

HOME Program regulations state that participating jurisdictions (PJs) must document the after-rehabilitation value of affordable housing to show such housing is within Section 203(b) program limits. This document discusses various valuation methods, and includes a simple worksheet designed to guide PJ staff through this property valuation process.

Determining After-Rehabilitation Value

In accordance with 24 CFR 92.254(b), housing currently owned by a family (i.e., owner-occupied housing) only qualifies as affordable housing under the HOME Program if the estimated value of the property, after rehabilitation, does not exceed 95 percent of the median purchase price for the area (as established by the U.S. Department of Housing and Urban Development). PJs must maintain files showing how after-rehabilitation value was determined and found to be within the applicable program limits.

Property value must be determined prior to the provision of HOME Program assistance. The value must be established by choosing and consistently using one of the following methods throughout the program:

- **Estimates of value (comparable sales):** The PJ or sub-recipient may use estimates of value based on sale prices of comparable properties in the immediate neighborhood (within the prior year). Project files must contain an estimate of value and document the basis for the value estimates.
- **Appraisals:** The PJ may also use appraisals, whether prepared by a licensed fee appraiser or by a PJ's staff appraiser. Project files must document the post rehabilitation appraised value and clearly indicate it in the appraisal report. This requires the PJ to provide the appraiser the written work write-up that includes that proposed rehabilitation for the subject property.
- **Tax assessments:** Tax assessments of comparable properties 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.

Property valuations must establish post-rehabilitation value. As previously stated, PJs using the appraisal method must provide the rehabilitation scope of work to the licensed appraiser in order to obtain a post-rehabilitation estimate. A tax assessment will most likely reflect the value of a standard property in the neighborhood of the unit receiving assistance, this establishes the post-rehabilitation value. In most cases, assistance is assumed to raise the quality of the property to this standard level. Similarly, an estimate of value also reflects the value of a standard property; this corresponds to the estimated post-rehabilitation value.

Once the after-rehabilitation value has been determined, it must be compared to the current applicable limits for the area this determines if the property is eligible for assistance. The HOME Program maximum purchase price or after-rehabilitation value limits are based on the Section 203(b) Single Family Mortgage Limits and are available at: <https://entp.hud.gov/idapp/html/hicostlook.cfm>. If a PJ believes the 95 percent of median purchase price limits are not reflective of actual market prices, it has the option of determining its own limits in accordance with the procedures described in the HOME Program regulations at 24 CFR 92.254.



HOME Program Property Value Limit Worksheet

Property Address: _____

Activity (check one):

Acquisition/Homeownership Assistance _____
Acquisition/Rehabilitation _____
Housing Rehabilitation _____

1.) Property Value: _____

Established by (check one of the following):

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

2.) FHA 203(b) Value Limit: _____

CERTIFICATION: The total acquisition/post-rehabilitation value of the above identified assisted property is less than 95 percent of the area median purchase price as established by the maximum Property Value Limit under the Federal Housing Administration 203(b) schedule, and the property is eligible for HOME Program assistance in accordance with 24 CFR 92.254(a)(2).

Staff Member Name: _____

Date: _____

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