

HOME-ARP Guide to ESG for PJs Developing NCS

Overview

HOME-ARP funding can be used to acquire and develop non-congregate shelter (NCS), but not to operate NCS. To ensure NCS facilities remain viable for the duration of the restricted use period, Participating Jurisdictions (PJs) creating NCS with HOME-ARP funding are required to consider the availability of ongoing operating funds from other sources. The [Emergency Solutions Grants \(ESG\)](#) is one potential source. This guide:

- Summarizes why PJs should be aware of this funding source.
- Provides guidance to PJs on connecting with ESG recipients.
- Compares ESG and HOME-ARP requirements for shelter operations.

Why is ESG relevant to NCS developed with HOME-ARP funding?

The [HOME-ARP Implementing Notice CPD-21-10: Requirements for the Use of Funds in the HOME-American Rescue Plan Program](#) (the Notice) specifically identifies the ESG program as a potential source to operate NCS developed with HOME-ARP funding. When NCS projects are operated with ESG program funding, the Notice permits ESG regulations to govern during the [restricted use period](#).

What is ESG?

ESG is a formula program awarded to states, metropolitan cities, urban counties, and territories. It provides funding to (1) engage homeless individuals and families living on the street; (2) improve the number and quality of emergency shelters for homeless individuals and families; (3) help operate these shelters; (4) provide essential services to shelter residents, (5) rapidly re-house homeless individuals and families, and (6) prevent families/individuals from becoming homeless. More information is available on the [ESG: Emergency Solutions Grants Program - HUD Exchange](#) page.

To consider NCS developed with HOME-ARP funding an ESG program-funded emergency shelter, ESG funding must adhere to the requirements of the ESG *Emergency Shelter* component, and the *Essential Services* and *Shelter Operations* activities. Please refer to the [Emergency Solutions Grants \(ESG\) Program Components Quick Reference](#) tool for additional details on allowable ESG costs by component and activity.

How are HOME-ARP NCS and ESG program-funded emergency shelter different?

There are three distinct differences between the two types of shelter.

Difference	HOME-ARP NCS	ESG program-funded emergency shelter
1. Population Served:	All four HOME-ARP qualifying populations (QPs) must be allowed to apply for HOME-ARP NCS. Except when the PJ establishes a limitation in their allocation plan.	Shelter services are targeted to homeless individuals and families, as defined by HUD.



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Difference	HOME-ARP NCS	ESG program-funded emergency shelter
2. Referral Method:	Referrals to HOME-ARP NCS must be made using an approved HOME-ARP referral method.	ESG program-funded emergency shelter does not require the use of a referral method. Such shelters are administered under the requirements at 24 CFR Part 576 which includes area-wide systems coordination .
3. Ongoing Property Standards and Inspections:	PJs must adhere to monitoring requirements identified in Section VI.E.7.b of the Notice. Property standards and inspection requirements are outlined in Appendix A .	<p>PJs are <i>not</i> required to monitor ESG program-funded emergency shelters according to Section VI.E.7.b of the Notice.</p> <p>To satisfy HOME-ARP monitoring requirements, PJs must only retain a copy of monitoring completed by the ESG recipient. ESG program-funded shelters must adhere to requirements established in 24 CFR Part 576.</p> <p>ESG recipients remain obligated to monitor ESG program-funded emergency shelters according to ESG requirements only.</p>

Where can I learn more about the ESG program?

[Appendix A](#) below provides additional information on ESG and includes links to ESG resources.

How do I find out if ESG funding is available?

ESG is one of the four CPD formula block grant programs allocated to state and local recipients annually and [ESG recipients](#) are required to participate in the [consolidated planning process](#). This process informs the application process for ESG funding, which is established locally by the ESG recipient.

To learn more, PJ staff can contact ESG recipients directly to request a meeting; in many cases the HOME-ARP PJ and ESG recipient are the same entity with different contacts.

PJ staff may want to ask ESG recipients if they fund *Emergency Shelter* projects and if so, what type of shelters are funded. PJs may also want to ask which organizations receive ESG funding to share information with them about the HOME-ARP application process. Organizations operating ESG program-funded emergency shelter may be interested in partnering to create and operate NCS developed with HOME-ARP.



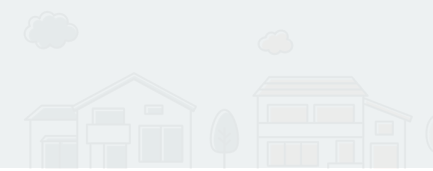
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Appendix A

Requirement	HOME-ARP	ESG
What are the rules?	Notice CPD-21-10	24 CFR Part 576
What is the program?	<p>The American Rescue Plan (ARP) provides \$5 billion to assist individuals or households who are homeless, at risk of homelessness, and other vulnerable populations, by providing housing, rental assistance, supportive services, and non-congregate shelter, to reduce homelessness and increase housing stability across the country. HOME-ARP funds are administered through HUD’s HOME Investment Partnerships Program (HOME).</p>	<p>ESG is an annual formula grant. The ESG program provides funding to:</p> <ul style="list-style-type: none"> • Engage homeless individuals and families living on the street • Improve the number and quality of emergency shelters for homeless individuals and families • Help operate these shelters • Provide essential services to shelter residents • Provide rapid re-housing to homeless individuals and families, and • Prevent families/individuals from becoming homeless. <p>ESG funds may be used for five program components: Street Outreach, Emergency Shelter, Homelessness Prevention, Rapid Re-housing assistance, HMIS, and Admin.</p>

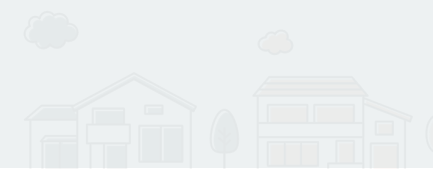
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Who is eligible?	<p>Referred to as: Qualifying Populations (QPs)</p> <p>Access to HOME-ARP NCS must be provided to <i>all</i> HOME-ARP QPs, unless the PJ establishes limitations in the HOME-ARP allocation plan. Providing access means allowing all four QPs to apply for or be referred to HOME-ARP NCS; access may not always result in all four QPs being served by a HOME-ARP NCS. For additional information, please see the webinar Understanding HOME-ARP Preferences, Referral Methods, and Allocation Plan Requirements and the HOME-ARP Policy Brief: Preferences, Methods of Prioritization, and Limitations.</p> <p>HOME-ARP QPs are as follows:</p> <ol style="list-style-type: none"> 1. Homeless, as defined in 24 CFR 91.5 (1-3) 2. At risk of Homelessness, as defined in 24 CFR 91.5 3. Fleeing, or attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking, as defined by HUD 4. Other Populations; who do not qualify under the other three QP definitions but meet one of the Other Populations criteria identified in Section IV of the HOME-ARP Notice. 	<p>Referred to as: Program Participants</p> <p>To receive ESG emergency shelter services, program participants must be experiencing Homelessness, as defined in 24 CFR 91.5.</p>



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<p>How can the funding support emergency shelter?</p>	<p>The HOME-ARP activity <i>Acquisition and Development of Non-Congregate Shelter</i> supports the acquisition and development of non-congregate shelter; the costs of operating non-congregate shelter are not permitted. Eligible costs under this activity include:</p> <ul style="list-style-type: none"> • Acquisition of existing structure or vacant land • Demolition Costs • Development Hard Costs • Site Improvements • Related Soft Costs • Replacement Reserve 	<p>ESG funds may be used to provide essential services to homeless families and individuals in emergency shelter, renovating buildings to be used as emergency shelter, and operating emergency shelters. <i>Essential Services</i> and <i>Shelter Operations</i> activities under the <i>Emergency Shelter</i> component generally include:</p> <ul style="list-style-type: none"> • <i>Essential Services</i>: case management, child care, education services, employment assistance and job training, outpatient health services, legal services, life skills training, mental health services, substance abuse treatment services, transportation • <i>Shelter Operations</i>: maintenance, rent, security, fuel, equipment, insurance, utilities, and furnishings



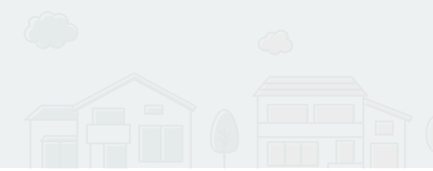
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Who administers the funding?	<p>Referred to as: Participating Jurisdictions</p> <p>The 651 state and local participating jurisdictions that qualified for an annual HOME Program allocation for FY 2021 are eligible to receive HOME-ARP grants.</p> <p>PJs may select a public agency or nonprofit organization to administer its HOME-ARP NCS program.</p> <p>Allocations can be found on the HUD.gov website.</p>	<p>Referred to as: ESG Recipients</p> <p>Recipients are metropolitan cities, urban counties, territories, and states.</p> <p>ESG recipients may subgrant their ESG funds to other local governments, private nonprofit organizations, in some cases, public housing agencies and local redevelopment authorities. These organizations are known as ESG subrecipients.</p> <p>ESG allocations can be found at: https://www.hudexchange.info/grantees/allocations-awards/</p>
How is emergency shelter defined?	<p>Referred to as: Non-Congregate Shelter (NCS)</p> <p>Defined as: One or more buildings that provide <u>private units or rooms as temporary shelter to individuals and families</u>. Occupants are not required to sign a lease or occupancy agreement.</p> <p>Note: HOME-ARP NCS projects must continue to operate a non-congregate setting for the duration of the restricted or minimum use period, as applicable, regardless of funding source used for operations.</p>	<p>Referred to as: Emergency Shelter</p> <p>Defined as: Any facility, the primary purpose of which is to provide a temporary shelter for the homeless in general or for specific populations of the homeless. Occupants are not required to sign a lease or occupancy agreement.</p> <p>Note: Emergency Shelter includes both congregate and non-congregate settings.</p>



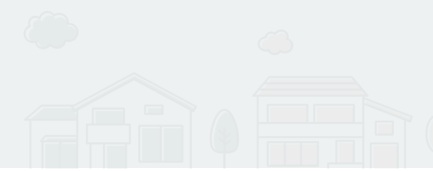
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<p>How is shelter accessed?</p>	<p>HOME-ARP NCS provides shelter access through a HOME-ARP referral method, which includes the option to utilize HOME-ARP Expanded Coordinated Entry or Coordinated Entry and Other Referral Methods.</p> <p>Use of a standard coordinated entry (CE) system is not required to access HOME-ARP NCS. PJs choosing to utilize standard CE as a referral method must adhere to the Notice requirements for HOME-ARP Expanded CE.</p> <p>HOME-ARP NCS projects are encouraged to incorporate the use of standard CE in case management with shelter participants to facilitate re-housing efforts.</p> <p>For more information on referral method requirements, see HOME-ARP Policy Brief: Preferences, Methods of Prioritization, and Limitations.</p>	<p>The ESG program regulations (24 CFR 576.400(d)) require that each ESG-funded project within the CoC's area use the CoC's standard CE process. Therefore, ESG projects must be integrated into the CoC's standard CE process.</p> <p>For more information about coordinated entry, and how emergency shelters can be included in a CoC's standard CE process, see CPD-17-012: Notice Establishing Additional Requirements for a Continuum of Care Centralized or Coordinated Assessment System and Carrying Out Coordinated Entry Activities Under the ESG Program.</p>



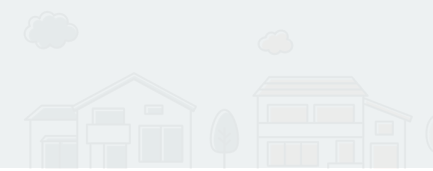
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<p>Is there a required use period?</p>	<p>There are two required use periods, referred to as: Minimum Use Period and Restricted Use Period</p> <p><i>Minimum Use Period</i> is the amount of time NCS developed with HOME-ARP funding MUST operate as emergency shelters before they may be converted to permanent housing. The period varies based on the original eligible activity undertaken and the amount of funds invested in the project.</p> <table border="1" data-bbox="525 699 1255 1053"> <thead> <tr> <th>Project Type</th> <th>Minimum Use Period</th> </tr> </thead> <tbody> <tr> <td>Acquisition Only</td> <td>3 years</td> </tr> <tr> <td>Moderate Rehab</td> <td>5 years if Total Investment < 75% Appraised Value</td> </tr> <tr> <td>Substantial Rehab</td> <td>10 years if Total Investment > 75% Appraised Value</td> </tr> <tr> <td>New Construction</td> <td>10 years</td> </tr> </tbody> </table> <p><i>Restricted Use Period continues on next page.</i></p>	Project Type	Minimum Use Period	Acquisition Only	3 years	Moderate Rehab	5 years if Total Investment < 75% Appraised Value	Substantial Rehab	10 years if Total Investment > 75% Appraised Value	New Construction	10 years	<p>Referred to as: Minimum Use Period</p> <p>The Minimum Use Period is based on the component type and activity funded by ESG. ESG shelter operations and essential services activities requires that the recipient/subrecipient provide services or shelter to homeless individuals and families at least for the period during which the ESG funds are provided.</p> <p>Additional details on ESG Minimum Use Period by activity can be found in Emergency Shelter: Distinguishing Between Renovation/Conversion and Maintenance Activities.</p>
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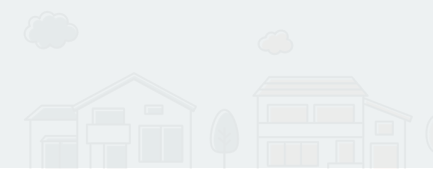
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	<p><i>Restricted Use Period</i> is the amount of time NCS properties must comply with the requirements of the HOME-ARP Notice. The period is based on the eligible activity undertaken. During the restricted use period, NCS may:</p> <ul style="list-style-type: none"> • Remain as HOME-ARP NCS as originally developed • Be used as NCS under ESG • Be converted to permanent affordable housing (after the minimum use period) • Be converted to CoC permanent housing (after the minimum use period) <table border="1" data-bbox="520 870 1255 1109"> <thead> <tr> <th data-bbox="520 870 989 954">Restricted Use Period for NCS</th> <th data-bbox="989 870 1121 954">10 Years</th> <th data-bbox="1121 870 1255 954">15 Years</th> </tr> </thead> <tbody> <tr> <td data-bbox="520 954 989 1005">New Construction</td> <td data-bbox="989 954 1121 1005"></td> <td data-bbox="1121 954 1255 1005">x</td> </tr> <tr> <td data-bbox="520 1005 989 1055">Rehabilitation</td> <td data-bbox="989 1005 1121 1055">x</td> <td data-bbox="1121 1005 1255 1055"></td> </tr> <tr> <td data-bbox="520 1055 989 1109">Acquisition Only</td> <td data-bbox="989 1055 1121 1109">x</td> <td data-bbox="1121 1055 1255 1109"></td> </tr> </tbody> </table>	Restricted Use Period for NCS	10 Years	15 Years	New Construction		x	Rehabilitation	x		Acquisition Only	x		
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<p>What level of Environmental Review is needed?</p>	<p>In accordance with 24 CFR 92.352, the environmental effects of must be assessed subject to the requirements in 24 CFR Part 58</p>	<p>ESG Shelter Operations and Essential Services activities are Categorically Excluded. Depending on the activity undertaken the project may be subject to requirements in 24 CFR Part 58. Additional details can be found in Levels of Environmental Review for ESG Components.</p>												



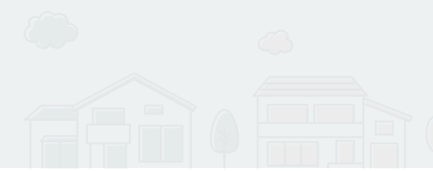
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Requirement	HOME-ARP	ESG
Are occupancy fees permitted?	Not permitted when operating facility as NCS.	Not permitted.
What are the habitability & property standard requirements?	<p>Referred to as: Property and Habitability Standards.</p> <p>All HOME-ARP NCS units and common areas must meet applicable State and local codes, ordinances, lead rules at 24 CFR Part 35, and <i>Minimum HOME-ARP NCS Property Standards</i> in the Notice.</p> <p>Standards mirror ESG minimum habitability standards for emergency shelter, except that HOME-ARP requires that each unit contain:</p> <ul style="list-style-type: none"> • Toilet, bath and/or shower • Smoke detector • Carbon monoxide detector 	<p>Referred to as: Minimum Habitability standards</p> <p>All emergency shelter facilities receiving ESG funding must meet state or local government safety and sanitation standards, as applicable and the minimum safety, sanitation, and privacy standards established in the ESG Interim Rule. For an additional resource, see ESG Minimum Habitability Standards for Emergency Shelters and Permanent Housing.</p>
What are the inspection requirements?	<p>HOME-ARP requires annual inspections of HOME-ARP NCS projects throughout the restricted use period.</p> <ul style="list-style-type: none"> • When deficiencies are identified, requires follow-up inspection within 6 months • Permits PJ to establish a list of non-hazardous deficiencies for which correction can be verified by third party documentation • Life-threatening deficiencies must be corrected immediately and re-inspected within 14 days to verify correction 	<p>Annual inspections are encouraged but not required. ESG recipients are required to ensure that the property meets the minimum safety, sanitation, and privacy standards established in the ESG interim rule during the time ESG funding is received.</p>



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<p>What are the reporting requirements?</p>	<p>PJs are required to enter project completion accomplishments in IDIS once the acquisition or development of the NCS project has been completed. Required reporting includes:</p> <ul style="list-style-type: none"> • Completed Units • HOME-ARP Assisted Units • Energy Star Certified Units • Section 504 Accessible Units • Total years of restricted use period if PJ is imposing a period longer than the regulatory minimum • Financial disbursement of HOME-ARP Funds, Public Funds, and Private Funds <p>PJs will be asked to provide annual status updates on completed NCS projects in IDIS during the project's Restricted Use Period.</p> <p>HOME-ARP NCS may use the local Homelessness Management Information System (HMIS) to collect client level data and participate in system performance measures with the local CoC. Use of HMIS is not required.</p>	<p>ESG program-funded emergency shelters must participate in the local HMIS. ESG recipients report on aggregated ESG program information from each ESG project via the SAGE HMIS Reporting Repository.</p> <p>ESG program-funded emergency shelters must submit a project-level CSV-CAPER Report to each ESG recipient that funded their project, using the date range specified by the recipient.</p> <p>Additional information on HMIS and reporting requirements can be found in the ESG Program HMIS Manual and ESG CAPER Guidebook.</p>



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