Eligible Costs – Leasing
24 CFR 578.49
Leasing is an eligible cost under the following CoC program components:
- Permanent supportive housing (PSH)
- Transitional housing (TH)
- Supportive services only (SSO)
Leasing Funds

• May be used to pay the costs of leasing structures, portions of structures, or individual units to provide housing or supportive services to homeless persons.

• May **not** be used to lease units or structures owned by recipient, subrecipient, parent organizations, or any other related organizations, including partnerships, unless HUD authorized an exception for good cause.
Rent Reasonableness

• Leasing structures
  – (1) Rent paid must be reasonable in relation to rents being charged in area for comparable space; and
  – (2) Rent paid may not exceed rents currently being charged by same owner for comparable unassisted space
  – No fair market rent (FMR) for structures
Rent Reasonableness

• Leasing individual housing units
  – (1) Rent paid must be reasonable in relation to rents being charged in the area for comparable units, taking into account location, size, type, quality, amenities, facilities, and management services; and
  – (2) Rent paid may not exceed rents currently being charged by the same owner for comparable units; and
  – (3) Rent paid may not exceed HUD-determined FMRs (FMR includes utilities)
Rent Reasonableness

- CoC funds for leasing individual units are limited to the lower of HUD-published FMR or reasonable rent.
- Although CoC leasing funds cannot pay above FMR for individual unit, the recipient can use non-CoC funds to pay rent above FMR.

### Relationship Between FMR and Rent Reasonableness

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<thead>
<tr>
<th></th>
<th>1-Bedroom Housing Unit</th>
<th>2-Bedroom Housing Unit</th>
<th>3-Bedroom Housing Unit</th>
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<tbody>
<tr>
<td>Reasonable Rent</td>
<td>$600</td>
<td>$1,050</td>
<td>$1,450</td>
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<tr>
<td>Fair Market Rent (FMR)</td>
<td>$575</td>
<td>$1,100</td>
<td>$1,450</td>
</tr>
<tr>
<td>Allowable Payment</td>
<td><strong>$575</strong></td>
<td><strong>$1,050</strong></td>
<td><strong>$1,450</strong></td>
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<tr>
<td>with CoC Program</td>
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<tr>
<td>Leasing Funds</td>
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</table>
Rent Reasonableness

- Rent Reasonableness and Fair Market Rent under CoC Program document:
- FMRs are published annually:
- Recipient should develop and implement policies and procedures for conducting rent reasonableness
Housing Quality Standards (HQS)

- HQS is applicable and is discussed under General Operations
- Recipient should develop and implement policies and procedures for conducting HQS inspections
• Leasing funds may be used to pay costs of carrying out leasing activity:
  – Inspections;
  – Lease renewal;
  – Preparation of occupancy agreements; and
  – Calculating income and occupancy charges
• Leasing delivery costs are part of leasing budget
Utilities

• Eligible leasing cost if included in rent paid to landlord
• Includes: electricity, gas, oil, water and sewage
• Does not include: telephone, cell phones, internet and cable
• Telephone may be included for DV and persons with disabilities if there is a clear safety concern
Utilities

• Not an eligible leasing cost if not included in rent paid to landlord
• May be eligible as an operating cost of housing
• May be eligible as a supportive service cost of supportive service facility
Security Deposits & Property Damage

• May use leasing funds to pay security deposits in amount not to exceed two months of actual rent

• An advance payment of the last month’s rent may be provided to the landlord in addition to the security deposit and payment of the first month’s rent

• May not use leasing funds for property damage (security deposits)
Vacant Unit Payments

- Recipient may pay rent on vacant units until new participant moves in.
- Recipient must abide by terms of lease:
  - If lease is for year, then must pay for year regardless of whether unit is occupied.
  - If lease ends when client leaves, then may not pay rent when participant is not living in unit.
  - In general, can pay vacancy payments but you must be in compliance with lease agreement.
- Recipient can pay rent if participant is in institution for up to 90 days.
Occupancy Agreements

• Lease agreement is between recipient and landlord
• Recipient must have signed occupancy agreement with a participant in housing leased with CoC funds
• Sample documents available at:
Length of Agreements

• Transitional Housing (TH):
  – Must be for at least 1 month
  – Must be renewable for up to 24 months

• Permanent Supportive Housing (PSH):
  – Must be for a term of at least 1 year
  – Must be renewable (for a minimum term of 1 month) and terminable only for cause
Occupancy Charges

- Recipients may require participants in housing assisted with leasing funds to pay an occupancy charge
- Imposition of an occupancy charge is optional – not required
- Occupancy charges are paid to the recipient not landlord
- Occupancy charges collected from participants are program income (PI) and may be used as provided under 578.97 – discussed under Financial Management
Occupancy Charges

• Must be calculated as provided in 578.77 and may not exceed the highest of:
  – 30% of family’s monthly adjusted income;
  – 10% of family’s monthly gross income; or
  – Portion of family’s welfare assistance, if any, designated for housing costs

• Income must be calculated in accordance with 24 CFR 5.609 and 24 CFR 5.611(a)

• CPD income calculator (HOME TBRA path) at: https://www.hudexchange.info/incomecalculator/
Occupancy Charges

• Recipients must:
  – Examine participant’s income initially and re-examine annually;
  – Conduct interim reexamination, if there is a change in participant’s family composition or decrease in income during the year and participant requests interim reexamination;
  – Obtain documentation necessary to verify the participant’s income;
  – Treat all participants the same; and
  – Develop and implement policies and procedures for occupancy charges
• CoC Program Training – Leasing
  – https://www.hudexchange.info/resource/3098/coc-program-leasing/

• CoC Program Toolkit – Leasing

• Ask A Question
  – https://www.hudexchange.info/get-assistance/my-question/