

MEMORANDUM

October 4, 2016

To: Honorable Joe Courtney
Attention: Beata Fogarasi

From: Eugene Boyd, Analyst in Federalism and Economic Development Policy, 7-8689
Katie Jones, Analyst in Housing Policy, 7-4162

Subject: **The Potential Use of Community Development Block Grant and HOME Funds to Address Crumbling Residential Foundations in Connecticut**

This memorandum responds to your request for information regarding the potential use of Community Development Block Grant (CDBG) or HOME funds to assist homeowners located in northern and eastern Connecticut in financing the repair or replacement of crumbling home foundations caused, according to news reports, by the presence of high levels of pyrrhotite in the aggregate used in the foundation's concrete mixture. Pyrrhotite is an iron sulfide mineral that can react with oxygen and water to cause swelling and cracking. Specifically, you asked CRS to identify:

- if, and how, CDBG or HOME funds could be used to assist affected homeowners repair or replace crumbling foundations;
- how the design of these programs may limit the funds' applicability in addressing homeowners' foundation problems; and
- how homeowners and towns or other areas would have to present the issue in the funding process.

Scope of the Problem

According to news reports, as of August 2016, at least 311 homeowners had filed complaints with the Connecticut Department of Consumer Protection regarding crumbling residential foundations.¹ The 311 impacted homeowners may be a part of a large group of impacted homeowners with the potential of hundreds, and possibly thousands, more joining their ranks. The Connecticut Coalition Against Crumbling Basements (CCACB), a homeowner advocacy group, estimates the number of affected homes in the state between 7,000 to 20,000, with cost estimates for replacing the damaged foundations ranging from \$150,000 to \$250,000 per home.² The potential cost of remedying the foundation problems of the 311 homeowners, who have already filed a complaint with the state of Connecticut, assuming an average

¹ Connecticut Coalition Against Crumbling Basements, "Pyrrhotite Disaster in the Northeastern United States-CCACB Guest Post," *Pyrrhotiteproblem.com*, August 31, 2016 at <http://www.pyrrhotiteproblem.com/usa/pyrrhotite-disaster-northeastern-united-states-ccacb-guest-post/>.

² Ibid.

cost of \$150,000 per home to replace the foundations, yields a cost estimate of \$46.650 million. The ability to gauge the scope of the problem is complicated by the fact that this is a slow-moving phenomenon that takes years, if not decades, before the damage is detected. According to CCACB, homes with visible foundation problems were built between the early 1980s and 2003.³

Program Descriptions

The Community Development Block Grant Program⁴ and the HOME Investment Partnership program⁵ are administered by the Department of Housing and Urban Development (HUD). The programs are intended to support state and local government housing and neighborhood revitalization efforts, particularly in areas with a significant concentration of low and moderate income persons and households. Federal rules governing the CDBG and HOME programs require states and qualifying local governments to submit, for HUD approval, Consolidated Plans (ConPlans) outlining their housing and community development needs and how those needs will be addressed over a five-year period using funds awarded through the CDBG, HOME and two other formula-based programs administered by HUD.⁶ In addition to ConPlans, states and qualifying local governments are required to develop and submit to HUD Annual Action Plans, which identify the actions, activities, and resources that will be employed to address the priority needs and specific goals identified by the state or local government's ConPlan. The ConPlan and related action plans are intended to:

- encourage communities and states to develop comprehensive, coordinated approaches in the administration of federal housing and community development programs;
- reduce federal paperwork requirements;
- improve program accountability through the use of measurable goals; and
- strengthen citizen participation.

HUD also consolidated the reporting requirements for these programs, replacing five general performance reports with one performance report known as the Consolidated Annual Performance and Evaluation Report (CAPER). States and qualifying communities are required to submit an annual CAPER to HUD detailing the state's progress in meeting the housing and community development objectives outlined in its ConPlan.

Community Development Block Grants (CDBG)

The CDBG program is a formula-based block grant whose funds are allocated to large metropolitan-based communities (*entitlement communities*) and the 50 states and Puerto Rico.⁷ Seventy percent of funds appropriated by Congress for program activities must be allocated to so-called *entitlement communities*. These are metropolitan-based cities with populations of 50,000 or more and urban counties with populations of 200,000 or more, excluding the population of entitlement cities within their boundaries.

³ Ibid.

⁴ The program was first authorized by the Housing and Community Development Act of 1974, P.L. 93-383, 42 U.S.C. 5301 and *et al.*

⁵ The program was first authorized by the Cranston-Gonzalez National Affordable Housing Act of 1992, P.L. 101-625, 42 U.S.C. 12701.

⁶ The two programs are Emergency Solution Grants, which provides assistance to address issues of homelessness, and Housing Opportunities for Persons with AIDS, which provides assistance to low and moderate income person living with HIV/AIDS.

⁷ For a detailed overview of the CDBG program see CRS Report R43520, *Community Development Block Grants and Related Programs: A Primer*, by Eugene Boyd.

However, an entitlement city located in an urban county may opt to forego administration of its CDBG allocation and instead transfer administrative authority of its CDBG allocation to its urban county. Likewise, metropolitan-based incorporated communities who fail to meet the 50,000-person threshold for entitlement status may also elect to be included in the urban county's CDBG program. If such a community elects to opt out of inclusion in the urban county's CDBG program, it may elect to compete for CDBG funds awarded to the state.⁸ There are two communities on your list of areas in Connecticut that are affected by crumbling foundations, Manchester and East Hartford, that qualify for CDBG entitlement community status.

The statute governing the CDBG program requires HUD to allocate 30% of funds appropriated by Congress to states and Puerto Rico for distribution to so-called nonentitlement communities. States do not actually undertake activities. Instead, the state acts as a pass-through agent whose primary responsibilities include:

- devising a method or methods for the distribution of funds to nonentitlement communities;
- selecting local government that will receive funds; and
- monitoring local government compliance with program regulations.

In addition, states, including Connecticut, are responsible for providing units of local government sufficient information regarding the availability of CDBG funds, kinds of eligible activities that may be funded, and factors that will be used to select projects for CDBG funding.

Table 1 is a listing of communities identified by your office as having a significant number of homeowners experiencing foundation problems. The communities are grouped by CDBG entitlement and nonentitlement status.

Table 1. Communities Identified Having Significant Number of Homes Affected by Crumbling Foundation by CDBG Entitlement Status

	(Communities that must compete for state CDBG funds of \$12.162 million)		
CDBG entitlement community allocation	CDBG nonentitlement communities		
East Hartford \$498,058	Broad Brook CDP	Andover	Ashford
Manchester \$534,623	East Hartford	Bolton	Chaplin
	Enfield	Coventry	Windham
	Glastonbury	Ellington	
	Manchester	Mansfield	
	South Windsor	Tolland	
	Wethersfield	Somers	
		Stafford Springs	
		Union	
		Willington	

⁸ There are no CDBG-designated urban counties in the state of Connecticut. Connecticut abolished county-level executive and legislative governments in 1960. Each city or town in Connecticut is responsible for providing municipal services such as schools, and fire and police. Communities may agree to provide municipal services jointly

Source: List of impacted communities was provided by the Office of Representative Joe Courtney. CDBG entitlement community status identified on the HUD website at http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget16

As noted in **Table 1**, there are two affected CDBG entitlement communities (East Hartford and Manchester) that received separate CDBG allocations of \$498,058 and \$534,623, respectively, in fiscal year 2016. The remaining communities in **Table 1** will have to compete for some portion of the State of Connecticut's CDBG allocation of \$12.162 million. The administering state agency is the Connecticut Department of Housing.⁹

HOME

Like CDBG, the HOME Investment Partnerships Program (HOME) is a block grant administered by the Department of Housing and Urban Development (HUD). HOME funds are allocated by formula to *participating jurisdictions* (PJs), which are states and certain local jurisdictions that qualify for their own allocations of HOME funds under the formula.¹⁰ Forty percent of available HOME funds are allocated to states and the remaining 60% to local jurisdictions.¹¹ Unlike CDBG, state HOME funds can be used anywhere in the state; they do not necessarily have to be used in areas that do not receive their own allocations of HOME funds.

The state of Connecticut's allocation of HOME funding was about \$6.6 million in FY2016. (Participating jurisdictions must also match 25% of HOME funds expended with their own contribution to eligible affordable housing activities.¹²) These funds are administered by the state of Connecticut's Department of Housing, which makes decisions on specific projects to fund. Based on the list you provided to CRS, it does not appear that any of the areas affected by faulty home foundations are recipients of their own allocations of HOME funds.¹³

Under what circumstances may CDBG or HOME funds be used to address crumbling foundations of affected homeowners?

CDBG

As noted, both the CDBG and HOME programs are block grants that allow state and local government grantees significant discretion and flexibility in the use of funds to finance a broad range of community development and housing related activities. Two of the 21 communities listed in **Table 1** are direct recipients of CDBG funds (*entitlement communities*). The circumstances under which these two communities (Manchester and East Hartford) access CDBG funding differs from that of the remaining 19 *nonentitlement communities*.

⁹ The Department's CDBG website is accessible at <http://www.ct.gov/doh/cwp/view.asp?a=4513&q=530474>.

¹⁰ Local jurisdictions can qualify for their own allocations of HOME funds if they are metropolitan cities, urban counties, or consortia made up of geographically contiguous local governments and approved by the Secretary of HUD, and if they are eligible for a certain threshold amount of funding under the formula. See 42 U.S.C. 12746 and 42 U.S.C. 12747.

¹¹ 42 U.S.C. 12747(a)(1).

¹² 42 U.S.C. 12750

¹³ HUD, "Community Planning and Development Program Formula Allocations for FY2016," http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/about/budget/budget16.

Homeowners in Entitlement Communities

Affected homeowners located in the entitlement communities of East Hartford and Manchester must seek assistance from the agency charged with administering the city's CDBG allocation: the Town of East Hartford Grants Administration Office,¹⁴ and the Town of Manchester Department of Planning and Economic Development.¹⁵ Homeowners should familiarize themselves with the citizen participation process and other program documents used by each grantee to facilitate public input in the development and implementation of the town's community development and related plans.¹⁶ Please note that both towns currently operate housing rehabilitation programs. The Town of Manchester, Connecticut administers a CDBG-funded owner-occupied rehabilitation program¹⁷ that makes available forgivable loans to owner-occupied or investor-owned single- and multi-family residential properties in selected housing rehabilitation areas to residents meeting household income requirements and other factors. The town may award up to \$25,000 per home to be used "to address conditions in the home that, if left unattended, would create an issue with the integrity of the home or become a detriment to the residents' quality of life."¹⁸ The Town of East Hartford, Connecticut's housing rehabilitation program is targeted to low and moderate income owner-occupied housing. The owners of the property: (1) may not have received rehabilitation loan assistance during the previous 5 years; (2) must have clear title to the property; (3) must be current on all property taxes at the time of application; and (4) may have no more than two mortgages or liens on the property.¹⁹

These local programs could be reviewed to determine if they could be modified to support the repair or replacement of crumbling foundations.²⁰

Homeowners in Nonentitlement Communities

Affected homeowners living in a nonentitlement community must first secure from their local government a commitment to submit an application to the state. In submitting the application to the state, the nonentitlement community must certify that it has the demonstrated ability to administer federal grant assistance. If the community lacks such expertise, it may partner with a Community Based Development Organization as defined by Sec. 24 CFR 570.204 designating the organization as a sub-recipient of funds.

¹⁴ See the following link at <http://www.easthartfordct.gov/grants-administration/pages/cdbg-documents>

¹⁵ See the following link at <http://planning1.townofmanchester.org/index.cfm/community-development-and-housing/community-development-block-grant-program>.

¹⁶ Manchester CDBG documents may be access at <http://planning1.townofmanchester.org/index.cfm/community-development-and-housing/community-development-block-grant-program/>, and East Hartford's CDBG documents are available at <http://www.easthartfordct.gov/grants-administration/pages/cdbg-documents>

¹⁷ Program brochure available at <http://planning1.townofmanchester.org/NewPlanning/assets/File/REHAB%20BROCHURE%20March%202015.pdf>

¹⁸ Town of Manchester, Connecticut Department of Planning, *Town of Manchester Housing Rehabilitation Program*, Manchester, Ct., <http://planning1.townofmanchester.org/NewPlanning/assets/File/REHAB%20BROCHURE%20March%202015.pdf>.

¹⁹ Town of East Hartford, Connecticut Department of Grant Administration, "Who is eligible for the Housing Rehabilitation Program?" program brochure at <http://www.easthartfordct.gov/grants-administration/faq/who-is-eligible-for-the-housing-rehabilitation-program>.

²⁰ For details of East Hartford housing rehabilitation program see <http://www.easthartfordct.gov/advanced-search?keywords=housing+rehabilitation>. For Manchester see <http://planning1.townofmanchester.org/index.cfm/community-development-and-housing/community-development-block-grant-program/housing-rehabilitation-program/>

Eligible Use of Funds

The statute governing the CDBG program lists housing rehabilitation, which could include the repair or replacement of crumbling foundations, as an eligible activity. However, such assistance is not without strings. States and local government grantees and sub-recipients of CDBG funds must certify that the proposed activity meets one of three national objectives:

- principally benefit low or moderate income persons or households;²¹
- aid in preventing or eliminating slums or blight; or
- address an urgent need that poses an imminent threat to the health and safety of residents.

42 USC 5305(a)(4) includes rehabilitation of privately or publicly owned residential property as an eligible CDBG activity. When carrying out this activity funds may be used to cover the costs of:

- labor and materials;
- financial assistance, including loans, grants, loan guarantee and interest supplements; or
- refinancing existing indebtedness secured by a property being rehabilitated with CDBG funds.

Funds may also be used to cover the costs of rehabilitation services, including marketing of the program, screening of potentially eligible homeowners and impacted housing structures, loan underwriting and processing, inspections, and other services related to assisting owners. To execute these activities communities may, and often do, partner with nonprofit housing and community development entities.

HOME

HOME funds can be used for a variety of housing-related activities that benefit low-income households.²² HOME funds can be used to repair or rehabilitate owner-occupied housing, though they can also be used for other activities, including constructing or rehabilitating rental housing, providing assistance to homebuyers (such as down payment assistance), or providing tenant-based rental assistance. Although HOME funds can be used for owner-occupied housing rehabilitation activities, it appears that the state of Connecticut has historically rehabilitated only a relatively small number of units using HOME funds. Since 1992, the year the HOME program began, 5% of completed HOME-funded units in the state of Connecticut have been rehabilitated owner-occupied housing units. Over three-quarters (77%) of completed units have been rental units.

Because repairing, rehabilitating, or reconstructing owner-occupied housing is an eligible use of HOME funds, it appears that the state of Connecticut could choose to use HOME funds to assist homeowners with crumbling home foundations under certain circumstances. However, any housing rehabilitation must comply with the PJ's written rehabilitation standards and bring the home into compliance with state or local building codes. Therefore, emergency housing rehabilitation programs are not eligible for HOME funds, unless the homes are also brought into compliance with any applicable codes.

²¹ CDBG program regulations defines low and moderate income household as having an income equal to or less than the Section 8 low income limit established by HUD 24 CFR 570.3. In the case of entitlement community, this is typically 80% of the median income of the entitlement jurisdiction. In the case of the state program, the 80% is based on the median income for all nonentitlement communities in the state.

²² Low income, for the purposes of the HOME program, is defined as households with incomes at or below 80% of area median income.

PJs can provide various types of assistance using HOME funds, including grants and different types of loans (e.g., interest-bearing loans, non-interest bearing loans, or deferred loans). HOME funds can also be used to provide assistance in connection with private loans, such as offering loan guarantees or providing interest rate subsidies or principal write-downs on private loans to make them more affordable.

HOME funds can be used for both hard costs (the costs of the actual repair or rehabilitation work) and related soft costs. Soft costs include architectural, engineering, or other professional services; costs related to securing financing for the project (such as the costs of permits or appraisals); project audits, information services; and certain of the PJ's staff and overhead costs that are directly related to carrying out the project.²³

What program requirements exist that would limit or prohibit the use of CDBG or HOME in financing the repair or replacement of crumbling foundations?

This section of the memorandum discusses the requirements and limitations communities and homeowners must address in an effort to secure CDBG or HOME funding for the proposed activity.

CDBG

Under the CDBG statute, states and entitlement communities must ensure that 70% of their CDBG funds benefit low and moderate income persons.²⁴ This limits the percentage of CDBG funds a community or state may allocate to activities that address the two other national objectives. Homeowners seeking CDBG assistance for basement replacement or repairs must demonstrate that the proposed activities meet one of the three national objectives listed earlier in this memorandum. The following briefly describes how the three national objectives could be used to justify the use of CDBG funds for housing rehabilitation activities:

- **Benefits to low and moderate income persons.** In order for an activity that involves housing rehabilitation to qualify as benefiting low and moderate income persons, the program's authorizing statute requires that the housing must be owner-occupied by households whose gross income does not exceed 80% of the jurisdiction's median income. It is conceivable that a number of impacted homeowners will have incomes beyond the 80% of median income ceiling, and thus will be ineligible for CDBG funding under this national objective.
- **Prevention or elimination of slums and blight.** CDBG-financed housing rehabilitation activities could be justified as meeting the national objective that allows assistance to be used to prevent or eliminate slums and blight on a targeted area-wide or spot basis. In order to meet this national objective on a targeted area basis, the area in which the proposed rehabilitation activities are to occur must (1) meet the state or local government's legal definition of a slum, blighted, deteriorated or deteriorating area; (2) include a substantial number of deteriorated or deteriorating housings throughout the designated area; and (3) address one or more of the conditions that contribute to the deterioration of the area. In addition, the housing structure targeted for rehabilitation must be considered substandard under local law. Local governments and states may develop

²³ Eligible project costs are in HUD regulations at 24 CFR 92.206. Prohibited activities and fees are at 24 CFR 92.214.

²⁴ 42 U.S.C. 5304(b).

housing rehabilitation programs on a spot basis allowing housing CDBG assistance to be awarded to homeowners living anywhere within the boundaries of the entitlement community or the state's nonentitlement areas. Under the program's federal rules the CDBG-funded housing rehabilitation activity may address only those conditions that are considered detrimental to public health and safety.

- **Urgent Need.** Entitlement communities and states may fund housing rehabilitation activities under the urgent need objective if: (1) the activity is intended to alleviate an existing condition or conditions which the grantee (entitlement community, nonentitlement community) certifies are a serious and immediate threat to the health or welfare of the community; (2) the conditions are of recent origin or recently became urgent; (3) the grantee is unable to finance the activity on its own, and (4) other sources of funds are not available.

HOME

Given that rehabilitation of existing owner-occupied housing is an eligible use of HOME funds, the state of Connecticut may be able to use HOME to help some homeowners repair or replace crumbling home foundations in some circumstances. However, there are some important limitations on the use of HOME funding in general, and on the use of HOME funding for housing rehabilitation specifically. Some of the potential limitations on the use of HOME funds include the following:

- **Low-Income Requirement:** All HOME funds must benefit low-income households; therefore, HOME funds could only be used to repair home foundations for households who are low-income (defined as income at or below 80% of the area median income).²⁵
- **Limits on After-Rehab Value:** In order to use HOME funds, the value of the property after the rehabilitation is completed may not exceed 95% of the median purchase price in the area.²⁶ Therefore, HOME funds could only be used if the after-rehabilitation property value would not exceed these limits.
- **Maximum Per-Unit HOME Subsidy:** There is a maximum per-unit amount of HOME funds that can be used for rehabilitation; these amounts are available from the HUD field office.²⁷ Depending on the cost of the repair and rehabilitation, it is possible that the limits could pose a barrier to using HOME funds in some cases.
- **Rehabilitation Standards:** HUD regulations require that, when HOME funds are used for housing rehabilitation, the housing must meet the PJ's written rehabilitation standards and be brought up to the applicable state or local building code.²⁸ Therefore, depending on the condition of the homes in question, using HOME funds may require more repairs to be completed than just the home foundation repair, which would increase the cost of the program.

²⁵ The dollar amounts of income limits in different areas are available on HUD's website at <https://www.hudexchange.info/manage-a-program/home-income-limits/>.

²⁶ 24 CFR 92.254(b)(1). The 2016 limits are available at HUD, "HOME Homeownership Value," <https://www.hudexchange.info/resource/2312/home-maximum-purchase-price-after-rehab-value/>.

²⁷ See 24 CFR 92.250 and HUD's website at <https://www.hudexchange.info/resource/2315/home-per-unit-subsidy/>. The closest HUD field office would be the Hartford Field Office; contact information is available at <https://www.hudexchange.info/manage-a-program/cpd-field-office-directory/>.

²⁸ 24 CFR 92.251

- **Principal Residence Requirement:** HOME funds may only be used for rehabilitation of an owner-occupied home if the home is the owner's principal residence.²⁹
- **Affordability Period and Subsidy Recapture:** The HOME statute does not impose an affordability period—a time period over which the housing must continue to qualify as affordable housing under HOME program requirements—for homeowner rehabilitation activities. However, participating jurisdictions are permitted to impose one. According to the state of Connecticut's Consolidated Plan, the state has chosen to impose an affordability period on homeowner rehabilitation activities and to seek to recapture the HOME subsidy provided the home is sold during the affordability period. This means that, if the home is sold during the affordability period, the amount of the HOME subsidy (or a pro-rated amount) would need to be repaid.³⁰ The affordability period is between 5 and 15 years, depending on the amount of HOME funds invested.

Other HOME requirements may also limit the extent to which funds could be used for home foundation repairs, or could potentially add to the complexity or the cost of using HOME funds for this purpose.

Under what arrangements may CDBG or HOME funds be provided or packaged in order to fund the repair or replacement of damaged foundation?

This memorandum identifies a number of options that may be considered when structuring a proposal to administer and fund a housing rehabilitation (foundation replacement) program using CDBG or HOME funds. All of the options will require that impacted homeowners obtain the involvement and cooperation of the local governments where the affected homes are located.

CDBG

Option One: The CDBG entitlement communities of East Hartford and Manchester could attempt to expand their existing housing rehabilitation programs using a combination of their CDBG allocation and HOME funds that would be awarded to it by the state of Connecticut.

Option Two: Communities could form a consortia and jointly apply for state CDBG and HOME funds. The consortia would designate one of its member communities as the administrator of program funds.

Option Three: Communities could form consortia and jointly apply for state CDBG and HOME funds and include a nonprofit entity with expertise in administering federal housing and community development funds as a subrecipient of grant funds. The nonprofit would be charged with administering a foundation replacement program.

There are a number of financing options that may be used when structuring an owner-occupied housing rehabilitation program. They include the following:

- **Grants** can be awarded to income eligible homeowners to be used to subsidize the cost of eligible housing rehabilitation activities, or to write down the principal amount of a private loan as a means of making the homeowner's monthly loan payment affordable.

²⁹ 24 CFR 92.254(b)(2)

³⁰ See the Connecticut Department of Housing (DOH) Consolidated Plan 2015-2019, page 254, stating that "For homeowner rehabilitation projects DOH will look to recapture the entire subsidy during the period of affordability. DOH may establish a stand-alone state mandated affordability period for such projects."

- **Deferred payment** loans to homeowners for housing rehabilitation activities. These non-amortized loans would allow for the regular payment of interest, with the principal being repaid in a lump sum sometime in the future (in many instances, only after the sale of the house). This technique is often used as a means of subsidizing low-income homeowners
- **Forgivable loans** allow for pro-rated reduction or forgiveness of some portion of the loan over time based on how long the owner has resided in the property. Should the homeowner sell the property before the end of the loan term, only the amount not yet forgiven would be repaid.
- **Amortizing loans** require homeowner to make a monthly payment. These loans can be made at below-market interest rates, or principal-only loans.³¹

HOME

The Connecticut Department of Housing (DOH) administers the state's CDBG and HOME allocations and makes decisions about which specific projects to fund. According to the state of Connecticut's draft 2016-2017 Action Plan, Connecticut makes its HOME funds available across the state, and accepts applications for nearly all HOME-eligible activities (including housing rehabilitation). Eligible applicants for the funds include local governments and both for-profit and non-profit entities.

The Connecticut Department of Housing's website and its Consolidated Plan and Annual Action Plan describe the application process for HOME funds.³² The Department of Housing accepts applications on a continuing basis until all funds are committed. Applicants submit an application to the Department of Housing, which is to be evaluated based on a variety of criteria. The draft 2016 Annual Action Plan posted on the Connecticut Department of Housing's website includes a section on evaluation criteria for HOME and CDBG.³³ Among other things, the draft plan states that applications will be judged on the extent to which they meet one or more of the priorities in the Consolidated Plan, the feasibility of the project and how quickly it can begin, the applicant's prior experience and capacity to undertake the project, and the extent to which projects meet certain criteria related to "responsible growth, livability initiatives, and community impact."

A local government or a for-profit or non-profit developer could submit an application for HOME funds to be used to repair affected homeowners' foundations. Among other things, the application would need to demonstrate experience and capacity to carry out the project, comply with HOME program requirements, show that the project is financially viable, and meet the objectives of the Connecticut Consolidated Plan. Among many others, some questions that may need to be considered and addressed in the application include how eligible homeowners would be identified, how (and by whom) the work would be carried out, and the amount and form of assistance that would be provided to homeowners (e.g., would HOME funds cover all or a portion of the costs of repairing the faulty home foundations? Would assistance be provided in the forms of grants, loans, or another kind of subsidy?). Even if an application met all of the required criteria, there is no guarantee that the application would be selected for funding. The decision would presumably depend, in part, on how many other applications for funding were received and how the state chose to prioritize the use of HOME funds. To the extent that an affected local government wished to apply for HOME funding for this purpose, but lacked the relevant experience, it may wish to partner with a non-profit or other entity that has more experience with homeowner rehabilitation projects.

³¹ United States Department of Housing and Urban Development, *HOME and CDBG Guidebook*, Washington, DC, February 2012, pp. 61-62, <https://www.hudexchange.info/resources/documents/HOME-CDBGGuidebook.pdf>.

³² See <http://www.ct.gov/doh/cwp/view.asp?a=4513&q=530476>.

³³ Connecticut Department of Housing, "State of Connecticut DRAFT 2016-2017 Action Plan for Housing and Community Development," p. 47-49, available at http://www.ct.gov/doh/lib/doh/draft_2016-2017_action_plan_2.pdf.

While it appears that using funds to repair crumbling home foundations for eligible homeowners, in accordance with other HOME requirements, would be consistent with Connecticut's Consolidated Plan and Annual Action plan, if any changes needed to be made, the state can submit amendments to the Consolidated Plan. HUD's Hartford Field Office should be able to assist in discerning whether changes need to be made and to answer other questions about using HOME funds for this purpose.³⁴

States and localities that receive HOME or CDBG funds can also request various types of assistance from HUD staff, including, among other things, "In-depth assistance with implementing, operating, or administering a HUD-funded program."³⁵ Therefore, the state of Connecticut may be able to request assistance if it felt that it needed help implementing a homeowner rehabilitation program for homeowners affected by crumbling foundations.

We trust this information meets your needs. Should you require additional assistance, please contact us.

³⁴ Contact information for HUD field offices is available at http://portal.hud.gov/hudportal/HUD?src=/program_offices/field_policy_mgt/localoffices#CT.

³⁵ See HUD's website at <https://www.hudexchange.info/get-assistance/>.
