

ACQUISITION, REHABILITATION, & NEW CONSTRUCTION

RESOURCES

CONSULT THE CoC RULE

578.43 Acquisition,

578.45 Rehabilitation,

578.47 New Construction:

<https://www.govinfo.gov/content/pkg/CFR-2017-title24-vol3/xml/CFR-2017-title24-vol3-part578.xml#seqnum578>

RESOURCES

ON THE HUD EXCHANGE

Use Restrictions –

Converting Site-based Projects:

[Converting-Site-Based-Projects-Under-15-or-20-Year-Use-Restrictions](#)

This resource is prepared by technical assistance providers and intended only to provide guidance. The contents of this document, except when based on statutory or regulatory authority or law, do not have the force and effect of law and are not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

ACQUISITION

Funds may be used to pay up to 100 percent of the acquisition cost of real property under the PSH, TH and SSO program components.

REHABILITATION

Funds may be used to pay up to 100 percent of the cost to rehabilitate an existing structure used to provide PSH, TH or SSO. The recipient or subrecipient must own the property; it may not be leased. Allowable rehabilitation costs include:

- Bringing an existing structure up to state and local government health and safety standards;
- Installing cost-effective energy efficiency measures;
- Converting non-housing structures into housing; or
- Building an addition to an existing structure that increases the floor area by less than 100 percent.

NEW CONSTRUCTION

Funds may be used to pay up to 100 percent of new construction. Costs may include:

- Acquiring land associated with the construction;
- Building a new structure; or
- Increasing the size of an existing structure by more than 100 percent.

Recipients must demonstrate that the costs of new construction are substantially less than for rehabilitation, or that there is a lack of appropriate units that could be rehabilitated at a cost less than new construction.

RESTRICTIONS ON COMBINING CoC PROGRAM FUNDS

CoC acquisition, rehabilitation, or new construction may not be combined in a single structure or housing unit with CoC funds used for: leasing or tenant based rental assistance (TBRA), including short- or medium-term rental assistance.

USE REQUIREMENT

Properties assisted with CoC program funds for acquisition, rehabilitation, or new construction must remain in use for the homeless activity for 15 years, calculated from the date of initial occupancy or date of initial service provision. Recipients and subrecipients must execute and record a HUD-approved document to this effect called a “Declaration of Restrictive Covenants.”

If a project does not receive renewal funding in a future CoC Program competition, it must continue to serve homeless persons. If this is not feasible, the recipient must repay HUD the previously awarded funds. Failure to do so will affect funding decisions in future CoC Program competitions. [See chart below for the repayment schedule](#) and [sidebar for guidance on converting or selling projects](#).

RESOURCES

RESOURCES ON THE HUD EXCHANGE

Environmental Review Flow Chart and Forms:

<https://www.hudexchange.info/resource/4045/coc-program-environmental-review-flow-chart/>

Environmental Review FAQs:

<https://www.hudexchange.info/faqs/crosscutting-requirements/environmental-review/>

Lead Paint:

https://www.hud.gov/program_offices/healthy_homes/enforcement/lshr

RESOURCES AT A GLANCE

Overview of the Uniform Relocation Act:

https://youtu.be/rfHtS_-_uwM

If the property is not operated for the intended purpose for 10 years, HUD will require repayment of the entire amount of the capital cost grant. If the housing has been used for more than 10 years, the payment will be reduced by 20 percent for each year, beyond ten as shown below.

REPAYMENT OF GRANT FUNDS

Time Project Is Operated as Detailed in CoC Application	Percentage of Grant to be Repaid
10 years or less	100%
11 years	80%
12 years	60%
13 years	40%
14 years	20%
15 years	0%

RELOCATION REQUIREMENTS

Recipients/subrecipients must minimize displacement of persons (including families, businesses, nonprofit organizations and farms) as a result of CoC-funded projects. Costs associated with relocating persons displaced by a project assisted with CoC funds are eligible program costs. [See sidebar for guidance.](#)

Participants in an existing CoC-funded project would not be required to relocate temporarily unless they could be offered a decent, safe, and sanitary unit in the same building or complex upon project completion, under reasonable terms and conditions. Participants temporarily relocated for greater than one year must be treated as permanently displaced and offered relocation assistance. If relocation may be necessary, reach out to the HUD field office for guidance as there are strict guidelines to follow when permanently relocating tenants.

APR REQUIREMENTS

Recipients/subrecipients are required to submit an Annual Performance Report (APR) to HUD. They will need to complete all APR questions for the first year. After the first year, they complete everything except the financial questions.

BUILDING STANDARDS

All housing constructed or rehabilitated with CoC Program funds must meet state or local building codes, and in the absence of state or local building codes, the International Residential Code or International Building Code (as applicable to the type of structure) of the International Code Council.

LEAD PAINT

The lead-based paint requirements are located in 24 CFR Part 35 ([see sidebar](#)). For Rehabilitation – Subparts A, B, J and R. For Acquisition – Subparts A, B, M and R.

ENVIRONMENTAL REVIEW

An environmental review must be conducted for all projects prior to CoC funds being committed. Acquisition projects without any associated repairs or rehabilitation – categorically excluded and subject to 24 CFR 58.5 (CEST). Projects that include major rehabilitation, conversion of land use, or new construction or demolition of more than four units – must undergo an [Environmental Assessment](#). See the sidebar for details.