U.S. Department of Housing and Urban Development
Community Planning and Development

Special Attention of:

Notice: CPD 03-05

All Secretary's Representatives
All State/Area Coordinators
CPD Division Directors
All HOME Coordinators
All HOME Participating Jurisdictions

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Subject: Guidance on Manufactured Housing under the HOME Program

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I. PURPOSE

This Notice is a comprehensive revision of the last notice on this subject, CPD-94-17, and reflects changes made to the HOME regulations since 1996. It was developed to assist HOME Participating Jurisdictions (PJs) to identify eligible activities involving manufactured housing. Although the notice distinguishes between a manufactured home and a modular home, it only addresses the use of HOME funds for manufactured housing.

II. GENERAL HOME REQUIREMENTS

Manufactured housing is subject to all HOME program requirements that apply to HOME-assisted housing. All HOME funds must be used for housing or tenant-based rental assistance for low-income families (i.e., families whose income does not exceed 80 percent of the area median income, as determined by HUD). HOME-assisted housing units are subject to affordability requirements in §92.252 (affordable rental housing) or §92.254 (affordable homeownership housing). For rental housing, the rents are restricted and the housing must be rented to low-income and very low-income families for a period of five to fifteen years, depending on the amount of HOME assistance provided to the housing.

HOME Rents: Every HOME-assisted rental unit is subject to rent restrictions designed to ensure that rents are affordable to low-income families. HOME rents for all jurisdictions are determined by HUD and may be obtained from the Community Planning and Development (CPD) Division in each HUD Field Office, or online at: *www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm.* The maximum HOME rents calculated by HUD include utility costs. If tenants will pay utility bills, the maximum rent must be adjusted by the amount of the PJ-determined utility allowance.

There are two HOME rents for projects with 5 or more HOME-assisted units: high HOME rents and low HOME rents. For projects with 4 or fewer HOME-assisted units, only the high HOME rent limits are applicable.

High HOME Rents are the lesser of the Fair Market Rent (FMR) for existing housing for comparable units in the area as established by HUD under 24 CFR 888.111; or

A rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the area median income, as determined by HUD, with adjustments for number of bedrooms in the unit.

Low HOME Rents are established at §92.252(b) for projects containing five or more HOME-assisted units. At least 20 percent of the HOME-assisted units in the project must be occupied by very low-income families (i.e., families whose income does not exceed 50 percent of area median income) and meet one of the following rent limitations:

(a) The rent does not exceed 30 percent of the annual income of a family whose income equals 50 percent of the area median income, as determined by HUD, with adjustments for smaller and larger families; **or**

(b) The rent does not exceed 30 percent of the family's adjusted income. If the unit receives Federal or State project-based rental subsidy, and the very-low income family pays as a contribution toward rent not more than 30 percent of the family's adjusted income, then the maximum rent (i.e., tenant contribution plus project-based rental subsidy) is the rent allowable under the Federal or State project-based rental subsidy.

In addition, §92.253 provides tenant and participant protections. The term of the lease must be for not less than one year, unless by mutual agreement by the tenant and owner. The lease cannot include any of the terms prohibited under §92.253(b) and the tenancy may only be terminated in accordance with §92.253(c). The owner must have written tenant selection criteria that meet the criteria in §92.253(d).

For homeownership housing, the family must be low-income and the housing must be occupied as the family's principal residence. The housing acquired by homebuyers is subject to recapture or resale restrictions to ensure the family continues to occupy the housing as its principal residence for a period of five to fifteen years, depending on the amount of HOME assistance, or the HOME assistance is recaptured or the housing sold to another low-income family. The PJ must impose either recapture or the resale requirements which it establishes consistent with the standards in §92.254. HOME-assisted homeownership housing must be modest housing.

For acquisition of housing by a homebuyer with or without rehabilitation of the housing, the HOME Program requires the housing to:

- be a single family (1-4) housing unit;
- have a sales price or an after-rehabilitation value that does not exceed 95 percent of the median purchase price for single family housing in the area;
- be purchased by a family that qualifies as low-income, and that will occupy the property as its principal residence;
- remain affordable for a period of five to fifteen years, as described at §92.254(a)(4);
- be subject to either the resale or recapture provisions described at §92.254(a)(5).

For rehabilitation not involving acquisition of the housing (i.e., rehabilitation of owner-occupied housing):

- The estimated value of the property, after rehabilitation, must not exceed 95 percent of the median purchase price for single family housing in the area;
- The housing must be the principal residence of an owner whose family qualifies as a low-income family at the time HOME funds are committed to the housing

There are no continuing affordability requirements for owner-occupied rehabilitation projects.

For a detailed description of the affordability requirements, consult 24 CFR Part 92, the Building HOME manual, and other resources available online at:
www.hud.gov/offices/cpd/affordablehousing/programs/home/index.cfm.

All housing assisted with HOME funds is subject to per-unit HOME subsidy limits and to subsidy layering review by the PJ. All HOME-assisted housing must meet the property standards in §92.251.

III. BACKGROUND AND ELIGIBLE ACTIVITIES

The HOME Program offers broad flexibility in the types of single family (one to four unit) housing that may be assisted. Manufactured homes and manufactured housing lots (also called "homesites" in this Notice) qualify as housing under the HOME Program.

The Manufactured Home Construction and Safety Standards (MHCSS) established by HUD (24 CFR Part 3280) define a manufactured home in §3280.2 to be "a structure, transportable in one or more sections which, in the traveling mode, is eight body feet or more in width or forty body feet or more in length, or, when erected on site, is three hundred twenty or more square feet, and which is built on a permanent chassis and designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air-conditioning, and electrical systems contained therein."

A mobile home is a manufactured home. "Mobile home" and "trailer" were commonly used terms before 1976 when Congress adopted legislation using the term "manufactured home" to take their place. This Notice uses the term manufactured home to refer to all types of non-motorized manufactured housing units (thus excluding recreational vehicles) that meet the definition in 24 CFR 3280.2.

A manufactured home is built in sections in a factory, possesses a permanent chassis (defined at 24 CFR 3280.902 (a)), and must be designed and manufactured in compliance with the MHCSS. A modular home is built in sections in a factory to meet state, local or regional building codes. Once assembled, the modular unit becomes permanently fixed to one site. **Because this Notice pertains to manufactured homes, the discussions and scenarios that follow exclude modular homes, which are treated the same as site-built housing for the purposes of the HOME Program.**

HOME funds can be used in a number of ways to assist manufactured homes. The manufactured housing may be rental or homeownership housing. The eligible activities applicable to manufactured homes are set forth in the HOME regulations at 24 CFR 92.205(a)(4) and 92.2 (definition of "reconstruction"). HOME funds can be used to:

- acquire manufactured housing;
- acquire land for a homesite for manufactured housing;
- rehabilitate manufactured housing;
- replace an existing substandard manufactured home with a new or standard manufactured home; and
- provide tenant-based rental assistance to tenants to rent manufactured housing or to rent the homesite on which a family's manufactured home is located.

Because manufactured homes are constructed at the factory and transported to the site, new construction is not an applicable activity for manufactured housing projects. Such activities are designated as acquisition projects.

Allocation of Costs: HOME funds can be used to assist some or all of the housing units in a multi-unit project (§92.205(d)). HOME funds may only be used to pay for the actual eligible costs of the HOME-assisted housing. If the housing units are comparable in terms of size, amenities and number of bedrooms and the development costs are the same, HOME funds can pay, within the maximum per-unit subsidy limits, a percentage of the total HOME eligible costs equal to the proportion of HOME-assisted to total units. When units are not comparable, the PJ must allocate the HOME costs on a unit-by-unit basis, allocating actual costs for each unit to the HOME Program. To allocate these costs, the PJ must designate the HOME-assisted units, develop a pro forma for the assisted units, and track the costs for each unit. Common costs attributable to HOME-assisted units are determined by calculating the total square feet in HOME units as a percentage of the total square feet in the project. HOME funds can pay for that percentage of common costs.

IV. UTILITY HOOK-UPS AND THE HOMESITE

Utility hook-ups are on-site, permanent, public or private utility sources (for example, electric, water, sewer/septic, natural gas) for use by individual manufactured home units. The HOME regulation at §92.205(a)(4) requires manufactured homes assisted with HOME funds (except for existing, owner-occupied manufactured homes that are rehabilitated with HOME funds) to be connected to permanent utility hookups.

The HOME regulations also require the manufactured home to be located on land that is owned by the manufactured home owner or on land for which the manufactured home owner has a lease for a period at least equal to the applicable period of affordability.

V. PERMANENT FOUNDATIONS

The manufactured home regulations (24 CFR 3282.12) define a site-built permanent foundation as "a system of supports, including piers, either partially or entirely below grade," and that meets the criteria as further defined in §3282.12. HUD Handbook 4930.3G, *Permanent Foundations Guide for Manufactured Housing*, further defines a permanent foundation as one that "must be constructed of durable materials at the site, with attachment points to receive a manufactured home."

The HOME final rule published on September 16, 1996, eliminated the requirement that HOME-assisted manufactured housing units rest upon a permanent foundation. This change was based on comments citing the significant additional cost of providing a permanent foundation as an obstacle to providing affordable housing, primarily in rural areas. The regulation at §92.251(a)(4) defers to State and local standards regarding permanent foundations. However, HUD strongly encourages HOME PJs to construct or improve permanent foundations when assisting manufactured housing and recommends PJs follow the guidance in HUD Handbook 4930.3G, *Permanent Foundations Guide for Manufactured Housing* available online at: *www.huduser.org/publications/destech/permfound.html*.

The foundation type may affect the ability of a homebuyer to obtain FHA mortgage insurance. For example, to receive FHA Title II mortgage insurance, manufactured homes are *required* to be anchored to a permanent foundation. Other requirements for FHA mortgage insurance are found in HUD Handbook 4145.1, Revision 2, *Architectural Processing and Inspections for Home Mortgage Insurance*, paragraph 3-4.

VI. PROPERTY STANDARDS

All manufactured housing assisted with HOME funds must meet the property standards at §92.251(a)(4), which states that the construction of all manufactured housing must meet the Manufactured Home Construction and Safety Standards. These standards pre-empt State and local codes covering the same aspects of performance for such housing. PJs providing HOME assistance to install manufactured housing units must comply with applicable State and local laws or codes. In the absence of such laws or codes, the PJ must comply with the manufacturer's written instructions for installation of manufactured housing.

In addition, manufactured housing that is rehabilitated using HOME funds must meet the requirements set forth in §92.251(a)(1). Each PJ must develop written rehabilitation standards that establish the required methods and materials for the rehabilitation work that will bring the substandard housing into compliance with the property standard. Further guidance on written rehabilitation standards and property standards can be found at: *www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol3no1.cfm*.

Existing manufactured housing that is acquired with HOME funds must meet the property standards at §92.251(a)(2).

VII. REAL VS. PERSONAL PROPERTY

Section 92.254(c) of the HOME regulations requires that affordable homeownership units assisted with HOME funds meet the definition of homeownership at §92.2, which requires "ownership in a fee simple title or a 99-year leasehold interest in a one- to four-unit dwelling or in a condominium unit, or equivalent form of ownership approved by HUD. For purposes of housing located on trust or restricted Indian lands, homeownership includes leases of 50 years."

When a manufactured home is purchased, the buyer receives title (like title to a motor vehicle). Generally, once the manufactured home is set on a permanent foundation, it is treated as real property and ownership then is evidenced through title to the real property. However, in some states, manufactured housing is considered to be personal property, rather than real property. Manufactured housing meets the HOME Program definition of homeownership through fee simple title to the real property or title to the manufactured home.

VIII. APPLICABILITY OF THE UNIFORM RELOCATION ACT

The regulations for the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) at 49 CFR Part 24, Subpart F expressly deal with manufactured homes. PJs should consider these regulations when assessing potential HOME projects. Several important areas of consideration include:

1. Displacement. Displacement as a result of the acquisition, rehabilitation or demolition of a manufactured home for a HOME-assisted project is subject to the URA and HUD Handbook 1378, *Tenant Assistance, Relocation and Real Property Acquisition*. See especially Paragraph 3-8 of Handbook 1378. The URA relocation provisions apply whether or not the manufactured home is classified as real or personal property under State law.

2. Cost Effective Acquisition -- Undesignated Sites. Paragraph 5a of HUD Handbook 1378 discusses acquisition programs that do not involve pre-selected sites. To comply with the URA *and* carry out cost-effective programs, HUD recommends that, where possible, the PJ limit acquisition under such programs (e.g., a low-income homebuyer program) to arm's-length, voluntary transactions where, *before the seller executes the final contract of sale*, the seller is informed of:

- the fact that the property will not be condemned if negotiations fail to result in an amicable agreement, and,
- the estimated fair market value of the property. (This does not preclude the buyer from negotiating a sale at a lower price.)

If these timely disclosures are made, the purchase is exempt from the real property acquisition requirements of the URA and a seller-occupant of the property is not eligible for URA relocation assistance. To prevent misunderstanding, the purchase offer and the contract of sale should contain an acknowledgment that the sale is not made under the threat of taking by eminent domain and the seller will not receive any relocation assistance under the URA. However, any tenant-occupant displaced by acquisition, rehabilitation or demolition for a HUD-assisted program is covered by the URA relocation requirements and is entitled to relocation assistance to help rent (or buy) and move to a comparable replacement dwelling.

3 Coordination with CPD Relocation/Realty Staff. Acquisition and relocation issues are often highly technical. This is especially the case with manufactured homes where the owner of the unit may not own the site and a displaced occupant may buy a replacement unit but rent the site, or vice-versa. Accordingly, program staff are urged to consult with CPD relocation/realty staff and to encourage participating jurisdictions to consult with such staff about URA issues that may arise in connection with an assisted manufactured home program. Discussion during the early planning stages can prevent unnecessary expense. PJs are encouraged to refer to HUD Handbook 1378, *Tenant Assistance, Relocation and Real Property Acquisition,* when assessing potential HOME projects and their relocation assistance implications.

IX. PROJECT IDENTIFICATION

The HOME Program provides flexibility for providing assistance for manufactured housing and the manufactured housing homesite -- both homeownership and rental. Because the homesite is not always owned by the owner of the manufactured home, confusion may arise over identification of project type (i.e., rental, existing homeowner, homebuyer) and occupancy requirements. Here are some basic guidelines:

- When HOME assistance is used only with respect to the homesite (i.e., acquisition, site improvements, rehabilitation of the homesite), whether for rental or ownership, and the manufactured homes are owned by the residents, the project is designated as an **existing homeowner** project.

- When HOME assistance is used to rehabilitate an existing owner-occupied manufactured home or to replace a substandard manufactured home, the project is designated as an **existing homeowner** (homeowner rehabilitation) project.

- When HOME assistance is used to acquire a manufactured home and land for homeownership, the project is designated as a **homebuyer** project.

- When HOME assistance is used for projects in which the manufactured housing is offered for rent, the project should be reported as a **rental** project.

- When HOME assistance is used to acquire a new or existing manufactured home for homeownership (but not to replace an existing unit) that is set on a rented homesite, the project should be reported as a **homebuyer** project.

It may be possible to have more than one type of project on one site. That will be the case if a PJ uses HOME funds to assist the development of a manufactured housing community and to assist the acquisition of manufactured housing for rental to be placed on some of the homesites so that some of the homesites will have the rental manufactured housing and some of the homesites will be rented by the homeowners of manufactured housing. In that case, the PJ must set up two projects in the Integrated Disbursement and Information System (IDIS), a rental project for the rental units and an existing homeowner project for the existing homeowners whose manufactured housing will occupy the homesites. As discussed above, affordability requirements are differentiated between renters and homeowners.

One family may also be represented under two different projects. If a family is assisted to acquire a manufactured home and the manufactured home is then placed on a rental lot which was also assisted with HOME funds, the family would be associated with both a homebuyer project and assistance to existing homeowners.

X. ELIGIBLE HOME ACTIVITY SCENARIOS

A. Assisting Existing Homeowners and Homebuyers: HOME Affordable Housing Requirements (§92.254)

HOME funds can be used for owner-occupied housing rehabilitation as well as homebuyer assistance.

1. Existing Homeowner Scenarios

Rehabilitation of owner-occupied manufactured housing is an eligible activity under the HOME Program. HOME funds can pay for rehabilitation of the manufactured housing, the construction or rehabilitation of a permanent foundation, acquisition of land for the permanent placement of the manufactured housing, and costs associated with moving the manufactured housing.

The Jones family owns a manufactured home and the lot on which it sits. The manufactured home rests on a temporary foundation and has utility hook-ups. The Jones family's income qualifies them as a low-income family (i.e., their annual family income is below 80 percent of the area median income). The manufactured home requires roof repair and electrical updating. It is anticipated that the rehabilitation will cost $8,000. The estimated after-rehabilitation value of the housing is below 95 percent of area median purchase price. The Joneses will continue to occupy the unit as their principal residence.

QUESTION: Can the PJ fund this project with HOME dollars? If so, what requirements apply?

ANSWER: A PJ may use HOME funds for this project, if the manufactured home meets property standards in §92.251(a)(1) after rehabilitation is complete. While manufactured housing units are not required to rest on permanent foundations to receive HOME assistance, the Department encourages the use of HOME funds to construct permanent foundations for manufactured units acquired, rehabilitated, or otherwise assisted with HOME.

QUESTION: If the Joneses <u>rent</u> their homesite, can the PJ use HOME funds for this project?

ANSWER: A PJ may use HOME funds for this project provided that all of the previously mentioned requirements are met. This project is a homeowner rehabilitation project.

QUESTION: What if rehabilitation of the manufactured housing unit is not cost-effective (i.e., rehabilitation costs more than replacement)?

If replacement of the Joneses' unit would be more cost-effective, the PJ may assist the Joneses in acquiring a new manufactured home. This activity is reconstruction and the project is classified as a homeowner rehabilitation project. Homeowner rehabilitation projects do not have any recapture or resale requirements.

The definition of reconstruction includes the replacement of an existing substandard manufactured housing unit with a new or standard manufactured housing unit. The decision of replacement versus rehabilitation is left to the PJ's discretion based upon the condition of the manufactured home and the feasibility of rehabilitation.

The HOME regulation allows the "reconstructed" unit to be placed anywhere on the existing lot. This flexibility allows PJs to meet current zoning requirements that might affect the reconstruction site. Thus, when a manufactured home is acquired to replace a substandard manufactured housing unit, it may be placed anywhere on the existing lot.

When a HOME project involves the replacement (via acquisition) of a manufactured housing unit, PJs should be cognizant of the "trade-in" or "scrap" value, if any, of the unit being replaced when determining the amount of HOME assistance being provided. For example, if the manufactured housing unit owner receives payment for "trade-in" of the unit, that amount should be used toward replacement costs and subtracted from the HOME assistance provided.

QUESTION: If the Joneses' manufactured housing unit was located on a rented homesite, could the PJ assist them to purchase the land? Would this be homeowner rehabilitation or homebuyer assistance?

ANSWER: The land acquisition is eligible for HOME assistance. A PJ may assist an existing homeowner to acquire the land on which the manufactured housing sits or land to which the manufactured housing can be relocated. Because the family owns the manufactured housing, the project is a homeowner rehabilitation project. The HOME regulations do not impose resale or recapture requirements or ongoing affordability requirements on homeowner rehabilitation projects.

Many manufactured housing land-lease communities contain a mix of families with incomes ranging above and below 80 percent of area median income. Accordingly, it is necessary to examine how HOME funds can be used in such situations. For example:

A manufactured housing land-lease community association which incorporated as a nonprofit organization under state law and which consists of 100 families who own their units and rent the homesites, would like to acquire the land-lease community from the current owner, make necessary site improvements, and sell each homesite to the residents. Family incomes among association members vary, with 50 percent of the association members qualifying as low-income families.

QUESTION: Can a PJ assist this association? If so, what requirements apply?

ANSWER: A PJ may assist this association to acquire the land and undertake site improvements of the homesites for low-income families (and a pro rata share of any common areas). Only the actual HOME eligible costs of the homesites for low-income families may be charged to the HOME Program. In the situation described above where 50 percent of the families are low-income, HOME funds could assist 50 percent of the total acquisition and improvement costs, if the lot sizes are the same. The HOME project would assist the 50 low-income families, and pay 50 percent of the acquisition and improvement costs (if the lot sizes were the same). Because the HOME-assisted homesites would be sold to low-income families that own their manufactured housing units, no resale or recapture requirements would apply. This project would be a homeowner rehabilitation project. The sale price of the homesites should be negotiated between the PJ and the association based on the amount and form of HOME assistance provided.

2. <u>Low-Income Homebuyer Scenario</u>

Manufactured homes provide affordable homeownership opportunities to low-income families who wish to buy a home. Costs associated with acquisition of the manufactured housing unit and the site, and site improvements may be paid as a low-income homebuyer project, provided that all requirements in §92.254 are met, including the resale or recapture requirements.

Mr. and Mrs. Smith qualify as a low-income family. They wish to buy a new manufactured home for use as their principal residence. The Smiths have found a parcel of land that can accommodate the home with available utility hook-ups. The land is vacant and does not have a permanent foundation. The PJ has determined that the cost of the manufactured home, land, permanent foundation, and improvements will not exceed the maximum housing limit established at §92.254(a)(2)(i).

QUESTION: Can the PJ use HOME funds to assist the Smiths? If so, what requirements apply?

ANSWER: HOME funds may be used to buy the manufactured home, acquire the parcel of land, pay for the necessary site improvements, provide a permanent foundation, and pay all necessary costs to secure the manufactured housing to the foundation and hook-up the utilities. In accepting the HOME assistance, the Smiths would be required to occupy the home as their principal residence and comply with the PJ's resale or recapture requirements.

Low-income families may enter into lease-purchase agreements (that is, a lease with an option to buy the unit and land) with a PJ, non-profit or for-profit owner, even though the use of HOME funds does not immediately result in homeownership. The HOME regulations require the purchase to occur within 36 months of entering into the lease-purchase agreement. The homebuyer must qualify as low-income at the time the lease-purchase agreement is signed. If the potential homebuyer does not purchase the housing, it may be sold to another eligible homebuyer. A subsequent lease-purchase agreement will not be permitted for this same housing, unless the purchase can be completed within the original 36-month period. If no eligible homebuyer is found, the housing must be made available for rent in accordance with all HOME rental requirements.

B. Rental Housing: HOME Affordable Housing Requirements (§92.252)

? Manufactured housing can be used to increase rental opportunities for low-income families. PJs may use HOME funds to undertake activities such as land acquisition, acquisition of the manufactured housing, site improvements and/or rehabilitation, rehabilitation of the manufactured housing, and demolition associated with manufactured housing rental projects. If both the homesite and manufactured housing unit are under common ownership, the project would be treated the same as any other HOME rental project. A manufactured housing rental project will qualify as affordable housing provided that it meets the requirements of §92.252.

1. Rental Housing Scenarios

> *A State is assisting a local non-profit to acquire a parcel of land to be converted to a low-income manufactured housing rental land-lease community. The land parcel selected has utilities available to the site, but not on-site; and contains a concrete structure that will require demolition. HOME funds will also be used by the nonprofit to acquire manufactured units that it will rent to low-income families.*

QUESTION: Can a PJ use HOME funds for this project? If so, what requirements apply?

ANSWER: The costs of acquiring the land and manufactured housing, demolishing the structure, making site improvements, constructing permanent foundations, and hooking up utilities are eligible HOME costs, in an amount that does not exceed the maximum per-unit subsidy limit. The PJ may use funds for the non-profit's project provided that all the manufactured housing meets the rent limitations contained at §92.252 (a)-(c); will remain affordable for a period of time based on the amount of HOME funds used per unit (§92.252(e)); is rented to families that meet the income requirements; and meets the property standards in §92.251.

2. Homesite-only Rentals

Questions often arise in homesite-only rental situations concerning the methodology used for determining the rent for the homesite. Where the PJ is providing rental assistance, HUD recommends, but does not require, PJs to use a standard that has been developed through HUD's Section 8 Program. The Department has established the homesite manufactured home payment standard at 40 percent of the 2-bedroom FMR. For manufactured home owners who rent their homesite, utility costs are included as part of the rent calculation. The homesite rental/utility costs are normally set as a percentage of the FMR, but exceptions are issued for local areas that supply data requesting higher homesite rentals.

Rents based on 40 percent of the FMR are a reasonable to slightly high for many areas. This figure is traditionally too low for rural areas with significant heating degree-days where liquid propane gas is used for heating and where the more accurate percentage may be as high as 60 or 70 percent of the FMR. PJs providing homesite-only rental assistance are strongly encouraged to adhere to this standard, where appropriate. PJs that establish rent limits substantially higher than the HUD standard must document the basis for this standard in their files.

HOME funds can be used to assist with the acquisition, development, or rehabilitation of a manufactured home land-lease community where the homesites are rented to low-income owner-occupants of manufactured housing. Note that because a homesite-only project is considered assistance to existing homeowner housing, CHDO set-aside funds may not be used.

A PJ wants to use HOME funds to assist a developer (either for profit or non profit) to acquire and improve a homesite that is intended for use by existing owners of manufactured housing. The developer would retain legal title to the low-income unit. Reasons for such a project may include relocating an existing homeowner to a newly created manufactured housing lease community, or acquiring an existing manufactured housing community to reduce land rental costs.

QUESTION: Can HOME funds be used to assist this developer? If so, what requirements apply?

ANSWER: HOME funds can be used to pay for the costs of acquisition and improvements to the homesites occupied by low-income homeowners. The costs that may be charged to the HOME program may be determined as a percentage of the cost of land and improvements equal to that proportion of the total number of homesites occupied by low-income families (i.e., eligible HOME units) provided the homesites are the same size.

For each HOME-assisted homesite, the owner of a manufactured unit must qualify as low-income; the unit must be connected to utility hook-ups; and the value of the unit must not exceed the maximum property value limit in §92.254(a)(2)(i). The developer must sign a written agreement to ensure that the assisted homesites will be rented to low-income families for a reasonable period of time (e.g., the affordability period under §92.254(a)(4)), based on the amount of HOME assistance. Rents charged during this period should be negotiated between the PJ and the developer based on the amount and form of HOME assistance provided (in no case should the negotiated rent exceed the HOME rent limits).

This Notice has reviewed the basic requirements of the HOME Program and the various ways funds can be used to support manufactured housing. Additional questions should be directed to the Community Planning and Development Division of the appropriate HUD Field Office.