

Overview:

HOME-ARP funds may be used to acquire and develop non-congregate shelter (HOME-ARP NCS) for individuals and families that meet one of the Qualifying Populations defined in the CPD Notice: Requirements for the Use of Funds in the HOME-American Rescue Plan Program (“the Notice”). NCS provides private units or rooms as temporary shelter to individuals and families and do not require occupants to sign a lease or occupancy agreement. This activity may include the construction of new structures or the acquisition and/or rehabilitation of existing structures (such as motels, nursing homes, or other facilities) to be for use as HOME-ARP NCS. The Notice establishes requirements applicable to HOME-ARP NCS.

Eligible Activities and Costs:

- **Eligible Activities:** HOME-ARP funds may be used to acquire, rehabilitate, or construct NCS units to serve individuals and families Qualifying Populations.
- **Eligible Costs:** HOME-ARP funds may be used for:
 - **Acquisition Costs:** Costs to acquire improved or unimproved real property for use as or development of HOME-ARP NCS.
 - **Demolition Costs:** Costs to demolish existing structures for the purpose of developing HOME-ARP NCS.
 - **Development Hard Costs:** Costs to rehabilitate or construct HOME-ARP NCS units to meet the HOME-ARP minimum habitability standards. Costs to make improvements to the project site, including installation of utilities or utility connections, laundry facilities, community facilities, on-site management, or supportive service offices
 - **Related Soft Costs:** Reasonable and necessary costs incurred by the PJ, subrecipient, or project owner associated with financing, acquisition, and development of HOME-ARP NCS projects.
 - **Replacement Reserve:** Costs to capitalize a replacement reserve to cover reasonable and necessary costs of replacing major systems and their components.
- **Ineligible Costs:** HOME-ARP funds may not be used to pay ongoing costs of operating HOME-ARP NCS or to convert NCS to housing.

Admission and Occupancy:

- HOME-ARP NCS units may only be occupied by individuals or families that meet the criteria for one or more of the Qualifying Populations.
- Program participants may not be charged occupancy fees or other charges to occupy a HOME-ARP NCS unit unless the PJ determines such fees and charges are customary and reasonable and the charges comply with [24 CFR 578.77\(b\)](#).
- PJs are encouraged to incorporate HOME-ARP NCS units into the CE established by the CoC(s) for the area the NCS is funded to serve, if the CE complies with the requirements established in the HOME-ARP Notice.
- HOME-ARP supportive services may also be provided, if needed, to Qualifying Populations served by the NCS.

Project Requirements:

- **Property and Habitability Standards:** At project completion, HOME-ARP NCS units and common areas must meet all applicable State and local codes, ordinances, and requirements and HUD’s Lead Safe Housing Rules at [24 CFR Part 35](#). Project classification as acquisition only, rehabilitation, or new construction is determined by the PJ’s local code requirements based on specific work to be performed. Projects must meet HOME-ARP NCS ongoing property standards throughout the restricted use period.
- **Restricted Use Period:** HOME-ARP NCS projects must comply with HOME-ARP requirements during the restricted use period established in the HOME-ARP Notice.
 - New Construction: 15 years
 - Rehabilitation: 10 years
 - Acquisition Only: 10 years
- **Use as NCS:** The NCS may remain as HOME-ARP NCS for the restricted use period or may be used as NCS under the Emergency Shelter Grant (ESG) program.
- **Conversion to Housing:** ARP permits HOME-ARP NCS units to be converted into permanent housing under the Continuum of Care (CoC) program or permanent affordable housing during the restricted use period in accordance with requirements established in the Notice. No HOME-ARP funds may be used for conversion.
 - **Minimum Use Period:** All HOME-ARP NCS projects must be operated as NCS for a minimum period of time prior to conversion. The minimum use period prior to conversion varies based on the original HOME-ARP NCS eligible activity undertaken and the amount of funds invested in the project.
 - **Permanent Affordable Housing:** During the restricted use period, but only after the HOME-ARP NCS minimum use period, a PJ may provide written approval to convert the project from HOME-ARP NCS to permanent affordable housing (e.g., affordable multifamily rental housing, transitional housing) in accordance with the requirements prescribed in the PJ’s written agreement with the HOME-ARP NCS owner.
 - **CoC Permanent Housing:** During the restricted use period, but only after the HOME-ARP NCS minimum use period has been met, a PJ may permit conversion of a HOME-ARP NCS project to permanent housing under [24 CFR 578.43](#) (acquisition) and/or [24 CFR 578.45](#) (rehabilitation) of the CoC program regulations. Conversions must comply with any conversion requirements established in the PJ’s written agreement with the HOME-ARP NCS owner. If conversion is planned, the HOME-ARP NCS use restrictions must remain in place until the project is approved for CoC funding and the required CoC restrictions are imposed on the property.

PJ Management and Oversight:

- **Project Development Due Diligence:** Before awarding HOME-ARP funds to a HOME-ARP NCS project, PJs must determine that acquisition and/or development is financially feasible. The PJ is responsible for maintaining continued operation of the NCS and must consider whether the HOME-ARP NCS project has secured or has a high likelihood of securing operating funding, because operating costs cannot be paid with HOME-ARP.

PJs must assess HOME-ARP NCS projects, including a review of information from the owner and/or developer that demonstrates the project’s financial feasibility throughout the restricted use period.

Before committing funds, PJs should also determine whether the owner intends to continue operating the project as HOME-ARP NCS or emergency shelter NCS under ESG for the restricted use period or plans to convert the HOME-ARP NCS to housing after the minimum use period has been met. In such instances, the PJ should consider the physical design needs of an eventual conversion in its evaluation of the HOME-ARP NCS project.