



1

## Presenter

- ▶ Jennifer “Jenn” Miller
- ▶ Senior Manager
- ▶ [jennifer.miller@icf.com](mailto:jennifer.miller@icf.com)
- ▶ 25+ years in housing, community, and economic development
  - Mostly in public sector in IL and CA
  - Joined ICF in 2023



Check out our booth - *meet my HCD and DM colleagues!*

2

## Operating Assistance Allowability Under HOME-ARP

- ▶ A very valuable and unique flexibility
- ▶ Speaks to unusual nature of program and likely limited rental revenues
- ▶ Help ensure long-term project viability
- ▶ Allows for support via:
  - ongoing operating cost assistance *OR*
  - capitalization of an operating cost assistance reserve (COCAR)
- ▶ May only utilize one of these options *but not both*



3

## Some Important Contextual Considerations

*Before we talk specifics:*

- ▶ HOME-ARP is a one-time, special funding allocation
- ▶ Offshoot of HOME Program and thus has associated cross-references
  - Revised regulation issued in January
  - Subsequently held back in February
  - Reissued with changes in April; phased implementation
- ▶ Various Executive Orders issued; HUD implementation guidance pending
- ▶ Consulting awards were cancelled and related training, technical assistance, and product development halted
- ▶ Significant staffing transitions at HUD
- ▶ Further guidance and resources TBD
  - Will likely evolve over time as more grantees pursue

4

## Operating Assistance Demand/Supply Framing



Many HOME-ARP grantees are not offering operating assistance given administration/oversight concerns



However, demand for these resources is high in most jurisdictions and can be critical to successful project (and overall program) outcomes



I'll cover major Federal requirements and options including best practices in approach



My fellow panelists will provide local context on PJ decision-making on potential pursuit and any lessons in administration

5

## Core Components

Limited to covering an operating deficit associated with HOME-ARP-assisted units restricted for occupancy by qualifying populations (QPs)

PJ must determine that it is necessary to maintain these units' long-term operational feasibility - during minimum compliance period (15 years) - and doesn't result in over-subsidization of project

6

## Eligible Costs

- ▶ Must be reasonable and appropriate for the area, size, population(s) served, and type of project
- ▶ Can include:
  - administrative goods and services expenses (including rental/purchase of equipment, supplies, legal fees, bank charges, telephone/internet services, other customary costs for QP rental unit administration)
  - payroll costs for property-assigned personnel (employee compensation including wages, benefits, taxes, education, training, and travel)
  - property management fees (overall property operations oversight and day-to-day QP unit management)
  - building/unit costs (including insurance, utilities, property taxes, maintenance, advertising)

7

## Initial Operating Deficit Reserve

- ▶ Must be based on PJ analysis of projected operating deficits for HOME-ARP LI units during initial lease up period (not to exceed 12 months)
- ▶ May only be used to pay the following specifically for HOME-ARP LI units:
  - share of operating expenses
  - scheduled payments to a replacement reserve
  - debt service

8

## Replacement Reserves Funding

- ▶ Replacement reserves concern maintaining major systems
- ▶ Scheduled payments can be made from the COCAR
- ▶ Must be based on useful life of related major system and expected replacement cost over minimum compliance period

9

## Supportive Services Interface

Pro-rated staffing costs of a Resident Services Coordinator are allowed to be included in operating costs allocated to HOME-ARP unit *if not already paid by another source*

While QPs can receive supportive services through the related HOME-ARP SS activity, *it is not an eligible operating cost of HOME-ARP units*

10

## Account Management Mechanics



### Project owner must:

- hold in a separate interest-bearing account
- request prior written approval from PJ prior to funds disbursement



### PJ must:

- review each funding usage request and supporting documentation to determine reasonable and necessary application
- review, at least annually, the account to determine appropriate sizing based on projected deficits



PJ *may* require the project owner to enter into a deposit account control agreement for even more structured advance approval of account disbursements

11

## Unused Funds at End of Minimum Compliance Period

- ▶ If continued enforceable operation per HOME-ARP requirements, can retain and use as previously allowable
- ▶ Otherwise, must deposit in PJ's local HOME account as program income and record in IDIS
- ▶ Note - ongoing operating cost assistance prohibited after September 30, 2030



12

## Operating Assistance Design Considerations



### Operational capacity

- PJ to offer and oversee
- Partners (owners, managers, contracted third-party entities) to implement



### Project needs

- Area market
- Information and supporting documentation for requests and reviews

13

## Level of Assistance Considerations

- ▶ Some prohibitions at the outset:
  - Net operating income
  - Terminating tenancy or refusing lease renewal for QP based on inability to pay rent
- ▶ Expected project income and expenses over minimum compliance period
  - Escalation factor for costs should be greater than that for revenues
  - Consider initial, ongoing estimated vacancy rates
  - Reflect on rent receipts likely for QP units without rental assistance
  - Duration of coverage for vacant units
- ▶ Marketing practices and strength of related networks
- ▶ Take account setup and maintenance fees into account
- ▶ Risks
  - Overall economic fluctuations including inflation
  - Actual deficits could be higher than projected
  - Operating costs could be larger than anticipated
  - Potential for future repayment of HOME-ARP funds

14

# Documenting Practices



Internal and external procedures should reflect allowances and related requirements/options



Incorporate in underwriting and subsidy layering guidelines



Note program evolutions via memorandums to file, legal opinions



Incorporate in standardized written agreement templates

Reflect respective roles, responsibilities and milestones

# Resources



**HUD.gov FAQs**

<https://www.hudexchange.info/resource/6544/home-arp-faqs/>



**HOME-ARP HUD Exchange Page**

<https://www.hudexchange.info/programs/home-arp/>



**HOME-ARP Rental Housing Fact Sheet**

<https://www.hud.gov/sites/dfiles/CPD/documents/HOME-ARP-Rental-Fact-Sheet091321.pdf>



▶ Thank You!