

## PREVENTING HOMELESSNESS FUNDING OPPORTUNITY – HOME ARP

### I. PREVENTING HOMELESSNESS FUNDING OPPORTUNITY (PHFO) – HOME ARP

This PHFO loan application is procuring development projects that are eligible for funding appropriated under section 3205 of the American Rescue Plan Act of 2021 ("ARP") for the HOME Investment Partnerships Program (HOME). The **HOME-American Rescue Plan** or **HOME-ARP** funds are targeted to provide homelessness assistance and supportive services. The City of Cincinnati and its Department of Community and Economic Development (DCED), through the PHFO, is providing a portion of its HOME-ARP funding to residential developers as financing loans for the development of permanent supportive housing rental projects. All ARP-funded projects carry a minimum 15-year affordability period. DCED intends to promulgate this funding opportunity and petition projects that will make positive impacts on the lives of some of the most vulnerable citizens through the provision of affordable housing and case management along with supportive services. In achieving this, DCED is achieving Goal 3 of the Live Initiative Area of *Plan Cincinnati* (2012)<sup>1</sup> (pages 164-178) by providing a full spectrum of healthy housing options and improve housing quality and affordability.

### II. FUNDING AVAILABILITY

Up to \$9,900,000 is available to loan applicants through the use of HOME-ARP funds. Funds are intended to be awarded through an application beginning March 17, 2023. (PHFO). By Federal regulation, the City must expend all HOME-ARP funds before September 30, 2030. Given said requirement, the City and DCED reserve the right to establish and subsequently postpone due dates for its convenience. The City and DCED also have the right to withdraw this solicitation at any time without prior notice. Finally, complete discretion to award all funds or a portion of funds at any time lies solely with the City and DCED.

### III. HOW PHFO WORKS

PHFO is a public gap financing tool that intends to leverage private financing to develop quality housing geared toward providing affordable housing and eliminating and preventing Homelessness throughout the City. Through PHFO, DCED provides last-in flexible financing. Program participants must secure the remainder of project financing before the submission of a PHFO loan application.

PHFO loans shall be awarded on a need basis through a rigorous review and underwriting process. DCED staff will evaluate the project's financial need & capacity, neighborhood impact, and Developer's capability to complete the initial construction or rehabilitation and manage the project long term. In addition, staff will analyze the project and Developer's ability to meet City requirements and comply with all regulatory provisions of the HOME program as codified at [24 CFR Part 92](#), except as described in the U.S Department of Housing and Urban Development (HUD) Notice: CPD-21-10<sup>2</sup>. All analysis and funding options will be presented to City leadership for final approval of the award. These project considerations

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<sup>1</sup> Plan Cincinnati is available at <https://www.cincinnati-oh.gov/planning/plan-cincinnati/>

<sup>2</sup> HUD Notice CPD-21-10 and its Appendix are available at <https://www.hudexchange.info/resource/6479/notice-cpd-2110-requirements-for-the-use-of-funds-in-the-home-arp-program/>

listed above are not all-encompassing; Developers should not assume project reviews will be limited to that described.

Staff analysis and funding considerations will be presented to the Director of DCED, the City Manager, and the Mayor, who will have final authority over PHFO loan awards and the determination of awards meeting the City's objectives and the objectives of HOME-ARP the City's Allocation Plan.

#### **IV. ELIGIBLE APPLICANTS FOR PHFO FUNDS**

Non-profit and for-profit corporations including special purpose entities, Community Development Corporations, Community Housing Development Organizations, partnerships, and Public Housing Authorities are all welcome to apply for the HOME-ARP fund through the PHFO application. Applicants must be capable of performing the duties required to place their proposed development in service and successfully manage the project during the minimum 15-year term of the affordability period. **Applicants must be able to demonstrate experience in developing and/or managing/operating a permanent supportive housing rental project servicing one or more of the qualifying populations or two-year history of operating housing that specifically services one or more of the qualifying populations.**

DCED reserves the right to reject proposals from applicants or their affiliate entities who are debarred from conducting business with the federal government and are not in good standing with financial obligations to the City, existing project compliance, or poor property management.

#### **V. ELIGIBLE USES OF PHFO FUNDS**

PHFO loan funds awarded will be used to fund Affordable Rental, particularly those for occupancy by individuals and families that meet the definition of one or more qualifying populations.

- A. Eligible Activities** include 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. Funds awarded through the PHFO can only be used to acquire an existing building or finance the hard development costs associated with the project. PHFO loan funds CANNOT be used for pre-development, soft, or operating costs associated with a project. Rental projects must have a minimum of residential 10 units to be eligible. Ineligible Activities include shelter development, for-sale property development, and refinancing of existing debt.
- B. Eligible Costs** include development hard costs including 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. Acquisition costs of improved or unimproved real property are also eligible, however, 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.

## VI. QUALIFYING POPULATIONS

HOME-ARP requires that funds be used to primarily benefit individuals and families that meet the definition of one or more of the "qualifying populations." Any individual or family who meets the criteria for these populations is eligible to receive assistance funded through HOME-ARP without meeting any additional criteria. Development projects receiving funds through this solicitation will be required to serve one or more of the qualifying populations as described in [HUD Notice CPD-21-10 Section IV A \(page 3\)](#). The qualifying populations identified in this section of the notice include:

- **Homeless as defined under 24 CFR 91.5**
- **At-Risk of Homelessness**
- **Fleeing or Attempting to Flee, Domestic Violence, Dating Violence, Sexual Assault, Stalking, or Human Trafficking**
- **Other Populations** *where providing supportive services or assistance would prevent the family's Homelessness or serve those with the greatest risk of housing instability.*
- **Veterans and Families that include a Veteran Family Member** *that meet the criteria for one of the qualifying populations listed above.*

HOME-ARP activities under the PHFO must primarily benefit households in qualifying populations, as defined above. However, to improve the feasibility and maintain the long-term viability of projects with HOME-ARP Units, an Eligible Recipient may invest HOME-ARP funds in units that are not restricted for occupancy by qualifying households, but such units must be restricted for low-income households as follows: a. Targeting: Program funds can only be invested in units restricted for qualifying households or low-income households as follows: i) Not less than 70 percent of the total number of HOME-ARP Units must be restricted for occupancy by households that are qualifying households at the time of the household's initial occupancy, and ii) Not more than 30 percent of the total number HOME-ARP Units may be restricted to low-income households. These low-income HOME-ARP Units do not have to be restricted for occupancy by qualifying households, however, low-income HOME-ARP Units are only permitted in projects that include the requisite percent of HOME-ARP Units for qualifying households. All income calculations to meet the 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](#) per the requirements of [24 CFR 92.203\(a\)\(1\)](#).

## VII. BENEFICIARY REQUIREMENTS

- **Eligible Beneficiaries:** HOME-ARP funds must primarily benefit individuals and families that meet one of the qualifying populations defined in the Notice. However, not more than 30 percent of the total number of rental units assisted with HOME-ARP funds may be occupied by low-income households as defined in 24 CFR 92.2.
- **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 PJ 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 PJ 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.

- *Tenant Contribution to Rent:* A qualifying household may not contribute to rent more than is affordable based on the PJ's determination of the household's income.

#### **VIII. PROJECT REQUIREMENTS**

- *Targeting and Occupancy:* Not less than 70 percent of the total number of rental units a PJ assists with HOME-ARP funds must be restricted to occupancy by households that are qualifying households at the time of the household's initial occupancy. Not more than 30 percent of the total number of rental units assisted with HOME-ARP funds by the PJ may be restricted for occupancy by low-income households. A household that met the definition of one or more qualifying populations 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 percent of the adjusted income of a household whose annual income is equal to or less than 50 percent 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).
- *Additional HOME-ARP Unit Limitations, if applicable:*
  - *Federal/State Project-Based Rental Subsidy:* A HOME-ARP unit that receives a Federal or state project-based rental subsidy may charge the rent allowable under the rental subsidy program.
  - *Single Room Occupancy Units (SRO):* If an SRO unit has both sanitary and food preparation facilities, the maximum HOME-ARP rent is based on the zero-bedroom fair market rent. If the SRO unit only has sanitary facilities, the maximum HOME-ARP rent is based on 75 percent of the zero-bedroom fair market rent.
- *Changes in Income and Over-Income Households:* A PJ must take action to address over-income households occupying HOME-ARP units as follows:
  - *Qualifying Households:* A qualifying household whose annual income at the time of recertification is above 50 percent of median income for the area but below 80 percent 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 percent of the median income for the area must pay rent that complies with 24 CFR 92.252(i)(2).

The HOME-ARP program's requirements and limitations to rental housing are more thoroughly defined in [HUD Notice CPD-21-10 Section VI B](#).

#### **IX. MARKET STUDY**

Developers are required to submit a market study that evaluates market conditions and neighborhood conditions for the proposed development site and must demonstrate that there is sufficient demand for the proposed housing, both HOME-ARP-assisted and any unassisted housing developed. The market study must provide a quantitative analysis that documents the marketability of the proposed units, utilizing rental and sales data as appropriate. The supporting data for the market study must be aged twelve (12) months or less.

**Market studies are not required for projects that are serving special needs or where 100% of the units are reserved for housing for qualified populations.** Rather, a market assessment must be completed and submitted using data from service providers whose existing clients form the primary pool of potential tenants.

#### **X. MINIMUM SUPPLEMENTAL APPLICATION REQUIREMENTS**

Applicant Information:

- Verification of registration with the U.S. System for Award Management and be free from debarment. If not registered, registration can be accomplished here: [SAM.gov | Entity Registrations](#)
- Verification of registration with the Ohio Secretary of State Office at the time of application
  - Articles of Organization / Articles of Incorporation / Certificate of Partnership – The applicant should be a legal entity recognized in the State of Ohio. The applicant should provide the document from the State of Ohio verifying they are a legal entity in the state. For an LLC this would be Articles of Organization; for a Corporation this would be Articles of Incorporation and for a Partnership this would be a Certificate of Partnership. Note that out-of-state entities would have a different registration to provide. This will confirm the exact legal entity that is applying for an incentive and prevents the City from drafting a contract with a non-existent entity.
- Corporate Bylaws / Operating Agreement – While not required by Ohio law, most organizations will have an agreement that spells out how the organization functions, who makes decisions for the organization and how profits are distributed. This is helpful to understand who controls an entity and who receives the profits from the business.
- Corporate Resolution / Authorization to Sign – While the company's operating agreement or bylaws may state who can sign for the company, a Corporate Resolution or Authorization to Sign will state which individual is authorized to bind the company for a specific transaction. This will help confirm that the person signing the incentive agreement for the City has been authorized by the Company to bind the Company.

- Development Team Resumes – The resumes of a development team will include their relevant experience in the field related to the incentive request. This is useful for determining whether the project team has sufficient experience to undertake the project that they are proposing. It is helpful to see if the development group has worked with other Department staff members so they can be used as an internal reference for past performance.
- Information on Completed Projects – While development team resumes show the individual experience of the principals involved in the applicant project, the information on completed projects should show the projects that the development team has previously completed together. These projects should be similar in scope and size and should demonstrate the team’s capacity to take on and complete a permanent supportive housing project that will serve the qualifying population.

Project Information:

- Detailed Project Narrative – Project narrative that comprehensively describes the project including but not limited to the project location, number and size of units, including any commercial or community space, the qualifying population being served, and the # of units designated for qualifying populations. types of on-site service provision being provided and by whom, and off-site services available to support the qualifying population within a ¼ mile radius of the project site. Disclose any operating subsidies that are either in place or will be applied for for ongoing operations after construction completion.
  - ***Referral Methods for Projects or Activities – the project narrative must also identify the intake process for determining how both low-income and ALL Qualifying Populations will have access to the housing. The City has not designated preferences at this time so the developer must identify a referral system where all qualifying populations have access to housing***
- Evidence of Site Control – Evidence of site control should be in the form of a deed, purchase contract, holding contract, or other legally binding measures for all properties included in the project.
- Project Budget, Sources, and Operating Proforma – Provide a detailed project budget, including acquisition, soft and hard costs, a sources and uses statement, and a 15-year operating proforma. If there will be an operating subsidy, identify the source and terms.
- Evidence of Project Financing – Provide commitments of all funding sources, even if conditional. Commitments should include financing amounts and terms. Developer/owner equity should be documented with letters from financial institutions, equity partners, or other investors demonstrating the availability/accessibility/commitment of funds for the project. Any State or Federal grants for the project should also be documented.
- Project Plans and Specs – Minimally should include a site plan, renderings and architectural plans for new construction (if available)

## **XI. VALUATION CRITERIA**

PHFO loans are awarded on a need basis through a rigorous underwriting review. Underwriting is the performance of due diligence by the City to evaluate the critical elements of the development or rehabilitation proposal and assess any risk factors. The underwriting guidelines require the City to undertake:

1. An examination of the sources and uses of funds for the project and determination that costs are reasonable; and
2. An assessment, at minimum, of the current market demand in the neighborhood in which the project will be located, the experience of the developer, the financial capacity of the developer, and firm written financial commitments for the project.

The evaluation entails a multi-level review of essential aspects of the decision-making process to determine the eligibility and viability of the proposed project to ensure that:

1. The development proposal meets all of the submission requirements of the PHFO.
2. The submitted project is consistent with Plan Cincinnati, the City's Consolidated Plan Strategic Plan Goals, and the HOME-ARP Allocation Plan.
3. The funding request is feasible.
4. There is a market demand for the proposed development.
5. The proposal meets Site and Neighborhood Standards requirements.
6. The Developer has the experience and capacity to complete the proposed development
7. The proposal conforms to the HOME program requirements, HOME-ARP program requirements, City requirements, and all applicable Federal, State, and Local laws and regulations.
8. The costs associated with the development portion of the proposal are necessary, reasonable, and financially feasible.
9. The projected operational cost is necessary and reasonable, and the proposed development is sustainable for the duration of the affordability period or restricted use period.
10. The sources and uses of funds statements completed in the PHFO application and the lender commitments provided as attachments to the Application reflect sufficient resources to complete the proposed development
11. The total amount of government assistance is not more than is necessary to produce the project.

Once all the above have been determined satisfactorily, projects will be presented to the Director of DCED, the City Administration will have the final authority of PHFO loan awards and the determination of awards meeting the City's objectives.

## **XII. APPLICATION & SUBMISSION DATES**

The *PHFO Application* can be found at [www.choosecincy.com](http://www.choosecincy.com). Please note that the Application requires, at a minimum, Microsoft Excel 2003. If this is an issue for the applicant, please get in touch with DCED staff.

Application packets should include one (1) signed Summary & Certification page from the PHFO Application, one version of the PHFO Application, and all necessary attachments submitted via email. Please send all documents in a zip (compressed) format.

Applications and Supporting Materials identified in **Section X. (MINIMUM SUPPLEMENTAL APPLICATION REQUIREMENTS) of these guidelines are due to the Department of Community and Economic Development no later than April 28<sup>th</sup> by 3PM EST.**

All application submissions can be delivered via email or in-person to Roy J. Hackworth at the Department of Community & Economic Development with the subject line: **“Attention: PHFO Application – PROJECT NAME”**.

### **STAFF CONTACTS**

**Roy J. Hackworth, Housing Division Manager**

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### **EXHIBITS**

- Exhibit A: Procurement Handbook for Developers and Subrecipients



## EXHIBIT A:

### Procurement Handbook for Developers & Subrecipients

If awarded a PHFO loan, projects may be subject to the following City of Cincinnati procurement requirements:

- Meet & Confer
- Selection of Subcontractors
- Debarred Contractor Search
- S/M/WBE Goals
- Section 3
- Prevailing Wage
- Wage Enforcement
- Living Wage
- Equal Employment Opportunity (EEO)
- Preconstruction Meeting

For more information on any of these requirements, applicants should consult the City's [Procurement Handbook for Developers & Subrecipients](#).<sup>3</sup>

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<sup>3</sup> Actual URL for Procurement Handbook is <https://choosecincy.com/wp-content/uploads/2019/02/Exhibit-B-Procurement-Handbook.pdf>