



**ARPA-SFR
Awards to Grantees: Interim Guidelines and Procedures
July 8, 2021**

Act 74 of 2021, the FY22 Budget Bill, appropriated \$94 million in American Rescue Plan Act: Coronavirus State Fiscal Recovery funds to VHCB in addition to supplemental state funding to advance the recovery from the COVID-19 pandemic. The purpose of the ARPA-SFR appropriation is to “provide housing and increase shelter capacity, with priority given to populations who may be displaced from the hotel/motel voucher problem or are currently without housing, including by providing permanent homes in mixed-income settings.”

The source of funds is Vermont’s allocation from the Coronavirus State Fiscal Relief Fund established by the American Rescue Plan Act of 2021. VHCB shall administer ARPA-SFR funds in compliance with the Act and rules and guidance issued by the U.S. Department of the Treasury and the State of Vermont. Grantees shall be responsible for meeting eligibility, compliance and reporting requirements.

Act 74 also provided for the replacement of \$30 million of the ARPA-SFR appropriations with \$30 million in state general funds, to the extent there is a sufficient FY21 surplus. VHCB anticipates that swap will occur and plans on administering a total of \$64 million in ARPA-SFR from Act 74.

[General Information on ARPA State Fiscal Recovery Funds – U.S. Treasury Department](#)

[Interim Final Rule](#)

[State Fiscal Recovery Funds Compliance and Reporting Guidance](#)

[U.S. Treasury ARPA-SFR FAQs](#)

Guidance related to eligible uses for ARPA-SFR is evolving. What follows is based on Treasury’s Interim Final Rule and guidance as of June 30, 2021. The Treasury rule will be finalized and guidance will be updated over time. VHCB’s ARPA-SFR Guidelines and Procedures along with VHCB FAQs, will be updated accordingly and posted at www.vhcb.org.

USE OF ARPA-SFR FUNDS

The development of affordable housing falls under the ARPA statutory category of responding to “the COVID-19 public health emergency or its negative economic impacts.” Current eligibility for ARPA-SFR for affordable housing includes:

- For multi-family housing located in Qualified Census Tracts
A Qualified Census Tract is an area with at least 50% of households with incomes below 60% of the Area Median Gross Income, or with a poverty rate of 25% or more. It is important to note that this criteria is more restrictive than Difficult To Develop areas. To see if a site is located in a Qualified Census Tract: <https://www.huduser.gov/portal/qct/index.html>.
- For projects or units serving the homeless
ARPA-SFR can be used either for whole projects which serve those who have experienced homelessness OR for units designated for those who have experienced homelessness within mixed-income projects. Projects and units funded by ARPA-SFR to address homelessness must be leased to those experiencing homelessness or at risk of homelessness due to a disruption to their previous housing situation as a result of the COVID-19 public health emergency; and/or referred through the local system of coordinated entry to housing.

Potential Eligibility for ARPA-SFR for affordable housing includes:

- For multi-family housing located outside Qualified Census Tracts:
Treasury’s Interim Final Rule allows ARPA-SFR to be used for affordable housing developments outside of QCTs if it can be demonstrated that the households, populations or geographic areas were disproportionately impacted by the pandemic. These guidelines will be updated as more information is available about this potential use.
- Homeownership: *Although Act 74 references homeownership, it is not yet clear that this is an eligible use of ARPA-SFR funds. VHCB is working with the State of Vermont and others in support of a Treasury determination that the development of homeownership units is eligible. These guidelines will be updated as more information is available about this potential use.*

New Housing Units and Shelter Capacity

The Vermont General Assembly and Governor Scott have directed VHCB to seek and support the creation of new units of affordable housing and shelter capacity with a priority for households and/or individuals experiencing homelessness or are at risk of becoming homeless due to a disruption to their previous housing situation or referred through the local system of coordinated entry to housing. This will require alliances that combine the capacity of housing developers and owners with that of homeless shelters and other service providers to create affordable housing opportunities that fall into three categories:

- 1) Projects that provide permanent housing “at scale,” for households experiencing homelessness, i.e. converting an existing facility such as a motel, hotel, or other multi-family building.

- 2) General occupancy projects that will set aside units for homeless households.
- 3) Projects improving or expanding shelter capacity or providing transitional housing for households experiencing homelessness.

Projects in all categories will be funded in consultation with the Agency of Human Services.

Maximum Award Amounts:

VHCB has established ARPA-SFR maximum per unit awards for multi-family housing proposals based on HUD-published limits for other federal housing programs (specifically the HOME Program.) These limits are as follows:

0 BR	\$153,314
1 BR	\$175,752
2 BR	\$213,718
3 BR	\$276,482

PROJECT SELECTION CRITERIA

Thresholds:

- The project sponsor must be a 501(c) (3) nonprofit or a municipality, or private developer. Project sponsors must participate in a risk assessment process to confirm the administrative and fiscal capacity to administer the ARPA-SFR funds as required by the Treasury Department's Compliance and Reporting Guidance.
- There must be a demonstrated plan and commitment for referrals, coordination and partnership between developer, Continuum of Care, local housing authority – if any -, and social service providers who work with the target population to serve homeless households. *Projects and units funded by ARPA-SFR must be leased to those experiencing homelessness or at risk of homelessness due to a disruption to their previous housing situation as a result of the COVID-19 public health emergency; and/or referred through the local system of coordinated entry to housing.*
- The project must be located in an area of the state shown by data to have a number of homeless households and a lack of affordable housing units.

Priorities:

- Evidence of project readiness to proceed, and achievable timeline to incur all costs by December 31, 2024, including site control, level of support from municipality, and capacity of related development partners.
- Projects that meet urgent housing needs by making permanent homes available for those experiencing homelessness in mixed-income settings.
- Highest priority will be given to projects making units available sooner.
- Reasonable per unit capital cost for homeless households housed.
- Projects that meet threshold requirements and also respond to urgent community housing needs around the state.
- Geographic distribution of funds to the extent practicable.

PROJECT SELECTION PROCESS

Full Applications

VHCB will accept applications for ARPA-SFR through the online application system. Upcoming application deadlines are as follows:

<u>Application Deadline:</u>	<u>Board Meeting:</u>
July 23, 2021	September 29, 2021
November 10, 2021	January 26, 2022
February 25, 2022	May 13, 2022

VHCB staff will review applications and make recommendations for funding to the VHCB Board. Staff recommendations will be based, in part, on an assessment of:

- the quality and completeness of the application
- the extent that the project meets project selection threshold criteria
- the extent that the project meets the project selection priority criteria:
- the capacity of the development team including the application sponsor, and service partner
- the reasonableness of the development budget, including the scope of work and cost estimates
- the number units that will be leased to households experiencing homelessness or who are at risk of homelessness.
- the reasonableness of the operating budget, to indicate the successful long-term financial performance of the project
- data provided which demonstrates the application's area of the state has a need for housing for households experiencing homelessness
- the location of the proposed project, ensuring households served will have access to transportation other than individually owned vehicles, and goods and services
- the impact of the project on the surrounding neighborhood or community particularly sites where investment can be transformative or preserve or enhance historic buildings
- locations with low rates of poverty and with access to employment, education and transportation opportunities, particularly for families with children
- proposed projects should not promote sprawl but instead should enhance Vermont's historic pattern of compact settlement

Staff will score the applications based on Need, Impact, and Quality. Each criterion may carry a higher or lower weight depending on project characteristics:

Need

- Swift Action to preserve a significant resource
- Scarce or unique resource
- Economic needs of the targeted population
- Extent to which alternative sources of funding are available

Impact

- # of housing units created/protects and their affordability
- Who will benefit
- Extent of perpetual use
- Impact of lack of action
- Relative costs of the benefits

Quality

- Dual goal
- Capacity of applicant to carry out the project
- Availability of other resources to make project work & sustain it, including the strength of the proposed partnership between developers and service partners
- Importance of the resource

VHCB Board Meeting

Staff's ARPA-SFR funding recommendations will be made to the Board in the form of a memorandum that will include a description of the proposal and the project's strengths and challenges. Staff will also propose closing conditions for the Board to consider.

The Board will meet in a public session. The Board's project funding decisions are final.

IMPLEMENTATION

Project awards will be made in a manner that is consistent with VHCB's usual and customary policies and procedures, specifically in a manner consistent with projects utilizing LIHTC funds. With this consideration, VHCB will allow for the customary and reasonable use of ARPA-SFR funds for real estate acquisition, construction costs and contingencies including site work, soft costs including architectural, engineering and construction management fees, replacement and operating reserves, and a developer fee

Awards may be conveyed as grants or loans. A grant or loan agreement will describe terms and conditions associated with the award and awards will be secured by a mortgage. If a project has previously received VHCB funding, the housing subsidy covenant will be amended to reflect the supplemental award. A housing subsidy covenant will be recorded for new projects.

Upon execution of grant/loan agreements and satisfaction of closing conditions, VHCB will begin to disburse funds for incurred eligible expenses. ARPA-SFR funds can only be used on a reimbursement basis. VHCB staff and/or consultants will conduct periodic construction progress inspections and will conduct an inspection prior to the final disbursement.

Grantees will submit periodic reports to VHCB as required to meet State and Federal requirements and assist VHCB in determining Project Sponsor compliance. VHCB will monitor projects for compliance according to a risk-based schedule and as required by The Treasury Department and the State of Vermont.

PROJECT DEVELOPMENT GUIDANCE

Administrative Requirements

- A. Grantee agrees to comply with all applicable regulations within OMB 2 CFR, Part 200, “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”
- B. The Grantee will undergo a timely annual audit of the Grantee’s financial statements covering any fiscal year that includes the use of these funds. If applicable, the audit will be in accordance with OMB 2 CFR, part 200, Subpart F. Grantee will submit all annual audit reports to VHCB staff for review, and shall include all auditor communications in regards to internal controls and/or compliance, such as management letters, SAS 115 Communication of Internal Control Related Matters, and reports on compliance.
- C. The Developer shall utilize a financial management system that includes effective controls for accountability over funds received and expended and have written procedures that define allowable costs and certain cash management functions. Financial management systems shall include: 1) records that identify sources and uses of federal funds; 2) effective controls over and accountability for all funds and assets; and, 3) records that are supported by source documentation. Records shall be maintained by VHCB and grantees for a period of five (5) years after final payment is made using ARPA-SFR monies.
- D. Grant funds shall not be requested or disbursed until needed and shall be the minimum amount necessary. Eligible costs must have been incurred as ARPA-SFR funds can only be used on a reimbursement basis. Grantee must provide documentation supporting costs to VHCB as part of request for funds.

Procurement Guidelines

The procurement of construction and construction-related goods and services, such as buying supplies, retaining design professionals and awarding construction contracts on VHCB-funded projects is subject to the requirements of Procurement Standards of the federal Uniform Guidance at 2 CFR Part 200.318, as well as the specific VHCB requirements outlined in VHCB’s [Procurement Guidelines for Housing Grantees](#):

Developers shall document all procurement activities, and make the documentation available to VHCB upon request.

VHCB ARPA-SFR Environmental Assessment Process

The National Environmental Policy Act (NEPA) does not apply to ARPA-SFR. In its stead, VHCB requires a Phase 1 Environmental Site Assessment (ESA), which shall document the absence of environmental contamination, for all newly acquired properties. Rehabilitation of existing properties will be required at a minimum, to address toxic substances, if applicable.

Toxic Substances:

Rehabilitation work completed with ARPA-SFR funds that disturbs surfaces or building components potentially containing toxic substances (ex. Lead-based paint, asbestos) shall be in compliance with applicable State and Federal laws and regulations.

VHCB may require additional environmental assessment depending on the nature of the project and sources of funding.

Developers shall document all environmental assessment activities, and make available to VHCB upon request.

Historic Review

All projects receiving ARPA-SFR funds are subject to Section 106 Review, in conjunction with the State Historic Preservation Officer. Section 106 of the National Historic Preservation Act of 1966 (NHPA) requires that federally funded projects take into account the effect on any historic property, including historic buildings and archaeological sites. To start the review process, please complete the Section 106 [Historic Preservation Project Review Cover Form](#) and submit it to the State Division for Historic Preservation.

VHCB ARPA-SFR Displacement/Relocation

All projects receiving ARPA-SFR funding shall comply with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA), as amended.