

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, including consideration of pre- and post-rehabilitation estimates, 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 that is currently owned by a family (i.e., owner-occupied housing) qualifies as affordable housing under the HOME Program only 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 to show 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 may be established by the following methods:

- **Estimates of value (comparable sales):** The PJ or sub-recipient 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 of any proposed improvements.
- **Appraisals:** The PJ also may use appraisals, whether prepared by a licensed fee appraiser or by a staff appraiser of the PJ. Project files must document the appraised value, the appraisal approach used, and include the proposed rehabilitation.
- **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.

PJs must choose one of the above methods and use it consistently throughout the program. Note that estimates of value require some degree of expertise and experience on the part of the person preparing the estimate.

Property valuations can be made pre- or post-rehabilitation. PJs 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. 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. Similarly, an estimate of value also will reflect the value of a standard property, which corresponds to the estimated post-rehabilitation value.

The attached worksheet features a field for entering 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 (e.g., \$3 rehabilitation cost corresponds to \$1 of increased property 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 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 Section 203(b) Single Family Mortgage Limits and are available at: <https://entp.hud.gov/idapp/html/hicostlook.cfm>. If a PJ believes that 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.

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.) Rehabilitation Value: _____

(Estimate rehabilitation value if property value under #1 above does not include value of proposed rehabilitation.)

3.) Total Property Value (#1 + #2): _____

4.) 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 (print): _____

Staff Member Signature: _____

Date: _____

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