

HOW TO UTILIZE HOME AND CDBG  
FOR AFFORDABLE  
HOMEOWNERSHIP

HUD'S PERSPECTIVE

# Community Development Block Grant (CDBG) Program

- Formula grant program – awards to States and larger units of general local government (entitlement cities and urban counties)
- Was created in 1974 (same time as Section 8)
- FFY 2011 appropriation of \$3.336 billion (16.5% lower than in FYY 2010)
- Available for wide variety of community development, housing, and economic development activities

# CDBG in Maryland

- Annual awards to 15 grantees
  - State of Maryland
  - Annapolis, Baltimore, Cumberland, Frederick, Gaithersburg, Hagerstown, Rockville, and Salisbury
  - Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's Counties
  - Award Range - \$21, 039,294 to \$273,671

# Accessing CDBG Funding

- In Maryland, State runs a community development competition open to non-entitled units of general local government (DHCD); also has economic development funding available on first come/first served basis open to non-entitlements (DBED)
- Entitled local governments (cities and counties) have various ways of selecting projects, which can be implemented by the grantee, nonprofit subrecipients, and housing developers/owners or business owners
- Nonprofits can act as subgrantees or as developers/owners

# CDBG and Affordability

- Grantees must use 70 percent of CDBG funds for activities that benefit low- and moderate-income persons (80% of median or below)
- When CDBG is used for single-family housing, each unit must be occupied by a low/mod household
- CDBG requires use of one of three definitions of income for income (eligibility) determinations (IRS, census, Part 5)

# Uses of CDBG for Affordable Homeownership

- Acquisition of property and disposition to nonprofit
- Public facilities and improvements, including improvements to support housing
- Wide variety of public services (including IDAs)
- Purchasing assistance (mortgage reduction, closing costs, etc.)
- Rehabilitation & reconstruction

# Community Based Development Organizations (CBDOs)

- New construction under certain circumstances – by community-based development organization (CBDOs) (or, for State program, by nonprofit organizations serving the development needs of communities in non-entitlement areas) carrying out a neighborhood revitalization project
- CBDOs need to meet specific requirements involving purpose, board membership (including low/mod representation), and independence from CDBG grantee

# What You Cannot Do with CDBG

Purchase of equipment, except for public services (and other exceptions)

Operating and maintenance expenses

New construction of housing (except under limited circumstances by certain nonprofits, as already described)

Income payments, like a tenant-based rental assistance program

Costs of the general conduct of government, including improvements to certain government buildings (except for accessibility renovations)

# HOME Program

- Formula grant program for States and larger units of general local government (cities and counties)
- Was created in 1990 (first awards were made in 1992)
- FFY 2011 appropriation of \$1.607 billion (11.8% lower than in FFY 2010)
- Can be used for rental housing, homebuyer assistance, homeowner rehabilitation, and tenant-based rental assistance

# HOME in Maryland

- Annual awards to eight participating jurisdictions
  - State of Maryland
  - Baltimore City
  - Anne Arundel, Baltimore, Harford, Howard, Montgomery, and Prince George's Counties
  - Award Range - \$7,100,628 to \$470,983

# Accessing HOME Funds

- State has set-asides for multifamily projects, single-family programs, and an initiatives competition
- Local government participating jurisdictions have various ways to select projects (competitions, first-come/first served, PJ-designed and administered programs)
- Nonprofits can be developers

# HOME Investment Partnerships Program

- PJs can do projects or run programs directly
- PJs can use subrecipients or State recipients to run programs
- PJs can assist private for-profit and nonprofit owners and developers
- Special set-aside (15%) for housing owned, developed, or sponsored by community-based development organizations (CHDOs)
- Emphasis on leverage – HOME usually part of financing for a development deal (subsidy limits)

# HOME and Affordability

- For homeownership, all households under 80% of median
- For TBRA, all tenants under 80% of median, of which 90% must be under 60% of median
- For rental housing, effective limits are all tenants under 60% of median, of which 20% of tenants must be under 50% of median
- HOME sets rent limits for rental projects

# Uses of HOME for Affordable Homeownership

- Acquisition, rehabilitation, reconstruction, and new construction of housing for homeownership
- Homeowner rehabilitation (must be brought up to local code)
- Homebuyer assistance

# HOME Affordability Requirements for Homeownership

- Must be “modest” housing (acquisition price must be less than 95% of area’s median housing price)
- Must be principal residence of owner
- Buyer must be low/mod household
- House must be “affordable” for pertinent period
- Option of resale or recapture as method to ensure continuing affordability