



Special Attention of:
All Regional Office Directors
All Field Office Directors
All CPD Office Directors
All HOME Participating Jurisdictions

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Subject: Allocating eligible costs and identifying HOME-assisted units in multi-unit HOME rental and homeownership development projects.

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I. PURPOSE

This notice provides guidance to HOME participating jurisdictions (PJs) on the methods for allocating costs in accordance with the HOME regulations at 24 CFR Part 92. PJs are required to charge the actual costs of the HOME units, which will require allocating costs, and identify the number and characteristics of units to be designated as HOME units for multi-unit rental or homebuyer HOME projects in which not all of the units are HOME-assisted.

II. APPLICABILITY

Cost allocation is required in any HOME rental or homebuyer project where fewer than 100% of units are HOME-assisted (e.g., a mixed-income project); and/or in which less than 100% of the space is residential (e.g., a mixed-use project). In addition, cost allocation is required for a 2- 4 unit property in which one of the units is occupied by the owner and fewer than 100% of the units will be HOME-assisted.

Cost allocation is not required for single unit properties, or in cases where a multi-unit project is exclusively residential and 100% of units will be HOME-assisted. However, in all HOME projects, a PJ must ensure that the amount of HOME funds invested does not exceed the lesser of the total HOME eligible costs per unit and the maximum per-unit HOME subsidy.

III. BACKGROUND

The HOME program permits less than all of the units in a project to be designated as HOME units. HOME funds may only be expended on the actual costs, up to the maximum per-unit subsidy limit, of units that meet HOME affordability requirements. Consequently, a PJ must allocate development costs according to the actual costs of the HOME-assisted units. It is necessary for a PJ to identify the number and type of HOME-assisted and unassisted units and to make a determination about the comparability of HOME-assisted unit and unassisted units. A PJ then uses the actual costs of HOME units to ensure that at least the minimum required number of units will be designated as HOME-assisted. A PJ may always designate more units as HOME-assisted than the number required based on the actual costs charged to the HOME program. In addition, the comparability analysis will help a PJ to determine whether to designate HOME units as fixed or floating during the period of affordability. occupancy.

This notice describes the steps for determining comparability of units; selecting a method of cost allocation; specifying the number of type of HOME units and calculating the cost of HOME units; and, determining the maximum HOME investment for a project. Together, these steps are referred to as the Cost Allocation Process in this notice.

Section 212(e) of the Cranston-Gonzalez National Affordable Housing Act of 1990 (NAHA), as amended, requires HUD to establish limits on the amount of HOME funds that may be invested on a per-unit basis. The HOME Rule requires PJs to allocate eligible costs to HOME-assisted units and establishes and the maximum per-unit subsidy limits:

- **Cost Allocation (§92.205(d)(1)):** HOME funds may be used to assist one or more housing units in a multi-unit project, but only the actual HOME eligible development costs may be charged to the program.
 - If the HOME-assisted and unassisted units are not comparable, the actual costs must be determined based on a method of cost allocation such as the [Standard Method](#), so that the amount of the total development costs charged to the program does not exceed the cost of HOME-assisted units in the project.
 - If the HOME-assisted and unassisted units are comparable in terms of size, features, and number of bedrooms, the actual cost of the HOME-assisted units can be determined by the [Proration Method](#) or the [Hybrid Method](#) (i.e. a variation on the Proration Method), so that the proportion of the total development costs charged to the program does not exceed the proportion of the HOME-assisted units in the project.
- **Maximum per-unit subsidy limits (§92.250(a)):** The amount of HOME funds that a PJ may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limits for elevator-type projects that apply to the area in which the housing is located. A published listing is available from the HUD Field Office. For information on maximum per-unit subsidy limits, see [CPD Notice 15-003](#), [HOMEfires Vol. 12, No. 1](#), and the [HOME Maximum Per-Unit Subsidy Limits](#) on the HUD Resource Exchange.

A PJ will be in compliance with HOME regulatory requirements if it uses either of the three cost allocation methods described in this notice.

IV. RELATIONSHIP OF COST ALLOCATION TO UNDERWRITING

The HOME regulations at §92.250(b) require a PJ to develop and use underwriting and subsidy layering guidelines to evaluate a project to ensure that the HOME investment does not exceed the amount that is necessary to provide quality affordable housing that will be financially viable for the period of affordability required at §92.252 or §92.254. Cost allocation and project underwriting are interrelated and iterative processes. Cost allocation affects project underwriting by dictating either the maximum amount of HOME investment a PJ may provide, or the minimum required number of units that must be designated as HOME-assisted. Prudent underwriting identifies either the funding gap or a sustainable number of HOME-assisted units. In practice, the HOME investment tends to be determined in three phases:

Preliminary underwriting: A PJ typically uses its written underwriting and subsidy layering guidelines to review the project budget for reasonable and necessary development costs; to analyze the initial funding gap (i.e. the need for HOME funds) and projected return to the developer; and to ensure that the proposed mix of HOME-assisted units, other assisted units (e.g., LIHTC, project based rental assistance, etc.), and/or unassisted units allows for project viability throughout the period of affordability.

Cost allocation: Next, if fewer than 100% of the units will be HOME-assisted or the project is a mixed-use property that includes commercial space, the PJ must perform cost allocation to determine the minimum number of HOME-assisted units required for the project based on the requested amount of HOME investment. Alternatively, the PJ may use a proposed number of HOME-assisted units to determine the cost of HOME units and the maximum permissible amount of HOME investment for the project.

Final underwriting: If, through cost allocation, the PJ determines that either the project has too few HOME-assisted units or the HOME investment exceeds the allowed maximum subsidy limit, project underwriting must be adjusted to comply with the HOME requirements. The PJ may increase the number of HOME-assisted units in the project's pro forma to determine whether projected income can support the project throughout the period of affordability. If the required number of HOME-assisted units jeopardizes the project's financial viability, the PJ must decrease the HOME investment. Decreasing the HOME investment will inevitably result in a funding gap that must be filled with other funding sources or changes to the project budget.

If changes made to project underwriting increase the HOME investment or decrease the number of HOME-assisted units after cost allocation is completed, the PJ must update the cost allocation. Final project underwriting, supported by accurate cost allocation, must be completed before committing HOME funds.

For further information on underwriting and subsidy layering requirements, see [CPD Notice 15-11](#) or successor notices.

V. COST ALLOCATION PROCESS

This notice describes three methods PJs might use for conducting the required cost allocation: the Standard Method, the Proration Method and the Hybrid Method. The Standard Method of cost allocation can be used in all projects, whether or not the units are comparable in terms of size, quality, and amenities. Alternatively, the Proration Method and the Hybrid Method may only be used if the units are comparable. Regardless of the method used, the cost allocation process involves six basic steps.

Step 1 - Determine unit comparability and select the cost allocation method

Step 2 - Select either the proposed amount of HOME investment or proposed number of HOME units from project underwriting

Step 3 - Calculate the estimated costs of the HOME units based on the preliminary budget

Step 4 - Calculate the maximum project subsidy limit

Step 5 - Determine the maximum HOME investment

Step 6 - Finalize the project underwriting based on HOME investment and the number and type of HOME units

While every cost allocation process follows these basic steps, there are minor variations in the mechanics of **Step 3** based on:

- Which method of cost allocation will be used—i.e., the Standard Method, the Proration Method, or the Hybrid Method;
- Which variable is used as the starting point for the analysis—the proposed HOME investment or an initial designation of HOME-assisted units; and
- Whether all costs of complying with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 as amended (URA) will be paid for with HOME funds or treated as a common project cost with a pro rata share being paid with HOME funds.

Attached to this notice are six worksheets that illustrate the cost allocation process. [Attachment A](#), [Attachment C](#), and [Attachment E](#) present the step-by-step process for the Standard Method, Proration Method, and Hybrid Method in diagram form while [Attachment B](#), [Attachment D](#), and [Attachment F](#) provide the examples of each method of cost allocation analysis.

A. INFORMATION NECESSARY TO PERFORM COST ALLOCATION

To complete the cost allocation analysis, a PJ must, at a minimum, require project applicants to provide:

- 1) **Detailed architectural drawings**: The plans and specifications must be in sufficient detail for the PJ to determine the square footage of each unit, the gross residential square footage of the project (exclusive of common spaces such as halls, stairs, community room, etc.), and the gross square footage of the project as a whole (inclusive of common space). Usually the architect will prepare a detailed list of unit types (units grouped based on the unit configuration, size and amenities), specifying “sub-types” of each unit size, if necessary, based on differences in layout and/or accessibility requirements.

- 2) **Itemized costs**: The line item development costs must be in sufficient detail for the PJ to distinguish between HOME-eligible and ineligible costs, costs associated with non-standard unit finishes and amenities (i.e., upgrades) in unassisted units, and relocation costs.

B. STEP-BY-STEP PROCESS

Step 1: Determine Unit Comparability and Select the Cost Allocation Method

The first step that a PJ must take before allocating costs is to determine whether or not units are comparable – that is, whether they are sufficiently similar in size, configuration, and amenities to be considered interchangeable. The determination of unit comparability will decide which method of cost allocation is permissible.

Determining Unit Comparability: If the project contains units of the same basic size, configuration, and amenities—for example, all units are two-bedroom, two-bathroom units of 1,000 square feet with identical finishes—then the units are comparable. However, most projects contain a mix of unit configurations, sizes and types that vary at least by bedroom count. Even so, it may be that within unit types individual units are comparable to one another, despite minor variances in configuration. Therefore, a PJ should organize the units into a list of unit types that identifies and classifies groups of comparable units.

A PJ should consider the following features of the units:

- **Configuration**: It is not required that unit layout/configuration be exact. Small variations in space and layout are acceptable if the key features – number of bedrooms, bathrooms, and total rooms – are identical.
- **Size**: Within each unit configuration, unit size can be considered comparable if the square footage is within a small variance of the average square footage of all such units.
- **Amenities and finishes**: A PJ must compare the cost and quality of amenities, finishes, fixtures, and appliances. If the planned HOME-assisted units will have fewer or lower quality amenities or finishes than the unassisted units of the same unit type, then the units are not comparable.
- **Rents**: Units with same configuration, size, amenities and finishes should have roughly the same market value.

Compliance Notes

To demonstrate the accuracy of cost allocation, document the list of unit types and the comparison of configuration, size, and amenities of units within each unit type, which is the basis of the determination of comparability.

Designating Units as Fixed or Floating: For a project containing HOME-assisted and unassisted units, §92.252(j) requires the PJ to designate the HOME-assisted units as *fixed* or *floating* at the time of project commitment. Once a PJ has made the determination of unit comparability, it can make the initial designation of fixed or floating units. This determination of comparability will also impact the method of cost allocation that may be used.

- **Fixed Units:** In general, if the units are not comparable, then the PJ must designate the HOME units as fixed. A PJ may also choose to designate comparable units as fixed to make compliance easier for the property manager. Fixed HOME units remain designated as HOME-assisted for the entire period of affordability – regardless of if the unit becomes vacant or when an existing tenant becomes over income. The HOME-assisted unit numbers and location are identified early on, and not later than the time of initial occupancy.
- **Floating Units:** If the units in a project are comparable, the PJ has the option to designate them either fixed or floating. The PJ may determine comparability by unit type (e.g., units grouped by the PJ based on the unit configuration, size and amenities) and designate units proportionally within each unit type as floating. The HOME units are initially designated as HOME-assisted, but the designation changes, or “floats” among all comparable units as units are vacated and/or tenants’ incomes rise above the applicable income limits. Floating units must be distributed proportionally across unit types and the total number of HOME-assisted units of each unit type must remain constant throughout the period of affordability.

Compliance Notes

The determination of fixed or floating units must be made at the time of project commitment and must be reflected in the written agreement.

Selecting a Method of Cost Allocation: Once a PJ has determined whether the units are comparable, it must select the appropriate method of cost allocation.

- The **Standard Method** is the most common method and may be used in all cases. If the units in a project are not comparable, the PJ must designate the units as fixed and allocate costs using the Standard Method. When using the Standard Method, a PJ will determine the development cost of each individual unit designated as HOME-assisted, including its allocation or share of common area costs.
- The **Proration Method** is only permitted for projects with comparable units. The Proration Method allows a PJ to determine the cost of units designated as HOME-assisted by prorating the total HOME eligible development costs of the project. In following the Proration Method, the PJ may use either a proposed amount of HOME investment to determine the required number of HOME-assisted units, or a proposed number of HOME-assisted units to determine the cost of those HOME units.

If the proposed number of comparable HOME units is known, the Proration Method may be used. If the units are comparable but the proposed share of HOME units within and across each unit type are not identical, the PJ may use the Hybrid Method.

- Example 1: A developer proposes to designate the 6 of 15 one-bedroom units and 3 of 10 two-bedroom units as HOME-assisted. The units within each unit type are comparable, but the share of HOME units within each unit type does not match. Therefore, the Proration Method may not be used. In this case, the Hybrid Method may be used to allocate costs.

Total Units	Unit Type	Proposed HOME Units	HOME Share of Unit Type
15	1 bedroom/1 bath	6	40%
10	2 bedroom/1 bath	3	30%

- Example 2: A developer proposes to designate 4 of 20 one-bedroom units, 2 of 10 two-bedroom units, and 1 three-bedroom unit as HOME-assisted. The units within each unit type are comparable and the share of HOME units to total units within and across each unit type matches. Therefore, the Standard Method *or* the Proration Method may be used.

Total Units	Unit Type	Proposed HOME Units	HOME Share of Unit Type
20	1 bedroom/1 bath	4	20%
10	2 bedroom/1 bath	2	20%
5	3 bedroom/2 bath	1	20%

- The **Hybrid Method** is a variation on the Proration Method, so it is only permitted for projects with comparable units. The Hybrid Method allows a PJ to determine the cost of HOME-assisted units by prorating the HOME eligible development costs for each unit type. In following the Hybrid Method, the PJ will use a proposed number of HOME-assisted units to determine the cost of those HOME units.

Step 2: Obtain the Proposed Amount of HOME Investment or Proposed Number of HOME-Assisted Units from Project Underwriting

As described above, cost allocation is based on the proposed amount of HOME investment and/or the proposed number of HOME-assisted units as determined through preliminary project underwriting. A PJ performs cost allocation using the proposed amount of HOME investment to determine the minimum required number of HOME-assisted units.

Alternatively, if the proposal specifies the number of HOME-assisted units that the project can support, then the PJ performs cost allocation to determine the maximum permissible amount of HOME investment.

Step 3: Calculate the Costs of HOME Units

After determining the method of cost allocation and the proposed HOME investment or proposed HOME units, the next step is to calculate the Cost of HOME Units by following the steps for either the Standard, Proration, or Hybrid Method.

Standard Method:

1. Calculate the Base Project Cost: Subtract from the project's total development cost any ineligible costs, costs associated with unit-specific upgrades, and relocation costs associated with complying with the URA that will be paid for with HOME funds.

Remove Ineligible Costs – §92.205(d)(1) states that only the actual HOME eligible development costs of the assisted units may be charged to the HOME Program. Therefore, ineligible project costs must be removed from the total development costs.

Eligible activities and project costs are described in the HOME regulations at §92.205 and §92.206. Eligible costs include real property acquisition, site improvements, demolition, reasonable project soft costs, and relocation expenses of persons, families, businesses, or organizations displaced by the project.

Ineligible project costs include the prohibited activities listed in the HOME regulations §92.214, plus

- Costs associated with non-HOME space, including:
 - Unassisted units;
 - Community spaces and facilities located in the building that are not exclusively for use of project residents;
 - Luxury items (e.g., swimming pools);
 - Furnishings;
 - Commercial and other non-residential spaces in mixed-use projects; and
 - Stand-alone accessory and non-residential structures (e.g., garages, carports, leasing office/community building, etc.);

Management offices, community rooms, laundry rooms, and other such spaces that are for the exclusive use of the residents are eligible as common costs provided that they are located in a structure that includes residential units (see § 92.206(a)(4)). When such common spaces are located in stand-alone structures or are not limited to use by the residents, the costs of those spaces are not eligible and must be excluded for cost allocation purposes.

- Offsite infrastructure, except for necessary connections to the site (e.g., HOME may pay for a connection to the sewer line in the street but may not be used to extend the sewer line down the street to the site.);
- Organizational costs such as partnership formation or syndication costs associated with Low Income Housing Tax Credits (LIHTC) transactions; and
- Capitalized reserves, except for the initial operating deficit or rent-up reserve (not to exceed 18 months) for a rental property (§92.206(d)(5)).

While these costs may be necessary for the completion of the project and may be included in the project budget, they are not eligible to be paid with HOME funds, so they must be removed from the total development costs for the purposes of cost allocation.

Remove Unit-Specific Upgrades – If, through its evaluation of unit comparability in Step 1, the PJ has identified differences in the amenities, fixtures, or finishes for certain unassisted units, then cost of those upgrades must also be excluded from the total development cost to calculate the cost of HOME-assisted units. Only the difference between the “base” or “standard” finish or amenity and the upgrade must be deducted. For example, if a PJ determines that several market-rate units in a project will have upgraded appliance packages, fireplaces, and Jacuzzi-style tubs while most units will have standard amenities, the difference in cost between those upgrades and the standard amenity must be removed from the total development costs for the purposes of cost allocation.

Relocation Costs – HOME funds can be used to pay for certain temporary and permanent relocation costs. For instance, a PJ may use HOME funds to cover relocation payments and assistance required by:

- The Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA); and,
- Section 104(d) of the Housing and Community and Development Act (section 104(d)), including Optional Relocation Assistance, and the costs of staff and other overhead costs directly related to carrying out their relocation).

Relocation costs associated with other funding programs or additional incentive and monetary payments provided to persons in connection with their relocation from a HOME funded project are not eligible to be paid with HOME costs and must be removed from total eligible project costs for purposes of cost allocation.

HUD allows a PJ to choose how to allocate those costs within the project. A PJ may:

- Pay for all relocation costs required by the URA, Section 104(d) and/or permitted under HOME program relocation regulations (§92.353), with HOME funds, and subtract those costs from the total development cost; or,
- Treat relocation costs as a common cost of the project, which means the relocation costs will be allocated proportionately to both the HOME-assisted and unassisted units. In this case, the relocation costs remain in the total development cost.

Removing ineligible costs, upgrades, and relocation costs that will be paid for with HOME funds from the total development costs yields the **Base Project Cost**.

2. Calculate Base Cost per Square Foot: Divide the Base Project Cost by the gross residential square footage of the project to arrive at the Base Cost per Square Foot (**Base Cost/Sq. Ft.**).

3. Calculate Individual Unit Cost: Multiply each HOME-assisted unit's square footage by the Base Cost/Sq. Ft. For example, if Unit 101 is 700 square feet, and the project's Base Cost/Sq. Ft. is \$125, then the **Individual Unit Cost** of Unit 101 is \$87,500. (700 sq. ft. x \$125/sq. ft. = \$87,500)

4. Determine the Number of HOME-assisted Units: If a PJ performs cost allocation using the proposed amount of HOME investment, then the PJ must now indicate a specific number of HOME-assisted units for each unit type. A PJ must specify enough units as HOME-assisted so that the total of the Individual Unit Costs added together is equal to or exceeds the proposed amount of HOME investment.

- If the PJ has chosen to pay for relocation costs exclusively with HOME funds, then the sum of the Individual Unit Costs must be equal to or exceed the proposed HOME investment minus the relocation costs.

If a PJ performs cost allocation using a proposed number of HOME-assisted units, then the PJ can skip this fourth step.

5. Calculate Cost of the HOME Units: Add the Individual Unit Costs of all HOME-assisted units to calculate the **Subtotal Cost of HOME Units**. If the PJ has chosen to pay for all relocation costs with HOME funds, then the relocation costs must be added back into the total at this point. The result is the **Cost of the HOME Units**.

Proration Method (HOME investment known, solve for units):

1. **Base Project Cost:** Subtract from the project’s total development cost any ineligible costs and relocation costs associated with complying with the URA that will be paid for exclusively with HOME funds. Follow the guidance under the Standard Method for calculating the Base Project Cost. However, unlike the Standard Method, with the Proration Method there is no need to review or exclude unit-specific upgrade costs because units are comparable.

2. **Calculate Base Cost per Square Foot:** Divide the Base Project Cost by the gross residential square footage of the project to arrive at the Base Cost per Square Foot (**Base Cost/Sq. Ft.**).

3. **Calculate the HOME Share Ratio (HOME investment known, solve for units):** The **HOME share ratio** is the share of eligible project costs to be paid by HOME based on the share of HOME-assisted units. When the proposed HOME investment is known, the HOME share ratio is expressed as:

$\text{HOME Share Ratio} = \frac{(\text{HOME Investment} - \text{URA Costs Assigned Exclusively to HOME})}{\text{Base Project Cost}}$

4. **Apply the HOME Share Ratio:** Multiply the HOME share ratio by the number of units in each unit type. The result, which must be rounded up to the next whole number, is the minimum number for that unit type that must HOME-assisted.

- For example, if the HOME share ratio is 13% and the 30-unit project has 10 comparable one-bedroom units and 20 comparable two-bedroom units:
 - 13% of the one-bedroom units is 1.3, which is rounded up to 2 HOME-assisted one-bedroom units; and
 - 13% of the two-bedroom units are 2.6, so 3 two-bedroom units must be HOME-assisted.

5. **Calculate Cost of the HOME Units:** Multiply the Base Cost/Sq. Ft. by the average square footage of each unit type, and then multiply that number by the number of HOME-assisted units for that unit type. The result is the **HOME Cost by Unit Type**.

- For example, if there will be 2 one-bedroom HOME units, the average one-bedroom unit is 700 sq. ft., and the Base Cost/Sq. Ft. is \$125 then the cost of those two HOME units is \$175,000. (2 units x 700 sq. ft./unit x \$125/sq. ft. = \$175,000)

Sum the Cost for each Unit Type to calculate the **Subtotal Cost of HOME Units**. Then

add back any relocation costs that are being paid for exclusively with HOME funds. The result is the **Cost of the HOME Units**.

Proration Method (number of units known, solve for amount of HOME investment):

If the proposed number of HOME units is known, a PJ may use the Proration Method when all units are the same type or if the share of proposed HOME units within each unit type is identical as described in Step 1.

1. Base Project Cost: Subtract from the project’s total development cost any ineligible costs and relocation costs of complying with the URA that will be paid for exclusively with HOME funds. Follow the guidance under the Standard Method for calculating the Base Project Cost. However, unlike the Standard Method, with the

Proration Method there is no need to review or exclude unit-specific upgrade costs because the units are comparable.

2. Calculate the HOME Share Ratio (units known, solve for HOME investment): The **HOME share ratio** is the share of eligible project costs to be paid by HOME based on the share of HOME-assisted units. When the proposed number of HOME units is known, the HOME share ratio is expressed as:

$\text{HOME Share Ratio} = \frac{\text{HOME Units}}{\text{Total Units}}$
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3. Apply the HOME Share Ratio: Multiply the HOME share ratio by the Base Project Cost to determine the **Subtotal Cost of HOME Units** (this amount excludes any relocation costs paid for exclusively with HOME funds).

4. Calculate Cost of the HOME Units: Add back any relocation costs that are being paid for exclusively with HOME funds. The result is the **Cost of the HOME Units**.

Hybrid Method (number of units known, solve for amount of HOME investment):

If the proposed number of HOME units is known, but the share of proposed HOME units within each unit type is not identical as described in Step 1, then a PJ may use the Hybrid Method.

1. Base Project Cost: Subtract from the project’s total development cost any ineligible costs and relocation costs of complying with the URA that will be paid for exclusively with HOME funds. Follow the guidance under the Standard Method for

calculating the Base Project Cost. However, unlike the Standard Method, with the Proration Method there is no need to review or exclude unit-specific upgrade costs because the units are comparable.

2. Calculate Base Cost per Square Foot: Divide the Base Project Cost by the gross residential square footage of the project to arrive at the Base Cost per Square Foot (**Base Cost/Sq. Ft.**).

3. Calculate the HOME Square Footage by Unit Type: For each unit type, multiply the average square footage by the number of HOME units in that unit type (to determine the **HOME Square Footage by Unit Type**).

- For example, if 2 one-bedroom/one-bath HOME units are proposed for a project and the average square footage of all of the one-bedroom/one-bath units is 700 square feet, then the HOME Square Footage for the one-bedroom/one-bath unit type is 1400 sq. ft. (2 units x 700 sq. ft.=1400 sq. ft.).

5. Calculate the HOME Cost by Unit Type: For each unit type, multiply the HOME Square Footage by Unit Type by the Base Cost per Square Foot to determine the **HOME Cost by Unit Type**.

6. Calculate Cost of the HOME Units: Sum the HOME Cost by Unit Type for all unit types to determine the **Subtotal Cost of HOME Units** (this amount excludes any relocation costs paid for exclusively with HOME funds). Then add back any relocation costs that are being paid for exclusively with HOME funds. The result is the **Cost of the HOME Units**.

Step 4: Calculate the Maximum Project Subsidy

In addition to the required cost allocation, the HOME investment is also restricted by HOME maximum per-unit subsidy limits identified in the HOME regulations at §92.250(a). After calculating the Cost of the HOME Units in Step 3, a PJ must calculate the Maximum Project Subsidy based on the per-unit subsidy limits.

The maximum per-unit subsidy limits vary based on the number of bedrooms in a unit. PJs should contact their local HUD Field Office to obtain the [maximum per-unit subsidy limits](#) in effect at the time of project commitment.

To calculate the Maximum Project Subsidy, multiply the maximum per-unit subsidy limit for each unit type by the number of HOME-assisted units of that type. If the project has multiple unit types, sum the maximum subsidies for each unit type. The result is the **Maximum Project Subsidy**.

Step 5: Determine the Maximum HOME Investment

The Maximum HOME Investment permissible is the lesser of three amounts: (1) the funding gap as determined in the project's underwriting, (2) the Cost of HOME Units, or (3) the Maximum Project Subsidy. A PJ cannot invest more HOME funds in any project than as described below:

- **Funding Gap**: The needed amount of HOME investment, determined during a PJ's required underwriting and subsidy layering review under §92.250(b). This is the amount necessary to produce affordable housing that is financially viable for the period of affordability. In most cases, this was the initial input for the cost allocation analysis identified in **Step 2**;
- **Cost of HOME Units**: The eligible cost of the HOME units as required by §92.205(d)(1). This number is the result of either the Standard Method, Proration Method, or Hybrid Method in **Step 3**; or
- **Maximum Project Subsidy**: The Maximum Project Subsidy is based on the maximum per-unit subsidy limits established under §92.250(a). This is the result of calculations in **Step 4**.

Step 6: Finalize the Project Underwriting Based on HOME Investment and Unit Designations

The results of cost allocation—the Maximum HOME Investment and the required number of the HOME-assisted units—must be compared to those in the initial project underwriting. If the cost allocation requires a reduced HOME investment or a greater number of HOME-assisted units, the PJ must update the project underwriting to reflect these requirements. To finalize the underwriting, the PJ must determine whether the proposed HOME investment and number of HOME-assisted units yield a viable project.

If pro forma changes based on the cost allocation results create a funding gap or jeopardize the project's financial viability (or in the case of a homebuyer, reduces the anticipated sales proceeds available to pay off non-HOME construction debt), the PJ will need to consider options for changing the unit mix and/or project budget, or seeking additional funding sources. In this case, a PJ will need to repeat both the cost allocation and underwriting until the project has the required number of HOME units, the proposed HOME investment is within the Maximum Project Subsidy, any funding gaps are eliminated, and the project is projected to remain viable during the period of affordability.

In addition, the cost allocation must be updated at any time during development or the period of affordability when there are changes either in the HOME investment or in the number and type of HOME-assisted units. This includes situations when the designation of a manager's unit occurs under §92.205(d)(2) or if HUD approves a troubled property exception under §92.210 to preserve the long-term viability of a rental project experiencing significant operating deficits.

VI. SPECIAL CIRCUMSTANCES

A. OWNER-OCCUPIED PROJECTS WITH RENTAL UNITS

The HOME regulations at §92.254(a)(6) establish the requirements for special cases in which HOME funds assist a homebuyer to purchase a single-family property containing 2-4 units. For this type of project, a PJ must perform cost allocation to determine whether HOME funds will assist the homebuyer to acquire more than one unit. If HOME funds are used to assist the acquisition of only one unit and that unit will be the principal residence of the low-income homebuyer, the affordability requirements of §92.254 apply only to that HOME-assisted unit. Similarly, cost allocation must be performed to determine which units are assisted in the rehabilitation of 2-4 unit owner-occupied properties.

As with all other HOME-assisted projects, the costs must be allocated to assisted units based on a cost allocation method such as the Standard, Proration, or Hybrid methods. However, the owner must also decide which units will be HOME-assisted and whether the project will be a homeownership project, a rental project, or a combination homeownership and rental project. In making this determination, the PJ must consider the activity being undertaken, the number of HOME-assisted units in the project and whether the owner-occupant or homebuyer qualifies as low-income.

The Standard Method of cost allocation is typically required because the units are rarely comparable (e.g., owner-occupied unit may be larger, and contain more amenities, or more expensive finishes than the rental units.) Once the number of HOME-assisted units is determined, the PJ and/or the owner may decide which units to designate. If the owner-occupant or homebuyer is not low-income, then the HOME funds may only assist qualified rental units in the building.

If the owner-occupant or homebuyer is low-income, the PJ may choose which units to designate as HOME-assisted. For instance, if only one unit must be designated as HOME-assisted, then the HOME unit could be the owner-occupied unit or one of the rental units (as long as the amount of HOME assistance does not exceed the actual costs attributable to the rental unit). If more than one unit must be designated as HOME-assisted, the PJ may decide (based on its local program design and/or consultation with the owner) to designate the owner-occupied unit and one or more rental units as HOME-assisted, or designate two or more rental units as HOME-assisted. If any rental units are designated as HOME-assisted, then the HOME income targeting and affordability requirements of §92.252 apply to the assisted rental units throughout the period of affordability.

B. MANAGER'S UNIT

When a completed project consists of all HOME-assisted units, the HOME regulations at §92.205(d)(2) provides that one unit may be subsequently converted to an on-site manager's unit and the number of HOME units reduced when certain conditions are met. The PJ must perform cost allocation to reclassify as a common project cost the costs for the manager's

unit, originally charged to the HOME program. The new total common costs must then be spread over the reduced number of units. These costs may not exceed the revised Maximum Project Subsidy calculation based on the maximum per-unit subsidy limits in §92.250(b) in effect at the time of the original project commitment. The HUD Field Office must approve the conversion of a HOME unit to a Manager's Unit after reviewing the PJ's request and revised cost allocation.

C. PROJECTS WITH HOME AND PUBLIC HOUSING UNITS

While HOME funds cannot be used in public housing units, a HOME rental project may be funded with public housing funds, as long as no single unit is designated as both a HOME-assisted unit and a public housing unit. The calculation of the cost of the HOME units cannot include any of the costs of the public housing units.

Additionally, if the common areas such as leasing offices, community rooms, or storage facilities are not exclusively for the residents of the project but are used more broadly for the Public Housing Agency's portfolio, then those common area costs are not HOME-eligible, even on a fair-share basis. Those ineligible costs must be specifically attributed to public housing and deducted from the total development cost before arriving at the Base Project Cost.

VII. ADDITIONAL GUIDANCE

A. DISBURSEMENT OF FUNDS

While cost allocation determines the eligible costs associated with HOME-assisted units, it does not require that the actual disbursement of funds adhere to the payment of costs for HOME-assisted units only. The written agreement must indicate the specific costs to be paid with HOME funds. The PJ must ensure that specific costs or line items paid are HOME-eligible costs. While a PJ can pay the entire eligible cost such as acquisition that is otherwise allocated across all units, a PJ may not pay directly for an ineligible cost on a specific invoice (e.g., to capitalize a replacement reserve). If an invoice contains both eligible and ineligible costs, the PJ cannot pay more than the total amount of eligible costs on the invoice.

B. DOCUMENTATION

PJs are required by the HOME regulations at §92.508(a)(3)(ii) to document the results of the cost allocation in the project file and to include calculations that support those results. After the project is completed and all costs are known, the PJ is to charge only the actual costs of the HOME units to the HOME grant. A PJ's files must contain source documentation to support the cost allocation analysis. A PJ is also required under §92.504(c)(3)(ii), to specify the number of HOME-assisted units in the written agreement with the project owner,

including unit mix and whether the units are fixed or floating. The written agreement must reflect the amount of HOME investment and number of HOME units based upon the conclusions of the cost allocation.

Attachment A: Step by Step Standard Method Process Chart

Step 1: Determine Comparability & Select Method	Standard Method <i>Can always use, must use if units are not comparable</i>	
Step 2: Proposed Investment or Units	Underwriting provides Proposed HOME Investment (e.g., funding gap) or identifies Proposed Number of HOME Units	
Step 3. Designate HOME Units and Calculate Costs	<i>Dollars known, solve for units</i>	<i>Units known, solve for dollars</i>
	<p>(1. Calculate Base Project Cost</p> <ul style="list-style-type: none"> • Start w/Total Dev. Cost • Subtract Ineligible Dev. Costs • Subtract the Cost of Upgrades in Unassisted Units • <i>Subtract relocation costs</i> <p>Result = Base Project Cost</p> <ul style="list-style-type: none"> • Base Project Cost/Gross Res Sq. Ft. <p>Result = Base Cost per Sq. Ft.</p> <p>(2. Calculate Individual Unit Cost</p> <ul style="list-style-type: none"> • Unit sq. ft. X Base Cost/Sq. Ft <p>Result = Individual Unit Cost</p> <p>(3. Designate HOME Units</p> <ul style="list-style-type: none"> • Specify the number of HOME-assisted units • Add the Individual Unit Costs <p>Result = Subtotal Cost of HOME Units</p> <ul style="list-style-type: none"> • Subtotal must equal or exceed the Proposed HOME Investment – <i>relocation costs</i> <p>(4. Calculate Cost of HOME Units</p> <ul style="list-style-type: none"> • <i>Add back relocation costs</i> to the Subtotal Cost of HOME Units <p>Result = Cost of HOME Units</p>	<p>Calculate Base Project Cost</p> <ul style="list-style-type: none"> • Start w/Total Dev. Cost • Subtract Ineligible Dev. Costs • Subtract the Cost Upgrades in Unassisted Units • <i>Subtract relocation costs</i> <p>Result = Base Project Cost</p> <ul style="list-style-type: none"> • Base Project Cost/Gross Res Sq. Ft. <p>Result = Base Cost per Sq. Ft.</p> <p>Calculate Individual Unit Cost</p> <ul style="list-style-type: none"> • Unit sq. ft. X Base Cost/Sq. Ft <p>Result = Individual Unit Cost</p> <p>If units are known from the outset, the PJ can skip this step</p> <p>Calculate Cost of HOME Units</p> <ul style="list-style-type: none"> • Add the Individual Unit Costs <p>Result = Subtotal Cost of HOME Units</p> <ul style="list-style-type: none"> • <i>Add Back relocation costs</i> <p>Result = Cost of HOME Units</p>
Step 4: Calculate Maximum Project Subsidy Based on Limits	<p>Calculate Maximum Project Subsidy Limit</p> <ul style="list-style-type: none"> • Identify HOME-designated units by number of bedrooms • Apply applicable max. per-unit subsidy to each HOME unit • Add max per-unit subsidy for all HOME units <p>Result = Maximum Project Subsidy Limit</p>	
Step 5. Determine Maximum HOME Investment	<p>Maximum HOME Investment is the lesser of:</p> <ul style="list-style-type: none"> • Proposed HOME Investment (From Step 2, if provided) • Cost of HOME units (From Step 3) • Maximum Project Subsidy (From Step 4) 	
Step 6: Finalize Underwriting	<p>Apply Maximum HOME Investment and Unit Designations to Underwriting Analysis, then recheck Underwriting</p>	

Attachment B: Standard Method Example

Example #1: Standard Method				
Step 1: Determine Comparability, Select Method				
Units are NOT comparable. Must use Standard Method.				
Gross Residential Square Footage				42,000 sq. ft.
Step 2: Proposed HOME Investment or Proposed HOME Units				
Proposed HOME Investment				Not provided
Developer has proposed designating six (6) HOME units—units 101, 103, 202, 203, 305, & 306.				
Step 3: Calculate the Cost of HOME Units				
Total Development Costs				6,800,000
Remove Ineligible Development Costs (e.g., swimming pool, car ports, & syndication fees)				(682,000)
Remove Cost of Unit Specific Upgrades in unassisted units (e.g. fireplace, Jacuzzi tub, high end finishes)				(600,000)
<i>Remove URA Relocation Expenses (to be added back to HOME Cost)</i>				<i>(150,000)</i>
Base Project Cost				5,368,000
Base cost per square foot, includes common costs (Base Project Cost/Gross Residential Square Footage)				127.81
Designate HOME Units & Calculate Individual Unit Cost				
Unit	Description	Unit Sq. Ft.	Base Cost/Sq. Ft.	Individual Unit Cost
101	1B/1B base	700	127.81	89,467
103	3B/2B base	1,200	127.81	153,372
202	1B/1B base	800	127.81	102,248
203	2B/1.5B base, accessible	1,000	127.81	127,810
305	2B/2B base	1,100	127.81	140,591
306	3B/2B base	1,260	127.81	161,041
Subtotal Cost of HOME Units				774,529
<i>Add back Relocation Expenses (excluded from Base Project Cost above)</i>				<i>150,000</i>
Cost of HOME-assisted Units				924,529
Step 4: Calculate Maximum Project Subsidy				
Unit Size	Maximum Per-Unit Subsidy	Number Units	Total HOME Subsidy Maximum	
1-Bedroom Limit	150,000	2	300,000	
2-Bedroom Limit	165,000	2	330,000	
3-Bedroom Limit	180,000	2	360,000	
Subtotal				990,000
Step 5: Maximum HOME Investment (lesser of Proposed HOME investment (e.g., funding gap), Cost of HOME Units, or Max. Project Subsidy)				924,529

Attachment C: Step by Step Proration Method Process Chart

Step 1: Determine Comparability & Select Method	Proration Method <i>May only be used if units are comparable</i>		
Step 2: Proposed Investment or Units	Either provides Proposed HOME Investment (e.g., funding gap) or identifies Proposed number of HOME units		
Step 3: Determine Number of HOME Units and Calculate Costs	<i>Dollars known, solve for units</i>	<i>Units known, solve for dollars</i>	
	(1.)	Calculate Base Project Cost <ul style="list-style-type: none"> Start w/Total Dev. Cost Subtract Ineligible Dev. Costs <i>Subtract relocation costs</i> Result = Base Project Cost <ul style="list-style-type: none"> Base Project Cost/Gross Res. Sq. Ft. Result = Base Cost per Sq. Ft.	Calculate Base Project Cost <ul style="list-style-type: none"> Start w/Total Dev. Cost Subtract Ineligible Dev. Costs <i>Subtract relocation costs</i> Result = Base Project Cost
	(2.)	Calculate HOME Share Ratio <ul style="list-style-type: none"> HOME Share = (HOME Investment-<i>relocation costs</i>)/Base Project Cost Result = HOME Share Ratio	Calculate HOME Share Ratio <ul style="list-style-type: none"> HOME Share = HOME Units/Total Units Result = HOME Share Ratio
	(3.)	Apply HOME Share Ratio <ul style="list-style-type: none"> Apply HOME Share Ratio to each unit type and round up to whole number 	Apply HOME Share Ratio <ul style="list-style-type: none"> Apply HOME Share Ratio to Base Project Cost
	(4.)	Calculate Cost of HOME Units <ul style="list-style-type: none"> For each unit type, multiply avg. sq. ft. by Base Cost per Sq. Ft. by number of HOME units Sum HOME Cost by Unit Type <i>Add back relocation costs</i> Result = Cost of HOME Units	Calculate Cost of HOME Units <ul style="list-style-type: none"> <i>Add back relocation costs</i> Result = Cost of HOME Units
Step 4: Calculate Project Subsidy Limit	Calculate Maximum Project Subsidy Limit <ul style="list-style-type: none"> Identify the number of HOME-assisted units by number of bedrooms Apply applicable max. per-unit subsidy to each HOME unit Add max per-unit subsidy for all HOME units Result = Maximum Project Subsidy Limit		
Step 5. Determine Maximum HOME Investment	Maximum HOME Investment is the lesser of: <ul style="list-style-type: none"> Proposed HOME Investment (From Step 2, if provided) Cost of HOME units (From Step 3) Maximum Project Subsidy (From Step 4) 		
Step 6: Finalize Underwriting	Apply Maximum HOME Investment and Unit Designations to Underwriting Analysis, then recheck Underwriting		

Attachment D: Proration Method Examples

Example #2: Proration Method (dollars known, solve for units)					
Step 1: Determine Comparability, Select Method					
Three unit types, all units within each type are comparable and no HOME units identified. May use <i>Proration Method</i> .					
Unit Type	# of Units		Avg. Sq. Footage		
1-Bed/1-Bath	10		900		
2-Bed/1.5-Bath	20		1,100		
3-Bed/2-Bath	10		1,275		
Gross Residential Square footage					43,750 sq. ft.
Step 2: Proposed HOME Investment or Proposed HOME Units					
Proposed HOME investment (preliminary gap identified)					800,000
Proposed number of HOME Units not identified					
Step 3: Calculate the Cost of HOME Units					
Total Development Costs					6,050,000
Remove Ineligible Development Costs (e.g., swimming pool, car ports, & syndication fees)					(682,000)
<i>Remove URA Relocation Expenses (to be added back to HOME Cost)</i>					-
Base Project Cost					5,368,000
Base Cost per Square Foot , includes common costs (Base Project Cost/Gross Residential Square Footage)					122.70
Apply the HOME Share Ratio and Assign HOME Units					
HOME Share Ratio (HOME Investment/Total Base Project Cost)					14.903%
Determine the number and type of HOME Units					
Unit Type	# of Units	HOME Share	Min. # of HOME Units	Number of HOME Units after Rounding Up	
1-Bed/1-Bath	10	14.903%	1.490	2	
2-Bed/1.5-Bath	20	14.903%	2.981	3	
3-Bed/2-Bath	10	14.903%	1.490	2	
Calculate HOME Costs by Unit Type					
Unit Type	Avg. Sq. Ft.	Base Cost/Sq. Ft.	# of HOME Units	HOME Cost by Unit Type	
1-Bed/1-Bath	900	122.70	2	220,860	
2-Bed/1.5-Bath	1,100	122.70	3	404,901	
3-Bed/2-Bath	1,275	122.70	2	312,885	
Subtotal Cost of HOME Units					938,646
<i>Add Back URA Relocation Expenses</i>					-
Cost of HOME Units					938,646
Step 4: Calculate Maximum Project Subsidy					
Unit Size	Maximum Per- Unit Subsidy	# of HOME Units	Maximum HOME Subsidy by Unit Size		
1-Bedroom	150,000	2	300,000		
2-Bedroom	165,000	3	495,000		
3-Bedroom	180,000	2	360,000		
Total					1,155,000
Step 5: Maximum HOME Investment (lesser of Proposed HOME investment (e.g., funding gap), Cost of HOME Units, or Max. Project Subsidy)					800,000

Example #3: Proration Method (units known, solve for dollars)					
Step 1: Determine Comparability, Select Method of Cost Allocation					
Three unit types, all units within each type are comparable and HOME share of type is equal. May use Proration Method .					
Total # of Units	# of HOME Units	Unit Type Description	Avg. Sq. Ft.	HOME Share of Type	
10	2	1-Bed/1-Bath	900	20.00%	
20	4	2-Bed/1.5-Bath	1,100	20.00%	
10	2	3-Bed/2-Bath	1,275	20.00%	
Gross Residential Square footage					43,750 sq. ft.
Step 2: Proposed HOME Investment or Proposed HOME Units					
Proposed HOME Investment					Not provided
Developer has proposed seven (8) HOME units— two one-bedroom, four two-bedrooms, and two three-bedrooms					
Step 3: Calculate Cost of HOME Units					
Total Development Cost					6,050,000
Remove Ineligible Development Costs (e.g., swimming pool, car ports, & syndication fees)					(682,000)
<i>Remove URA Relocation Expenses (to be added back to HOME Cost)</i>					-
Base Project Cost					5,368,000
Apply the HOME Share Ratio					
HOME Share Ratio (HOME Units/Total Units)					20.00%
Subtotal Cost of HOME Unit (HOME Share Ratio x Base Project Cost)					1,073,600
<i>Add Back URA Relocation Expenses</i>					-
Cost of HOME Units					1,073,600
Step 4: Calculate Maximum Project Subsidy					
Unit Size	Maximum Per-Unit Subsidy	Number of HOME Units	Maximum HOME Subsidy by Unit Size		
1-Bedroom	150,000	2	300,000		
2-Bedroom	165,000	4	660,000		
3-Bedroom	180,000	2	360,000		
Total					1,320,000
Step 5: Maximum HOME Investment (lesser of Proposed HOME investment (e.g., funding gap), Cost of HOME Units, or Max. Project Subsidy)					
					1,073,600

Attachment E: Step by Step Hybrid Method Process Chart

Step 1: Determine Comparability & Select Method	Hybrid Method <i>Can be used if units are not comparable, but the share of HOME units within each unit type is not identical</i>
Step 2: Proposed Number of HOME Units	Underwriting identifies Proposed Number of HOME Units
Step 3: Determine Number of HOME Units and Calculate Costs	<i>Units known, solve for dollars</i>
	(1.) Calculate Base Project Cost <ul style="list-style-type: none"> • Start w/Total Dev. Cost • Subtract Ineligible Dev. Costs • <i>Subtract relocation costs</i> Result = Base Project Cost <ul style="list-style-type: none"> • Base Project Cost/Gross Res Sq. Ft. Result = Base Cost per Sq. Ft.
	(2.) Calculate HOME Square Footage by Unity Type <ul style="list-style-type: none"> • For each unit type, multiply Avg. Sq. Ft. by number of HOME units Results = HOME Square Footage by Unit Type
	(3.) Calculate HOME Cost by Unit Type <ul style="list-style-type: none"> • For each unit type, multiply HOME Sq. Ft. by Unit Type by Base Cost per Sq. Ft. Results = HOME Cost by Unit Type
	(4.) Calculate Cost of HOME Units <ul style="list-style-type: none"> • Sum HOME Cost by Unit Type for each unity type Result = Subtotal Cost of HOME Units <ul style="list-style-type: none"> • <i>Add back relocation costs</i> Result = Cost of HOME Units
Step 4: Calculate Maximum Project Subsidy Based on Limits	Calculate Maximum Project Subsidy Limit <ul style="list-style-type: none"> • Identify the number of HOME-assisted units by number of bedrooms • Apply applicable max. per-unit subsidy to each HOME unit • Add max per-unit subsidy for all HOME units Result = Maximum Project Subsidy Limit
Step 5: Determine Maximum HOME Investment	Maximum HOME Investment is the lesser of: <ul style="list-style-type: none"> • Proposed HOME Investment (From Step 2, if provided) • Cost of HOME units (From Step 3) • Maximum Project Subsidy (From Step 4)
Step 6: Finalize Underwriting	Apply Maximum HOME Investment and Unit Designations to Underwriting Analysis, then recheck Underwriting

Attachment F: Hybrid Method Example

Example #4: Hybrid Method				
Step 1: Determine Comparability, Select Method				
Three unit types, all units within each type are comparable, but the HOME share of unit type is not equal. May use <i>Hybrid Method</i> .				
Total # of Units	# of HOME Units	Unit Type	Avg. Sq. Ft.	HOME Share of Unit Type
10	2	1-Bed/1-Bath	900	20.00%
20	3	2-Bed/1.5-Bath	1,100	15.00%
10	2	3-Bed/2-Bath	1,275	20.00%
Gross Residential Square Footage				43,750 sq. ft.
Step 2: Proposed HOME Investment or Proposed HOME Units				
Proposed HOME investment				Not provided
Developer has proposed seven (7) HOME units— two one-bedroom, three two-bedrooms, and two three-bedrooms				
Step 3: Calculate the Cost of HOME Units				
Total Development Costs				6,050,000
Remove Ineligible Development Costs (e.g., swimming pool, car ports, & syndication fees)				(682,000)
Remove URA Relocation Expenses (to be added back to HOME Cost)				-
Base Project Cost				5,368,000
Base cost per Square Foot , includes common costs (Base Project Cost/Gross Residential Square Footage)				122.70
Calculate HOME Square Footage by Unit Type				
Unit Type	# of HOME Units	Avg. Sq. Ft.	HOME Sq. Ft. by Unit Type	
1-Bed/1-Bath	2	900	1,800	
2-Bed/1.5-Bath	3	1,100	3,300	
3-Bed/2-Bath	2	1,275	2,550	
Calculate HOME Cost by Unit Type				
Unit Type	HOME Sq. Ft. by Unit Type	Base Cost/Sq. Ft.	HOME Cost by Unit Type	
1-Bed/1-Bath	1,800	122.70	220,860	
2-Bed/1.5-Bath	3,300	122.70	404,910	
3-Bed/2-Bath	2,550	122.70	312,885	
Subtotal Cost of HOME Units				938,655
Add back Relocation Expenses (excluded from Base Project Cost above)				-
Cost of HOME Units				938,655
Step 4: Calculate Maximum Project Subsidy				
Unit Size	Maximum Per-Unit Subsidy	Number of HOME Units	Maximum HOME Subsidy by Unit Size	
1-Bedroom	150,000	2	300,000	
2-Bedroom	165,000	3	495,000	
3-Bedroom	180,000	2	360,000	
Total				1,320,000
Step 5: Maximum HOME Investment (lesser of Proposed HOME investment (e.g., funding gap), Cost of HOME Units, or Max. Project Subsidy)				938,655