Overview:

A PJ may use up to 5 percent of its HOME-ARP allocation to pay operating expenses of CHDOs and other nonprofit organizations that will carry out activities with HOME-ARP funds. A PJ may also use up to an additional 5 percent of its allocation to pay eligible costs related to developing the capacity of eligible nonprofit organizations to successfully carry out HOME-ARP eligible activities. PJs may award operating expense assistance or capacity building assistance to a nonprofit organization if it reasonably expects to provide HOME-ARP funds to the organization for any of the eligible HOME-ARP activities within 24 months of the award.

Eligible Costs:

- Operating Expense Assistance: HOME-ARP funds may be used to provide operating expense assistance to CHDOs and other nonprofit organizations. Operating expense assistance is defined as reasonable and necessary costs of operating the nonprofit organization. Eligible costs include:
    - Employee salaries, wages and other employee compensation and benefits o Employee education, training and travel
    - Rent
    - Utilities
    - Communication costs
    - Taxes
    - Insurance
    - Equipment, materials, and supplies.

    HOME-ARP funds used for operating expenses must be used for the **"general operating costs"** of the nonprofit organization. These operating costs must **not** have a particular final cost objective, such as a project or activity, or must **not** be directly assignable to a HOMEARP activity or project.

    - For example: HOME-ARP funds for operating expenses may not be used for staffing costs to provide supportive services or develop HOME-ARP-rental housing (as operating costs to develop HOME-ARP rental housing are paid for by a developer fee which is a project delivery or soft cost).
- Capacity Building Assistance: HOME-ARP funds may be used to provide capacity building assistance to CHDOs and other nonprofit organizations. Capacity building expenses are defined as reasonable and necessary general operating costs that will result in expansion or improvement of an organization's ability to successfully carry out for eligible HOME-ARP activities. Eligible costs include:
    - Salaries for new hires including wages and other employee compensation and benefits;
    - Employee training or other staff development that enhances an employee's skill set and expertise;
    - Equipment (e.g. computer software or programs that improve organizational processes), upgrades to materials, and supplies; and
    - Contracts for technical assistance or for consultants with expertise related to the HOME-ARP qualifying populations.

Limitations on Assistance:

- In any fiscal year, operating assistance provided to a nonprofit organization may not exceed the greater of 50 percent of the general operating expenses of the organization for that fiscal year, as described above, or $50,000.
- In any fiscal year, capacity building assistance provided to a nonprofit organization may not exceed the greater of 50 percent of the general operating expenses of the organization, as described above, or $50,000.
- If an organization receives both operating assistance and capacity building assistance in any fiscal year, the aggregate total amount of assistance it may receive is the greater 50 percent of the organization's total operating expenses for that fiscal year or $75,000.

PJ Management and Oversight:

- Written Agreement: A PJ must enter into a written agreement with the CHDO or non-profit describing the amounts and uses of HOME-ARP funds for operating expenses or capacity building. A PJ commits operating expense assistance or capacity building assistance when it enters into a legally binding agreement with the nonprofit organization to provide the assistance.
- IDIS: HUD has established separate fund types in IDIS for operating expense assistance and capacity building assistance to facilitate accurate tracking and ensure that PJs do not exceed the limits

Full text available at: https://www.hud.gov/sites/dfiles/CPD/documents/HOME-ARP-Operating-Assistance-and-Capacity-Building-Fact-Sheet.pdf