



# **HOME-ARP Non-Congregate (NCS) 101**

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# Today's Presenters

Ginny Sardone, Director, Office of Affordable Housing Programs (OAHP)

David Jones, Affordable Housing Specialist, OAHP



# Agenda

- Project Development
- Compliance
- Conversion to Permanent Housing



# Non-Congregate Shelter

- For purposes of HOME-ARP, NCS is defined as one or more buildings that:
  - Provide private units or rooms for temporary shelter
  - Serve individuals and families that meet one or more of the qualifying populations
  - Do not require occupants to sign a lease or occupancy agreement



# NCS Project Development Overview

- Qualifying Populations
- Admission and Occupancy
- Eligible Activities
- Eligible Costs
- Replacement Reserve
- Prohibited Costs
- Commitment Requirements
- Project Development Due Diligence



# Qualifying Populations

- Homeless – as defined at 24 CFR 91.5 (1), (2), and (3)
  - Not paragraph (4)
- At Risk of Homelessness – as defined at 24 CFR 91.5
- Fleeing/Attempting to Flee Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking
  - *Domestic Violence, Dating Violence, Sexual Assault, and Stalking* from VAWA regulation at 24 CFR 5.2003
  - *Human Trafficking* from Trafficking Victims Protection Act of 2000
- Other Populations: 1) Families Requiring Services or Housing Assistance to Prevent Homelessness OR 2) Those At Greatest Risk of Housing Instability
  - Veterans and families that include a veteran family member that meet one of the preceding criteria.



# QP – Other Populations (1 of 2)

## Other Families Requiring Services or Housing Assistance to Prevent Homelessness:

Households (i.e., individuals and families) who:

- have previously been qualified as “homeless” as defined in 24 CFR 91.5;
- are currently housed due to temporary or emergency assistance, including financial assistance, services, temporary rental assistance or some type of other assistance to allow the household to be housed; and
- need additional housing assistance or supportive services to avoid a return to homelessness.



# QP – Other Populations (2 of 2)

At Greatest Risk of Housing Instability means a household that has:

- Annual income  $\leq$  30% of area median income **and** is experiencing severe cost burden (paying  $>$  50% of monthly household income toward housing costs);

**OR**

- Annual income  $\leq$  50% of area median income **and** meets one of the conditions in paragraph (iii) of “At risk of homelessness” definition at §91.5





# NCS Admission and Occupancy

- NCS occupants must:
  - Not be charged occupancy fees or other charges to occupy a HOME-ARP NCS unit unless the PJ determines such fees and charges to be customary and reasonable and the charges comply with 24 CFR 578.77(b).
  - Meet the criteria for one of the four QP's.



# NCS Occupancy Limits

## Scenario

A PJ wishes to develop NCS to serve its homeless population with undetermined and unmet needs and is concerned that the HOME-ARP NCS is described as temporary shelter and could require the PJ to move occupants before they are ready for other housing options.

## Question

Does HUD require a PJ to define or limit the length of stay for NCS occupants since NCS is defined as temporary shelter?



# NCS Eligible Activities

- Acquisition of structures to be used as NCS
  - Rehabilitation not required because structure is in standard condition
- Rehabilitation of existing structures (such as motels, nursing homes, or other facilities) to be used as NCS
  - With or without acquisition
- New Construction of structures to be used as NCS
  - With or without land acquisition



# NCS Eligible Costs

- HOME-ARP funds may be used for:
  - Acquisition Costs
  - Demolition Costs
  - Development Hard Costs
  - Site Improvements
  - Related Soft Costs
  - Replacement Reserve



# NCS Ineligible Cost

- Under HOME-ARP NCS, funds may NOT be used for:
  - Operating costs of HOME-ARP NCS
  - Rehab and construction costs to turn HOME-ARP developed NCS units into permanent housing



# Ineligible Operating Cost Scenario

## Scenario

PJ invests HOME-ARP NCS in the acquisition and rehabilitation of a 15-unit motel to be operated as HOME-ARP NCS. Original activity included minor rehabilitation and replacement of room furnishings: Beds, mattresses, cabinetry, seating.

## Question

- Can HOME-ARP funding be used to furnish a HOME-ARP NCS room?



# NCS Commitment

- HOME-ARP NCS funds are committed:
  - When the PJ executes a legally binding written agreement that meets the requirements in the Notice.

Commitment Requirements – Acquisition	Commitment Requirements – Rehabilitation & New Construction
<ul style="list-style-type: none"><li>• NCS can be operated within 6 months of the date of acquisition.</li><li>• Units acquired will not require rehabilitation to meet the property standards in Section VI.E.7 of the Notice.</li></ul>	Development can begin within 12 months of commitment date



# NCS Due Diligence

- Before funding NCS, PJs must:
  - Determine project is financially feasible.
  - Review information from the owner and/or developer that demonstrates the project's financial feasibility throughout the restricted use period.
  - Must determine whether the owner intends to continue operating the project as HOME-ARP NCS or convert to housing after the minimum use period.





# NCS Due Diligence (cont.)

Future conversion of NCS to permanent housing will involve a higher level of planning in all stages of the development process and should be addressed in the written agreement.



# NCS Due Diligence (cont.)

- Before awarding funds for NCS, the PJ must require:
  - Developer submit evidence of appropriate shelter development skills and experience
  - Owner to submit evidence of prior experience operating shelters.
  - Acquisition or development budget, timeline, and sources and uses statement be submitted for review.
  - Owner to submit a proposed operating budget, including secured sources for operating costs and any operating gap that will require additional assistance.



# NCS Compliance Overview

- Property and Habitability Standards
  - All projects
  - Acquisition only projects
  - Rehab projects
  - New Construction projects
  - On-going Inspections
- Restricted Use Period
- Return of Replacement Reserve
- Project Completion



# Property Standards – All Projects

- HOME-ARP NCS units and common areas must:
  - Meet all applicable State and local codes, ordinances, and requirements
  - HUD’s Lead Safe Housing Rules at 24 CFR Part 35.
- Projects must meet HOME-ARP NCS Minimum Property Standards throughout the restricted use period.
- Project classification as:
  - Acquisition Only
  - Rehabilitation
  - New Construction
  - Is determined by the PJ’s local code requirements based on specific work to be performed.



# Property Standards – Acquisition Only

- Meet the HOME-ARP NCS minimum property standards described in the Notice at the time of acquisition.
- Be occupied and operated as NCS without any rehabilitation



# Property Standards - Rehabilitation

- Meet all applicable State and local codes, ordinances, and requirements , or in the absence of such codes, International Residential Code or International Building Code (as applicable) and must comply with Lead Safe Housing Rule at 24 CFR Part 35.
- Consider remaining useful life of major systems.
- If establishing a replacement reserve, determine remaining useful life of major systems through a Capital Needs Assessment.



# Property Standards – New Construction

- Meet all applicable State and local codes, ordinances, and requirements, or in the absence of such codes, the International Residential Code or the International Building Code (as applicable to the type of structure).



# Property Standards

## Scenario

PJ wishes to acquire an unused dormitory for the provision of HOME-ARP NCS. Dormitory is in good condition and does not require rehab to meet local code. Units are currently configured with 4 units sharing a common bathroom.

## Question

- Can the PJ do this project as acquisition only and begin placing occupants in the building immediately?





# Ongoing Property Standards & Inspections

- PJs must:
  - Develop ongoing inspection procedures
  - Require annual inspection
  - Perform follow-up Inspections to verify any deficiencies are corrected within 6 months
  - Ensure properties meet NCS minimum property standards throughout Restricted Use Period.
  - Life-threatening deficiencies corrected immediately. PJ re-inspect to verify the deficiency has been corrected within 14 days.



# Restricted Use Period

- Restricted Use Period (RUP) ≠ Minimum Use Period (MUP)
  - Minimum Use Period is the amount of time NCS properties MUST operate as emergency shelter before they may be converted to permanent housing
- During the restricted use period, NCS may:
  - Remain as HOME-ARP NCS as originally developed
  - Be used as NCS under the Emergency Solutions Grants (ESG) program
  - Be converted to permanent affordable housing (after the minimum use period)
  - Be converted to CoC permanent housing (after the minimum use period)



# NCS – Restricted Use Period

PJs must:

- Comply with the requirements of the Notice for not less than the restricted use period
- Impose the HOME-ARP NCS requirements through a deed restriction
- Duration of Restricted Use Period based on activity type
  - New Construction
  - Rehabilitation
  - Acquisition Only



# NCS – Restricted Use Period

Restricted Use Period for NCS	10 years	15 years
New Construction		X
Rehabilitation	X	
Acquisition Only	X	



# Restricted Use Period

## Remain as NCS:

- No change in use during the RUP
- Continued operation as originally specified in written agreement
- Serve the same population



# Restricted Use Period

## Use as ESG NCS:

- ESG funds can be provided for operating and essential services
- Operated in compliance with all requirements at 24 CFR part 576
- All applicable ESG requirements govern in the event of conflict with HOME-ARP



# Replacement Reserve

- HOME ARP funds can capitalize a replacement reserve to pay the reasonable and necessary costs of replacing major systems and their components whose useful life will end during the restricted use period.
- CNA is required to capitalize a replacement reserve
- Major systems include:
  - Structural Support
  - Roofing
  - Cladding & Weatherproofing
  - Plumbing, Electrical & HVAC



# Return of Replacement Reserve

- If NCS Project continues as NCS:
  - Projects can retain the replacement reserve to pay reasonable and necessary costs
- If NCS project Will Not Continue as NCS:
  - Remaining funds in replacement reserve must be returned to the PJ's HOME Treasury Account
- If the HOME-ARP grant has expired or closed out, remaining funds in the replacement reserve must be:
  - Deposited in the PJs local HOME account
  - Recorded as program income receipt in IDIS
  - Used for eligible costs under 24 CFR part 92





# Project Completion

- All necessary title transfer requirements and construction work has been performed;
- The project complies with the requirements of this Notice, including the HOME-ARP NCS property standards as evidenced by a final inspection;
- The project is actively operating as a HOME-ARP NCS;
- Final drawdown of HOME-ARP funds has been disbursed; and
- Project completion information is entered into IDIS.



# Conversion to Permanent Housing

- Under HOME-ARP “conversion” means a change in original use of HOME-ARP NCS
- Conversion is not an eligible activity type and costs related to turning an existing NCS into permanent housing are only eligible under the Rental Housing activity.



# Conversion Requirements

Conversion to Permanent Affordable Housing	Conversion to CoC Permanent Housing
NCS is converted to permanent affordable housing according to the requirements established in Section VI.E. 11 of the Notice	NCS is converted to permanent housing as defined in Subtitle C of title IV of the McKinney-Vento Homeless Assistance Act (42 USC 11381 et seq.) according to requirements of this Notice and 24 CFR part 578.
Conversion only after a minimum use period as NCS	Conversion only after a minimum use period as NCS
May serve different population from original	Must serve eligible CoC populations



# Minimum Use Period

Project Type	Minimum Use Period
Acquisition Only	3 years
Moderate Rehab	5 years if Total Investment < 75% Appraised Value
Substantial Rehab	10 years if Total Investment > 75% Appraised Value
New Construction	10 years



# Restricted Use Period

- Converted housing:
  - Must continue to comply with the requirements of the Notice through the end of the Restricted Use Period for the project
  - Must fulfill the balance of the HOME-ARP NCS restricted use period.



# Permanent Affordable Housing

- **Must:**
  - Not invest additional ARP funds to convert
  - Not pay for operating
  - Determine adequate financial resources are committed to the project to meet property standards of Section VI.B.11 of this Notice.
  - Maintain the financial feasibility of the project to be operated as permanent affordable housing for the qualifying populations throughout the remaining restricted use period.
  - Develop and evaluate the project in accordance with standardized underwriting guidelines for conversion



# Permanent Affordable Housing

- PJ must amend the use restriction for HOME-ARP NCS to reflect the conversion to permanent affordable housing
- The provisions for imposing affordability requirements at 24 CFR 92.252(e)(1) through (e)(4) apply to the amended use restriction.
- Amended use restriction for the permanent affordable housing must be enforceable to maintain compliance with the requirements of this Notice



# NCS + Permanent Affordable Housing

## Scenario

PJ has an opportunity to acquire a building that could accommodate the development of NCS and an affordable multifamily rental project on the same site or building.

## Question

- Can the PJ provide HOME-ARP funds for the development of the project with both NCS and permanent affordable rental housing mix?





# CoC Permanent Housing

- NCS can be converted to CoC permanent housing (including permanent supportive housing) to serve the following eligible households as defined in 24 CFR 578.3:
  - Chronically homeless individuals
  - Homeless individuals or families



# CoC Permanent Housing

- PJs are encouraged to:
  - Pursue partnership and leveraging opportunities with the CoC early in the planning stage of a HOME-ARP NCS project.
  - Provide ARP supportive services or TBRA to qualifying households who must move as a result of conversion.



# Resources

- HOME-ARP Program: <https://www.hudexchange.info/programs/home-arp/>
- HOME-ARP Program Fact Sheet: Non-Congregate Shelter: <https://www.hud.gov/sites/dfiles/CPD/documents/HOME-ARP-Noncongregate-Shelter-Fact-Sheet.pdf>
- HOME-ARP Notice Webinar: TBRA, Supportive Services, and Non-Congregate Shelter: <https://www.hudexchange.info/trainings/courses/home-arp-notice-webinar-tbra-supportive-services-and-non-congregate-shelter/4343/>
- HOME-ARP Guide to ESG for PJs : [HOME-ARP Guide to ESG for PJs Developing NCS \(hudexchange.info\)](#)
- Additional TA is being developed – Stay Tuned





**Questions?**