduct a broad environmental review of the City/County conditions
  3) Advertise the HRA program and take homeowners applications
  4) Verify income and other eligibility.
  5) Determine sufficient ownership of the property through the title commitment process (which can take a few weeks to many months depending on any issues clouding titles).
  6) Conduct site-specific environmental reviews of each eligible property.
  7) Perform initial inspections and produce work write-ups and cost estimates:
     - If house can be brought to standards for less than $65K, then rehab is an option; if house needs more than $65K for rehab, then reconstruction is the result (i.e. demolish house and construct a new one in its place) (Due to conditions of most housing stock of eligible applicants, reconstruction is the result 99% of cases.) Reconstruction/New Construction has a limit of 100,000 per home.
  8) Once a home has clear title, income verified, a construction plan and the home is determined to be within the next 4 set-ups, an appraisal shall be ordered. This appraisal has to go thru small procurement procedures and has to be paid upfront by the City/County. The City/County will get reimbursed back once a home has been funded, approved and a draw established for the reimbursement.
  9) Once approximately three to 4 houses are ready to go (in a RSP program) or all contracted houses are ready (in a CA program), then bid out residential construction to a building contractor. (Under the current system, we have prolonged going out to bid for a contractor until the homes have been funded.)
  10) Set-up the houses in TDHCA's contract system and reserve funding for each home, either from the Award funded contract or from the pool of funds in the reservation system.
  11) A preconstruction meeting is held in which the City/County representatives, the homeowner, the contractor and the grant consultant are all on hand and meet at the homeowner's site.
  12) Contractor or from time to time City/County demolishes homes, disposes of debris, and clears lot (perhaps bringing in dirt) to provide a property to the contractor that is ready to be built upon.
  13) Contractor builds all homes in the package at one time over a 90 day window.
  14) Draw funds as construction invoices are presented to the City/County. (Typically there are 3 to 4 draws during the process depending on the contractor, the first at the time 50% of the house is complete less 10% retainage, second draw on completion and third draw for all soft cost and the retainage percentage.) Many will do a draw right after the demolition and site prep has been done.
  15) Turn over completed houses to homeowners and complete close out process.

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FREQUENTY ASKED QUESTIONS

1. **Are there up-front costs that have to be paid in advance?**

   There are a few costs that have to be paid in advance:

   - Appraisals fees per each home which typically runs 500.00 per each appraisal. This is a reimbursable expense as long as the home is funded.
   - Surveys are required; these will need to be paid up-front. This is a reimbursable expense as long as the home is funded.
   - Some communities may pay for invoices from builders and title companies before a draw is received. This is not mandatory and it is a decision decided on by the city/county.
   - Advertising run to comply with procurement rules. This is not reimbursable expense.
   - Advertising to comply with Environmental clearance rules. This is not reimbursable expense.
   - Advertising to the community for accepting applications. This is not a reimbursable expense.
   - If a home is in the floodplain, an elevation certificate may need to be done in order to receive an accurate construction bid. There are times where this is not a refundable expense.

2. **How long does it take to be approved for an RSP Agreement once it has been submitted to Texas Department of Housing and Community Affairs (TDHCA)? What is the term for an RSP Agreement?**

   - Our experience has been that it can take anywhere from 3 to 6 months for final approval and paperwork.
   - As per the new 2017 rules, the RSP Agreement will be good for 3 years at such time a new application will have to be submitted to be able to continue.

3. **What is basically needed to be done to get a home to the final stage ofapproval?**

   - Proof of Low to Mod Income.
   - Proof of Principal Residence (If condemned, uninhabitable or disaster has happened, they must prove principal residence prior to this occurring. There is a timeline as to how long they can be out of their home to qualify. Currently it is 5 years.)
   - Clear Title (HOME Program is based on homeownership).
   - Be current on Property Taxes.

4. **What is an affordability Period?**

   - For a grant the affordability period is 5 years and once the homeowner has lived in the home for this period of time the amount of construction is forgiven. There is no lien put on home. Each year of the affordability period, a prorated portion of hard cost construction is forgiven.
   - For a forgivable loan, the affordability time period is 15 years with a lien attached to the home during this period of time.

5. **Can a mobile home qualify for HOME Program?**

A mobile home can qualify under the following situations:

- The land must be owned by the homeowner with clear title.
- The homeowner must be able to secure a Statement of Ownership on the mobile home from TDHCA.
- This is not considered a grant, but instead a forgivable loan with an affordability period of 15 years with a lien on the property for that period of time. No payments are ever made and at the end of the 15 years, the lien is removed.

6. **If procured by a City or County, what does a Management Consultant handle in regards to the HOME Program?**

- Project Management; including but not limited to processing of Homeowner applications, verifying income, working with title companies to clear titles, procurement of building contractors and small procurement process's for appraisers and surveyors.
- Financial Management.
- Environmental Review/Clearances.
- Fair Housing/Equal Opportunity.
- Audit/Close-out Procedures.
- Licensed RMLO

7. **How much money is allotted to build a home?**

There is a new maximum from the 2017 rules that allows up to 100,000 for hard cost construction that TDHCA will provide.

8. **Does a City or County have to be licensed to perform activated under the HOME Program?**

City and Counties are exempt from licensing but a Management Consultant must have a RMLO license issued by the State of Texas.