

# Deploying HOME-ARP Operating Cost Assistance Reserves

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## KHC HOME-ARP Permanent Supportive Housing (PSH) Developments

- Using HOME-ARP administrative funds, KHC partnered with the Corporation for Supportive Housing (CSH) to offer the 6-month Kentucky Supportive Housing Institute in 2022 and 2023 for teams of developers/supportive services providers/property to learn about best practices in PSH and how to build strong PSH development proposals.
- In the 2023-2024 QAP, KHC allocated 5.5% of our LIHTC award to PSH Developments in 2023 and 2024. LIHTC PSH awardees also received HOME-ARP allocations.
- KHC issued a HOME-ARP PSH RFP in late 2023.
- From these three competitions, KHC funded PSH projects from 5 KY Supportive Housing Institute teams across the state (2 LIHTC/HOME-ARP deals, 3 HOME-ARP deals).



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## KHC HOME-ARP PSH Developments

- Because these developments would serve persons with extremely low incomes, KHC, as the PHA proving HCVs to 87 counties and specialized vouchers statewide, allocated Project Based Vouchers (PBVs) to ensure they had sufficient, sustainable operating revenue.

ORIGINAL COMMITMENTS - HOME ARP for Permanent Supportive Housing

Permanent Supportive Housing Multifamily Project	Location	Developer/ Service Provider	Total Units	PBVs Sought
Sutton's Landing	Maysville	Model Group/Welcome House	48	40
PH Duplex Project #11	Owsley Co.	Partnership Housing	10	7
Elevate Estates	Henderson	Equal Development/Elevate	48	38
Brighton Supportive Housing	Covington	Model Group/Brighton Ctr.	12	12
Merryman Village	Paducah	Wabuck/Merryman House	48	48
			166	145

***But then...***



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## Voucher Crisis!

- In February 2025, HUD Public and Indian Housing notified KHC that it was projected to have a shortfall of Housing Assistance Payment (HAP) funds in 2025 and could not enter into any new PBV HAP contracts.
- Most of the PBV-awarded HOME-ARP PSH projects were either already closed and under construction or are soon to close and begin construction.
- They had worked on their projects for 12-24 months, including:
  - graduating from the CSH KY Supportive Housing Institute;
  - continuously working with CSH to plan, refine, and implement their PSH project;
  - gaining site control;
  - solidifying services partnerships ;and
  - securing development funds from KHC and other sources.
- KHC had to find a way to preserve these deals.



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## HOME-ARP Operating Reserves to the Rescue

- In order to save 4 HOME-ARP projects, we had to sacrifice one; the last awarded in the HOME-ARP competition plus some KHC administrative set aside
  - KHC Multi-family recently identified alternate funding for that project.
- Allocated \$800 per unit per month x 15 years totaling \$13,968,000.
- OCAR funds awarded to property at closing to be held by the property in interest bearing account
- Monitored by KHC Multifamily Compliance division



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## KHC Operating Cost Assistance Reserves Policies

- Funds must be held in a federally insured, interest-bearing account owned by the property, not the developer.
  - Interest should be able to cover most operating deficit
- Reserves can be used to pay the difference between gross potential rent for a unit and the tenant's payment based on 30% of monthly income. Treated like a Project-Based Voucher.
- Reserves released to property at year 15 provided it continues to comply with HOME-ARP requirements.



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## Reporting

- Property must provide:
  - monthly bank statement for the OCAR reserve account, showing the total balance and a record of all account activity for prior month.
  - Annual operating budget reflecting Gross Potential Rent (due by January 1st of each year).
  - Annual operating report reflecting actual rental income (due by January 31st of each year)
- Properties must update the KHC Tenant Data
- Certification System (TDCS) no later than the 15<sup>th</sup> of each month to accurately reflect current tenant population and their rental payments.
- KHC will perform in-depth monitoring annually.



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## Repayment and Compliance Period

- If a property fails to comply with HOME-ARP requirements during the 15-year compliance period:
  - during years 1 through 10, the full amount of HOME-ARP funds disbursed must be repaid.
  - during years 11 through 15, the repayment obligation will be reduced by 20 percent for each full year of compliance beyond year 10.
- If project sold during compliance period, no repayment required if new owner maintains compliance with HOME-ARP policies.



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## KHC Contact Information

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