



CSH POLICY BRIEF

October 2021

Leveraging HOME-ARP for Supportive Housing

CSH calls on states and local jurisdictions to leverage **HOME-ARP** as part of a broader strategy to house the 1.1 million people who live in extreme poverty, face health and economic barriers, experience systemic racism, and need supports to access and maintain housing. **The American Rescue Plan puts forward unprecedented levels of funding** that must be used to prioritize supportive housing for these individuals and families across the U.S.

THE AMERICAN RESCUE PLAN AND HOME-ARP

The **American Rescue Plan Act (ARPA)**, signed into law by President Biden in March 2021, provides \$1.9 trillion to states, counties, and local jurisdictions for COVID-19 relief. This funding package includes a \$31.6 billion allocation for housing assistance and services and an additional \$9.1 billion set aside **expressly for housing support and behavioral health services**.

[HOME-ARP](#), issued through the Department of Housing and Urban Development (HUD) as part of ARPA, provides an additional \$5 billion to states and local jurisdictions for individuals and families who are homeless, at risk of homelessness, fleeing or attempting to flee domestic/dating violence or human trafficking. The HUD funding can also be used for supportive services or assistance that prevent homelessness or help those at risk of housing instability[i].

FINANCING SUPPORTIVE HOUSING

Supportive housing pairs affordable housing with tenancy support services that help people get housed and stay housed. It is an evidence-based intervention for people who experience chronic homelessness, unnecessary institutionalization, and cycle between institutional settings and the streets. Gathering the financing for a supportive housing project can be thought of as a three-legged stool with capital, operating, and supportive service funding, each comprising a leg. HOME-ARP offers the flexibility to use this funding source for [eligible activities](#) in any of these three areas. While HOME-ARP can technically be used to fund the capital, operating, and services budget for a single project, we recommend braiding it with other financial resources to maximize its use.

Capital

Capital costs refer to all acquisition, construction, and rehabilitation expenses. While HOME-ARP targets the population listed above, 30% of the units in a development may be occupied by low-income households more generally over the life of the project to help sustain the financial feasibility. HOME-ARP projects must maintain affordability for all qualifying populations and, when possible, low income units for a minimum of 15 years¹.

Braiding HOME-ARP with other funding sources such as Low Income Housing Tax Credits (LIHTC), Housing Trust Fund, Community Development Block Grants, and/or even additional ARPA resources such as the [State and Fiscal Local Recovery Funds](#) can optimize the funding for supportive housing development.

Recommended HOME-ARP activities for capital include:

- Supplement 9% LIHTC projects to finance more applicants during the 2022 cycle and beyond,
- Finance 9% LIHTC projects that did not receive awards in previous years due to limited funding amounts,
- Pair with State and Local Fiscal Recovery Funds to finance the acquisition or construction of the development,
- Pair with [4% LIHTC](#) and tax-exempt bonds for the cost of construction and/or the permanent financing of a project[iii],
- Buydown the debt on existing affordable housing units to reduce the project's overall costs and convert a portion of units to supportive housing[iii], [iv].

It is important to note that while HOME-ARP has some waiver flexibility compared to the overall HOME program's statutory and regulatory provisions, requirements related to fair housing, civil rights, nondiscrimination, labor standards, and the environment still apply[v].

Operating

Operating funding refers to rental subsidy costs and expenses associated with operating and/or maintaining a housing development. This funding can include costs associated with property management, utilities, maintenance, insurance, security, debt service or other loan payments, and operating and replacement reserves. Operating subsidies also supplement the difference between the tenant's portion and a reasonable rent charged under market conditions. While HOME-ARP does not restrict eligibility based on income, supportive housing tenants typically are within the 0-30% area median income (AMI) range and pay no more than 30% of their income toward rent. HUD encourages the use of project-based rental assistance where available to help cover the operating costs. In the absence of project-based vouchers, however, additional flexibilities through HOME-ARP can be employed when it's required to make a supportive housing project financially feasible.

Considering this flexibility, one recommended use of HOME-ARP is to create a capitalized operating reserve held in an interest-bearing account to cover operating deficits of the supportive housing units in the development. The capitalized account can be maintained up to 15 years, with the ability to draw down these funds over the minimum affordability

compliance period. However, capitalized operating reserves from HOME-ARP can only be used for developments that also financed construction costs, at least in part, with HOME-ARP.

Supportive Services

Supportive housing can support those facing multiple barriers to employment and housing stability, including mental illness, substance use, and other disabling or chronic health conditions. HOME-ARP can be used for a range of supportive services for individuals and families, including but not limited to costs associated with child care, skill-building, mental health services, outpatient health services, substance use treatment services, case management, and housing retention. The budget period to use HOME-ARP funding for serviced ends on September 30, 2030.

Acknowledging that the services funding timeline is shorter than the affordability compliance period and the period from which capitalized operating reserve can be drawn down, HOME-ARP should be viewed as a supplementary or bridge resource for supportive services. Long-term resources can include a dedicated state-appropriated services fund or tenancy support services through Medicaid. While the types of services covered under Medicaid vary according to location, many states have adopted Medicaid waivers or State Plan Amendments (SPAs) that permit reimbursement of tenancy support services through the state's Home and Community Based Services (HCBS) program. Therefore, it is crucial to examine your current state Medicaid plan and the services it covers. For states that already have some form of tenancy support services covered under Medicaid, HOME-ARP may also be used for [training and capacity building](#) by service providers responsible for the services and Medicaid billing.

For more information, read HUD's [fact sheets](#) on HOME-ARP. If you represent a jurisdiction that needs support in leveraging HOME-ARP to develop a pipeline of supportive housing, inquire with consulting@csh.org.

[i] Participating jurisdictions and each jurisdiction's allocation are available from HUD. Additional information can be found here: <https://www.hud.gov/sites/dfiles/CPD/documents/HOME-ARP.pdf>

[ii] More information available in the HUD Memo to Community Planning and Development Directors on HOME-ARP, section 5 – Affordability requirements and limited waiver and alternative requirement to period of affordability requirements: <https://www.hud.gov/sites/dfiles/OCHCO/documents/cpdWaiverHOMEARP.pdf>

[iii] Decisions on how to best apply HOME-ARP to a 4% LIHTC project may depend on the bond volume cap in the state. In states near their volume cap, HOME-ARP can be used as a permanent funding source if the state conserves the bonds by using them for construction costs only. Otherwise, HOME-ARP can be used both for construction and permanent financing. Additional information on financing supportive housing with tax-exempt bonds and 4% LIHTC can be found here: https://www.csh.org/wp-content/uploads/2012/01/Report_financing-withbondsand-litch_1012.pdf

[iv] In this scenario, while this reduces the project's cost and makes it financially feasible to include supportive housing units in the development, operating/ rental subsidies would still be needed for costs associated with maintaining the unit.

[iv] HOME-ARP cannot be used to buy down debt projects currently under construction and is contingent on the original financing of the project. For more information, see pages 23-24 of the HOME-ARP Notice here: <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-10cpdn.pdf>

[v] Federal Regulations for the HOME program can be found here: <https://www.ecfr.gov/current/title-24/subtitle-A/part-92#92.354>