



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

Special Attention of:

Notice: CPD 03-08

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

Issued: July 30, 2003
Expires: July 30, 2004

Cross References: 24 CFR 92

SUBJECT: Using HOME Program Funds to Address the Challenges of Homelessness

I. Purpose

The purpose of the Notice is to provide guidance to Field Offices, Participating Jurisdictions (PJs) and HOME Investment Partnerships Program Grantees in the use of HOME Program funds to assist individuals and families who are homeless or at risk of homelessness.

II. General Information

To further President Bush's goal to end chronic homelessness nationwide in ten years, U.S. Department of Housing and Urban Development Secretary Mel Martinez has placed greater emphasis on coordinating federal assistance in an effort to prevent homelessness. HUD is one of several agencies responsible for providing housing and related resources to prevent homelessness and help homeless families and individuals move to permanent housing. Each year, HUD provides over \$1 billion to support its homeless programs.

A critical component of addressing the needs of homeless persons is the availability of affordable housing opportunities for individuals and families who are homeless or at risk of homelessness. HUD has a number of programs that provide affordable housing for low-income families. One of those programs, HUD's HOME Investment Partnerships Program (HOME) is an important resource for state and local governments in their efforts to provide transitional and permanent housing to individuals experiencing homelessness.

CGHP: Distribution: W-3-1, Special

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HUD 21B (3-80)

HOME program funds can be used to provide transitional and permanent housing in conjunction with other programs' supportive service funding, resulting in innovative initiatives that help local communities meet the needs of the homeless population. Because they design and administer their own HOME programs, state and local governments have the opportunity to tailor a comprehensive approach to addressing the entire range of homeless needs along the continuum of care.

III. HOME Investment Partnerships Program

Title II of the 1990 Cranston-Gonzalez National Affordable Housing Act (NAHA) established the HOME Investment Partnerships Program, more commonly known as the HOME Program. The HOME Program provides formula grants to states and localities that communities use, often in partnership with local community-based nonprofits, to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people.

The purpose of the HOME Program is to:

- expand the supply of decent, safe, sanitary, affordable housing for low- and very low-income families;
- mobilize and strengthen the ability of states and units of local government to design and implement strategies to achieve affordable housing;
- promote the development of partnerships among the federal government, states and units of general local government, private industry, and nonprofit organizations able to utilize effectively all available resources to provide more of such housing; and
- expand the capacity of nonprofit community housing development organizations to develop and manage affordable housing.

HOME is a federal block grant that provides funds to state and local governments to develop affordable housing for low-income households. Each year, approximately \$2 billion in HOME funds are allocated among the states and more than 500 localities nationwide.

HOME funds can be used for housing within four basic program types: (1) homebuyer assistance; (2) rehabilitation for owner-occupants; (3) rental housing production; and (4) tenant-based rental assistance (TBRA). Within the four areas, there are four specific eligible activities:

- Acquisition of property, including downpayment and closing cost assistance;
- Rehabilitation, including conversion and reconstruction;
- New Construction;
- Tenant-based rental assistance (TBRA) including security deposit assistance.

The HOME Program is an excellent source of funds to acquire, rehabilitate or construct transitional or permanent housing for the homeless or those at risk of

homelessness. HOME funds may be used to cover all or most development costs. By using HOME funds in this way, private debt service can be eliminated or minimized, reducing rents far below market rent levels, leaving funds obtained through one of the homeless assistance programs to cover the ongoing costs of maintenance, management, and/or supportive services.

HOME funds can also be used to provide transitional or permanent housing to special needs groups. Consequently, HOME funds are an important source of funding for the construction of permanent housing for those homeless persons whose disabilities may affect their ability to live independently.

IV. Continuum of Care

The continuum of care is a key concept in the delivery of homeless assistance in a community. It brings homeless persons into a comprehensive system intended to assess their needs and provide them with a full range of services to permit independent living. The continuum of care helps ensure transition into permanent housing, with services when necessary, at any stage of need along the continuum. It seeks to have a balanced inventory of facilities -- emergency shelter, transitional housing and permanent housing -- all integrated into a single system, known as the continuum of care.

The continuum of care approach serves as a framework for communities to coordinate housing and other services for homeless persons. The community designs a strategy that works best to meet locally identified needs as outlined in its consolidated plan. The availability of permanent, affordable housing is a key element of the continuum of care.

The McKinney-Vento, Housing Opportunities for Persons with AIDS (HOPWA), and HOME programs provide significant resources each year. In Fiscal Year (FY) 2002, \$1.14 billion was made available through the McKinney-Vento homeless programs and \$1.84 billion through the HOME program. Those funds may be used in a variety of ways. States, localities, and homeless assistance providers are encouraged to consider the ways in which HOME funding can support their continuum of care so that these resources are used in the most effective way.

V. Program Funding Eligibility

HOME and McKinney-Vento homeless assistance program funds provide important resources for addressing homelessness. While individually these programs can fund a variety of activities, in combination, they enable communities to develop service-enriched housing with rents significantly below market levels. For example, HOME funds could be used to develop or increase a community's stock of transitional housing and Supportive Housing Program (SHP) funds (which can also be used for development) could be directed toward operating costs as well as supportive services to residents. Alternately, HOME funds could be used for housing rehabilitation and Shelter

Plus Care (S+ C) funds could be used for project-based rental assistance in that housing. Many communities use HOME funds to support their homeless assistance efforts.

Hopelink Place, a 20-unit transitional housing facility for homeless families with children located in Bellevue, WA. Both HOME and SHP funds were used to cover construction costs. The Washington State Housing Trust Fund, the Federal Home Loan Bank of Seattle, local government, and private sources were all used to cover other development costs. The SHP grant helps fund ongoing operations and supportive services including an adjacent full-service childcare center. The project is owned and managed by Hopelink, a private non-profit organization.

HOME and McKinney-Vento homeless assistance programs can also work together to enable graduates of transitional housing to move into permanent affordable housing. HOME funds may provide permanent housing after the more immediate needs of homeless persons are addressed through emergency shelter or transitional housing. These graduates are generally low- and very low-income individuals and families - the HOME Program target group - and often have access to on-going supportive services that carry over from transitional housing. Moving to permanent housing completes the continuum of care for the graduates.

South Loop Apartments provides single-room occupancy (SRO) housing built by Lakefront SRO, in Chicago, IL. The nine-story building provides 207 units of permanent housing for very low-income (0-50 percent of median income), homeless, and disabled tenant who benefit from a variety of on-site services. The supportive housing facility provides an on-site career and employment center as well as case management, counseling, and referral services. The project required multiple layers of financing, including funds from the city of Chicago's HOME program, the state of Illinois, HOPWA, and SHP.

When combining programs, grantees should keep in mind that the rules of both programs must be met. Participating jurisdictions (PJs) should be reminded that other HUD programs such as the Community Development Block Grant Program (CDBG) and Housing Choice Voucher may also be used to assist the homeless.

VI. Tenant-Based Rental Assistance (TBRA)

HOME funds can be used to establish TBRA programs that meet the transitional or permanent housing needs of individuals and families who are homeless or at risk of homelessness. TBRA generally allows a program participant to choose a rental housing unit anywhere in the community, provided the unit meets program standards. HOME TBRA cannot be tied to a specific project (e.g., project-based). Free-standing HOME-funded TBRA programs, similar to the Housing Choice Voucher program, are open to

anyone residing in the community who is income-eligible. Community-wide TBRA programs can be designed with a specific preference for a special needs group such as the homeless or those at risk of becoming homeless. HOME TBRA may not be used to provide emergency rental assistance.

HOME TBRA can also be used in conjunction with special purpose programs. For example, TBRA can assist with the affordable housing component of self-sufficiency programs. In addition, HOME can fund local TBRA programs exclusively designed to serve one or more special needs groups, such as persons who are chronically homeless or homeless families with children, provided that the PJ's consolidated plan documents an unmet housing need among that special population.

HOME funds used for TBRA must be provided in accordance with the PJ's written tenant selection policies for tenant-based rental assistance called for under §92.209(c) of the HOME regulations. The selection policies must be based on locally established preferences or priorities as outlined in the PJ's consolidated plan.

HOME TBRA funds can pay for security deposits for rental units in conjunction with a PJ's rental assistance program if individuals or families lack adequate financial resources. Alternately, a PJ may establish a stand-alone, security deposit-only program that does not provide on-going help with rental payments. Utility deposit assistance is an eligible cost only in conjunction with a TBRA program or a security deposit program. TBRA-funded utility deposits cannot be provided independent of an assistance program.

S+ C and HOPWA funds may also be used to provide tenant-based rental assistance. In HOME, the TBRA contract with a program participant cannot exceed two years, but may be renewed, subject to the availability of funds. In the S+ C and HOPWA programs, assistance is available during the program grant period, which may be up to five years in the case of TBRA. TBRA S+C grantees may limit participants to a particular structure in their first year of participation and a particular area during their entire participation, if doing so is necessary to facilitate the coordination of supportive services.

VII. Additional Resources

For more information, refer to:

CPD Notice 96-07: Guidance on Tenant-Based Rental Assistance under the HOME Program

CPD Notice 01-01: Guidance on Combining Program Funds of the McKinney-Vento Act Programs and the HOPWA Program with the HOME Program

Both Notices are available online at:

www.hud.gov/offices/cpd/affordablehousing/lawsandregs/notices/index.cfm