



HOME-ARP Nonprofit Operating and Capacity Building Assistance



HOME-ARP Operating and Capacity Building Costs

HOME-ARP Overview

The HOME American Rescue Plan (HOME-ARP) Program is funded by \$5 Billion from the American Rescue Plan Act (the Act) to address the housing needs of persons experiencing homelessness and other vulnerable populations. Drawing on elements of the HOME Investment Partnerships Program and existing McKinney-Vento special needs programs, participating jurisdictions (PJs) may invest HOME-ARP funds across four core activities:

1. Development of Affordable Rental Housing.
2. Tenant-Based Rental Assistance (TBRA).
3. Supportive Services.
4. Acquisition and/or Development of Non-Congregate Shelter (NCS).

Unlike the existing HOME program, where household eligibility is primarily income-based, HOME-ARP focuses on producing housing and providing services for specific groups, known as Qualifying Populations (or QPs), who commonly face housing instability. HOME-ARP's QPs are:

1. Homeless households as defined by [24 CFR 91.5 "Homeless" paragraphs \(1\), \(2\), & \(3\)](#).
2. Those "At Risk of Homelessness" as defined in [24 CFR 91.5 "At Risk of Homelessness."](#)
3. Those who are fleeing or attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking as defined by HUD.
4. Other populations where supportive services would help prevent homelessness or serve those with the greatest risk of housing instability as defined by the criteria identified in Section IV of the HOME-ARP Notice¹.

Timeframe: Unlike the HOME program, which receives annual appropriations, HOME-ARP is a time-limited initiative. All HOME-ARP funds must be expended by September 30, 2030.

Overview of Nonprofit Operating and Capacity Building Assistance

Under the HOME-ARP Program, a PJ has the option to use up to 5% of its HOME-ARP Allocation to provide funds to qualifying nonprofit partners for their general operating costs and up to 5% for capacity building. Operating and capacity building costs are eligible under the HOME-ARP activity Nonprofit Operating and Capacity Assistance.

PJs can use HOME-ARP Nonprofit Operating assistance to support the general operating costs of the funded nonprofit, that is, those costs not tied to any specific program, project, or activity, including the core HOME-ARP activities. HOME-ARP funds for Capacity Building may be a subset of a nonprofit's general operating expenses but are intended to improve the capacity of the organization to carry out eligible core HOME-ARP activities successfully.

¹ The Act's language also lists veterans and veteran households that fall into these four categories. However, veteran status alone does not qualify a household as a QP and therefore is not a separate category.



HOME-ARP Operating and Capacity Building Costs

A PJ may provide this assistance to nonprofits 1) that are currently receiving HOME-ARP funding for one or more of the core activities or 2) that the PJ reasonably expects to contract with for one or more of the core HOME-ARP activities within 24 months. The second criterion provides PJs with a path to help nonprofits build the organizational and programmatic capacity to deliver (or expand their delivery of) HOME-ARP-funded rental housing or rental assistance, non-congregate shelter, or supportive services.

It is important to note that no PJ is required to invest in Nonprofit Operating and Capacity Building Assistance. These are optional activities of the HOME-ARP program. Since using funds for these purposes will reduce HOME-ARP funding available for core HOME-ARP housing and services activities, PJs should strategically consider whether and how to deploy this option.

Why Might a PJ Consider Using a Portion of its HOME-ARP Funds for These Purposes?

Since nonprofits often work with tight budgets and limited staffing, the infusion of additional funds through programs like HOME-ARP can be both an opportunity and a challenge. Nonprofits may need to hire more staff, purchase equipment, or lease expanded office space for their general operations and/or recruit and train staff to work on HOME-ARP core activities. To increase productivity and performance in core HOME-ARP activities, PJs will need their program partners – especially nonprofits – to increase their level of production and/or service delivery. In practice, this may require PJs to not only provide funding for HOME-ARP activities but also to invest in maintaining or expanding the organizational capacity of nonprofit partners. By allowing PJs to use a portion of their HOME-ARP funding for Nonprofit Operating and Capacity Building, HOME-ARP gives PJs tools to address capacity concerns among key program partners.

Important Ways These Funds Can Help PJs and their Nonprofit Partners

Real estate development—especially when layering multiple sources of financing—is a complex undertaking in its own right. So is providing services that support housing stability for vulnerable populations (the QPs identified above). HOME-ARP not only brings these challenging activities together in a single program but strives to do so at an increased scale.

In some cases, a nonprofit with substantial experience serving one or more QPs but a limited history of developing real estate may benefit from Capacity Building assistance related to the development process – for example, by supporting costs for staff training or even seeding new staff positions dedicated to housing or NCS development. In another scenario, HOME-ARP could help an experienced nonprofit developer acquire the expertise and build the systems needed to ensure their housing is backed by and coordinated with appropriate services.

Broadly speaking, Nonprofit Operating and Capacity Building assistance can be used to help existing partners sustain their operations and expand their capacity in terms of both skills and bandwidth. It can also help PJs foster relationships with new nonprofit partners. In all cases it is



HOME-ARP Operating and Capacity Building Costs

ultimately intended to ensure HOME-ARP is deployed to maximum effect, providing much-needed housing and services to QP households.

HOME-ARP Nonprofit Operating and Capacity Building Award Limits for Individual Nonprofits

In addition to the limit on how much a PJ may invest in Nonprofit Operating and Capacity Building across its entire HOME-ARP program, there are limits on how much a given nonprofit may receive within that organization's given fiscal year. Specifically:

Guidelines for Funding Award Limits

An organization receiving funding only for Nonprofit Operating or only Capacity Building is limited to the greater of:

- 50% of the organization's general operating budget or
- \$50,000

An organization receiving funding both for Nonprofit Operating and Capacity Building is limited to the greater of:

- 50% of the organization's general operating budget or
- \$75,000

Example 1: Anytown CDC has an operating budget of \$500,000. At most, the CDC can receive \$250,000 (i.e., 50% of its operating budget) in Nonprofit Operating and/or Capacity Building assistance.

Example 2: Newtown Housing Inc. has an operating budget of \$80,000. If receiving only Nonprofit Operating or Capacity Building assistance, it would be limited to a maximum award of \$50,000. If the organization is receiving funds both for Nonprofit Operating and Capacity Building, the maximum award would be \$75,000.

The caps on HOME-ARP Nonprofit Operating and Capacity Building assistance apply to the organization as a whole and include all funding sources. Thus, PJs must require nonprofits receiving such assistance to disclose any receipts of HOME-ARP Nonprofit Operating or Capacity Building funding from other PJs.

Example 3: Regional Supportive Housing Corp. has an operating budget of \$200,000. It has received \$75,000 in Capacity Building assistance from its local PJ and is also seeking Nonprofit Operating assistance from the State PJ. Because the maximum total assistance to the organization is \$100,000 (50% of the agency's operating budget), the most the State PJ can award is \$25,000.

Because PJs are limited to applying, at most, a combined 10% of their HOME-ARP allocation for Nonprofit Operating and Capacity Building assistance, at a practical level, most PJs will not be in a position to provide substantial awards for these purposes in multiple years.



HOME-ARP Operating and Capacity Building Costs

Project Delivery and/or Administrative Costs versus Nonprofit Operating/Capacity Building Costs

To comply with HOME-ARP requirements, both PJs and nonprofits receiving Nonprofit Operating and/or Capacity Building assistance must understand how these costs differ from project/activity delivery costs and administrative costs. PJs must not use Nonprofit Operating/Capacity Building assistance to pay for either project/activity delivery or administrative costs and vice versa.

In most cases, if a given cost would be eligible either (i) as an administrative cost pursuant to Sec. VI.A. of the Notice and 24 CFR 92.207)² or (ii) as a project/activity delivery cost pursuant to Sections VI.B.5.d, VI.D.4.b, or VI.E.3.e and consistent with 24 CFR 92.206(d), that cost cannot be supported with HOME-ARP Nonprofit Operating and Capacity Building assistance.

Distinguishing between Administrative and Project Delivery costs and HOME-ARP Nonprofit Operating and Capacity Building costs

Administrative Costs	Include, but are not limited to, reasonable costs of overall management, coordination, monitoring, and evaluation of the HOME-ARP program; costs of administering HOME-ARP TBRA and supportive services programs; activities related to the planning, implementation, and assessment (such as development of the HOME-ARP Allocation Plan) and activities to affirmatively further fair housing. Under certain circumstances, indirect costs may also be included pursuant to a cost allocation plan. See Sec. VI.A of the Notice and 24 CFR 92.207.
Project/Activity Delivery Costs	Include, but are not limited to, the costs of wages/benefits or third-party contractors associated with completing project reviews (e.g., underwriting, environmental, etc.) or implementing specific activities (e.g., the cost of staff time associated with delivering HOME-ARP supportive services) and developer fees paid to/collected by developers of HOME-ARP rental housing or NCS.
General Operating Costs	Costs such as wages/benefits; employee education, training, and travel; rent; utilities; communication costs; taxes; insurance; equipment, materials, and supplies related to the general operations

² As the Notice explains, “general operating costs” are those which do not have a specific cost objective. Within the Uniform Guidance (2 CFR 200) these would be described as “indirect costs” (see [2 CFR 200.1 “Indirect \(facilities & administrative \(F&A\) costs\)”](#)) or what in other contexts is referred to as “overhead.” When a PJ awards HOME-ARP administrative funding to a nonprofit subrecipient and allows that subrecipient to include *indirect costs* pursuant to §92.207(e), a proportional or fair share of the nonprofit’s “general operating” or “overhead” costs are, in fact, being paid by the HOME-ARP administrative funding. Because doing so would effectively reimburse the same cost element twice, it would not be permissible for a PJ to simultaneously provide Nonprofit Operating and Capacity Building assistance covering any cost elements otherwise included in the calculation of the nonprofit’s indirect cost rate. PJs with additional questions about the relationship between allowances for indirect costs to be paid with HOME-ARP administrative funding and awarding Nonprofit Operating and Capacity Building Assistance should contact their Field Office.



HOME-ARP Operating and Capacity Building Costs

Distinguishing between Administrative and Project Delivery costs and HOME-ARP Nonprofit Operating and Capacity Building costs

	of a nonprofit organization, and which are not appropriately tied to a particular final cost objective such as HOME-ARP administration or HOME-ARP project/activity delivery or included in the calculation of the nonprofit's indirect cost rate (if applicable).
Nonprofit Operating Assistance	HOME-ARP funds are provided for a nonprofit's general operating costs excluding any assistance provided as Capacity Building Assistance.
Nonprofit Capacity Building Assistance	Capacity building costs are general operating costs of a nonprofit that can reasonably be expected to result in the expansion or improvement of an organization's ability to carry out eligible HOME-ARP activities successfully.

NOTE: Nonprofit Operating costs are related to the general operations of the organization. Capacity building costs relate to the capacity of the organization to operate the HOME-ARP program. Sample uses include:

HOME-ARP Funds for Nonprofit Operating

- Paying office rent for an organization's central office
- Wages and benefits for finance or HR staff
- Purchasing computers or desktop printers for the organization's administrative staff
- General training costs

HOME-ARP Funds for Capacity Building

- Recruiting and onboarding HOME-ARP program staff
- Training HOME-ARP staff on the program regulations
- Renting office space to accommodate increased staffing resulting from participation in the HOME-ARP Program

The distinction between Nonprofit Operating and Capacity Building is less about the type of expense (e.g., wages and benefits) than about whether that cost (e.g., a specific position or portion thereof) is intended to sustain the organization's ongoing operations or if that expenditure is reasonably expected to expand the capacity of the organization to operate the HOME-ARP program. Only costs that a PJ expects will result in this increased capacity should be funded as Capacity Building.

In some cases, the classification of a given cost may shift from one operating year to the next. For instance, in one year the cost of a new bookkeeper intended to expand a nonprofit's ability to handle significant increases in funding might be seen as a Capacity Building cost, but the next year the cost of that person's wages and benefits may be recognized as a general operating cost.



HOME-ARP Operating and Capacity Building Costs

Eligible Nonprofit Operating and Capacity Building Costs	
<i>Nonprofit Operating Costs</i>	<i>Capacity Building Costs</i>
<ul style="list-style-type: none"> • Employee salaries, wages, and other employee compensation and benefits not tied to any specific program, project, or activity • Employee education, training, and travel • Rent of office space or other spaces used for the organization's general operations • Utilities • Communication costs • Taxes • Insurance • Equipment, materials, and supplies 	<ul style="list-style-type: none"> • Wages/benefits for new hires whose presence will expand the organization's capacity to deliver HOME-ARP activities • Employee training or other staff development that enhances an employee's skill set and expertise related to serving HOME-ARP populations • Equipment (e.g., computer software or programs that improve organizational processes), upgrades to materials, and supplies • Contracts for technical assistance or for consultants with expertise related to the HOME-ARP qualifying populations

The next two charts provide examples of **eligible** and **ineligible** costs in each funding category.

Examples of Eligible and Ineligible Nonprofit Operating Costs	
<i>Eligible Nonprofit Operating Costs</i>	<i>Ineligible Nonprofit Operating Costs: Costs tied to a Program are never eligible</i>
<ul style="list-style-type: none"> ✓ Rent for an office as an organization's central business location ✓ Salary of an accountant hired to work on finance staff of the organization ✓ The cost of purchasing computers for the organization's executive staff 	<ul style="list-style-type: none"> × Services for the HOME-ARP project or for another project <ul style="list-style-type: none"> ○ Project-specific, thus ineligible × Cost of staff time attributable to managing staff or overseeing a HOME-ARP program activity (e.g., TBRA, supportive services, etc.) <ul style="list-style-type: none"> ○ Activity-specific, thus ineligible × Utility costs associated with program-assisted housing, whether it be HOME-ARP or other programs provided by the nonprofit



HOME-ARP Operating and Capacity Building Costs

Examples of Eligible and Ineligible Nonprofit Operating Costs

<i>Eligible Nonprofit Operating Costs</i>	<i>Ineligible Nonprofit Operating Costs: Costs tied to a Program are never eligible</i>
<ul style="list-style-type: none"> ✓ Costs of hiring a consultant to provide training on project management ✓ Cost for an employee to attend a conference 	<ul style="list-style-type: none"> ○ Project-specific, thus ineligible × Rent or rental assistance for a housing unit for a HOME-ARP eligible individual or household or clients of other programs <ul style="list-style-type: none"> ○ Project-specific, thus ineligible × Wages/benefits for a Case Manager or other staff providing services to HOME-ARP residents or beneficiaries <ul style="list-style-type: none"> ○ Activity-specific, thus ineligible

Examples of Eligible and Ineligible Capacity Building Costs

<i>Eligible Capacity Building Costs</i>	<i>Ineligible Capacity Building Costs: Costs not tied to expanding capacity to operate HOME-ARP are not eligible</i>
<ul style="list-style-type: none"> ✓ Training of an employee on a case management system that will be used in the HOME-ARP program ✓ Hiring of a new employee with housing development experience so that an organization primarily focused on services can expand its capacity to develop and manage HOME-ARP rental housing ✓ Training for employees of a nonprofit that has only developed “general” affordable housing on permanent supportive housing approaches for special needs populations and strategies to coordinate with service providers ✓ Salaries of finance staff working on fiscal management of the HOME-ARP program 	<ul style="list-style-type: none"> × Salaries of staff whose hiring will not increase the capacity of the organization to undertake HOME-ARP eligible activities, including general organizational staff and staff dedicated to other programs <ul style="list-style-type: none"> ○ Does not advance capacity to operate HOME-ARP × Hiring and onboarding expenses for non-HOME-ARP staff <ul style="list-style-type: none"> ○ Does not advance capacity to operate HOME-ARP × Technical Assistance or consultant contracts not related to HOME-ARP or housing development/management (for example, organization-wide strategic planning, Diversity, Equity, and Inclusion (DEI) trainings, etc.) <ul style="list-style-type: none"> ○ Does not advance capacity to operate HOME-ARP



HOME-ARP Operating and Capacity Building Costs

Examples of Eligible and Ineligible Capacity Building Costs

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| <ul style="list-style-type: none">✓ Salary of Program Manager for the HOME-ARP Program✓ Purchase of Case Management Software Programs and/or licenses for staff working on the HOME-ARP program | |
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Mandatory Written Agreements for Nonprofit Operating and Capacity Building Awards – Please See Separate Checklist.

In all cases, "...before disbursing any HOME-ARP funds to any entity, the PJ must enter into a written agreement with that entity pursuant to [24 CFR 92.504](#)" (HOME-ARP Notice, VIII.B.). In the specific case of Operating Cost and/or Capacity Building assistance, the written agreement must meet the requirements outlined in [24 CFR 92.504\(c\)\(6\)](#). Among other requirements, such an agreement must describe the use of HOME-ARP funds for operating expenses or capacity building costs in sufficient detail to form a sound basis for the PJ's monitoring and oversight of the award.

A nonprofit may be eligible for HOME-ARP Nonprofit Operating and/or Capacity Building assistance if it has a current contract with the PJ for HOME-ARP-funded housing, shelter, or supportive services. A nonprofit without a current award of HOME-ARP may also be eligible if the PJ reasonably expects to award HOME-ARP funds to the nonprofit for one or more of the core HOME-ARP activities within 24 months of making the Operating Cost and/or Capacity Building award. In such a case, "the written agreement must specify the terms and conditions upon which this expectation is based and the consequences of failure to receive funding for a project" or activity (see HOME-ARP Notice Section VIII.B.5). PJs should confirm that awards for Nonprofit Operating/Capacity Building Costs are within the funding caps outlined in the Notice and on page 3, above.

The written agreement for Operating Cost or Capacity Building assistance must be separate and distinct from any agreement providing HOME-ARP funds for housing, shelter, or supportive services, each of which must meet requirements outlined in the Notice specific to the funded activity. A PJ providing both Operating Cost and Capacity Building Assistance may choose to consolidate both activities into a single agreement, in which case the agreement must separately identify the scope of assistance, eligible uses and costs, and budget for each type of assistance. Alternatively, a PJ may enter into separate agreements with the nonprofit – one for Operating Costs and one for Capacity Building. A PJ may choose to structure this assistance as a grant or a loan.



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