

HOME FACTS

NEW JERSEY DEPARTMENT OF COMMUNITY AFFAIRS

HOME PRODUCTION PROGRAM

This fact sheet will provide you with some basic information about federal HOME funds, which the New Jersey Department of Community Affairs (“Department”) has designated for the production of affordable housing

The Department is one of 28 participating jurisdictions in New Jersey with HOME funds to distribute. Before seeking HOME funds from the Department, you should contact the city or county in which your project is located to determine whether HOME funds are available there.

The Department also has HOME funds that are available for tenant based rental assistance (TBRA) and down-payment and closing costs. Further information about these programs can be obtained by calling (609) 984-8453 for TBRA and 1-800-NJHOUSE for down-payment and closing costs.

The purpose of the HOME Production Program is to create housing units affordable to low-income families. There are two pools of money:

1. A portion of the fund is set aside for eligible project costs for organizations that qualify as Community Housing Development Organizations (CHDO).

To be eligible for funds from this set-aside, a non-profit organization must have submitted CHDO documentation to the Department, and be certified as a CHDO.

Further information about CHDO eligibility and certification is available by calling (609) 292-3846.

2. The remainder of the fund is available to support eligible projects regardless of sponsor type.

The amount of HOME Production Program funding available from the federal government varies yearly. Should the demand for funding exceed the available supply, the department will establish a pipeline of eligible projects to be funded as money is available.

The HOME Production Program is administered by the Department in accordance with both the federal HOME program rules, found at 24 CFR Part 92. The specific guidelines for the program are described in the program description and application, and the rules of

the Department's Balanced Housing Program (N.J.A.C 5:43-1.1 et seq.). When Federal and State program requirements differ, the more stringent will apply.

The following information describes the requirements for developing a housing project using HOME Production Program funds:

I. General requirements

Any units created with HOME funds must be affordable to low-income families (generally defined as having an adjusted gross income below 80% of the applicable area median income). These units may either be rented or sold to qualified households using the following assumptions:

- * If the unit is for rent, the family should pay no more than 35% (40 percent for households applying for age-restricted units) of its gross income for rent and utilities.
- * If the unit is for sale, the buyer should pay no more than 28% of household income monthly for mortgage principal and interests, taxes and insurance, and condominium fees where applicable.

The project activity must include rehabilitation (whether substantial or moderate), new construction, or conversion of non-residential properties to residential use.

HOME Production Program funds may be used for construction costs and development costs such as professional fees and financing costs. Acquisition is an eligible cost; however, acquisition of vacant land alone is not an eligible use of funds. HOME funds also may be used to cover deficits during the first 18 months of operation for a rental project.

Rental units are to be used for permanent housing.

The project may be located on one site or on several scattered sites.

Any contract for construction (rehabilitated or new construction) of 12 or more HOME-funded units must contain a provision requiring use of prevailing wage rates as defined by the Davis-Bacon Act.

The Department will most favorably consider projects that will start construction within six to twelve months of a funding award.

II. SUBSTANTIAL REHABILITATION, CONVERSION

If you plan to substantially rehabilitate existing housing or convert a non-residential structure into housing with HOME Production Program funds, the following requirements apply:

If the building involved was built before 1978, it may contain lead based paint. As a result, federal regulations for the control or elimination of lead paint hazards must be followed (24 CFR 35).

If the project involves an addition to the building outside of its existing footprint, it will be considered a new construction project.

If the project involves raising an existing building without retaining its foundation, it will be considered a new construction project.

III. NEW CONSTRUCTION

If you plan to do new construction of rental units with HOME funds, the following requirements apply:

The project must comply with “site and neighborhood standards” (24 CFR 882.708(c)). Generally, this means providing evidence that the housing project will not have a detrimental impact on its surrounding neighborhood by increasing the concentration of minority population in the area

IV. COMPLIANCE WITH OTHER APPLICABLE FEDERAL LAWS

Environmental

All projects must comply with environmental requirements similar to those for CDBG projects (24 CFR 58). At a minimum, completion of a Statutory Compliance Checklist is required. Based on the scope of work and whether the project involves rehabilitation or new construction, there may be additional requirements:

For a rehabilitation project, an Environmental Assessment is needed only if: 1) there is an increase in the number of units more than 20% from the previous total; 2) the project is a conversion from a non-residential land use; or 3) the estimated project cost is 75% or more of the estimated after-rehab replacement cost. Otherwise, only completion of the Statutory Compliance Checklist is required.

For a new construction project, an Environmental Assessment always is required.

Fair Housing, Affirmative Marketing

The units must be affirmatively marked in compliance with federal fair housing laws. The Department assures compliance by requiring the use of the Housing Affordability Service (H.A.S.) administered by New Jersey Housing Mortgage Finance Agency. H.A.S. will assist you in complying with these laws as well as with marketing the project and referring prospective tenants. However, for a

rental project, which are developed using Low-Income Housing Tax Credits, H.A.S. will not be actively involved in assisting with the compliance discussed previously. The developer of such a project will receive sufficient guidance from the tax credit allocation agency about acceptable marketing and tenant selection procedures. All units that receive HOME Production Program funds must be listed with the New Jersey Housing Resource Center, an on-line registry of available affordable housing units (www.njhousing.gov).

V. SUBSIDY LEVELS

A Project is eligible for the per-unit subsidy amount, per 24 CFR 92.250(a) of the HOME regulations, in conjunction with the State Balanced Housing Program rules, will govern the amount of HOME funds allocated to a project.

The amount of funds reserved for a project will be based on the information provided in the HOME Production Program application via SAGE and will fund only the gap between project cost and other revenue. The Department, at its discretion, may award less than the maximum subsidy.

HOME Production Program funds will not be substituted for private financing where the latter is feasible and attainable.

VI. OTHER FUNDS

New Jersey Housing and Mortgage Finance Agency (NJHMFA): HOME Funding may not be combined with any program, either directly or indirectly, provided by the NJHMFA

Balanced Housing Program : HOME Funding may not be combined with the Neighborhood Preservation Non-Lapsing Revolving Fund, either directly or indirectly, provided by the Department

HOME funds may not be used for Public Housing projects.

VII. RENTAL UNITS

The maximum rent for a unit created with HOME Program funds can be no greater than the lesser of the applicable Section 8 Fair Market Rent or 30% of 65% of the appropriate area median income (AMI).

At least 20% of the units in any given project must be affordable to families with incomes at or below 50% of AMI. The Department encourages at least 50% of the project units to be affordable at or below 50% of AMI.

The Department must comply with a federal requirement that 90% of HOME funds for rental units are to be used to assist households with incomes at 60% of either directly or indirectly AMI or less. Projects, which help meet this target, will be favored.

Rents for each project unit will be established annually taking into account changes in AMI, utility costs, Fair Market Rents (if applicable) and other factors. The annual gross income of the tenant of each unit must be recertified annually. A rent adjustment may be necessary if a tenant's certified income should exceed 80% of median. If a project is receiving LIHTC's, the tax credit rules will apply.

The units must be inspected periodically for code compliance according to the following schedule: tri-annually for structures with 1 to 4 units; biannually for structures with 5 to 25 units; annually for structures with 26 or more units.

VIII. HOMEOWNERSHIP UNITS

For a given homeownership project, all of the HOME-funded units must be affordable to households with incomes at or below the applicable "low-income" figure, as defined and published by the U.S. Department of Housing and Urban Development (HUD). The Department encourages the HOME-funded units to be priced so that the overall "range of affordability" does not exceed 55%, which is consistent with the state's Uniform Housing Affordability Controls (NJAC 5:80-26.3).

IX. LONG TERM CONTROLS

Project units must remain affordable for a minimum period of time, enforced by a deed restriction. The length of the affordability period is based on the type of work and/or the amount of HOME subsidy as follows:

Rental Units

Rehabilitation, under \$40,000/unit	10 years in "high poverty census tracts"* 30 years elsewhere
Rehabilitation, \$40,000 or more/unit	15 years in "high poverty census tracts"* 30 years elsewhere
New Construction	20 years in "high poverty census tracts"* 30 years elsewhere

Homeownership Units

All construction types	15 years in "high poverty census tracts"* 30 years elsewhere
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*"High poverty census tract" means a census tract with a census-determined poverty rate equal to or greater than 25 percent, as determined by the U.S. Census Bureau (NJSA 5.80-26.2).

If you have questions about these requirements please call 609-633- 6046
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