

**HOME-American Rescue Plan Program**

**Session 2, Preferences, Referral Methods, & Rental Housing**

**Wednesday, September 29, 2021**

Henrietta Owusu: Good afternoon, everyone. And welcome to the second in a series of four webinars that HUD's Office of Affordable Housing Programs is conducting on the newly issued notice implementing the HOME-American Rescue Plan Program, HOME-ARP. Thanks, Jon, for all the information on logistics. Thanks, folks, for joining. I have to say that whoever sent in the comment on Monday about HOME-ARP sounding like Hallmark, effectively messed me up for good because now every time I say HOME-ARP, I kind of think of Hallmark. So I'm going to try really hard to say HOME-ARP properly through this presentation.

It's a gorgeous fall day here in D.C. I hope the weather's equally great where you guys are. Again, my name is Henrietta Owusu. I'm the director of the Program Policy Division in the Office of Affordable Housing Programs. Presenting with me today is Martha Murray, who is a senior affordable housing specialist in the Program Policy Division. For those of you who joined us on Monday, you will recall that Ginny Sardone, our office director, provided a great overview of the statute and the requirements established in CPD-21-10, which is the Implementation Notice.

And Caitlyn Renner, who is the assistant director in the Policy Division, covered the allocation plan requirements. In today's session, we will cover establishing preferences, or I will cover establishing preferences among HOME-ARP qualifying populations, the options for establishing referral, and admission systems for HOME-ARP programs and projects. And Martha will do the heavy lifting and provide you with an in-depth explanation of the requirements for rental housing assisted with HOME-ARP funds. Next slide.

Okay. So Ginny went over this really thoroughly on Monday. I just really wanted to just do a quick recap to provide context for establishing preference in the rental housing requirements. So as she said, the statute established several different qualifying populations as eligible HOME-ARP beneficiaries. From this point on, I'll refer to them as QP. The first is persons who are homeless and who are using the definition under the McKinney Act, and that's 24 CFR 91.5.

And the second is the definition for persons at risk for homelessness also using the McKinney Act admission. The third QP is persons who are fleeing, attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking. So the definition of this tracks the VAWA, Violence Against Women, definition at 24 CFR 5.203; and as Ginny said on Monday, except that the human trafficking definition is taken from the Trafficking Victims Protection Act of 2000.

So the next QP is other populations where assistance would prevent the family's homelessness or serve with the greatest risk of housing instability. ARP also specifically identified veterans and families, including a veteran member, that meet one of the preceding definitions as eligible HOME-ARP beneficiaries. As Ginny explained on Monday, even though reporting on veterans is required straight of simplicity, HUD did not establish veterans and veteran families as a separate QP since they're not required to meet a separate QP definition. Next slide.

So preference -- PJ may establish preferences among the qualifying populations to prioritize applicants, HOME-ARP activities, or projects based on the PJ's needs and priorities as described in its HOME-ARP allocation plan.

For example, a PJ may set a preference among qualifying individuals and families for HOME-ARP non-congregate shelter -- so individuals and families who are homeless, or who are fleeing or attempting to flee domestic violence or dating violence or sexual assault or human trafficking. Or they could set up for veterans and families with a veteran family that meet the criteria of one of these qualifying populations. And it's all got to be consistent with its HOME-ARP allocation plan.

Preferences must be based on local housing needs and priorities as identified in the HOME-ARP allocation plan, and must prioritize admissions to projects, assistance, or services consistent with the PJ's HOME-ARP allocation plan. PJs must comply, obviously, with the nondiscrimination requirement and equal opportunity laws and requirement and any other applicable fair housing and civil rights laws and requirements when applying preferences, including, but not limited to, those requirements listed in 24 CFR 5.105(a).

Persons eligible for preference must have the opportunity to participate in all HOME-ARP activities of the PJ in which they are eligible under the HOME-ARP notice, including activities that are not separate or different. And they cannot be excluded because of any protected characteristics or preferential status. Next slide. So preferences affect the order in which applicants are selected, but they do not make anyone who was not otherwise eligible for HOME-ARP activities otherwise eligible.

So PJs can establish a system to select among applicants. They can use things like date and time of application, or a drawing, or other random-choice technique. Next slide. If HOME-ARP funds are going to be used for TBRA, the PJ may establish preference for individuals with special needs or persons with disabilities among the HOME-ARP qualifying populations. For example, within the qualifying populations, the PJ may decide to limit to persons with a specific disability within the QP only if necessary to provide effective housing or services.

The PJ may also provide a preference for a specific category of individuals with disabilities or individuals with special needs among the HOME-ARP QP population. An example is persons with HIV/AIDS or chronic mental illness within the qualifying population. So if the specific category is identified in the PJ's HOME-ARP allocation plan as having an unmet need and the preference is needed to narrow the gap in benefits and services received by such a person, the PJ could do that.

The specific category, however, must be established and identified in the PJ's HOME-ARP allocation plan. Next slide. So this is something that most PJs I think are already familiar with, but the coordinated entry system. Most of you have your CoCs using this in your communities. But if you're not, CE is the centralized or coordinated process designated to coordinate program participant intake assessment in the provision of referrals. I think of it as a local crisis response system. And the purpose of it is to approve access and make access easy and also improve [friendness?] and access to resources.

So each CoC is required to implement coordinated entry system that covers the geographic area of the CoC, or the continuum of care. Because this does not always line up perfectly with your

jurisdictional borders and boundaries, and the qualified population goes beyond what most CEs serve, PJs can use the CE to refer projects and activities if it's expanded to serve all the QPs in the HOME-ARP. Okay. What the notice says is that you have these three ways in which [inaudible] these referral methods that can be used. So it's expanded CE with CE plus other referral methods and the project activity where you should be familiar with.

But the thing to note with this is that PJs are responsible for determining and documenting that beneficiaries meet the definition of QP. Next slide. So to use the expanded CE established by a continuum of care within the boundaries of a PJ, or for one or more projects or activities, the coordinated entry must accept all HOME-ARP qualifying populations eligible for those activities or projects in accordance with the preferences and prioritization, if any, established or approved by the PJ in its HOME-ARP allocation plan.

And this has to be imposed through the PJ's written agreements. And the PJ should consider whether the CE covers the same area as the HOME-ARP project or activity; because if it doesn't, then it doesn't work. Next slide. The PJ must establish policies and procedures that describe the relationship of the geographic area set by the project or activity to the geographic area covered by the CoC CE. At a minimum, the policies and procedures must describe how the referral process will provide uniform access, especially in situations where a project's geographic area is broader than the geographic area covered by the CE.

So the key things that your policies and procedures must cover -- it has to address access and it has to address how you're implementing the uniform referral process. CU referrals must be imposed through the PJ's written agreement. Again, this is really, really important. This is where I sort of plug in my public service announcement on HOME written agreements in general. A written agreement is a contract, right? It's intended to be enforceable by law. Please make sure that you're working with your attorneys and laying out the business tools for your engagement with all your partners.

And make sure -- obviously, as the program staff -- that you're incorporating all the program requirements that are in the notice in your written agreement. The PJ is responsible for determining and documenting that beneficiaries meet the definition of qualifying population. Next slide. PJs may use CoC coordinated entry with additional referrals from outside organizations or project-specific waiting list consistent with HOME-ARP requirements.

The PJ must use the CE with additional referrals from outside organizations or specific waiting lists required if, one, the CE does not have a sufficient number of QP and the CE does not include all QP; or if the CE does not provide access and does not implement the uniform referral processes that I talked about which are needed for projects with broader geographic areas than the areas covered by the CE. So if you're using this referral method, the PJ must establish or approve any preferences or prioritization criteria applied by a CoC or other referral sources.

The PJ may also use a waiting list to receive referrals from a CoC CE and other referral agencies for a project or activity. Whereas CoC or referral agency refers an applicant that's placed on the waiting list in chronological order. So that's also an acceptable way of doing it. CE referral must be imposed through the PJ's written agreement. Next slide. The PJ must establish policies and

procedures for applying its established preferences and method of prioritization, if any, when accepting direct referrals from a CoC CE and other referral agencies. And they must document that the policies and procedures were followed for each applicant.

Okay? This is really important. You got to make sure that you have policies in place for this, and that it's being used for each applicant. Next slide. So all you PJs should be familiar with this requirement, is the project activity wait list. The PJ may establish a waiting list with each HOME-ARP project or activity. All qualifying individuals or families must have access to apply for placement on the waiting list for an activity or project. Qualifying individuals or families on the waiting list must be accepted in accordance with the PJ's preferences, if any.

If you don't have any, that's fine. But it's got to be consistent with the HOME-ARP notice. Or if the PJ did establish preference, it has to be in chronological order insofar as practical. The waiting list must provide uniform access. It cannot exclude or discriminate. And it has to be a documented process. Again, my PSA message, right? I can't stress this enough. The wait list must be documented. It can't be just sort of the way you do business. It's not written down, that's not acceptable. It's got to be a documented process. Next slide.

So for HOME-ARP rental housing, or NCS, PJs may limit eligibility to a specific sub population of a qualifying population so long as admission does not discriminate against any of the protected classes, or it complies with all federal nondiscrimination laws in 24 CFR 5.105. So example -- the housing may be limited to homeless households and at risk of homelessness households or veterans and their families, victims of domestic violence. Or you can limit admission to households [heed?] the specialized supportive services that are provided; for example, domestic violence services.

However, no otherwise eligible individuals or families, including an individual with a disability, who may benefit from the services provided may be excluded on the grounds that they do not have a particular disability. So PJs must follow all applicable fair housing, civil rights, and nondiscrimination requirements, including, but not limited to, those listed in 24 CFR 5.105. And of course, it's not limited, but includes the Fair Housing Act, Title VI of the Civil Rights Act, Section 504 Rehab Act, Equal Access Rule, and the Americans with Disabilities Act, as applicable.

I know that since Monday and in the next week, we're going to be providing a lot of information. I know most of you, like us, are all stretched thin doing a lot more with less. Fortunately, we have a healthy technical assistance budget. We're working on sample documents, tools, products, and direct assistance to help you stand up compliant programs efficiently and quickly so we can address the needs that are out there, that this money has been appropriated for. Believe me, we are here to help you.

I know that maybe some of you are chuckling, I can see. But any time you hear, we're the government and we're here to assist you, it's a line that some of us don't feel like is a reliable one. But I assure you -- we really are your partners in this. We are rooting for you. We're vested in your success. We succeed when you succeed.

So, please, send us your questions. We have a mailbox set up. Martha is going to go through those, sort of the name for that and all of that. But you'll also have access to your field offices. Send us questions. We'll work on clarifying items as quickly as we can. And we will stand up the contract part of our technical assistance as quickly as possible so that you can get the assistance that you need to stand up compliant programs. Thank you so much. With that, I'll turn it over to Martha.

Martha Murray: Thank you, Henrietta. Hello, everyone. I'm going to walk through the rental requirements for the HOME-ARP Program. We understand that there are many challenges to developing financially viable, affordable housing for HOME-ARP populations. In traditional market rate or low-income projects, when properly underwritten, the rental revenue is typically sufficient to cover the operating costs of the project. But how do you structure rental housing for households that contribute little to nothing towards rent?

How do you maintain the financial viability of these units when there's no project-based rental assistance and insufficient revenue to cover operating expenses? To address these challenges and maintain affordability, we've established alternative rent requirements, allowed payment of 100 percent of eligible costs associated with the HOME-ARP units, permitted the use of HOME-ARP funds to provide ongoing operating cost assistance or the capitalization of an operating cost assistance reserve, established a minimum 15-year compliance period regardless of the amount of investment or activity.

And for rental housing only, we expanded the eligible beneficiaries to include low-income households in addition to the targeted qualifying population. Our hope is that these provisions will help reduce that service and provide sufficient funds to cover operating costs, while developing decent, affordable rental housing to serve the qualifying populations, or at least the coming 15-year period. So I'll discuss these requirements in greater detail throughout this presentation. Next slide.

As I just noted, developing long-term, financially viable, affordable rental housing for homeless populations is difficult without project-based rental assistance or revenue from market rate, or hiring from restricted units to help cover the operating deficits. To ensure financial viability of HOME-ARP rental projects, we've exercised a discretion provided in the ARP statute and established targeting requirements applicable only to a PJ's HOME-ARP portfolio.

As Ginny mentioned during the prior webinar on Monday, the ARP statute requires HOME-ARP activities to primarily benefit households in the qualifying population. For the purpose of HOME-ARP rental housing, we've defined primarily benefit to mean that no less than 70 percent of the total number of rental units a PJ assists with HOME-ARP funds must be restricted for occupancy by households that are qualifying households at initial occupancy.

To improve the financial feasibility and long-term viability of these projects, we're also allowing PJs to include a small percentage of HOME-ARP units that serve households with a slightly higher income. So no more than 30 percent of the total number of rental units a PJ assists with HOME-ARP funds can be restricted for occupancy by low-income households. These low-

income units must be located in projects that also contain units restricted for qualifying households.

But the proportion can vary as long as the total number of HOME-ARP rental units assisted by the PJ falls within these percentages. Next slide. So the use of HOME-ARP funds for rental housing is similar to HOME in that HOME-ARP funds can be used to acquire, construct, or rehab affordable rental housing. If a PJ plans to use HOME-ARP funds for acquisition of vacant land or demolition, they must do so only with respect to a specific HOME-ARP project for which it anticipates beginning construction within the coming year.

With a HOME-ARP project defined as a site or sites, along with any buildings located on the site that are under common ownership, management, and finance; which is similar to HOME definition in 92.2. I would like to pause for a moment to note that we've received several questions related to the use of HOME-ARP funds for home buyer housing or homeowner rehab. And I want to make clear that HOME-ARP funds cannot be used for home buyer or homeowner rehab. The only eligible HOME-ARP activities are rental housing, tenant-based rental assistance, supportive services, and non-congregate shelter. Next slide.

So the PJ can assist one or more units in a project; but only the eligible development costs of the HOME-ARP units and a proportionate share of common areas can be charged to the program. Underwriting and subsidy layering are required, as is cost allocation. During the HOME-ARP minimum compliance period, but prior to the end of the September 30, 2030 HOME-ARP budget period, the PJ can invest additional HOME-ARP funds to provide operating cost assistance; but is prohibited from investing additional HOME-ARP funds for capital costs, except within the first 12 months of project completion.

Following completion of the project, the number of HOME-ARP units in the project cannot be reduced. Next slide. So the maximum per-unit subsidy established in the HOME-ARP statute doesn't apply to HOME-ARP units. So HOME-ARP funds may be used to pay for up to 100 percent of eligible costs, which will eliminate the debt service associated with these units and support the project's financial feasibility.

Eligible HOME-ARP costs are similar to HOME and include the costs associated with the acquisition of improved or unimproved real property, development of hard costs, and the costs to refinance existing debt secured by a project being rehabbed with HOME-ARP funds. HOME-ARP funds can also pay for other reasonable and necessary soft costs associated with the financing or development of HOME-ARP rental housing, as well as relocation costs and costs related to the payoff of construction loans, bridge loans, or guaranteed loans.

Ineligible HOME-ARP costs are the same as HOME, except that we waive the prohibition on reserve accounts of operating subsidies. So HOME-ARP funds can be used to pay for operating cost assistance. Next slide. While most rental projects rely on tenant rents to cover all or a portion of a project's debt service and operating costs, most HOME-ARP-qualifying households won't be able to pay a rent that covers these project costs.

The operating cost assistance can cover any deficits that may arise after rental revenue is applied to operating costs. PJs are permitted to pay either ongoing operating costs, or capitalize an operating cost assistance reserve, but only for HOME-ARP units that are restricted for qualifying households. The PJ cannot provide operating cost assistance or capitalize an operating cost assistance reserve for any operating deficits that are associated with units restricted for low-income households.

Through project underwriting, the PJ must determine that the operating cost assistance is necessary to maintain the project's long-term financial feasibility. The cost must be reasonable and appropriate for the area, size, population served, and type of project; and can't exceed the amount necessary to provide operating assistance for the units restricted for qualifying households throughout the 15-year HOME-ARP compliance period. Next slide.

Eligible operating costs include costs for reasonable and necessary admin expenses, such as salaries, wages, payroll taxes, and employees that are assigned to the project, insurance, taxes and utilities, as well as other reasonable and customary admin charges that are associated with the general administration of a project.

Property management fees associated with the day-to-day management of HOME-ARP units restricted for qualifying households is also included, as is maintenance; including scheduled payments to reserve for replacement of major systems or the capitalization of a replacement reserve during the initial year of the HOME-ARP minimum compliance period. Any replacement reserve payments must be based on remaining useful life of the project's major systems, with major systems including structural support, roofing, [plating?] and weather-proofing, plumbing, electrical, and HVAC. Next slide.

The PJ is responsible for the management and oversight of each HOME-ARP operating cost assistance reserve by ensuring that the reserve is held in a separate interest-bearing account, and is only drawn down to address operating deficits that are associated with the units restricted for qualifying households. PJs must require the project owner to request written approval from the PJ prior to disbursing funds on the operating cost assistance reserve.

And the PJ must review each request of disbursement, including any supporting documentation, to determine that the distribution is reasonable and necessary to cover any operating deficits associated with the units that are restricted for the qualifying households. No less than annually, the PJ must review the operating cost assistance reserve to determine the account is still appropriately sized based on the projected operating deficits of the HOME-ARP units restricted for the qualifying households.

If justified and documented in the project file, the PJ may adjust the amount of the reserve prior to the end of the September 30, 2030 budget period as long as the PJ still has sufficient ARP funds remaining to contribute to the reserve. Next slide. At the end of the HOME-ARP compliance period, any funds that remain in the operating cost reserve must be returned to the PJ if the HOME-ARP grant has expired or been closed out and the project will not continue to operate in accordance with the HOME-ARP requirements.



Remaining operating cost assistance reserve must be deposited in the PJ's local HOME account and recorded in IDIS as HOME program income. That permits the PJ to use the funds for any eligible HOME activity in accordance with the HOME regulations at 24 CFR Part 92. If the project will continue to serve qualifying populations and adhere to the HOME-ARP requirements as demonstrated by enforceable restrictions on the property, the HOME-ARP funds can remain in the project's operating cost assistance reserve.

It's important to note that if a PJ decides to provide ongoing operating cost assistance, any ongoing payments can only be provided during the HOME-ARP budget period, which ends on September 30, 2030. After that date, should the project continue to serve qualifying populations and require operating assistance, the project will need to find an alternative source of funds to cover any operating costs associated with the units restricted for qualifying households. Next slide.

Eligible forms of HOME-ARP assistance include equity investments, interest and non-interest-bearing loans, interest subsidies, deferred payment loans, grants, and other forms of assistance approved by HUD. These should all look very familiar, as they mirror HOME. The minimum amount of HOME-ARP assistance a PJ can invest in a project -- should also look familiar -- it's 1,000 times the number of HOME-ARP units in the project. So a 20-unit project with 10 HOME-ARP units would require a \$10,000 minimum HOME-ARP investment.

As I mentioned earlier, the HOME-ARP statute suspended the maximum per-unit subsidy, which means that the PJ can pay 100 percent of the eligible and reasonable costs that are attributable to the HOME-ARP units. This effectively eliminates a need for any [inaudible] service on the HOME-ARP units. Next slide. To secure HOME-ARP rental units for qualifying households, HOME-ARP funds can be invested in different types of projects, including permanent supportive housing, mixed financed affordable housing, and market rate projects.

Regardless of the type of project, the development of rental projects for qualifying households is going to require multiple funding sources, including low-income housing tax credits, HOME HDF funds, as well as state and local sources and project-based rental assistance if it's available. If the project does not receive project-based rental assistance, many projects will also require a capitalized operating cost assistance reserve. That will cover the deficits associated with the units that are restricted for qualifying households since the rental revenue on those units will be minimal at best.

Given the multiple funding sources and the complex nature of these projects, PJs are required to conduct an in-depth review of project assumptions, development sources and uses, and projected operating income and expenses to determine the project's need for HOME-ARP assistance while also preventing the over subsidization of the project. While the viability of the HOME-ARP units is obviously the PJ's primary concern, it also has to take a holistic approach to underwriting that examines the overall financial sustainability of the project, ensure that the property will be viable for the duration of the HOME-ARP compliance period.

Next slide. To assess the unique financial needs of these projects throughout the 15-year compliance period, PJs must develop standardized underwriting guidelines that accommodate

different types of projects. PJs with existing HOME rental underwriting standards can use those standards as a foundation for their HOME-ARP underwriting guidelines, but given the specific HOME-ARP project requirements, the guidelines will need revision.

Regardless of whether PJ modifies its existing HOME underwriting guidelines or develops new guidelines from scratch, all HOME-ARP underwriting guidelines have to include an examination of the sources and uses of funds for the project and a determination that costs are reasonable and necessary; including an assessment of the developer fee, review and determination that the developer has experience developing similar projects, and has the financial capacity to undertake the project.

An assessment of current market demand for the proposed project requires a mixed approach. So for HOME-ARP units for qualifying households, a market assessment isn't required, but the PJ should be able to demonstrate that there is an unmet need among the qualifying populations the project will serve by reviewing CoC data, point-in time-surveys, or other relevant data. For low-income units, the PJ must conduct a market assessment or review the assessment conducted by the developer or other project funder.

A review of firm financial commitments is required to ensure that the project has secured all necessary financing. PJ must also carefully review the project operating budget, including the basis for assumptions, projections of the project operating income, and anticipated changes in revenue and expenses during the compliance period to determine if any HOME-ARP operating cost assistance is necessary; and if applicable, is sized appropriately to cover the projected operating deficits.

If the project will receive project-based vouchers or other rental assistance, the analysis must examine rental assistance revenue to ensure operating costs are covered, since HOME-ARP operating costs can't be used for qualifying households with project-based vouchers or rental assistance. Finally, an assessment of the project's overall viability for a minimum compliance period based on the mix of households will serve.

So given the complicated nature of these projects and the underwriting and subsidy layering process, we anticipate a lot of questions. So we are going to provide some technical assistance on this topic. Stay tuned. Be sure that you sign up for the HOME-ARP listserv. That way you're notified when specific technical assistance on underwriting, or any other HOME-ARP topic for that matter, is made available. Next slide.

The HOME commitment requirement -- in the definitions of commitment and commit to a specific local project in the HOME regulations at 2492.2, apply to the use of HOME-ARP funds; including the requirement that the PJ execute a legally-binding written agreement with the project owner for the development of an identifiable project for which necessary financing has been secured, a budget and development schedule have been established, project underwriting is complete, and the construction schedule is scheduled to commence within one year of the execution date of the written agreement.

Next slide. At the time of project commitment, the PJ must determine the number of HOME-ARP units it will restrict for occupancy by qualifying in low-income households and include the specific unit counts in the written agreement with the project owner. For mixed income projects, the PJ must also make the decision to designate the HOME-ARP units as either fixed or floating -- similar to HOME -- and maintain the unit mix throughout the HOME-ARP compliance period, which I'll discuss in the coming slides on the rent and occupancy requirements. Next slide.

The HOME-ARP units must comply with the applicable HOME property standards and HOME regulations at 24 CFR 92.251, including the new constructions standards of paragraph (a); the rehab standards of paragraph (b), including the requirement that the PJ have written rehab standards; acquisition standards in paragraph (c)(1) and (2); and the manufactured housing standards of paragraph (e), assuming the PJ will include manufactured housing in its HOME-ARP rental portfolio.

Finally, the ongoing property condition standards of Paragraph (f) apply, which requires the PJ to establish property standards to ensure that property owners maintain the housing as decent, safe, and sanitary, and in good repair throughout the compliance period; and the PJ has to undertake periodic, ongoing inspections to ensure that these standards are met. Next slide. Okay. So who is eligible to occupy the HOME-ARP units? For units designated for occupancy by qualifying households, that means individuals or families that meet one of the definitions of a qualifying population in the HOME-ARP statute.

Ginny covered this on Monday. And Henrietta covered this at the beginning of this session. Unless there is an income requirement for another project funding source, or an income requirement is included in the definition of the qualifying population, the household does not have to meet income requirements like HOME. The household qualifies based solely on its status as a member of a qualifying population. That said, the PJ does have to examine the qualifying household's income to determine the tenant contribution to rent, which I'll address in a couple of minutes. Next slide.

For units restricted for occupancy by qualifying households, the unit rent is the low HOME rent. Or if the project receives project-based rental assistance, or the tenant receives tenant-based rental assistance, the rent is the rent permissible under the Rental Assistance Program. If a project consists of SRO units, the maximum rent depends on whether the unit includes only sanitary facilities, or includes both sanitary and food prep facilities. So if the SRO includes both sanitary and food prep, the maximum rent is the zero-bedroom FMR published by HUD.

If the unit only includes sanitary facilities, the maximum rent is 75 percent of the zero-bedroom FMR. The PJ is required to establish maximum utility allowances and update the allowances annually. Or the PJ can adopt the PHA utility allowance if it so chooses. In any case, it must review and approve the HOME-ARP rents proposed by the project owner. And if the household is paying for utilities, the PJ must determine that the rent for the unit does not exceed the maximum rent minus the monthly allowance for utilities and services. Next slide.

A qualifying household's contribution to rent must be affordable to the household based on an income determination conducted by the PJ using the Part 5 definition of annual income, and then

examination of either two months of source documentation; or by obtaining a written statement of the household's annual income and household size, along with a certification that the information is complete and accurate.

However, if the household will receive project- or tenant-based rental assistance, the income determination is conducted in accordance with the requirements of the applicable project or tenant-based assistance program, and the tenant cannot be required to contribute more towards rent than is required by those rental assistance programs. Next slide.

Each subsequent year during the HOME-ARP compliance period, the PJ must re-examine the qualifying household's income to determine an affordable contribution to rent. Similar to HOME, that means that the PJ must specify one of three options the project owner must use to determine the household's income and contribution to rent; including an examination of at least two months of source documentation, a written statement from the household certifying its annual income, or a written statement from the administrator of a government program under which the household receives benefits; and an examination of the household income is required.

If a written statement and certification is used, similar to HOME, every sixth year the project owner must examine the household's income using source documentation. Next slide. In many cases, a qualifying household may be unable to contribute rent based on its limited income. In which case, the project may face an operating deficit associated with the units restricted or occupancy by the qualifying households. The project has several options to cover any operating deficits associated with these units, including drawing from the project's operating cost assistance reserve.

If HOME-ARP funds weren't used to capitalize an operating cost assistance reserve at initial commitment, the PJ may provide ongoing operating cost assistance to cover the deficit associated with the units that are restricted for the qualifying households. The qualifying household may also receive HOME-ARP TBRA in conjunction with supportive services to cover the unit rent and ensure that the household remains housed. Just remember that HOME-ARP TBRA, operating cost assistance, and supportive services can't be provided to the unit and the household beyond the September 30, 2030 HOME-ARP budget period. Next slide.

Units restricted for occupancy by qualifying households must be occupied by households that meet the definition of a qualifying population at the time they're admitted to the HOME-ARP unit. The qualifying household retains its eligibility to occupy the unit regardless of any changes in the household's income, or whether the household continues to meet the definition of a qualifying population. Consequently, a unit that's restricted for qualifying household remains compliant with the HOME-ARP restrictions as long as the unit is occupied by a household that met the definition of a qualifying population at the time of admission.

However, at the annual recertification of the household's income, if the PJ finds that the household's income has increased above 50 percent of the area median income, but remains below 80 percent of the area median income, the unit rent increases to the high HOME rent. So the household -- the unit is still compliant as long as the tenant was determined to be a member

of a qualifying population. But if they go above 50 percent AMI, but remain below 80, you have to increase the rent. Next slide.

The units restricted for occupancy by low-income households must be occupied by households that meet the definition of low-income as defined in the HOME regulation at both initial occupancy, as well as during the annual income recertification. If the household's income increases above the low-income limit during the compliance period, the unit is considered temporarily noncompliant, and the PJ is required to take action to maintain the rent and the unit mix similar to HOME. Next slide.

For units restricted for occupancy by low-income households, the rent and occupancy requirements mirror HOME. Specifically, the rent can't exceed the high HOME rent. However, if the tenant receives tenant-based rental assistance, then the rent is the rent that's allowable under the rental subsidy program. If the project includes SROs, then the maximum rent is based on the zero-bedroom FMR, and it's dependent on whether the unit includes only sanitary facilities or both sanitary and food prep.

If the unit includes both sanitary and food prep, the rent is the zero-bedroom FMR. And if the unit only includes sanitary facilities, the rent is 75 percent of the zero bedroom FMR. I should note that HOME-ARP requires all SROs to have at a minimum sanitary facilities in each unit. Next slide. PJs must ensure that each HOME-ARP-assisted unit has an executed lease and that the lease complies with the HOME-ARP tenant protections.

The tenant protections include that the lease does not include any of the prohibited lease terms that are defined in the HOME regulations at 92.253 (b). Those prohibited terms exist to ensure that all HOME-assisted tenants are treated equitably, and are not waiving the rights to legal due process. In addition, the project owner can't terminate tenancy or refuse to renew the lease of a tenant of a HOME-ARP unit, except for serious or repeated violations of the terms or conditions of the lease; for violation of applicable federal, state, or local law; or for other good cause.

Finally, the project owner can't terminate the tenancy or refuse to renew the lease of a qualifying household because of the household's inability to pay rent; which means that the qualifying household can't pay more than 30 percent of its income towards rent based on an income determination made by the PJ within the last 30 days. So to cover the household's inability to pay rent, the project owner can draw on the capitalized operating cost assistance reserve.

Or if there isn't a capitalized reserve, the PJ can provide ongoing operating cost assistance, or provide HOME-ARP TBRA, or supportive services to cover the rent. Next slide. In lieu of leasing HOME-ARP units directly to qualifying households, a PJ can permit a project owner to sublease a unit, or execute a master lease for multiple units with a local nonprofit sponsor that has experience providing housing and supportive services to individuals and families in the qualifying populations.

If the housing sponsor subleases a unit or executes a master lease for multiple units, it must execute a sublease directly with a qualifying household that complies with the HOME-ARP tenant protections, including the prohibited lease terms and the restrictions on termination of

tenants. Next slide. The PJ must determine on a project-by-project basis how qualifying households may be referred to the HOME-ARP rental projects, and how project owners should select tenants to occupy units restricted for occupancy by qualifying households.

Specifically, the PJ must decide and clearly state in its written agreement with the project owner whether the project owner must use the CoC coordinated entry system, a combination of the CoC coordinated entry system and referrals from other sources, or use a project-specific wait list. Henrietta discussed a lot of this in greater detail earlier. If the PJ wishes to establish any preferences among the qualifying populations the prioritized applicants for HOME-ARP rental projects, it has to disclose those preferences in its HOME-ARP allocation plan and ensure that project owners are aware of those preferences.

When selecting low-income households for a HOME-ARP project, project owners must use a project-specific wait list. Next slide. HOME-ARP rental project owners must establish and follow written tenant selection policies and procedures that ensure that HOME-ARP units are occupied by eligible, qualifying, and low-income households. Any preferences are applied in compliance with the preferences that the PJ established in their allocation plan and don't violate nondiscrimination requirements.

If the PJ requires the use of a project-specific wait list to select qualifying and low-income households, the project owner must provide for the selection of households from a written wait list in the chronological order of the application insofar as it's feasible. In addition, the project owner cannot exclude an applicant with a Section 8 housing voucher or any applicant participating in HOME; HOME-ARP; or other federal, state, or local TBRA assistance programs because of their status as a rental assistance voucher or a certificate holder.

Project owners must also ensure compliance with the Violence Against Women Act, and provide prompt written notification to any rejected applicant, and the grounds for their rejection. Next slide. Similar to HOME, all HOME-ARP projects must be completed within 4 years of project commitment; which means that the construction is complete and all necessary title transfer requirements have been met; the project complies with all HOME-ARP requirements, including the applicable property standards; and all HOME-ARP funds committed to the project have been disbursed in IDIS. Beneficiary information should be entered in IDIS as it is available.

And if any units remain unoccupied by eligible households within 6 months of project completion, the PJ has to submit to HUD a marketing plan for any vacant, low-income units and marketing or other information on its effort to coordinate with the CoC or other homeless providers, social services, or public agencies to fill any of the units that are restricted for qualifying households. If the units remain unoccupied by eligible households within a year of project completion, the PJ must repay any HOME-ARP funds invested in those units. Next slide.

The HOME-ARP rental projects must meet a minimum 15-year compliance period regardless of the amount of assistance provided or the type of activity that's undertaken. PJ can impose a longer compliance period, but should plan for the project's long-term financial feasibility since the PJ can't use the HOME-ARP funds to provide operating cost assistance to cover any deficits for that expended compliance period.

For projects receiving project-based housing assistance payments, or HAP, the compliance period is the greater of the HOME-ARP 15-year compliance period, or the term of the HAP contract. If the HAP contract term is longer than the HOME-ARP compliance period, PJs should make sure that they extend the HOME-ARP restrictions to match the term of the HOME-ARP contract. Similar to HOME, PJs must impose the HOME-ARP requirements -- the deed restriction, the covenant, recorded legally-binding agreement, or other mechanism that's approved by HUD.

Restrictions must include requirement that the units restricted for occupancy by qualifying households are occupied by households that met the definition of a qualifying population at initial occupancy, the household contribution to rent is affordable to the qualifying household, and the rent is the correct HOME-ARP rent. All qualifying households must also have an executed lease that does not include any of the prohibited lease [terms?].

If the project includes units restricted for occupancy by low-income households, the restrictions must include the requirement the unit is occupied by a low-income household that's charged the correct rent throughout the compliance period. And all households must also have an executed lease that does not include any of the prohibited lease terms. Restrictions must also require compliance for the HOME-ARP property standards throughout the 15-year HOME-ARP compliance period. Next slide.

Like HOME, PJs must repay the HOME-ARP funds invested in a rental project that is either terminated prior to completion, or in some other way does not comply with the HOME-ARP requirements. If the noncompliance occurs within the first 10 years of the 15-year compliance period, the PJ's on the hook to repay the entire HOME-ARP investment. If the noncompliance occurs in years 11-15, the repayment is reduced 20 percent for each year beyond the initial 10 years during which time the project was compliant. Next slide.

The repayment won't be required if the project owner sells or transfers the project during the compliance period and the HOME-ARP restrictions remain and the project and new owner continue to comply with all HOME-ARP requirements and any HOME-ARP funds that were remaining in the project's operating cost assistance reserve remain with the project and convey upon sale or transfer. Next slide. So as we wrap up the webinar for today, I want to remind everyone that similar to HOME, the PJ is always responsible for the day-to-day management and oversight of its HOME-ARP Program.

Given the complicated nature of developing affordable rental housing for homeless and at-risk populations, it's even more important that the PJ exercise their due diligence by creating and applying comprehensive underwriting guidelines to ensure that HOME-ARP projects will remain financially viable throughout the full 15-year compliance period; including an assessment of each project's projected development costs, operating income, and expenses to determine an appropriate amount of HOME-ARP subsidy, as well as operating cost assistance if it's needed.

PJs must also draft and execute written agreements with project owners that address all HOME-ARP requirements. That way the PJ has a means of enforcement should it ever need to address

any sort of noncompliance with the owner or the project. Ongoing property condition standards have to be established and applied to HOME-ARP rental projects to ensure that the units remain in decent, safe, and sanitary condition throughout the 15-year compliance period.

And PJs must also monitor the financial condition of the overall project and any HOME-ARP operating cost assistance reserve to make sure that each HOME-ARP project remains financially viable, and the operating cost reserve is still appropriately sized given the projected deficits that are associated with the units that are restricted for occupancy by qualifying households. Next slide. So what's next?

If you haven't already, I suggest you sign up for the next two HOME-ARP webinars. On October 4, we will cover TBRA, Supportive Services, Non-Congregate Shelter, or NCS. And on October 6, we will cover Program Administration & Nonprofit Operating Expenses. Both webinars will be held from 2:00 to 3:30 Eastern Time. To register, please visit the HUD Exchange. The link is included on the slide. Next slide.

And I would also encourage anyone with questions to either put your questions in the chat here on this webinar, or you can also email questions to the HOME-ARP mailbox at: [HOMEARP@hud.gov](mailto:HOMEARP@hud.gov), as well as sign up for the HOME-ARP listserv. Any new guidance, FAQs, or training opportunities will be announced via the listserv. So please visit the HOME-ARP page on the HUD Exchange for more information.

I'd like to thank everyone for joining today's presentation. We hope you join us next Monday at 2:00 Eastern for the session on HOME-ARP TBRA, Supportive Services, and Non-Congregate Shelter. Thank you so much. Have a good afternoon.

(END)