



**NONPROFIT PERMANENT
SUPPORTIVE HOUSING
WITH HOME-ARP FINANCING**

**MULTIFAMILY GUIDELINES ADDENDUM
FOR NON-TAX CREDIT PROJECTS**

Program Year 2024



GENERAL INFORMATION

Kentucky Housing Corporation (KHC) received a one-time special allocation of HOME Investment Partnerships Program (HOME) funding made available through the American Rescue Plan (ARP) for permanent supportive housing (PSH) projects. KHC has made available a portion of the HOME-ARP allocation for both Low-Income Housing Tax Credit (LIHTC) and non-credit projects. KHC intends to make up to \$19.5 million of HOME-ARP funding available for non-credit projects via a Notice of Funding Availability (NOFA), with a maximum request of \$6.5 million per eligible project for development costs. An additional \$1.5 million in supportive service-related funding will be made available with a maximum request of \$500,000 per eligible project to act as service bridge funding.

This document shall serve as an addendum to KHC's 2023-2024 Multifamily Guidelines, as revised in April 2023, and sets forth the requirements for non-credit projects seeking HOME-ARP funding. Unless otherwise stated, all provisions of the Multifamily Guidelines will apply to HOME-ARP projects.

APPLICATION AND THRESHOLDS

Projects seeking HOME-ARP funding will follow the same application process as traditional non-credit applications and must adhere to the deadlines outlined in the NOFA. The "Thresholds for All Projects" and "Thresholds for Projects Serving Special Needs Populations" as identified in the Multifamily Guidelines must be met to be eligible for funding. The [NOFA](#) also outlines additional application thresholds that must be met as well as selection criteria that will be used to prioritize funding awards.

UNDERWRITING

1. HOME-ARP funds will be structured as deferred, due-at-maturity loans.
2. Additional amortized debt may be allowed if the project pro forma can support it; however, projects are likely to be more viable without any payable debt.
3. Projects with amortizing debt must meet KHC's debt coverage ratio standards.
4. Projects with zero debt must achieve a minimum income-to-expense ratio of 1.10 in Year 1 and maintain a minimum 1.00 through Year 15.
5. The project is expected to have a ratio of tenants to housing-based case management, peer-to-peer support staff or nursing staff of not more than 15:1. On a case-by-case basis, a higher ratio may be allowed with appropriate justification.
6. The project's market study must demonstrate a demand for the units based on the populations to be served and unit mix. Non-credit projects may use a market needs analysis in lieu of a market study. Demonstration of need can be supplemented by the most recent annualized point-in-time count and housing inventory counts, in addition to the market study or market needs analysis.
7. Projects are subject to HUD subsidy layering guidelines to ensure projects are not over- or under-subsidized.
8. Like regular HOME, HOME-ARP units can be either fixed or floating.

9. HUD has suspended the maximum per-unit subsidy for HOME-ARP units; however, the minimum amount of assistance is \$1,000 of HOME-ARP per unit.
10. Unlike regular HOME funds, HOME-ARP can be used to capitalize an upfront operating reserve account.
 - a. Operating cost assistance is only eligible for units occupied by qualifying populations.
 - b. Operating reserve must be maintained in a separate interest-bearing account.
11. Funding sources for the provision of pledged services must be identified and documented with commitment letters, including options for renewal of funding.
12. After project completion, additional investment of HOME-ARP is not permitted except within the first 12 months after completion.
13. Davis-Bacon wage rates apply to HOME-ARP funds when there are 12 or more HOME-ARP assisted units in the project. Projects requesting project-based vouchers will be subject to Davis Bacon if nine or more vouchers are awarded to the project.
14. Other federal cross-cutting regulations, including environmental review requirements, Section 3, Uniform Relocation Act, and fair housing, will apply.

APPENDIX A

HOME-ARP Program Fact Sheet: Rental Housing

Overview:

HOME-ARP funds may be used to acquire, construct and rehabilitate rental housing for occupancy by individuals and families that meet one of the Qualifying Populations defined in [CPD Notice: Requirements for the Use of Funds in the HOME-American Rescue Plan Program](#) (“the Notice”). For KHC’s program, HOME-ARP rental housing must be multifamily, permanent supportive housing.

To promote the development of financially viable housing, KHC may choose to pay the entire amount of eligible costs associated with HOME-ARP rental units and may 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% of the units KHC funds with HOME-ARP may be restricted for occupancy by households that are low-income (*non-credit projects only*).

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% of the following eligible costs associated with HOME-ARP rental units:
 - Acquisition costs of improved or unimproved real property;
 - 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;
 - Related soft costs including reasonable and necessary costs incurred by the 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; and
 - Operating cost assistance, through a capitalized operating reserve, for HOME-ARP units restricted for occupancy by qualifying households.
 - Funding requests for services are not accepted through this application process; however, applicants may request services funding through KHC’s Housing Contract Administration department.

Beneficiary Requirements:

- **Eligible Beneficiaries:**
 - For LIHTC projects, all HOME-ARP units must be restricted to individuals and families that meet one of the qualifying populations defined in the Notice.
 - For non-credit projects, **up to 30%** of the HOME-ARP units may be occupied by low-income households (as defined below) that do not meet the “qualifying population” definition. However, the remaining HOME-ARP units must serve qualifying populations.
- **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 recipient 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 recipient 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.

Project Requirements:

- **Targeting and Occupancy:** A household that meets the definition of a qualifying population 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% of the adjusted income of a household whose annual income is equal to or less than 50% 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\(a\)](#). **(non-credit projects only)**
 - *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.

- **Changes in Income and Over-Income Households:** Over-income households occupying HOME-ARP units must be addressed as follows:
 - Qualifying Households: A qualifying household whose annual income at the time of recertification is above 50% of median income for the area but below 80% 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% 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:** Project owners must use the Continuum of Care (CoC) Coordinated Entry (CE) system to select qualifying households for HOME-ARP units restricted for occupancy by qualifying households.

Qualifying Populations, Targeting, and Preferences:

ARP requires that funds be used to primarily benefit individuals and families in the following specified “qualifying populations.” Any individual or family who meets the criteria for these populations is eligible to receive assistance or services funded through HOME-ARP without meeting additional criteria (e.g., additional income criteria). All income calculations to meet income criteria of a qualifying population or required for income determinations in HOME-ARP eligible activities must use the annual income definition in [24 CFR 5.609](#) in accordance with the requirements of [24 CFR 92.203\(a\)\(1\)](#).

1. **Homeless**, as defined in [24 CFR 91.5](#) *Homeless* (1), (2), or (3):
 - (1) An individual or family who lacks a fixed, regular, and adequate nighttime residence, meaning:
 - (i) An individual or family with a primary nighttime residence that is a public or private place not designed for or ordinarily used as a regular sleeping accommodation for human beings, including a car, park, abandoned building, bus or train station, airport, or camping ground;
 - (ii) An individual or family living in a supervised publicly or privately operated shelter designated to provide temporary living arrangements (including congregate shelters, transitional housing, and hotels and motels paid for by charitable organizations or by federal, state, or local government programs for low-income individuals); or
 - (iii) An individual who is exiting an institution where he or she resided for 90 days or less and who resided in an emergency shelter or place not meant for human habitation immediately before entering that institution;

- (2) An individual or family who will imminently lose their primary nighttime residence, provided that:
 - (i) The primary nighttime residence will be lost within 14 days of the date of application for homeless assistance;
 - (ii) No subsequent residence has been identified; and
 - (iii) The individual or family lacks the resources or support networks, e.g., family, friends, faith-based or other networks to obtain other permanent housing;

- (3) Unaccompanied youth under 25 years of age, or families with children and youth, who do not otherwise qualify as homeless under this definition, but who:
 - (i) Are defined as homeless under section 387 of the Runaway and Homeless Youth Act (42 U.S.C. 5732a), section 637 of the Head Start Act (42 U.S.C. 9832), section 41403 of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2), section 330(h) of the Public Health Service Act (42 U.S.C. 254b(h)), section 3 of the Food and Nutrition Act of 2008 (7 U.S.C. 2012), section 17(b) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)), or section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a);
 - (ii) Have not had a lease, ownership interest, or occupancy agreement in permanent housing at any time during the 60 days immediately preceding the date of application for homeless assistance;
 - (iii) Have experienced persistent instability as measured by two moves or more during the 60-day period immediately preceding the date of applying for homeless assistance; and
 - (iv) Can be expected to continue in such status for an extended period of time because of chronic disabilities, physical health or mental health conditions, substance addiction, histories of domestic violence or childhood abuse (including neglect), the presence of a child or youth with a disability, or two or more barriers to employment, which include the lack of a high school degree or General Education Development (GED), illiteracy, low English proficiency, a history of incarceration or detention for criminal activity, and a history of unstable employment;

2. **At Risk of Homelessness**, as defined in [24 CFR 91.5](#) *At risk of homelessness*:

- (1) An individual or family who:
 - (i) Has an annual income below 30% of median family income for the area, as determined by HUD;
 - (ii) Does not have sufficient resources or support networks, e.g., family, friends, faith-based or other social networks, immediately available to prevent them from moving to an emergency shelter or another place described in paragraph (1) of the “Homeless” definition in this section; and

(iii) Meets one of the following conditions:

- (A) Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
- (B) Is living in the home of another because of economic hardship;
- (C) Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance;
- (D) Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by federal, State, or local government programs for low-income individuals;
- (E) Lives in a single-room occupancy or efficiency apartment unit in which more than two persons reside or lives in a larger housing unit in which more than 1.5 people per room resides, as defined by the U.S. Census Bureau;
- (F) Is exiting a publicly funded institution, or system of care (such as a healthcare facility, a mental health facility, foster care or other youth facility, or correction program or institution); or
- (G) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved consolidated plan;
 - HUD's Comprehensive Housing Affordability Strategy (CHAS) data (<https://www.huduser.gov/portal/datasets/cp.html>) reports that 134,700 Kentucky renter households have at least 1 of 4 severe housing problems. These households lack safe, economically sustainable housing and are at increased risk of housing instability and homelessness. Therefore, households that spend more than 30% of their income and live in substandard housing are considered to be unstably housed and at risk of homelessness. Substandard housing is defined at 24 CFR § 5.425, which reads:
 - (a) When unit is substandard. (See § 5.415(a)(2) and (c)(2)(ii) for applicability of this section to the Section 8 Certificate/Voucher, Project-Based Certificate, Moderate Rehabilitation programs and the public housing program.) A unit is substandard if it:
 - (1) Is dilapidated;
 - (2) Does not have operable indoor plumbing;
 - (3) Does not have a usable flush toilet inside the unit for the exclusive use of a family;
 - (4) Does not have a usable bathtub or shower inside the unit for the exclusive use of a family;
 - (5) Does not have electricity, or has inadequate or unsafe electrical service;

- (6) Does not have a safe or adequate source of heat;
- (7) Should, but does not, have a kitchen; or
- (8) Has been declared unfit for habitation by an agency or unit of government.

(b) Other definitions—

(1) Dilapidated unit. A housing unit is dilapidated if:

- (i) The unit does not provide safe and adequate shelter, and in its present condition endangers the health, safety, or well-being of a family; or
- (ii) The unit has one or more critical defects, or a combination of intermediate defects in sufficient number or extent to require considerable repair or rebuilding. The defects may involve original construction, or they may result from continued neglect or lack of repair or from serious damage to the structure.

- (2) A child or youth who does not qualify as “homeless” under this section, but qualifies as “homeless” under section 387(3) of the Runaway and Homeless Youth Act (42 U.S.C. 5732a(3)), section 637(11) of the Head Start Act (42 U.S.C. 9832(11)), section 41403(6) of the Violence Against Women Act of 1994 (42 U.S.C. 14043e-2(6)), section 330(h)(5)(A) of the Public Health Service Act (42 U.S.C. 254b(h)(5)(A)), section 3(l) of the Food and Nutrition Act of 2008 (7 U.S.C. 2012(l)), or section 17(b)(15) of the Child Nutrition Act of 1966 (42 U.S.C. 1786(b)(15)); or
- (3) A child or youth who does not qualify as “homeless” under this section but qualifies as “homeless” under section 725(2) of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a(2)), and the parent(s) or guardian(s) of that child or youth if living with her or him.

3. **Fleeing, or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking**, as defined by HUD.

For HOME-ARP, this population includes any individual or family who is fleeing, or is attempting to flee, domestic violence, dating violence, sexual assault, stalking, or human trafficking. This population includes cases where an individual or family reasonably believes that there is a threat of imminent harm from further violence due to dangerous or life-threatening conditions that relate to violence against the individual or a family member, including a child, that has either taken place within the individual’s or family’s primary nighttime residence or has made the individual or family afraid to return or remain within the same dwelling unit. In the case of sexual assault, this also includes cases where an individual reasonably believes there is a threat of imminent harm from further violence if the individual remains within the same dwelling unit that the individual is currently occupying, or the sexual assault occurred on the premises during the 90-day period preceding the date of the request for transfer.

Domestic violence, which is defined in [24 CFR 5.2003](#) includes felony or misdemeanor crimes of violence committed by:

- 1) A current or former spouse or intimate partner of the victim (the term “spouse or intimate partner of the victim” includes a person who is or has been in a social relationship of a romantic or intimate nature with the victim, as determined by the length of the relationship, the type of the relationship, and the frequency of interaction between the persons involved in the relationship);
- 2) A person with whom the victim shares a child in common;
- 3) A person who is cohabitating with or has cohabitated with the victim as a spouse or intimate partner;
- 4) A person similarly situated to a spouse of the victim under the domestic or family violence laws of the jurisdiction receiving HOME-ARP funds; or
- 5) Any other person against an adult or youth victim who is protected from that person's acts under the domestic or family violence laws of the jurisdiction.

Dating violence which is defined in [24 CFR 5.2003](#) means violence committed by a person:

- 1) Who is or has been in a social relationship of a romantic or intimate nature with the victim; and
- 2) Where the existence of such a relationship shall be determined based on a consideration of the following factors:
 - a. The length of the relationship;
 - b. The type of relationship; and
 - c. The frequency of interaction between the persons involved in the relationship.

Sexual assault which is defined in [24 CFR 5.2003](#) means any nonconsensual sexual act proscribed by Federal, Tribal, or State law, including when the victim lacks capacity to consent.

Stalking which is defined in [24 CFR 5.2003](#) means engaging in a course of conduct directed at a specific person that would cause a reasonable person to:

- 1) Fear for the person’s individual safety or the safety of others; or
- 2) Suffer substantial emotional distress.

Human Trafficking includes both sex and labor trafficking, as outlined in the Trafficking Victims Protection Act of 2000, as amended (22 U.S.C. 7102). These are defined as:

- 1) *Sex trafficking* means the recruitment, harboring, transportation, provision, obtaining, patronizing, or soliciting of a person for the purpose of a commercial sex act, in which the commercial sex act is induced by force, fraud, or coercion, or in

which the person induced to perform such act has not attained 18 years of age; or

- 2) *Labor trafficking* means the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, using force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

4. **Other Populations** where providing supportive services or assistance under section 212(a) of NAHA ([42 U.S.C. 12742\(a\)](#)) would prevent the family's homelessness or would serve those with the greatest risk of housing instability. HUD defines these populations as individuals and households who do not qualify under any of the populations above but meet one of the following criteria:

- (1) **Other Families Requiring Services or Housing Assistance to Prevent Homelessness** is defined as 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 who need additional housing assistance or supportive services to avoid a return to homelessness.
- (2) **At Greatest Risk of Housing Instability** is defined as household who meets either paragraph (i) or (ii) below:
 - (i) has annual income that is less than or equal to 30% of the area median income, as determined by HUD and is experiencing severe cost burden (i.e., is paying more than 50% of monthly household income toward housing costs);
 - (ii) has annual income that is less than or equal to 50% of the area median income, as determined by HUD, **AND** meets one of the following conditions from paragraph (iii) of the "at risk of homelessness" definition established at [24 CFR 91.5](#):
 - (A) Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
 - (B) Is living in the home of another because of economic hardship;
 - (C) Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance;
 - (D) Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by Federal, State, or local government programs for low-income individuals;
 - (E) Lives in a single-room occupancy or efficiency apartment unit in which resides more than two persons or lives in a larger housing unit in which resides more than 1.5 persons reside per room, as defined by the U.S. Census Bureau;
 - (F) Is exiting a publicly funded institution, or system of care (such as a healthcare

facility, a mental health facility, foster care or other youth facility, or correction program or institution); or

- (G) Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness, as identified in the recipient's approved consolidated plan.

- (3) **Veterans and Families that include a Veteran Family Member** that meet the criteria for one of the qualifying populations described above are eligible to receive HOME-ARP assistance.