

U.S. DEPARTMENT OF THE TREASURY

AN OVERVIEW OF

Using State & Local Fiscal Recovery Funds for Affordable Housing

August 2022



American Rescue Plan

Last year, President Biden signed the American Rescue Plan Act into law, which has resulted in one of the strongest periods of economic growth in a century.

The American Rescue Plan includes:

- State and Local Fiscal Recovery Funds, which delivers \$350 billion for states, territories, localities, and Tribal governments to respond to the COVID-19 emergency and build a strong, resilient, and equitable recovery.

Key objectives of this funding:

- Fight the pandemic and support families and businesses struggling with its public health and economic impacts
- Maintain vital public services, even amid declines in revenue resulting from the crisis
- Build a strong, resilient, and equitable recovery by making investments that support long-term growth and opportunity



State and Local Fiscal Recovery Funds Final Rule Overview

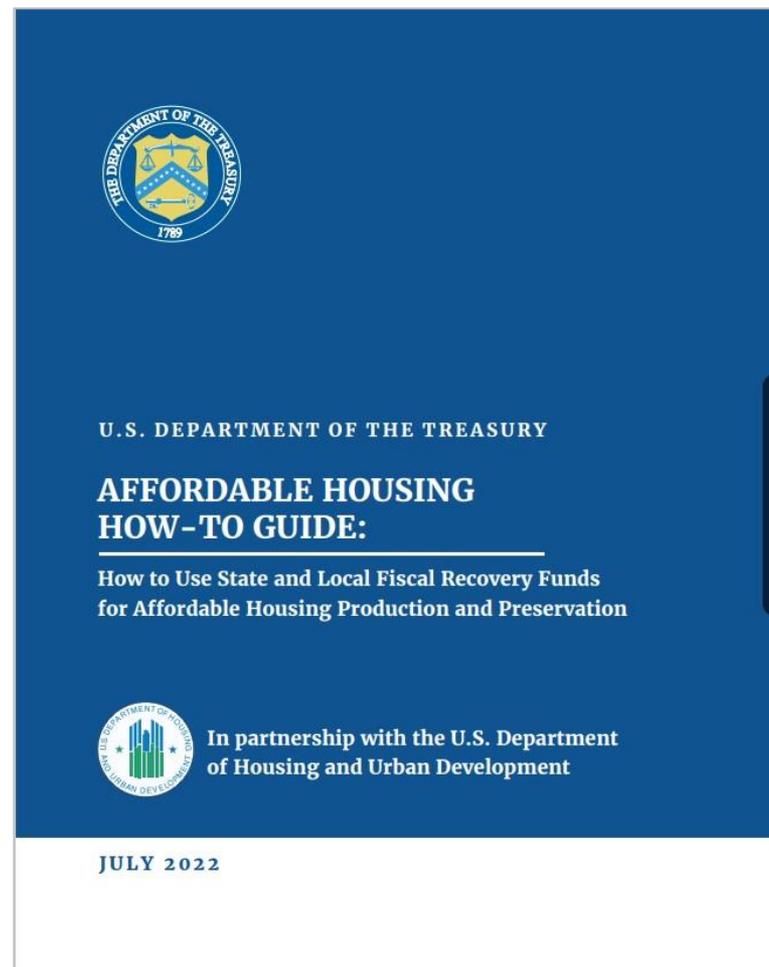
Treasury's final rule provides flexibility and simplicity for recipients to turn the tide on the pandemic, maintain vital public services amid revenue shortfalls, and build a strong, resilient, and equitable recovery.

1**Public Sector Revenues****2****Public Health and Economic Response****3****Premium Pay for Essential Workers****4****Water, Sewer & Broadband Infrastructure**

Housing Updates At-A-Glance

Expanded Presumptive Eligibility

- SLFRF permits funds to be used, among other uses, to respond to the public health and negative economic impacts (PH-NEI) of the pandemic, including for the development, repair, and operation of affordable housing.
- Treasury has updated its guidance (1) to clarify two presumptively eligible ways to use SLFRF to fund affordable housing investments under the final rule and (2) to enable grantees to use SLFRF to fully finance long-term affordable housing loans.



Housing Updates At-A-Glance

Expanded Presumptive Eligibility:

Option 1

- SLFRF-funded affordable housing projects under the PH-NEI eligible use category are presumptively eligible if the project meets certain core requirements of the following expanded list of federal housing programs
 - » National Housing Trust Fund (HTF)
 - » HOME Investment Partnerships Program (HOME)
 - » Low-Income Housing Credit (LIHTC)
 - » Public Housing Capital Fund
 - » Section 202 Supportive Housing for the Elderly Program
 - » Section 811 Supportive Housing for Persons with Disabilities Program
 - » Project-Based Rental Assistance
 - » Multifamily Preservation & Revitalization Program
 - » Affordable housing projects provided by a Tribal government if they would be eligible for funding under the Indian Housing Block Grant program, the Indian Community Development Block Grant program, or the Bureau of Indian Affairs Housing Improvement Program



Housing Updates At-A-Glance

Expanded Presumptive Eligibility:

Option 1

- Treasury has clarified that there are four core program requirements of these federal housing programs that must be met for presumptive eligibility:
 - » Resident income restrictions;
 - » The affordability period and related covenant requirements for assisted units;
 - » Tenant protections; and
 - » Housing quality standards.



Housing Updates At-A-Glance

Expanded Presumptive Eligibility:

Option 2

- SLFRF-funded affordable rental housing investments under the PH-NEI eligible use category are presumptively eligible if the units funded serve households at or below 65% of AMI for a period of 20 years or greater.
- A broader range of affordable housing investments may also be eligible uses of SLFRF funds under the final rule if they are related and are reasonably proportional to addressing the negative economic impacts of the pandemic and otherwise meet the final rule's requirements. Depending on the needs of the local rental market, it may be reasonably proportional to address the negative economic impacts of the pandemic by funding units (e.g., up to 80% AMI) that do not fall into the presumptively eligible categories listed in Option 1 or Option 2.



SLFRF and Long-Term Loans

Flexibilities and Requirements for Long-Term Loans for Affordable Housing

Treasury has determined that SLFRF funds may be used to **fully finance certain long-term loans that support affordable housing investments**. Specifically, under the PH-NEI eligible use category, recipients may use SLFRF funds to make loans to finance affordable housing projects, **funding the full principal amount of the loan**, if the loan and project meet the following requirements:

- The loan has a term of not less than 20 years;
- The affordable housing project being financed has an affordability period of not less than 20 years after the project or assisted units are available for occupancy after having received the SLFRF investment; and
- To protect affordability, the project owners of any properties receiving SLFRF loans which also receive LIHTC financing must agree to waive their right to request a qualified contract as defined in Section 42(h)(6)(F) of the Internal Revenue Code and repay any loaned funds if the property becomes noncompliant.



Layering SLFRF with Other Funding Opportunities

Flexible funding for new construction and substantial rehabilitation of affordable housing

- LIHTC projects
- Federal Housing Administration (FHA) multifamily mortgage insurance
- HOME and HTF
- HOME-ARP
- Project-Based Vouchers (PBVs)
- Recapitalization of Public Housing through HUD's Rental Assistance Demonstration (RAD)
- Community Development Block Grants (CDBG) and Section 108 Loan Guarantee Program



Layering SLFRF with Other Funding Opportunities

Rehabilitation and Adaptive Reuse

- Recipients may use SLFRF to acquire properties that will be transitioned into affordable housing for households that experienced the negative economic impacts of the pandemic.
- This could include **acquisition** of market rate rental properties, motels, or commercial properties that will be converted to affordable housing, or acquisition and **preservation** of publicly supported affordable housing.
- SLFRF may finance **retrofits and weatherization** of properties to improve energy efficiency, potentially by leveraging new federal funding such as the Department of Energy's Weatherization Assistance Program, or infrastructure resources.



Layering SLFRF with Other Funding Opportunities

Rehabilitation and Adaptive Reuse

Opportunities for layering with HUD's **FHA Multifamily mortgage insurance**:

- HUD's Mortgage Insurance for Purchase or Refinancing of Existing Multifamily Rental Housing under Section 223(f) of the National Housing Act to finance property acquisition or refinance
- FHA Risk Share, through which HUD delegates authority to state Housing Finance Agencies to underwrite multifamily loans in exchange for taking on a portion of the risk in the transaction



Layering SLFRF with Other Funding Opportunities

Rehabilitation and Adaptive Reuse

SLFRF may be used **to convert vacant or abandoned properties** to affordable housing in disproportionately impacted communities. For example, SLFRF may be:

- Layered with Section 108 Loan Guarantee Program funds for the eligible housing portion of a mixed-use development;
- Combined with HOME or HTF to provide deeply affordable units within mixed-income developments;
- Used to convert office buildings to condominiums for homeownership;
- Employed to finance the conversion of industrial or commercial properties to housing; or
- Used to acquire vacant lots for affordable housing development.



Additional Uses of Funds

Predevelopment

Recipients may use SLFRF to help fund pre-project development activities, which could include site work and land acquisition, that precede housing development or rehabilitation of affordable housing.

- **Land acquisition:** Recipients may use SLFRF to acquire land for future development or within existing land acquisition programs for purposes of affordable housing investments, including those funded with CDBG or Section 108 Loan Guarantee Program funds.
- **Predevelopment and site work:** SLFRF may be used for predevelopment activity and site work to lay the ground for affordable housing development. Recipients planning to layer SLFRF with HOME for new construction should review HUD environmental review and planning requirements.



Promising Practices



Q&A



Thank you.



For More Information about SLFRF:

Please visit Treasury's State & Local website at www.treasury.gov/SLFRF

For Media Inquiries:

Please contact the U.S. Treasury Press Office at (202) 622-2960

For General Inquiries:

Please email SLFRF@treasury.gov

