

# ARKANSAS DEVELOPMENT FINANCE AUTHORITY

## HOME TENANT BASED RENTAL ASSISTANCE PROGRAM

### PROGRAM GUIDE

<http://www.hudclips.org>

[http://www.hudclips.org/sub\\_nonhud/hcqi/pdfforms/40095.pdf](http://www.hudclips.org/sub_nonhud/hcqi/pdfforms/40095.pdf)

<http://www.hudclips.org>

<http://www.hudclips.org>

<http://WWW.hud.gov/cpd/affordhousing/library/forms/index.cfm>

HUDCLIPS Website

TBRA Project Set Up Report (40095)

Income Limits Website

Rent Limits Website

HOME Sample Forms (The HOME Front)



EQUAL HOUSING  
OPPORTUNITY

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## **HOME Tenant Based Rental Assistance Program**

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The HOME Tenant Based Rental Assistance Program was designed to address one of the most prevalent affordable housing problems experienced by medium- and small-sized communities in the State of Arkansas - the need for rental assistance for lower income persons. The Arkansas Development Finance Authority (ADFA) has designated a portion of its Federal HOME funds to establish the HOME Tenant Based Rental Assistance (TBRA) Program, which will help address the need for rental assistance throughout the State.

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### **A. The HOME Program**

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The Federal HOME Program was created under Title II (the HOME Investment Partnerships Act) of the National Affordable Housing Act of 1990, amended and re-authorized by the Housing and Community Development Act of 1992 and further amended by the Multi-family Property Disposition Act of 1994. The general purposes of HOME funds include:

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To expand the supply of decent and affordable housing, particularly rental housing, for low- and very low-income Americans.

To strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing.

To extend and strengthen partnerships among all levels of government and the private sector, including for-profit and non-profit organizations, in the production and operation of affordable housing.

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### **B. The HOME Tenant Based Rental Assistance Program (TBRA)**

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HOME Tenant Based Rental Assistance (TBRA) is a rental subsidy program to help an eligible tenant with rent and utility costs, as well as to pay security and utility deposits. TBRA programs directly assist individual households (rather than providing subsidies to owners or projects) to make housing affordable. The Section 8 Rental Certificate and Rental Voucher programs are forms of TBRA. HOME funded TBRA programs work in a similar manner.

TBRA payments make up the difference between the amount the family can afford to pay for housing costs (rent and utilities) and the actual costs of the housing selected by the family.

TBRA funds may be used to pay rent and utilities, security deposits and utility deposits, for those eligible and selected for rental assistance.

The assistance must be tenant based, NOT project based. Tenants must be free to use their assistance in any eligible unit, in the geographical area of the PHA. Even tenants who receive TBRA assistance in order to avoid economic displacement in a HOME project can move immediately.

PHAs may use the Rental Voucher Program as a model for the HOME TBRA Program.

ADFA shall contract with the PHA to administer the HOME TBRA Program. Entities lacking experience administering rental assistance (i.e. Section 8, TBRA) programs must partner with an experienced public housing authority or other experienced TBRA provider to jointly administer the program.

C. The Program Guide

This Program Guide and Application Kit outlines basic HOME and ADFA Tenant Based Rental Assistance (TBRA) Program requirements and discusses the choices applicants have in designing their local programs. Section One of the Program Guide provides key requirements for the potential applicant. Section Two details how to design your Tenant Based Rental Assistance (TBRA) Program. This section will assist the applicant in conceptualizing its program and completing its application. Section Three instructs the PHA on how to calculate the HOME subsidy for each tenant.

**SECTION ONE: KEY REQUIREMENTS**

A. Eligible Applicants

Ninety percent of all HOME funds used for rental housing and tenant based rental assistance must be used to assist families at or below sixty percent of the median income, adjusted for family size. Ten percent of the HOME funds may be used at eighty percent of the median income, adjusted for family size. Until further notice, households selected may be in accordance with locally established preferences.

B. Eligible Units

Tenants receiving HOME TBRA must use the assistance in units that:

1. Meet Section 8 Housing Quality Standards. (Inspections are made at initial occupancy and annually during the length of the contract.)
2. Rent for a reasonable amount, compared to rents charged for comparable units.
3. Units may be publicly or privately owned, but TBRA may not be used in units that receive another form of rent subsidy (i.e. public housing or Section 8 Substantial Rehabilitation.)
4. Meet lead-based paint requirements.

Unlike Section 8, HOME considers cooperatives to be owner-occupied housing. Therefore, HOME TBRA may not be used to assist resident owners of cooperatives. It is the responsibility of the HOME Program recipient to determine whether or not these housing standards are met by implementing their own inspection process.

C. Operating Costs

Recipients may submit a written request for operating costs not to exceed one hundred twenty dollars (\$120.00) per new tenant assisted within the fiscal year. The total amount of the request for operating costs will be based on an estimate of the number of tenants (new and continuing) to be assisted within the year. TBRA operating costs are not “unlimited” and are based on the number of tenants indicated in the HOME Program Agreement. Additionally, the participant is eligible to receive twenty dollars (\$20.00) per month for continued operating processing per tenant.

D. Amount of Subsidy

ADFA establishes the amount of subsidy within HOME Program guidelines.

Maximum Subsidy: ADFA may pay up to the difference between a “rent or payment standard” pre-established by ADFA and 30% of the family’s monthly-adjusted income.

Minimum Tenant Contribution to Rent: The minimum tenant contribution to housing cost (rent and utilities) is the greater of 30% of the family’s monthly-adjusted income or fifty dollars (**\$50**).

The Rental Voucher Program meets the HOME regulation requirements regarding maximum subsidy and minimum tenant contribution.

E. Length of Assistance

Subsidy contracts cannot exceed one (1) year. But, assistance on behalf of a tenant can be extended for an additional one (1) year period under subsequent allocations if ADFA continues to administer a tenant based rental assistance program. However, the TBRA program is meant for temporary assistance only, and is not a life long commitment to assist a family with their housing costs.

F. Protection for Tenants

When HOME assistance expires, tenants who were selected from the PHA’s Waiting List may return to the PHA’s Waiting List and qualify for the same tenant selection preferences as when they were selected for the HOME assistance. PHAs must plan ahead for expiring contracts or assistance.

*Prohibited Lease Provisions:* The owner’s lease may not include certain provisions which in general have the effect of waiving a tenant’s rights in advance. (A sample lease addendum is available to successful applicants.)

G. Re-certification

The incomes of tenants receiving rental assistance must be re-certified at least annually. Rent and assistance is adjusted accordingly based on the circumstances in effect at the time of re-certification. If a participating tenant’s income goes above the Section 8 Low Income Limit at re-certification, assistance must be terminated.

H. Project Revisions

Recipients should provide a copy of any project revisions to ADFA, including revisions of tenancy, income, rental assistance, vacancy, etc. In instances where a new tenant is being added, the tenant will be added to the most recent project for the recipient with the same HUD county code. TBRA projects may have as many as 99 tenants under the same project.

I. Portability

Tenants must use the tenant based rental assistance within the PHA's jurisdiction, unless the tenant relocates to accept employment or training to lead towards employment. In this case, inspection and re-certification requirements still apply.

J. Match

TBRA typically requires a 25% match. However, match for Arkansas is 12.5%.

**SECTION TWO: PROGRAM DESIGN**

A. Design Decision #1: Section 8 Programs

There are many arguments for using the Section 8 Program as a model: 1) The Section 8 Program has a successful track record and the amount of time it would take to adapt TBRA is minimal; 2) PHAs, as administrators of the program, are more familiar with the program; and 3) It is likely the program will be used by the same set of landlords who participate in the Section 8 Program. Different rules would be confusing.

B. Design Decision #2: What kind of assistance will be provided?

ADFA may assist TBRA families by paying for monthly rent and utilities, security deposits and/or utility deposits. In contrast, the Section 8 Rental Certificate and Rental Voucher programs only assist with rent and utility costs.

The PHA may elect to set up rent and utility deposits as loans to be used as a revolving assistance account for deposits.

C. Design Decision #3: Where will the assistance be provided?

Location: PHAs may limit assistance to families who select housing within the PHA's jurisdiction, unless the family's move is to accept employment or training leading to employment.

Condition: Units must meet Section 8 Housing Quality Standards (HQS), PJ established occupancy standards and Lead Based Paint standards.

Occupancy Standards: Under the Section 8 Program as a comparison, HQS include a basic occupancy standard recommended by HUD.

**SECTION THREE: How Should the PJ's subsidy be calculated?**

Three important factors affect the rental assistance amount:

- 1) the family's income - the lower the family's income the higher the rent subsidy
- 2) the Payment Standard the PJ pre-establishes for each bedroom size; and
- 3) the cost of housing and utilities for the unit the family selects

A. Family Income

Family income under the HOME Program is calculated using the Section 8 definitions of income found in the Federal Register at 24 CFR, Part 813.

B. Subsidy Calculations

HOME regulations specify that the subsidy can be no greater than the difference between a PJ established Payment Standards and 30% of the household's adjusted monthly income.

ADFA has elected to use the Rental Voucher Program as a model to determine the PJ subsidy.

C. Rental Voucher Program

The Rental Voucher Program model assumes a fixed assistance payment. The maximum HOME subsidy is calculated and the tenant pays the difference between the subsidy and the approved rent for the unit.

Using the Rental Voucher method, ADFA first establishes a Rent Standard for the program as a whole. Details on establishing the Payment Standard are provided later in this section.

HOME pays the difference between the Rent Standard and 30% of the tenant's adjusted monthly income. The following exhibit demonstrates this method.

The Glovers have been issued a two-bedroom HOME TBRA Voucher. Their annual and adjusted incomes are \$22,500 and \$18,300 respectively.

10% of annual (gross) monthly income  $(22,500/12 \times .10) = \$188$   
 30% of adjusted monthly income  $(\$18,300/12 \times 0.30) = \$458$

They find an apartment that rents for \$800 (including utilities). The PJ's Rent Standard is \$775.

<p>The maximum PJ subsidy is:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: right;">\$775</td> <td>Rent Standard</td> </tr> <tr> <td style="text-align: right;"><u>\$458</u></td> <td>(less) 30% of AMI</td> </tr> <tr> <td style="text-align: right;">\$317</td> <td>Maximum PJ Subsidy</td> </tr> </table>	\$775	Rent Standard	<u>\$458</u>	(less) 30% of AMI	\$317	Maximum PJ Subsidy	<p>The Glovers share of the rent is:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%; text-align: right;">\$800</td> <td>Approved Rent</td> </tr> <tr> <td style="text-align: right;"><u>\$317</u></td> <td>(less) Maximum PJ Subsidy</td> </tr> <tr> <td style="text-align: right;">\$483</td> <td>Glover Payment</td> </tr> </table>	\$800	Approved Rent	<u>\$317</u>	(less) Maximum PJ Subsidy	\$483	Glover Payment
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\$483	Glover Payment												

In this example the Glovers will pay more than 30% of their adjusted income for housing because they selected a unit that rents for more than the Payment Standard.

Had the Glovers found a very inexpensive unit, the requirement that the family must pay at least 30% of their monthly gross income would apply.

\$500	Approved Rent
<u>\$317</u>	(less) Maximum PJ Subsidy
\$183	Calculated tenant contribution

D. Payment Standards

ADFA is permitted to establish a payment standard based on local market conditions and a determination of rent reasonableness.

Example: The published FMR for a two-bedroom unit is \$500, but ADFA has analyzed the market and established that a reasonable price for a two bedroom unit is \$520 given the local market conditions and location. In this instance the payment standard can be \$520.

To decide the amount of the payment standard, ADFA may compare the FMR to the cost including utilities of housing in the area. If the FMRs are too high, ADFA may consider setting the Payment Standard to a lower amount. If the FMR seem appropriate, ADFA will set the payment Standard at the FMR. If the FMR is low, ADFA will require the PHA to provide documentation to establish its own Payment Standard based upon the market.

If ADFA does not establish its own payment standard then the HOME Payment Standards must be based upon the Section 8 Fair Market Rents (FMRs). The Payment Standard must be: 1) not less than 80% of the published FMRs; and 2) not more than the FMR or area wide exception rent.

Example: The published FMR for a two-bedroom unit is \$500 and HUD has approved a 6% area wide exception rent of \$530. The Payment Standard established by ADFA could be anywhere between \$400 (80% of \$500) and \$530.

ADFA may approve, on a unit by unit basis, payment standards that are 10% above the established payment standard for 20% of the units in the program, statewide.

Example: A PJ that has 200 assisted families could approve exception Payment Standards for 40 units. Although the HOME regulation does not specify the reasons for approving this exception, ADFA will generally use the exception authority to: 1) address discrepancies between the published FMR and the local market (e.g. units with a large number of bedroom rent for more than the published FMR); or, 2) obtain units adapted for handicapped residents of large families that are hard to place.

#### E. Establishing an Utility Allowance

ADFA must establish an utility allowance schedule that estimates the average cost of utilities for typical types of housing (single family, row house, high rise, etc.) and for various utilities and fuel sources (gas, oil, electricity). Utilities included in the schedules generally include those required for water/sewer, cooking, heating, and lighting. Telephone and cable TV are not considered utilities for this purpose. ADFA shall use the utility allowance schedule that PHAs use for the Section 8 Program. The utility allowance is used to determine how much the family will pay to the owner.

## **SECTION FOUR: KEY STEPS IN TBRA PROCESSING**

### **A. Application Taking and Waiting Lists**

1. The PHA can use the PHA Section 8 Waiting list and must follow its written tenant selection plan.
2. By using the PHA's Waiting List, no additional application taking process is needed. The PHA will already have taken applications and determined the eligibility of families that are offered HOME TBRA assistance.
3. Good record keeping is essential to demonstrate that all eligible families had the opportunity to apply and were treated fairly in the application process.
4. PHA's must use a written application form and retain records on the disposition of all applications.

### **B. Eligibility Determinations**

1. If the PHA uses the PHA's current Waiting List, generally no additional eligibility verifications will be required. The PHA will already have determined the eligibility of families that are offered HOME TBRA assistance.
2. PHA's must verify all factors that relate to the family's eligibility—the household composition, preference and income information provided by the family.
3. The HOME rules do not provide specific certification procedures. As a comparison, PHAs accept three types of verifications:
  - a. Third party verifications (written)
  - b. Review of primary documents provided by the applicant
  - c. Applicant certification, if employer refuses to give written verification, other documentation, such as payroll check stubs or W-2s are presented.

### **C. Certificate or Voucher Issuance**

Once a family is determined eligible and selected to receive assistance, the PHA issues the family a TBRA Voucher. PHA's may adapt Vouchers to the HOME TBRA. This is the family's authorization to look for housing.

The PJ should establish a deadline for the family to locate housing. As a comparison, PHA's give Certificate/Voucher holders sixty days to find an unit - and in extraordinary circumstances, extend the search period for an additional sixty days.

### **D. Request for Unit Approval**

When the family finds an acceptable unit and the landlord is willing to participate in the program, the tenant submits a Request for Unit Approval for using TBRA in the unit. The PHA must inspect the unit to assure that it meets HQS and lead-based paint requirements.

### **E. Lease Execution and IDIS Set Up**

After the PHA has inspected and accepted the unit:

1. The owner and the tenant enter into a lease. To cover the special requirements of the HOME Program, the PHA provided a lease addendum to be used in conjunction with the owner's lease. (A sample lease addendum is available to successful applicants.)
2. The PHA and the owner enter into an agreement in which the owner agrees to comply with the HOME rules and the PHA agrees to make its share of the payment. (A sample HOME TBRA contract will be provided to successful applicants.)
3. ADFA will set up its TBRA program as a project, with up to 99 tenants listed under a single project, on IDIS. (The PHA must submit a completed project set-up form to ADFA to enter the project into the IDIS System)

F. Ongoing Management Issues

1. HQS Compliance

- a. HOME TBRA units must be inspected annually to assure that the units meet HQS. In addition the PHA should inspect units as a result of complaints by either the owner or the tenant.
- b. If ADFA or the PHA finds an unit that does not meet HQS, the owner must be given a reasonable period of time to make the needed repairs. Generally, allowing 24 hours for HQS violations that are an imminent health or safety threat and up to 30 days for other HQS problems.
- c. If the owner does not make the needed repairs, ADFA can first abate payments until the corrections are made, and then, if the owner continues to fail to comply, cancel that TBRA contract.

2. Annual Recertification

- a. PHAs must recertify the income of TBRA program participants at least annually. This process is similar to the initial eligibility and rent determination.
- b. If the family's income exceeds the Section 8 Low Income Limit, the family's assistance must be terminated.

3. Lease Enforcement and Termination of Assistance

- a. ADFA is not party to the lease. Therefore, ADFA is not generally involved in tenant/landlord disputes unless the dispute relates to one of the owner's or tenant's obligation to ADFA (e.g. maintaining HQS or cooperating with recertification).
- b. ADFA shall terminate the tenant's assistance if the owner for cause evicts the tenant.

4. Coordination with the PHA

- a. PHAs must incorporate into their Waiting List procedures a method for returning HOME assisted tenants to the Waiting List and offering them Section 8 assistance when their name comes to the top of the Waiting List.
- b. The PHA can be a valuable source of information regarding all phases of processing for TBRA programs as well as essential information about the rental market and the interest of owners in participating in the program.

## **HOME TENANT BASED RENTAL ASSISTANCE KEY POINTS**

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- 90% of HOME funds used for TBRA and rental housing must be used to assist families at 60% or below of the median income, adjusted for family size, and income inclusions/exclusion
- Units must meet Section 8 Housing Quality Standards and Lead Based Paint Standards
- TBRA may not be used to assist owners in cooperative units
- Maximum HOME Subsidy: Difference between Section 8 FMR, or rent payment standard, and 30% of the families monthly adjusted gross income
- Minimum Tenant Contribution: 30% of adjusted gross for housing cost (rent and utilities included), not to fall below \$50.00
- HOME TBRA essentially same as Section 8 certificates and vouchers
- Subsidy contracts may not exceed one year, but may be extended for an additional year under subsequent allocations
- When HOME assistance expires, tenants selected from PHA waiting list may return to the waiting list for the same tenant selection preferences as when they were selected for the HOME assistance
- Incomes must be recertified annually
- If incomes exceed 80% of the median at recertification, assistance must be terminated
- Security Deposits: HOME funds may be used to provide a grant (or loan) for the full amount; or PHA may require the family to pay the standard market security deposit. In either case, the PHA or PJ assumes no responsibility for damages, unpaid rent and vacancy losses
- Leases: PJ recommends a minimum and maximum of one year with provisions for renewal if funds are available and lease agreements are met
- Families who are evicted for cause lose their entitlement to HOME TBRA (e.g. failure to cooperate with the recertification process, failure to comply with lease agreements, et.). Caution: Lease more than likely requires a thirty day notice of intent to move
- PHA's must develop appropriate rent comparability studies (maintain rental advertisements from newspapers on file, surveys to all landlords in the community, etc.)
- PHA must sign the HOME agreement, HOME Tenant Based Rental Assistance Contract and Home Contract Owner Agreement; and review and approve acceptable lease as so described in the HOME regulations
- Tenants may be selected from PHA Section 8 Waiting List, or from a list compiled and maintained by the PHA
- HOME may be used as vouchers. When using vouchers, the rent payment standard must be approved, in writing, by the HOME Manager

## SAMPLE METHODOLOGY FOR ESTIMATING PER FAMILY SUBSIDY REQUIREMNTS

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PHA is proposing a 100 unit HOME tenant based rental assistance program

\$10,000	Expected Income of HOME Families (40% of median)
<u>\$ 1,000</u>	Less: expected adjustments to income (2 children or elderly deduction and medical expenses)
\$ 9,000	Adjusted Annual Income
\$ 750	Adjusted Monthly Income (\$9,000/12 months)
\$ 225	Average Total Tenant Payments (\$750x.30)
\$ 550	Payment Standards
<u>\$ 225</u>	Less: Average Total Tenant Payment
\$ 325	Average Monthly Subsidy

Annual Subsidy Requirement

$\$325 \times 12 \text{ months} \times 100 \text{ recipients} = \$390,000$

A cushion needs to be provided for the following contingencies:

- Increases in the Payment Standard during the funding period
- The possibility that the income of participating families will fall below the estimated average
- Contributions toward security deposits

The PHAs calculation of these figures should be indicated in the application.

The PHA should budget funding for one year of Tenant Based Rental Assistance from a single HOME allocation. A subsequent allocation of HOME funds can be used to support additional units or to extend assistance beyond one year, not to exceed two years. HOME TBRA should be considered a temporary subsidy and not a permanent commitment.