# Act Now to Shape Housing-Related Spending of ARPA Dollars

Housing advocates have an opportunity to shape how state and local governments will spend and distribute billions of dollars in aid on housing-related initiatives under the **American Rescue Plan Act (ARPA)** thanks to guidance that the Treasury Department issued in recent weeks.

ARPA is the sprawling $1.9 trillion economic stimulus bill that Congress enacted in March to address the impacts of the Coronavirus pandemic. It includes $360 billion for a **State and Local Fiscal Recovery Fund (SLFRF)**, as well as nearly $10 billion for a **Homeowner Assistance Fund (HAF).** ARPA directs the Treasury Department to award funding under both of these programs to state, local and tribal governments based on guidance that the Department develops. The Treasury Department issued that guidance for HAF on April 14, 2021, and for SLFRF on May 10, 2021.

With the publication of this guidance, state, local and tribal governments are now making plans for how to spend and distribute SLFRF and HAF dollars. Treasury's guidance for both programs encourages state, local and tribal governments to engage their constituents and communities in these planning efforts. Accordingly, now is the time for housing advocates to educate themselves about these programs and work with government and tribal leaders to craft equitable and effective plans for the use of this funding.

Below is a brief summary of each program, with links to resources for additional information.

**The Homeowner Assistance Fund**

- The Homeowner Assistance Fund (HAF) provides funding for homeowner relief efforts designed to help homeowners experiencing financial hardship as a result of COVID-19. These efforts will provide a range of relief, such as direct assistance with mortgage payments, helping people get into affordable loan modifications, and assisting with utility payments, property tax and insurance payments, and other costs.
- Of special interest to community land trusts (CLTs) is the specification that "qualified expenses" that can be covered by the program include "homeowner's association, condominium association fees, or common charges," a phrase that arguably includes ground lease fees. Accordingly, as HAF programs come online and CLTs work with distressed homeowners to get relief, they should be sure to include payment of delinquent ground lease fees in the relief sought.
- The U.S. Treasury Department is providing nearly $10 billion in funding for the HAF program, but the aid will be administered and distributed nationally by state and tribal governments. In most, but not all, states, the state housing finance agency will serve as the administrative entity at the state level. How much money each state receives is determined by a formula, with states (including Puerto Rico and the District of Columbia) receiving a minimum of $50 million, and some states receiving over $1 billion. The amount allocated to individual tribal governments has not been announced yet.
- State and tribal governments are currently in the process of drafting HAF plans, which will describe the needs of homeowners within their jurisdictions, the design of the program(s) they propose to implement using HAF funds, performance goals, and information regarding their readiness to implement the program(s). States are expected to rely heavily on **housing counseling agencies** to identify and work with distressed homeowners to apply for these funds.
- Treasury regulations require **specific targeting** of HAF funds:

  > "Not less than 60% of amounts made available to each HAF participant must be used for qualified expenses that assist homeowners having incomes equal to or less than 100% of the area median income or equal to or less than 100% of the median income for the United States, whichever is greater. Any amount not made available to homeowners that meet this income-targeting requirement must be prioritized for assistance to socially disadvantaged individuals, with funds remaining after such prioritization being made available for other eligible homeowners."

  Notably, these targeting requirements set minimum requirements for HAF plans. Housing advocates may push states to implement even stronger targeting standards.

For more information on the Housing Assistance Fund program, see the U.S. Treasury Department's website.

**State and Local Fiscal Recovery Fund (SLFRF)**

- State and Local Fiscal Recovery Funds (SLFRF) may be spent for a wide range of uses, provided those uses "respond to the [COVID-19] public health emergency or its negative impacts." The Treasury Department's interim guidance on SLFRF cites numerous studies indicating that low-income households and households facing housing insecurity (among other conditions) were disproportionately impacted by the pandemic (Interim Final Rule, pp. 22, 25, 26). Accordingly, programs that benefit low-income households – so long as the programs are "related and reasonably proportional to the type of harm experienced" (Interim Final Rule, p. 28) – will generally be deemed eligible uses of SLFRF funds.
- Programs that address "housing insecurity, lack of affordable housing, or homelessness," including programs for the "[d]evelopment of affordable housing to increase the supply of affordable and high-quality living units," are specifically called-out as eligible uses of SLFRF funds (31 CFR 35.6(b)(12)(ii)). Housing advocates looking to persuade local governments to spend SLFRF funds on new development of affordable housing, as well as the redevelopment or rehab of existing housing to improve its quality and make or keep it affordable, should point to this language as authorization for such efforts.
- "Emergency assistance" for "home repairs, weatherization, or other needs," is also an expressly authorized use of SLFRF funds. (Interim Final Rule, p. 29). Accordingly, housing advocates could encourage local governments to step-up home repair efforts using SLFRF funds.
- In designing affordable housing programs with SLFRF funds, local governments must take care that they serve "disproportionately impacted populations and communities." (31 CFR 35.6(b)(12)). This means that the housing or its beneficiaries must fall into at least one of three eligibility categories:
    - Geographic eligibility – Affordable housing located in qualified census tracts is automatically eligible as a use of SLFRF funds. (31 CFR 35.6(b)(12))
    - Household eligibility – (Interim Final Rule, p. 29; 35 CFR 35.6(b)(8)) the affordable housing is provided to households that:
        - experienced unemployment during the public health emergency.
        - experienced increased food or housing insecurity during the public health emergency.
        - are low- or moderate-income.
    - Locally-determined eligibility – Local governments may also target funds to other locally-defined populations or geographic areas, provided that local officials can "support their determination that the pandemic resulted in disproportionate public health or economic outcomes" for the "specific populations, households, or geographic areas to be served." (Interim Final Rule, p. 20).

In providing input on housing initiatives funded through SLFRF, housing advocates should emphasize the importance of prioritizing funding for programs that provide housing (whether rental or ownership units) with lasting terms of affordability. That includes housing provided by community land trusts, limited-equity housing cooperatives, and other shared-equity housing programs. Funding these programs helps ameliorate the conditions that allowed COVID-19 to disproportionately impact low- and moderate-income households, advances the goal of increasing the supply of affordable and high-quality living units in the community, and builds greater stability and resilience into the affordable housing delivery system in the event of another pandemic in the future.

For more information on the State and Local Fiscal Recovery Fund program, see the U.S. Treasury Department's website. The Center for Community Progress has also issued an extensive summary of the program.