

HOME-American Rescue Plan Program

Session 3, TBRA, Supportive Services and Non-Congregate Shelter

Monday, October 4, 2021

Chelsea Mullen: Okay, great. Thanks, John. Thank you all for coming to session 3. Today, we're going to be talking about TBRA, supportive services and non-congregate shelter. Next slide, please.

So, this is the third in a four-part webinar series on the HOME-American Rescue Plan program, and it's being held by HUD's Office of Affordable Housing Programs. And today I'll be talking about tenant-based rental assistance, and then I'll hand it off to Diane Thompson, the assistant director of OAH Program Policy Division, to talk about supportive services.

And then after that, David Jones, senior affordable housing specialist with OAH will be talking about non-congregate shelter. Next slide, please.

Okay. So first, I'll talk about tenant-based rental assistance. If you've worked with TBRA under the regular HOME program, a lot of the requirements for HOME-ARP TBRA will be familiar to you. However, there are a few differences between TBRA under the HOME program and HOME-ARP TBRA, which we'll go over today.

Similar to TBRA under regular HOME, HOME-ARP TBRA provides ongoing rental assistance, covering ongoing rent and utility costs, security deposits alone or in combination with ongoing rental assistance, and utility deposit assistance in combination with rental assistance or security deposit assistance.

The different requirements under HOME-ARP TBRA are intended to provide greater flexibility in the administration of a rental assistance program to best serve the qualifying populations. And of course, this is tenant-based assistance, so it's attached to the household and not to a particular rental unit. So, a household may choose to move to another eligible unit with continued assistance as long as the unit meets applicable property standards. Next slide, please.

This slide highlights the similarities and differences between TBRA under regular HOME and HOME-ARP TBRA. So, in the left column, you'll see the characteristics that are similar to regular HOME. And so, both programs permit the same eligible costs, and I'll talk in more detail about these eligible costs in the next slide.

And the right column lists the characteristics that are different for HOME-ARP. So, the most significant difference is that HOME-ARP permits the use of sponsors to lease units and sublease to tenants. HOME-ARP can also cover up to 100 percent of rent and utility costs. And in addition, if HOME-ARP TBRA is used in a HOME assisted or HOME-ARP assisted rental unit, the PJ or TBRA administrator can rely on the physical inspections performed for HUD rentals rather than conducting separate inspections.

And finally, unlike regular HOME TBRA, HOME-ARP cannot be used in conjunction with a homebuyer program. Next slide, please.

Okay. So as I mentioned, these are the eligible costs and ineligible costs under HOME-ARP. And, you just can provide rental assistance, as well as security deposit payments and utility

deposit payments. Security deposit payments can be provided regardless if there is any other rental assistance being provided, and they cannot exceed two months' rent for the unit.

However, utility deposit payments are only eligible if rental assistance or security deposit payments are also provided. And in addition, the cost of housing inspections and the administration of the HOME-ARP TBRA program are also eligible costs. And you can see what costs are eligible for the administration in 24 CFR 92.207(a). And as I mentioned before, homebuyer program as it's defined at 24 CFR 92.209(c) is not an eligible cost under HOME-ARP. Next slide, please.

Okay. Now we'll talk about the program requirements of HOME-ARP TBRA in more detail. And please note for the rest of the presentation that when I say TBRA, I'm referring to HOME-ARP TBRA, unless I explicitly am comparing the two. So first, for portability of assistance, the requirements at 24 CFR 92.209(d) of the HOME regulations apply for HOME-ARP.

The PJ may require households to use TBRA within the PJ's boundaries, or they may permit households to use assistance outside of the PJ's boundaries. And the requirements at 24 CFR 92.209(e), defining the term of the rental assistance contract for providing HOME funds are waived for HOME-ARP.

The PJ must determine the maximum term of the contract, which continues until the end of the contract term as determined by the PJ or until the lease or sublease is terminated. And the term of the contract may be renewed subject to the availability of HOME-ARP funds.

And finally, the PJ must establish policies for the allowable maximum subsidy, which may differ from the maximum subsidy requirements listed at 24 CFR 92.209(h). And PJs may provide up to 100 percent subsidy for eligible costs, and the PJ must establish policies for determining any household contribution to rent based on a determination of the household's income.

And because tenants may have very low to no income, PJ's can provide up to 100 percent subsidy for rental costs, which, as I mentioned, is different than the regulations under the regular HOME program. Next slide, please.

So, rent standard. The requirements for rent standard are consistent with the requirements at 24 CFR and 92.209(h). The PJ must establish a rent standard by unit size that's based on local market conditions or the Section 8 Housing Choice Voucher Program under 24 CFR Part 982. And if a rent for a unit does not meet this establishment standard, then the PJ cannot approve the lease.

And as mentioned before, the requirements for housing quality standards are different for HOME-ARP TBRA. Housing occupied by a HOME-ARP TBRA tenant must comply with all housing quality standards required at 24 CFR 982.401 or any successor standards that HUD may issue. However, if a tenant is residing in a HOME or a HOME-ARP unit, the PJ can defer to initial and ongoing inspection standards. Next slide, please.

So, for program operation, a TBRA program may be administered by either the PJ or another eligible entity that has the capacity to operate a rental assistance program. Either way, the entity administering the program must approve the lease. And TBRA must be administered through a rental assistance contract with one of the following: an owner that leases a unit to a qualifying household, the qualifying household, or an owner in the household in a tri-party contract.

And we're going to talk more about HOME-ARP sponsors next. But if TBRA is provided in coordination with a sponsor, the PJ may require payments to be made directly to the sponsor, who will make payments to the owner on behalf of the household, or they'll require payments directly to the owner of the rental unit. Next slide, please.

Okay. So now we'll talk more in detail about the HOME-ARP sponsor. A sponsor is a nonprofit organization that provides housing or supportive services to qualifying households and facilitates the leasing of a HOME-ARP rental unit to a qualifying household. And they also can be used for the use and maintenance of HOME-ARP TBRA.

And under HOME-ARP, a household may reside in housing leased by a sponsor if there is a sublease that complies with these requirements between the sponsor and the household. Next slide, please.

So, payments are made on behalf of the household pursuant to a rental assistance contract, and the contract must be between the PJ and either the sponsor, household, or owner of the housing. The contract continues until the lease is terminated or the term of the contract expires and is not renewed. And as we mentioned before, that can be renewed subject to the availability of funds.

And the sponsor may only receive the subsidy directly from the PJ if the contract is between the sponsor and the PJ or the sponsor and PJ have entered into a written agreement, which we'll talk about in a moment. It's also important to note that regardless of the role of the sponsor, because this is tenant-based, the household always has a right to continued assistance if the household moves to another eligible unit.

And if the household moves, the sponsor is not required to continue its role as a sponsor, but they may do so with the consent of the household. Next slide, please.

PJs must verify that each household that receives TBRA assistance has an executed lease that complies with the tenant protection requirements of the notice. The lease agreement may be between the project owner and the household, or PJs may permit a sponsor to execute a lease for an individual unit or a master lease for units restricted for occupancy by TBRA households with an owner.

And if the agreement is between the owner and the sponsor, the sponsor must execute a sublease agreement with the household. And again, this sublease must meet all the tenant protection requirements of the HOME-ARP notice. Next slide, please.

And finally, the PJ must enter into a written agreement with the sponsor if the assistance contract is not with the sponsor, and the sponsor will be receiving the TBRA subsidy directly from the PJ.

And the written agreement must specify the requirements for the sponsor receiving TBRA subsidy on behalf of the qualifying household and the sponsor's obligation to provide TBRA payments to the owner for the unit's required rents. So that's all I have today for TBRA. Thank you all again for coming, and I'm going to hand it over to Diane Thompson to talk about supportive services.

Diane Thompson: Thanks, Chelsea. Good afternoon. My name is Diane Thompson, as Chelsea just mentioned, and I'm an assistant director in the Office of Affordable Housing Programs Program Policy Division. During this portion of the webinar, we will be discussing the HOME-ARP supportive services activity.

The supportive services activity is one of two activities that the American Rescue Plan Act added to HOME-ARP that is not eligible under the regular HOME program. The activity was added to help support individuals and households in the qualifying populations in obtaining and maintaining housing by providing supportive services to address issues that may inhibit successful housing outcomes. Next Slide.

So, HOME-ARP funds may be used to provide a broad range of supportive services to qualifying individuals or families as a separate activity or in combination with other HOME-ARP activities. Supportive services may be provided to individuals and families who meet the definition of a qualifying population under the HOME-ARP notice and who are not already receiving these services through another program.

In earlier sessions, my colleagues discussed the qualifying populations. As a reminder, they are homeless, at risk of homelessness, fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking, or human trafficking and other populations all as defined under the HOME-ARP notice.

There are three categories specifically included as supportive services under HOME-ARP. They are what we are referring to in the notice as McKinney Vento supportive services, homelessness prevention services, and housing counseling services. Next slide, please.

McKinney Vento supportive services are those listed in section 401(29) of the McKinney Vento Homeless Assistance Act. And these services were specifically called out in the HOME-ARP statute. Next slide.

HOME-ARP homelessness prevention services is the second category of services included under the HOME-ARP supportive services activity and are adapted from eligible homelessness prevention services under the Emergency Solutions Grant. The emergency solutions grant regulations are listed here on the current slide. The ESG requirements adapted under HOME-ARP are revised, supplemented, supplemented -- excuse me -- and streamlined for purposes of the supportive services activity. Next Slide.

Housing counseling services under HOME-ARP are those consistent with the definition of housing counseling and housing counseling services defined at 24 CFR part 5.100 and 5.111, respectively. The requirements at 24 CFR 5.111 state that any housing counseling as defined in

24 CFR part 5.100 required under or provided in connection with any program administered by HUD shall be provided only by organizations and counselors certified by the Secretary to provide housing counseling under program regulations at 24 CFR Part 214.

HUD's housing counseling program and administration requirements are in fact outlined in 24 CFR Part 214. And those requirements apply to HOME-ARP, except those related to homeowners. Next slide, please.

So, this chart, it includes the housing counseling services that are eligible under HOME-ARP. This is not an exhaustive list, however, the services here, though, they are characterized in three separate buckets. The first is rental housing counseling topics, which includes services like counseling on rental housing search, fair housing, and landlord tenant laws, to name a few.

The second bucket is pre-purchase homebuying topics. Under this category counseling on such topics as homebuyer readiness, budgeting, and credit and loan product comparisons are included. So, while these type of pre-purchase homebuying housing counseling services are available, I'd like to emphasize that services for homeowners are not eligible under HOME-ARP and costs related to homebuying are also not eligible under HOME-ARP. We will look at this a bit further on the next slide.

The final bucket under housing counseling eligible services is homeless services, which includes counseling on emergency shelter information, referral to other government services and transitional housing, to name a few. Next slide, please.

HUD's housing counseling regulations do provide for the following counseling topics. But since HOME-ARP supportive services activity is primarily for those individuals and families who are facing homelessness or at risk of homelessness, the HOME-ARP supportive services do not include housing counseling services for homeowners. Therefore, the services listed on this slide, which are all geared towards homeowners, are ineligible under HOME-ARP. Next slide.

Eligible costs that may be paid using HOME-ARP funds are limited to only those identified in the Notice. Any ineligible costs paid using HOME-ARP funds must be repaid. HUD has used this discretion to include eligible costs where supportive services that are necessary to assist the qualifying populations, prevent homelessness, or to enable qualifying households to obtain and maintain housing.

While all qualifying households are eligible to receive supportive services under the HOME-ARP supportive services activity, the PJ must establish requirements for documenting eligible costs for an individual or family in a qualifying population as McKinney Vento supportive services, homelessness prevention services or housing counseling.

PJs must document in their files which types of supportive services they wish to offer program participants. And if PJs are using supportive services providers, PJs must document in their written agreements with such providers whether they are authorizing McKinney Vento supportive services, homelessness prevention services, housing counseling services, or some combination of the three.

Only the supportive services that are authorized in the written agreement with the supportive service provider may be provided to program participants by that supportive service provider and only program participants that are eligible for those supportive services may be served. As such, support of service providers must demonstrate through their documentation that the individuals served were eligible to receive the supportive services that were authorized under the written agreement in order for those costs to be eligible.

I will discuss the specific allowable cost in just a moment. So, if a person is homeless, then the person is eligible to be provided the supportive services as McKinney Vento supportive services for the cost allowable under the notice. Next slide.

If a person is housed and the supportive services are intended to help the program participant regain stability in the program participant's current permanent housing or move into other permanent housing to achieve stability, then the person is eligible for homelessness prevention services for the cost allowable under the notice.

Housing counseling services may be provided regardless of whether a person is homeless or currently housed. Next slide, please.

So, this slide lists the HOME-ARP McKinney Vento and homelessness prevention supportive services eligible costs. Costs include childcare, employment assistance and job training, life skills training, transportation, case management, and more, as you can see here on the slide. But please refer to the notice and carefully read the specific descriptions of each eligible cost for a thorough understanding of what costs are eligible under the HOME-ARP supportive services activity. Next Slide.

The financial assistance costs listed on this slide are also included as eligible McKinney Vento and homelessness prevention supportive services under HOME-ARP. Costs include rental application fees, security deposits, utility deposits and payments, moving costs, first and last month's rent, payment of rental arrears, and short-term and medium-term financial assistance for rent. Next Slide.

As I mentioned earlier, the homelessness prevention supportive services under HOME-ARP are adapted from certain ESG regulations. Many grantees receive funds under both HOME and ESG, so we thought it would be useful to highlight the similarities and differences in the eligible financial assistance costs.

There are many similarities and few differences. The services listed under similarities here on the slide have the same requirements. For example, under both ESG and HOME-ARP, a rental application fee is an eligible cost if it is charged to all applicants. Another example is moving costs. Moving costs such as truck rental or hiring a moving company are eligible costs under both ESG and HOME-ARP.

The assistance may include payment of temporary storage fees for up to three months, provided that the fees are accrued after the date the program participant begins receiving assistance and before the program participant moves into the permanent housing.

The differences I'd like to highlight are listed here on the right side of the slide. HOME-ARP funds may be used to make a pre-payment of the first and last month's rent under a new lease to the owner at the time the owner is paid the security deposit for the program participant's tenancy in the housing. ESG regulations permit a payment of the last month's rent. In both programs the payment must be necessary to obtain housing for a program participant.

The next difference I'd like to point out is under HOME-ARP, like ESG, a security deposit of not more than two months' rent is an eligible cost. However, because HOME-ARP allows the prepayment of the first and last month's rent, the HOME-ARP notice makes clear that the two-month security deposit permitted is distinct from the provision of financial assistance for the first and last month's rent and cannot be used to duplicate those costs.

Short-term and medium-term financial assistance for rent are permitted financial assistance costs under the HOME-ARP supportive services activity, as well as ESG. Next Slide.

There are a few differences that I'd like to note in the HOME-ARP requirements and the ESG program requirements related to short-term and medium-term financial assistance. First, the HOME-ARP supportive services activity describes the assistance as financial assistance for rent, while ESG describes the assistance as rental assistance.

I'm going to generally use the terms financial assistance for rent when referring to both HOME-ARP and ESG. Under HOME-ARP, since pre-payment of the first and last month's rent is permitted, the maximum period of use includes payment for both the first and last month's rent. The distinction ensures that the prepayment is captured in determining the maximum payment during the period of use.

There's no real effective difference in ESG since the first month's rent will be captured as a rental payment rather than a prepayment when determining the maximum payment during the period of use. But in comparing the program requirements, the difference is noted. The agreement between the owner and the grantee or subrecipient under HOME-ARP is called a financial assistance agreement, or FAA. While under ESG, the agreement is called a rental assistance agreement, or RAA.

ESG rental assistance includes habitability requirements as contained in 24 CFR 576.403(c). HOME-ARP allows PJs to establish policy on habitability requirements for financial assistance for rent. The VAWA requirements, Violence Against Women Act, that must be followed under HOME-ARP are the VAWA requirements under the HOME program contained in 24 CFR 92.359. VAWA requirements for ESG short-term and medium-term rental assistance are those contained in the ESG regulations at 576.409.

Finally, under ESG, short- and medium-term rental assistance may be project based. The financial assistance provided for rent under HOME-ARP must be tenant-based in nature. Project-basing the assistance is not permitted under HOME-ARP. Next slide.

For time's sake, I will not go over each of the similarities between HOME-ARP and ESG short- and medium-term financial assistance for rent. I will point out a few. First, short-term assistance under both programs is limited to no more than three months, and medium-term assistance may be provided for four or more months, but not more than 24 months. Next, the lease between the owner and the program participant must be in writing. It must be legally binding.

Also, on both programs rental payments cannot be provided unless the rent does not exceed the fair market rent established by HUD as provided under 24 CFR part 888 and complies with HUD's standard of rent reasonableness as established at 24 CFR 982.507. Next slide.

In both HOME-ARP and ESG financial assistance -- excuse me, in both HOME-ARP and ESG, financial assistance for rent cannot be provided to a program participant who is receiving the same type of assistance through other public sources. In addition, assistance cannot be provided to a program participant who has been provided with replacement housing payments under the Uniform Relocation Act of 1970, as amended. Next slide.

So, this slide includes the eligible costs for the third category of supportive services under HOME-ARP: housing counseling. Such things as staff salaries and overhead costs of HUD certified housing counseling agencies providing direct housing counseling services are eligible. Costs for development of a housing counseling work plan, financial and housing affordability analysis, action plans, pre purchase homebuying, counseling, education, and outreach are all eligible housing counseling costs. Next Slide.

I mentioned this earlier, but it is worth mentioning again, because of its importance, PJs must document which types of supportive services they wish to offer program participants and if PJs are using a supportive service provider, PJs must document in their written agreements with the provider whether they are authorizing McKinney Vento supportive services, homelessness prevention services, housing counseling services, or some combination of the three. Next slide.

So, the cost principles apply to the HOME-ARP supportive services activity. Part 200 requires costs being necessary and reasonable. So, if a qualifying household is already receiving the same eligible supportive service or has been approved to receive the same service through another program or provider, the program participant does not have a need for the HOME-ARP service and the costs related to the service do not comply with the cost principles.

The PJ is responsible for establishing requirements that allow a program participant to receive only the HOME-ARP services needed, so there is no duplication of services or assistance in the use of HOME-ARP funds. Next slide.

For the commitment. For the supportive services activity, commitment means before disbursing any HOME-ARP funds to any entity, the PJ has executed a legally binding written agreement

that complies with the HOME-ARP requirements with either a contractor or subrecipient providing the supportive service. Next slide.

PJs must establish policies and procedures for the HOME-ARP supportive services activity. The notice requires policies and procedures for tenant selection procedures that must -- and those procedures must comply with the tenant selection procedures outlined in the notice and gone over by my colleague in an earlier webinar.

The PJ must also establish policies and procedures on the eligibility of program participants for supportive services when such individuals or households are already participating in other HOME-ARP activities, for example, TBRA or residing in a HOME-ARP funded rental unit.

The policies and procedures must include the length of time that program participants may be served by HOME-ARP TBRA or HOME-ARP rental housing before no longer being eligible as a qualifying population for purposes of the supportive services activity. Next Slide.

If a PJ chooses to set maximum amounts and/or maximum periods for assistance for services, the PJ must establish policies on the maximum dollar amount that a program participant may receive for each type of service and/or the maximum periods for which a program participant may receive any of the types of assistance or services under the supportive services activity.

Take note that maximums are established by the HOME-ARP Notice for Financial Assistance for Rent, which we discussed earlier in this presentation. Also, the notice outlines time limits for the other types of financial assistance that may be provided.

PJs must establish policies and procedures on documentation of eligible costs. Also, the PJ must establish policies and procedures on requirements that allow a program participant to receive only the HOME-ARP services needed, so there is no duplication of services or assistance, as I mentioned earlier, in the use of HOME-ARP funds for supportive services.

And finally, policies and procedures on termination of assistance to program participants must be established by the PJ. And such policies and procedures must comply with the requirements of the notice. Next Slide.

The PJ may terminate assistance to a program participant who violates program requirements or conditions of occupancy or no longer needs the services as determined by the PJ. Termination does not bar the PJ from providing further assistance at a later date to the same individual or family under the HOME-ARP supportive services activity. Next slide.

In terminating assistance to a program participant, the PJ must provide a formal process that recognizes the rights of individuals receiving assistance under the due process of law. This process, at a minimum must consist of providing the program participant with a written copy of the program rules and the termination process before the participant begins to receive assistance; written notice to the program participant containing a clear statement of the reasons for termination; a review of the decision in which the program participant is given the opportunity to present written or oral objections before a person other than the person or a subordinate of that

person who made or approved the termination decision; and prompt written notice of the final decision to the program participant. Next slide.

Finally, during this process, the PJ must provide effective communication and accessibility for individuals with disabilities, including the provision of reasonable accommodations. Similarly, the PJ must provide meaningful access to persons with limited English proficiency. And with that, I would like to thank you for your time and attention during this segment of the webinar on HOME-ARP supportive services. I'll now pass the ball to my colleague David Jones for a discussion on the non-congregate shelter activity.

David Jones: Thank you so much, Diane. And thanks to everyone on the call today and on the past calls for taking part in the HOME-ARP webinar series. We gave you -- Martha gave you rental part of it last week. You just heard supportive services from Diane and TBRA from Chelsea and now in -- yeah, so this will be sort of the last of those activities, sort of the eligible activities for HOME-ARP.

And just as a quick recap here at the beginning, HUD allocated HOME-ARP funds through the regular HOME formula. HUD has already obligated the HOME-ARP funds and grant agreements out to the HOME PJs. And PJs have access to admin and planning funds. A little bit of it now on the front end to sort of get started, and grant funds once made available will be available up until the end of September of 2030. So that's just a quick recap on that.

So, in a in a few very significant ways, NCS represents a major departure from typical HOME affordable development. But the basic premise should be very familiar. It's acquisition and development of the federal block grant to create shelter. So, everyone that's on this call today has probably had some role in that in some way or another. So, when there are points that we're going to come up against today that do seem certainly left field for the HOME program, go back to what you know about the HOME program or the ESG program and things that you're doing in your jurisdiction that are just that acquisition and development for creation of shelter. That's really one thing that I want to make sure that sticks with people.

I'm going to introduce a few overarching concepts of NCS and then dig deeper as we get through the presentation. I am making an assumption that at this point, folks have looked at the notice and that you're not hearing some of these concepts for the first time. So, over the past couple of days of these and the notice that you're piecing some of this together.

The presentation that I'm going to do on non-congregate shelter is going to follow basically the order of the notice in the NCS section, which can be found between pages 55 and 66 of the notice. So, if you're really wanting to multitask on this and you could, you could be doing with the presentation, what we're giving to you and also work with the notice.

Or in the very least make some notes if there's something that's jumping out at you that you need to go back to. But that's just to sort of let you know how it's going to relate to the notice and what we're going to talk about today. Next slide, please.

So, the ARP statute does not define NCS, and though non-congregate shelter is being done and maybe in other programs, other HUD programs do not define as well. So, the HOME-ARP notice defines NCS as one or more buildings that provide private units or rooms for temporary shelter to serve individuals and families that meet one or more of the qualifying populations and do not require occupants to sign a lease or an occupancy agreement.

So straight away, there's significant differences in the HOME program. No leases, temporary shelters, things that are very different for the HOME program. But again, still back to the original thought that this is acquisition and development for shelter. Next slide, please.

Okay. So eligible activities. So, at the most basic level, acquisition and development serving qualified populations. PJs have the flexibility to acquire what I'm going to refer to as sort of nontraditional structures or structures, again, that are maybe sort of outside of what the HOME program would typically do. Most often, that's getting references, motels, hotels, nursing homes, other facilities.

This might even be the white elephant buildings in your jurisdictions that someone has always had an idea to do something with it, hasn't known how to do it, hasn't had the funding source to pull this off. This might be, you know, this might be the inroads to that. But we're talking about additional structures to be used as NCS. Rehabilitation not required because the structure is in standard condition. We're talking about new construction of structures to be used as NCS. This could be with or without land acquisition and then rehab of existing structures. Next slide, please.

Okay. So eligible costs for NCS. A lot, the bulk of this is going to be very familiar to folks that are familiar with HOME. Acquisition costs are going to be costs to acquire improved or unimproved real property. Demo costs or costs of demolishing existing structures for the purpose of developing HOME-ARP NCS. So, we're not just doing demolition to do demo, it's got to be as a part of the development process.

Development hard cost. These costs are identified in 24 CFR 922.06(a) and is to rehabilitate, construct HOME-ARP NCS units to meet the physical standards that have been established in the notice. So, it's not necessarily HOME, it's going to be, when you talk about property standards, specific to NCS.

It's also for site improvements cost to make improvements to the project site, including installation of utilities, utility connections, construction and rehab of laundry, community facilities, on-site management, supportive services offices. Also related soft costs. The one that's sort of that I think will jump out to a lot of people is replacement reserve, and we're going to get into this in more depth in the rehabilitation property standards section.

But you are allowed to capitalize a replacement reserve to pay reasonable and necessary costs of replacing major systems and their components. There's going to -- there is a requirement around doing capital needs assessments to document this, and I'm going to get into that a little bit later. But that's that is an eligible cost for NCS. Okay, next slide, please.

Okay, prohibited costs. HOME-ARP funds cannot pay for operating of NCS. This was -- the way it was laid down we had no options for it and that's the way it's going to be. There is no additional funding available to convert NCS to permanent housing. That is also a prohibited cost. Also, it cannot pay for any prohibited activities and fees that are specified under 92.214 and also included in the notice, and there will be more detail in the notice for that. Next slide, please.

Okay. So HOME-ARP non-congregate shelter. So, during the restricted use period and restricted use period has popped up a few times and we're going to get into use periods here a little later in the presentation. But during that period that it is used HOME-ARP under restricted use period, there are options.

It can remain as originally developed as a HOME-ARP NCS. It can be used as NCS under the Emergency Solutions grant. It can be converted to permanent rental housing, affordable rental housing as specified in the notice. So, this would go back to what Martha talked about last week around HOME-ARP rental. Or it can be converted to CoC permanent housing. Next slide, please.

Okay. So what do we mean by remain as NCS. This basically is no change to use during the restricted use period. You've acquired a building or you've built a building to do 10 non-congregate shelter units in your jurisdiction. And the written agreement says it's going to serve this population for this period of time. And you take care of it. You do that. It's operated as originally specified in your written agreement, and it continues to serve the same population. Next slide, please.

Okay, using as ESG. So, this is another component of the statute that allows to develop the unit as a non-congregate shelter, but to facilitate it being operated in compliance with all the requirements at 24 CFR part 576 that apply when ESG funds are provided for operating costs for essential services in the shelter. Matching the ARP funding available to develop NCS with HUD programs, especially in the case of ESG, they can provide operating subsidy and direct client services is encouraged. And this is something that, I think, why it's different that we're going to see when we talk about conversion, why this is something that is being encouraged on the front end so that you can develop it now.

The timing of matching HOME-ARP investment and the construction or the development through NCS and an ESG funding cycle, I mean, that's going to be something that's going to have to be worked out. I think that's something that we're thinking about TA products around how to sort of time these things. That will be -- the devil will be in the details, but we are encouraging it, the statute permits it, and it's something that should that should be considered at the beginning of any process. Next slide, please.

Okay. So statute does permit conversion of NCS units to permanent affordable housing. NCS is converted to permanent affordable housing according to the requirements established in the notice. The conversion can only occur after a minimum use period. We're going to talk about use periods a little bit later. And it may serve a different population from original. Okay, next slide, please.

Also, NCS can be converted to a COC permanent housing. This would be done pursuant to McKinney–Vento homeless assistance and according to 24 CFR part 578. Again, it's only after a minimum use period as NCS and it must serve that eligible COC population. We're going to get into more details but this is sort of at the most overarching level of what can be done with developed NCS units. Next slide, please.

Okay. So admission and occupancy for non-congregate shelter. So, NCS occupants must meet the criteria for one or more of the qualifying populations. We talked about that through the past couple of presentations. I'm not going to get into QPs again, it's in the notice. Know them, know which ones you're doing locally.

PJs are encouraged to incorporate each HOME-ARP NCS into coordinated entry system that they have. If they are using coordinated entry system it must be used in accordance with the notice. So again, this has been discussed in prior presentations, and it's certainly something that you'll have to dig into as you start putting together your program design and how you're going to do in NCS.

So, there is no denial of admission or removal from an NCS unit on the base source direct result of the fact that individuals or families there has been a victim of domestic violence. So that is also another condition for it. Next slide, please.

Okay. So NCS commitment. HOME-ARP funds are committed when the PJ executes a legally binding written agreement that meets the requirement in this notice. I think you're going to hear that throughout all these presentations and it's really carryover from HOME program. So, some of the changes to this, though, is the timing of the commitments vary based on project type and the PJ's reasonable expectation of when the project can be operated as NCS. Next slide, please.

So, if the NCS project is an acquisition only project, the PJ may commit HOME-ARP funds if NCS can be operated within six months of the date of acquisition and the units apart will not require rehabilitation to meet the property standards in the notice. So, this is in here. I mean, the amount of these issues, I mean, we've sort of discussed back and forth, you know, are there units out there that would fall under this? We're not sure, but we've got this in here and maybe there are units that do not require that you can do acquisition only and get folks into the units without having to do so. We're providing a level of commitment for that. Next slide, please.

In the case of rehab and new construction, PJs may commit HOME-ARP funds if the development can begin within 12 months of commitment date. Again, this should be familiar to the HOME folks, and it's something that we're a little more accustomed to. Ok. Next slide, please. Thank you. There you go.

NCS project development. So, we're setting up the project types here, so we've kind of walked through eligible costs, eligible activities, some of the options. You're at a point to think about the due diligence that's required to implement an NCS program. So, before funding NCS, you know, these are things that we are looking at a high level.

And it really goes back to the PJ is responsible for maintaining the continued operation in accordance with the notice. Then it's throughout the restricted use period, regardless of who the owner is of it or how you're handling your program. Again, it goes back to HOME, it's everything goes back to the PJ. So, what we're looking is at the PJ must consider whether the HOME-ARP NCS project has secured or a likelihood of securing operating funding because operating funding can't be paid through HOME-ARP.

So, it's when we're talking about financial feasibility, is it financially feasible from a sticks and bricks standpoint to build it? That's one component of it. We're also thinking about it from the terms of reviewing information from the owner and developer that demonstrates the project's financial feasibility. You're looking, you're putting this together. Also, thinking on the front end of the project as to whether or not conversion is something that you're contemplating in your jurisdiction. Is this something you want to do? If it is, you want to map out what that might look like in your jurisdiction and you want to make sure that it's in the written agreement for the project. Next slide, please.

Okay. Before awarding funds for NCS, the PJ must require a developer to submit evidence of appropriate shelter development skills and experience, so this is the physical side of developing, the sticks and bricks part. We also want the owner to submit evidence to a PJ of prior experience operating shelters. So, this is this is the long-term use of the structure.

Acquisition or development budget timeline sources and use of statements also should be submitted for review. Owner to submit a proposed operating budget, including secured sources for operating costs and any operating gap that would require additional assistance. So, if there's a gap in the operating budget, the PJ should require the owner to submit a plan. Next slide, please.

Okay. So continuing as NCS versus conversion. So, we talked about this in the case of due diligence, and let's talk about this in the possibility of conversion. You know, what are we talking about? What are we -- what are some of the things that the PJ should be thinking about? So, prior to commitment, PJ should determine whether the owner intends to continue operating the project as HOME-ARP NCS or ESG, or to convert it to permanent, affordable housing or COC permanent, affordable housing.

So, conversion of NCS involves a higher level of planning in all stages. It also requires to make it into the written agreement, and it requires the PJ to be thinking about what this will look like in their jurisdiction. So, it's a part of the due diligence process. It's a part of the program design process for how you're going to do NCS in your jurisdiction. Okay, next slide, please.

Okay. So property standards. For HOME-ARP all units in common areas must meet all applicable state, local codes, ordinances, and requirements and HUD safe housing rules at part 35. Projects must meet HOME-ARP NCS minimum property standards throughout the restricted use period. So, the minimum property standards actually are based more around the habitability standards for ESG with some variation. So, we're looking at this baseline of state, local codes, ordinance and requirements, which is based on the HOME program. Plus tying it into a minimum property standard that is familiar from an ESG side. So those are sort of together, two separates. Next slide, please.

So, when we're looking at property standards, we're looking at it from project classification, so we talked a little bit earlier about acquisition only rehab, and new construction, so sort of the three different levels. And there are going to be some differences between sort of the expectations for property standards based on that. So, this concept too, this will be somewhat new, I think, to folks, is that the PJ's local code requirements are based on specific work to be performed.

So that is -- the project classification is going to be determined by what the locality deems as acquisition only rehab or new construction. And that can vary from place to place because we're dealing with different types of structures that aren't just typical single-family units or multifamily units. The classifications could change. So that's something that we've added in there, and that's something that will be a little bit different. Okay, next slide, please.

Okay. So in the case of acquisition only, we must meet the HOME-ARP NCS minimum property standards described in the notice at the time of acquisition, be occupied and operated as NCS without any rehabilitation. So that's really, that is the only, that is the only way is that it doesn't need rehabilitation, then it can be deemed acquisition only. Okay, next slide, please.

Okay. So in the case of rehabilitation, again, must meet all state and local codes and ordinances. International Residential Code, International Building Code, Lead Safe. The rehabilitation must consider remaining useful life of major systems, so this goes back to replacement research, right? We want PJs to be looking at this on the front end. What does it need? You need to determine the remaining useful life of major systems because otherwise you could miss the opportunity of having access to those funds for the replacement reserve.

So, we are encouraging to use capital needs assessment to determine the reasonable and necessary investment of HOME-ARP funding in rehab projects. If you're not, if you don't call the needs assessment locally, if you have some other written form of documentation that you use, that would be fine as well. But we're looking at expected costs of ongoing replacement reserve needed during the restricted use period.

So, if HOME-ARP funding will capitalize the reserve, the PJ must determine the remaining useful life. And you have to have these documents, PJ inspection documents in writing in accordance with the requirements for the capitalized replacement reserve. Next slide, please.

Okay, new construction. So, this one's straight, is really pretty basic, all state and local codes, ordinances and there's no new construction, no possibility of doing any sort of replacement reserve because you're building everything new straightaway. So that's pretty straightforward and that's new construction. This is very similar to the HOME program. Next slide, please.

Okay. So the ongoing property standards and inspection. PJs must develop ongoing inspection procedures. They must require annual inspections, must perform follow-up inspections to verify any deficiencies are corrected within six months. Assure properties meet minimum standards throughout the restricted use period and that life threatening deficiencies are corrected immediately.

So, the PJ can establish a list of non-hazardous deficiencies for which corrections can be verified by third-party documentation. You know, invoices, work orders rather than re-inspection. If life threatening deficiencies exist, I mean, I think this, can't stress this enough. This is something that has to be dealt with immediately and must be back on site to be able to after 40 days to make sure that it's corrected, so.

And again, the property, the ongoing property standards are based around the ESG habitability standards. They are restated and edited a bit in the notice. But that was definitely, and anyone that is familiar with those through the ESG program will recognize it. It has been, I would say, beefed up a bit, but it is, it should be very, very familiar. Next slide, please.

Okay. So how do we deem a project being complete? So, we've gone through you've decided the type of project you're going to do. It's new construction and you're following the new construction rules through the notice. What is -- when is it complete? So, it's all necessary, titled transfer requirements and construction work has been performed. The project complies with the requirements of the notice.

The project is actively operated as HOME-ARP NCS, all the funds have been disbursed and all of the completion information is entered into IDIS. And that's the point at which we are looking at it as being complete. That is important as we're getting here now, we're getting into the use periods. And there will be -- there are two distinct use periods related to non-congregate shelter, and that's a restricted use period, which both of these starting, you know, started with project completion.

Restricted use period, which is the total length of time a project must provide the restricted benefit as a result of the HOME-ARP NCS funds. And a minimum use period, which sets the duration. All projects developed with HOME-ARP must be operated as NCS prior to conversion. So next slide, please.

I'm going to start with the restricted use period. So, PJs must comply with the requirements of the notice for not less than the restricted use period specified in the notice, and they're going to impose HOME-ARP NCS requirements through a deed restriction. And the duration of the restricted use period is based on the activity type; new construction, rehabilitation, acquisition only. Next slide, please.

New construction. So, if it is determined to be a new construction project, it has to be operated as NCS for the qualifying population for 15 years. This is regardless of the amount of funds invested. So, if it's new construction in your jurisdiction, it's 15 years. Next slide, please.

If the project is determined to be rehabilitation in your locality, it is 10 years, regardless of the amount of money, 10 years for rehabilitation. Next slide, please.

And acquisition only is also 10 years. And, you know, I think this will be -- I think this will be something, you know, that we will be issuing as a TA products around to sort of provide some

additional definition between restricted use periods, minimum use periods and some of the things, considerations that have to be made.

So, so in the case of the minimum use period. So, as I said, so it sets the duration, all projects develop with HOME-ARP NCS must be operating as NCS prior to conversion. The statute permits conversion, but it also requires through this minimum use period, a minimum amount of time that it has to be used as NCS. So, the original -- the original definition of the for between conversion or be used as ESG or just be used as NCS. It must remain as in NCS acquisition only for three years.

Moderate rehabilitation, which is defined, would be a five-year minimum use period if total investment is less than 75 percent of the appraised value of the entire project. Substantial rehab, 10 years If it's more than 75 percent of the appraised value of what's being invested in, and again, new construction at 10 years. Next slide, please.

Okay, replacement reserves So, HOME-ARP funds can capitalize replacement reserve. We've talked about this already, but again, it kind of comes up here as a part of the use periods and sort of as we get into thinking that. So, we're not -- a replacement reserve -- you are -- we are providing the option for a replacement reserve. And we are going to hear in a little bit I'm going to give you some information about sort of what we do if the replacement reserve remains, but how you manage the replacement reserve locally.

If you've -- once you've decided you're going to establish one, how you handle it locally is up to the PJ. Because there are going to be some PJs that want to be signatory to every time the use of the replacement reserve. There are some that want to have it more open ended for their developers and the owners of the properties to access it. You will determine how to manage it while there is a replacement reserve. Next slide, please.

So, but we have established in the notice for the return of replacement reserve, if the NCS project continues as NCS, projects can retain the replacement reserve to pay reasonable and necessary costs. So, you just continue to get to use it. Next slide, please.

If the NCS project will not continue as NCS, the remaining funds and the replacement reserve must be returned to the PJ's HOME Treasury account. So that's -- that really should make a note here for PJs is that you don't you don't want to leave replacement reserves not used. If you go through and make that effort to do capital needs assessment, make that effort to track this and to have a replacement reserve and use it. Next slide, please.

So, if the HOME-ARP grant has expired or closed out, remaining funds in the replacement reserve must be deposited in the PJ's local HOME account. They must be recorded as program income receipted in IDIS, and they must be used for eligible costs under 24 CFR Part 92. So, under the HOME program, so that's happens at the end of what, 10, 15 years, potentially if there are a replacement reserve funds there, they can go back in as HOME program income. Okay, next slide, please.

Okay. So this this section here towards the end of the presentation is going to talk about conversion. So, we mentioned it at the beginning of the presentation. It is allowable under the statute to convert. So, the thought process being that it's going to be operated, at least in the developed, from the development of the session, that it's going to be operated as non-congregate for some period of time.

But folks might, just might want to have options to transition into other uses, right, serving different populations. Things change over time. This is what's being done to do that. So, you know, ARP authorizes the conversion of HOME-ARP NCS into permanent housing in two ways, either under McKinney Vento for COC or permanent housing, as described in the notice. So, what Martha talked about last week. So that's the type of permanent housing that we're talking about.

So, no additional HOME-ARP funds may be used for conversion. And the written agreement between the PJ and the owner of the HOME-ARP NCS project must describe the conversion as a possible outcome of the HOME-ARP NCS project. You don't get to just determine after being used as NCS, all of a sudden, Hey, we want to do something different. We want to do permanent housing.

This has to be a part of the written agreement. So that's why when we talked about project development, due diligence, you're thinking about its future use. If this is something you determine locally needs to be done in your jurisdiction, put it in your program design, put it in your written agreements and be prepared for it. You're not going to know what's going to, I mean, what the needs are going to be, but give yourself the flexibility if that's something that you think you want to be able to do.

Again, we can't forget the minimum use period prior to conversion. It's got to be operated as its original intent as non-congregate shelter, serving whatever the population was in that original written agreement for a specified period of time. Next slide, please.

Okay, permanent affordable housing. So, PJs must amend the use restriction for HOME-ARP NCS to reflect the conversion to permanent, affordable housing. The provisions for imposing affordability requirements are at 24 CFR 92.252(e)(1) through (e)(4). And they apply to the amended use restriction.

Again, this is -- think back to what Martha was speaking about on Thursday, Friday. I'm not sure what day it was now, but the earlier conversation around HOME-ARP rental housing and the amended use restrictions for permanent, affordable housing must be enforceable to maintain compliance with requirements of this notice.

So, PJ's underwriting guidelines for conversion, including examination of the sources and uses of funds. This is where we're taking that additional step into converting to a different type of housing from the original use. So, you're looking at operating budgets and including the assumptions and projections of reasonably expected increases in expenses. So, this is another level of under -- it's a new -- it's a new deal, right? I mean, that's the way that you have to think about it.

PJs may assist households living in affordable rental housing units in converted projects by providing HOME-ARP TBRA in accordance with the notice. I can't make this connection enough, is that NCS supportive services, TBRA. When you look at where the opportunities exist to combine the various sources of HOME-ARP funding to make the project that you want.

If it doesn't -- don't feel that you have to find 100 percent of everything in one particular activity, right? Because you're probably not, if on straight out of the gate, if you look at NCS, you're probably going to see, Wow, this is this is tough, right? But it's -- there are other options available to PJs in ways to combine this with other resources within HOME-ARP. Next slide, please.

Okay. Minimum compliance period. So, prior to converting housing, you must continue to comply with the requirements of the notice and must fulfill the balance of the HOME-ARP NCS restricted use period. So, what -- what does that mean? Let's put this into a scenario of what this means. Sort of how a conversion could happen.

So, let's say you've got a 15-year restricted use period. So, we're talking about the restricted use period as NCS serving a qualifying population for 15 years. In year 11 it wants to convert to permanent, affordable housing. So, remember what we just talked about. After 10 years in this case, the PJs are permitted to convert. So, you can, maybe year nine you're starting to think about how this might happen.

And once you've met that 10 years, you can convert in year 11. You still have to fulfill. And then you can think about this in the sense of fulfill, serve out, how however you want to frame it, the restricted use period for four more years, right? The difference in when it converts -- so, we're going to permit you to convert to this other use. But we still -- the restricted use period still exists for that amount of time, right?

So, that, again, I think there will be some additional TA products that are going to go out around conversion because I think that this is probably an area that will give you some difficulty out there, but it's available to PJs. It's there, so. And again, thinking about conversion, think back to when we talk about it in permanent, affordable housing, the rental part, think back to when Martha was talking.

We're talking about no reduction in the number of units. You're talking about ongoing property standards that are then sort of like 90, that are like 92.251 in the HOME program. Leases are now going to be required for permanent housing, which aren't required in NCS. Tenant protections are going to come into the picture. So, there are these changes that are made where you're going to be finding -- you're going to be finding that spot between what it was doing as NCS and in this next, this next use, correct? Okay. Next slide, please.

Okay. So the other conversion option is for it to convert to COC permanent housing. NCS can be converted to COC permanent housing, including permanent supportive housing, to serve the following households. We're talking about chronically homeless individuals and homeless

individuals or families. Again, this is during the HOME-ARP NCS restricted use period, but only after the HOME-ARP NCS minimum use period.

PJs are permitted to do the conversions, so it has to be -- it can only occur in accordance with the requirements prescribed in the written agreement. So, this is like same as it is with permanent affordable housing conversion. It has to be approved by the PJ and HOME-ARP NCS use restrictions must remain in place until the project is approved for COC funding and then the required CRC restrictions are imposed on the property, right?

So, it's NCS up until the point that it becomes COC. And that's, again, I mean, we're talking about timing, timing issues and funding issues and the way to do this. But we -- the statute is developed in a way to make sure that this can happen because we recognize that this is a way for NCS to be attached to ongoing operating support. And that's important. Next slide, please.

Okay. My hope is that, this is ongoing now, but we're encouraging and hope that the HOME programs and the COC programs and ESG, that these folks are talking now, that you're thinking about partnerships and leveraging opportunities that are available, looking through the notice and making, figuring out ways to make this work. I mean, that's really going to be crucial. It's going to be very crucial to figure out how to get the operating put together with the asset development can be done through NCS. Okay, next slide, please.

Okay. So we are at the end here, so I do want to thank everyone for taking part. You know, I know this whole, and I don't know, I think we've had some conversations about this internally, but you know, the whole HOME-ARP. I mean, we needed a \$5 billion program with rescue in the title.

So, I mean, the starting point for this is a daunting task and we recognize that at HUD. And rest assured that there's -- there are challenges and I'm sure there are questions. And we've probably asked internally the same questions that you're asking yourself now. But with that, with those challenges there is an opportunity to make, if even in small, you know, 10-unit chunks across the country, generational impacts in housing for the most vulnerable unhoused populations.

And it's the folks on this call that are going to make that happen. And if we're lucky, everyone that's on this call is going to maximize this block grant funding that is available to achieve the goals in HOME-ARP. So, you know, as much as it is going to be a challenge, it's also, it's an opportunity.

We're working on TA products now. The phone lines are open, field offices are ready to have conversations. Headquarters staff are ready to have conversations. Take a look at the notice. Figure out how you want to make these funds work in your community. And I thank everyone for participating and we will talk to you next week. And that's it for today. Take care.

(END)