



HOME Homeownership Value Limit Guidance

(HOME-Assisted, Owner-Occupied Projects Only)

Section 215(b) of NAHA requires that the initial purchase price or after-rehabilitation value of homeownership units assisted with HOME funds does not exceed 95 percent of the area median purchase price for single-family housing, as determined by the U.S. Department of Housing and Urban Development (HUD). Historically, HUD used the FHA Single-Family Mortgage Limit (known as the 203(b) limit) as a surrogate for 95 percent of area median purchase price. However, statutory changes require the 203(b) limits to be set at 125 percent of area median purchase price. Consequently, HOME grantees can no longer use the 203(b) limit as the HOME program homeownership value limit (i.e., initial purchase price or after rehabilitation value).

In Section 92.254(a)(2)(iii) of the Final Rule published on July 24, 2013, HUD established new homeownership value limits. This new Rule was effective August 23, 2013.

This document addresses various after-rehabilitation valuation methods, including consideration of pre- and post-rehabilitation estimates, and includes a simple worksheet designed to guide grantees through the property valuation process. The HOME Program regulations state the grantee must document the initial purchase price and/or after-rehabilitation value of an assisted unit with HOME funds that do not exceed the community's HOME Homeownership Value limit as determined by HUD.

Determining After-Rehabilitation Value

In accordance with 24 CFR 92.254(b), housing that is currently owned by an income-qualified household (i.e., owner-occupied) qualifies as affordable housing under the HOME Program only if the estimated value of the property, after rehabilitation, does not exceed the HOME Homeownership Value limits for the area as established by HUD. Grantees must maintain project files to show how the after-rehabilitation value was determined and found to be within the applicable HOME Homeownership Value limits.

Property valuations must be made pre-rehabilitation. If the property is separated into multiple parcels through the County Auditor's records, the valuation should be based on the parcel with the residential dwelling only. The entire value of the parcel must be considered during the valuation regardless of the use. The value may be established by the following methods:

- **Estimates of value (comparable sales):** The grantee may use estimates of value based on sale prices for comparable properties in the immediate neighborhood (within the prior year). Project files must contain the estimate of value and document the basis for the value estimates, including the added value, if any, of any proposed improvements or rehabilitation assistance. An estimate of value will reflect the value of a standard property, which corresponds to the estimated post-rehabilitation value.
- **Appraisals:** The grantee also may use appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the grantee. Project files must document the appraised value, the appraisal approach/method used, and include the proposed rehabilitation assistance. Grantees using the

- appraisal method have the option of obtaining a pre-rehabilitation estimated property value or providing the rehabilitation scope of work to the licensed appraiser to obtain a post-rehabilitation estimate.
- **Tax assessments:** Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects the market value of standard properties. A tax assessment most likely will reflect the value of a standard property in the neighborhood of the unit receiving assistance, which corresponds to the estimated post-rehabilitation value. **In most cases, the assistance is assumed to raise the quality of the property to this standard level. Therefore, the tax assessment of the proposed assisted property should relatively reflect the post-rehabilitation value.**

Grantees must choose one of the above methods and use it consistently throughout the program and grant period. The estimates of value require some degree of expertise and experience on the part of the person preparing the estimate.

The attached worksheet features a field for entering the rehabilitation value if the amount was not included in the property value provided by estimate of value, appraisal, or tax assessment. Rehabilitation value can be estimated using the ratio of rehabilitation cost to rehabilitation value. The objectives of rehabilitation are important considerations in determining this ratio. **Rehabilitation to address health code or safety deficiencies is likely to add less value or no value at all to a property than other improvements.**

Once the after-rehabilitation value has been determined, it must be compared to the current, applicable limits for the area to determine if the property is eligible for assistance. The HOME Program maximum purchase price or after-rehabilitation value limits are based on the HOME 95% Homeownership Value Limits and are available in OCEAN's Help Menu and at: <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

Owner-occupied rehabilitation projects funded solely with CDBG funds are exempt from the HOME Homeownership Value limit requirement. However, the Office of Community Development's project set-up procedure in OCEAN requires grantees to determine and report the after-rehabilitation value on CDBG-funded projects.

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Property Value Limit Worksheet

Grantee:	
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Property Address:	

Activity (check one):

- Homeownership/Rehabilitation Assistance
- Owner Rehabilitation Assistance

1. Property Value:	\$
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Established by (check one of the following):

- Estimate of Value (Comparable Sales)
- Appraisal
- Tax Assessment

2. Rehabilitation Value:	\$
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Estimate rehabilitation value if property value under #1 above does not include value of proposed rehabilitation. Rehabilitation to address health code or safety deficiencies is likely to add less value, or no value at all, to a property than other improvements.

3. After-Rehabilitation Value (#1 + #2):	\$
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4. Local HOME Homeownership Value Limit:	\$
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CERTIFICATION: The total post-rehabilitation value of the above assisted property is less than the HOME Homeownership Value as established by HUD and the property is eligible for HOME Program assistance in accordance with 24 CFR 92.254(a)(2).

Staff Member Name (print):	
Staff Member Signature:	
Date:	