

HOME-ARP Program Fact Sheet: Rental Housing

Overview: A PJ may use HOME-ARP funds to acquire, construct and rehabilitate rental housing for occupancy by individuals and families that meet one of the Qualifying Populations. HOME-ARP rental housing may include single family or multifamily housing, transitional or permanent housing, group homes, single room occupancy (SRO) units, and manufactured housing. To promote the development of financially viable housing, PJs may pay the entire amount of eligible costs associated with HOME-ARP rental units, are encouraged to work with local PHAs and state or local agencies to obtain project-based rental assistance and may provide ongoing operating cost assistance or capitalize a project operating cost assistance reserve to address operating deficits of HOME-ARP units occupied by qualifying households. To promote inclusion of HOME-ARP units in mixed-income housing, up to 30 percent of the units a PJ funds with its HOME-ARP grant may be restricted for occupancy by households that are low-income.

Eligible Activities and Costs:

- **Eligible Activities:** Acquisition, construction, and rehabilitation of affordable rental housing, including reconstruction as defined in 24 CFR 92.2. Acquisition of vacant land or demolition may be undertaken only with respect to a HOME-ARP project for which construction is expected to start within 12 months of commitment.
- **Eligible Costs:** HOME-ARP funds may pay for up to 100 percent of the following eligible costs associated with HOME-ARP rental units:
 - Development hard costs include the actual cost of constructing and rehabilitating housing to meet applicable property standards. Eligible development costs also include site improvements, utility connections and costs to construct or rehabilitate laundry and community facilities located within the same building as the HOME-ARP housing;
 - Refinancing of existing debt secured by a HOME-ARP rental project rehabilitated with HOME-ARP funds;
 - Acquisition costs of improved or unimproved real property;
 - Related soft costs including reasonable and necessary costs incurred by the PJ or project owner associated with the financing, development, acquisition, or rehabilitation of HOME-ARP rental housing;
 - Relocation costs as defined in 24 CFR 92.206(f), 24 CFR 92.353, and the Notice;
 - Certain costs related to the payment of construction, bridge, or guaranteed loans, if HOME-ARP is part of original financing; and
 - Operating cost assistance, through a capitalized operating reserve or ongoing operating cost payments, for HOME-ARP units restricted for occupancy by qualifying households.

Beneficiary Requirements:

- **Eligible Beneficiaries:** HOME-ARP funds must primarily benefit individuals and families that meet one of the qualifying populations defined in the Notice. However, not more than 30 percent of the total number of rental units assisted with HOME-ARP funds may be occupied by low-income households as defined in 24 CFR 92.2.
- **Household Income:** The following income requirements apply to HOME-ARP households:
 - **Qualifying Households:** At initial occupancy and each subsequent year during the minimum 15-year compliance period, the PJ must use the definition of annual income at 24 CFR 5.609 and the process described in the Notice to determine the household's contribution to rent.
 - **Low-Income Households:** The PJ must use the definition of annual income at 24 CFR 5.609 and the process described in the Notice to examine the household's income at initial occupancy and each subsequent year during the minimum 15-year compliance period to determine the household's ongoing income eligibility and applicable contribution to rent.
- **Tenant Contribution to Rent:** A qualifying household may not contribute to rent more than is affordable based on the PJ's determination of the household's income.

Project Requirements:

- **Targeting and Occupancy:** Not less than 70 percent of the total number of rental units a PJ assists with HOME-ARP funds must be restricted to occupancy by households that are qualifying households at the time of the household's initial occupancy. Not more than 30 percent of the total number of rental units assisted with HOME-ARP funds by the PJ may be restricted for occupancy by low-income households. A household that met the definition of one or more qualifying populations at initial occupancy remains a qualifying household throughout their period of occupancy irrespective of changes in income or whether they continue to meet a qualifying population definition (e.g., no longer qualify as homeless after being admitted to a HOME-ARP unit).
- **Property Standards:** HOME-ARP rental units must comply with all rental property standards required in 24 CFR 92.251 paragraphs (a), (b), (c)(1) and (2), (e), and (f).
- **Minimum Compliance Period:** HOME-ARP rental units must comply with the HOME-ARP rental requirements for a minimum of 15 years, irrespective of the amount of HOME-ARP funds invested in the project or the activity undertaken. If a project-based rental assistance Housing Assistance Payments (HAP) contract is awarded to a HOME-ARP rental project, the minimum compliance period is the greater of 15 years or the term of the HAP contract.
- **Rent Limitations:** HOME-ARP establishes rent limitations for units restricted for qualifying households and units restricted for low-income households as follows:
 - **Units Restricted for Occupancy by Qualifying Households:** The HOME-ARP rent may not exceed 30 percent of the adjusted income of a household whose annual income is equal to or less than 50 percent of the median income for the area, as determined by HUD (i.e., Low HOME Rents).
 - **Units Restricted for Occupancy by Low-Income Households:** HOME-ARP rental units restricted for low-income households must comply with the rent limitations at 24 CFR 92.252(a).
 - **Additional HOME-ARP Unit Limitations, if applicable:**
 - **Federal/State Project-Based Rental Subsidy:** A HOME-ARP unit that receives Federal or state project-based rental subsidy may charge the rent allowable under the rental subsidy program.
 - **Single Room Occupancy Units (SRO):** If an SRO unit has sanitary and food preparation facilities, the maximum HOME-ARP rent is based on the zero-bedroom fair market rent. If the SRO unit only has sanitary facilities, the maximum HOME-ARP rent is based on 75 percent of the zero-bedroom fair market rent.
- **Changes in Income and Over Income Households:** A PJ must take action to address overincome households occupying HOME-ARP units as follows:
 - **Qualifying Households:** A qualifying household whose annual income at the time of recertification is above 50 percent of median income for the area but below 80 percent of median income for the area must pay the rent specified in 24 CFR 92.252(a).
 - **Low-Income Households:** A low-income household whose income is above 80 percent of the median income for the area must pay rent that complies with 24 CFR 92.252(i)(2).
- **Lease and Tenant Protections:** Each household that occupies a HOME-ARP assisted unit must execute a lease that complies with the tenant protection requirements prescribed in the Notice.
- **Master Leasing and Use of a HOME-ARP Sponsor:** A HOME-ARP sponsor – a nonprofit organization that provides housing or supportive services to qualifying households – may execute a lease for a HOME-ARP unit or a master lease for multiple units in a project. The HOME-ARP sponsor may then sublease the HOME-ARP rental unit to a qualifying household.
- **Coordinated Entry and Project-Specific Waitlists:** On a project-by-project basis, a PJ must decide whether a project owner may use a Continuum of Care's (CoC) Coordinated Entry (CE), a CoC's CE and other referral sources, or a project-specific waitlist to select qualifying households for HOME-ARP units restricted for occupancy by qualifying households. A project owner must use a project-specific waitlist to select low-income households to occupy units restricted for occupancy by low-income households.

Oversight and management:

A PJ is responsible for the day-to-day management and oversight of its HOME-ARP program including but not limited to the following:

- **Underwriting and Subsidy Layering:** A PJ must establish underwriting and subsidy layering guidelines for determining the appropriate amount of HOME-ARP funds, including any operating cost assistance provided to maintain the financial viability of the HOME-ARP project through the 15-year minimum compliance period.
- **Enforcement of Rental Requirements:** A PJ must impose the HOME-ARP rental requirements through a deed restriction, covenant running with the land, legally binding agreement restricting the use of the property and recorded on the property in accordance with State recordation laws, or other mechanism approved by HUD.
- **Project Completion, Occupancy and Noncompliance:** A PJ must repay any HOME-ARP funds invested in units that are 1) not completed within 4 year of project commitment, 2) not rented to eligible qualifying or low-income households within 12 months of project completion, or 3) terminated before completion or otherwise not compliant with the HOME-ARP rental requirements.
- **Management and Oversight of Operating Cost Assistance Reserve:** A PJ must require any HOME-ARP funds expended for project operating cost assistance reserves be held by a project owner in a separate interest-bearing account with review and written approval from the PJ prior to any disbursement of HOME-ARP funds from the operating cost assistance reserve account. The PJ must, no less than annually, review the operating cost assistance reserve account to determine that it is appropriately sized based on projected deficits for units restricted for occupancy by qualifying households.