U.S. DEPARTMENT OF THE TREASURY

AN OVERVIEW OF

Using SLFRF and ERA for Affordable Housing Development & Preservation

December 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

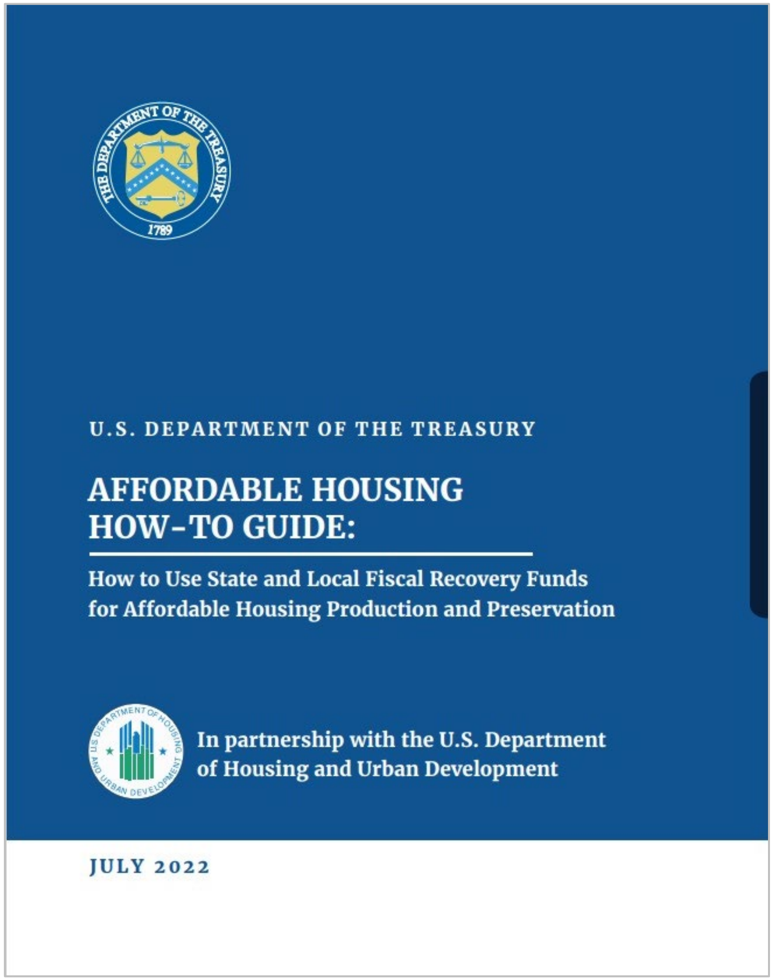
Treasury's final rule provides flexibility and simplicity for recipients to turn the tide on the pandemic, maintain vital public services amid revenue shortfalls, and build a strong, resilient, and equitable recovery.

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-Terms 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

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

- 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.

Promising Practices

Illinois Housing Development Authority

- Oakwood Shores Phase 3-1 is the development of 51 mixed-income apartments across two sites in the Bronzeville Neighborhood, a center for African-American life and culture in the city of Chicago. Historically known as the city's "Black Metropolis," Bronzeville has a strong sense of pride in its influential history and cultural scene having been the home of Ida Wells, Sam Cooke and Gwendolyn Brooks to name a few.
- This project is the latest phase in the redevelopment of Oakwood Shores, a 100+-acre Chicago Housing Authority (CHA) Plan for Transformation site. Since 2001, the Community Builders (TCB), in partnership with the CHA, the city of Chicago, IHDA, HUD, and private investors and lenders, have created 800 mixed-income rental and for-sale units. This phase of Oakwood Shores will consist of one-, two-, and three-bedroom units serving families at market, 60%, and 30% Area Median Incomes.

Oakwood Shores Phase 3-1

- Permanent and Operating Resources:
  - IHDA Resources:
    - COVID-19 Affordable Housing Grant Program (SLFRF) – $4,296,364
    - 9% LIHTC – 1,208,564 in annual credits resulting in $11,238,521 in equity
    - Illinois Affordable Housing Tax Credits (“Donation Tax Credits”) – 999,951 credits resulting in $809,955 in equity
  - Other Resources
    - First mortgage from BMO Harris Bank – $2,772,200
    - TIF Loan from the City of Chicago – $2,000,000
    - Chicago Housing Authority Capital Funds – $5,950,811
    - Chicago Housing Authority RAD vouchers – 19

Slide provided by Illinois Housing Development Authority, using its internal data. Inclusion in these materials does not constitute an explicit approval of these projects by Treasury.

Slide provided by MassHousing, using its internal data. Inclusion in these materials does not constitute an explicit approval of these projects by Treasury.

Loan Commitment Proposal | August 9, 2022

Mildred Hailey Building 1A & 1B

Location	Boston – Jamaica Plain	
Sponsor	The Community Builders, Inc. (TCB)	
	Building 1A	**Building 1B**
Transaction Type	Production 4%	Production 4%
Funding Type	Forward Commitment of Permanent Loan	Forward Commitment of Permanent Loan
Execution Type	Portfolio (TE)	Portfolio (TE)
Credit Enhancement	HUD/FHA Risk-Sharing with 50% credit risk	HUD/FHA Risk-Sharing with 50% credit risk
Total Rental Units	100	123
Affordability Mix	76 Affordable 24 Workforce	93 Affordable 30 Workforce

MassHousing

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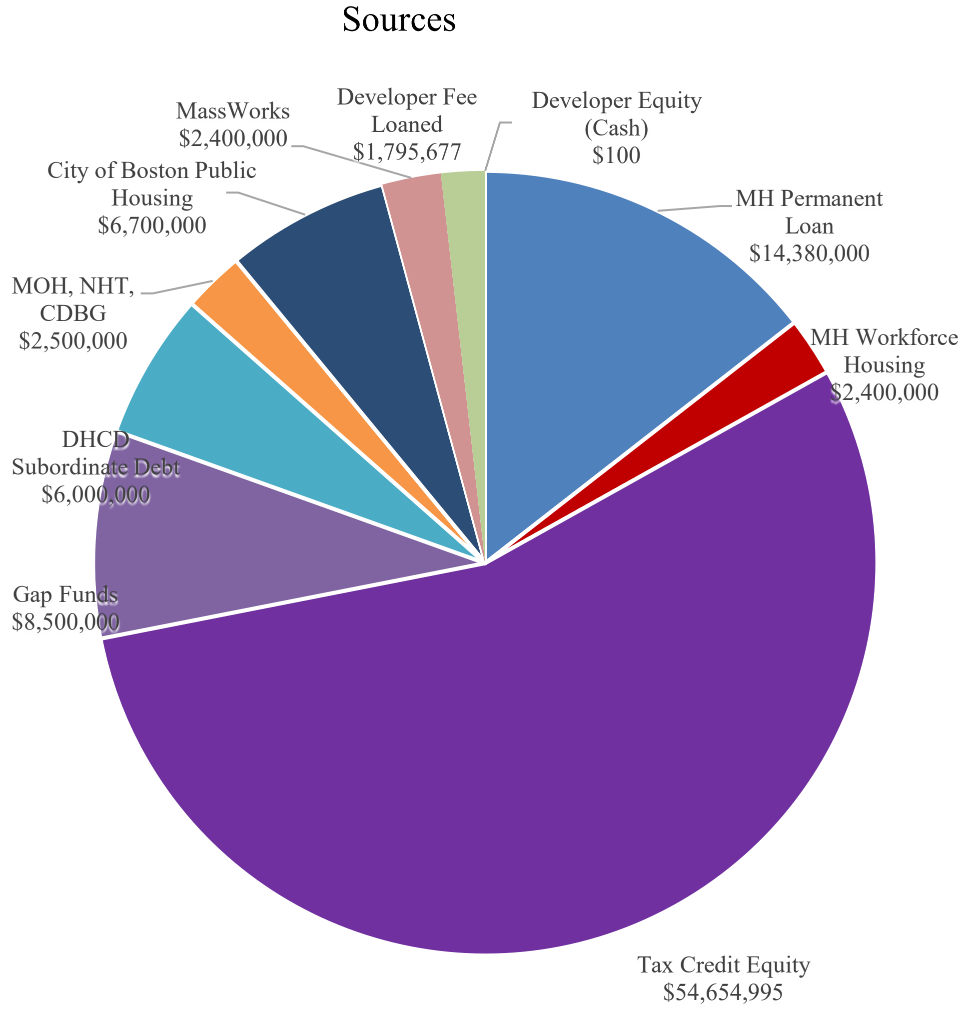
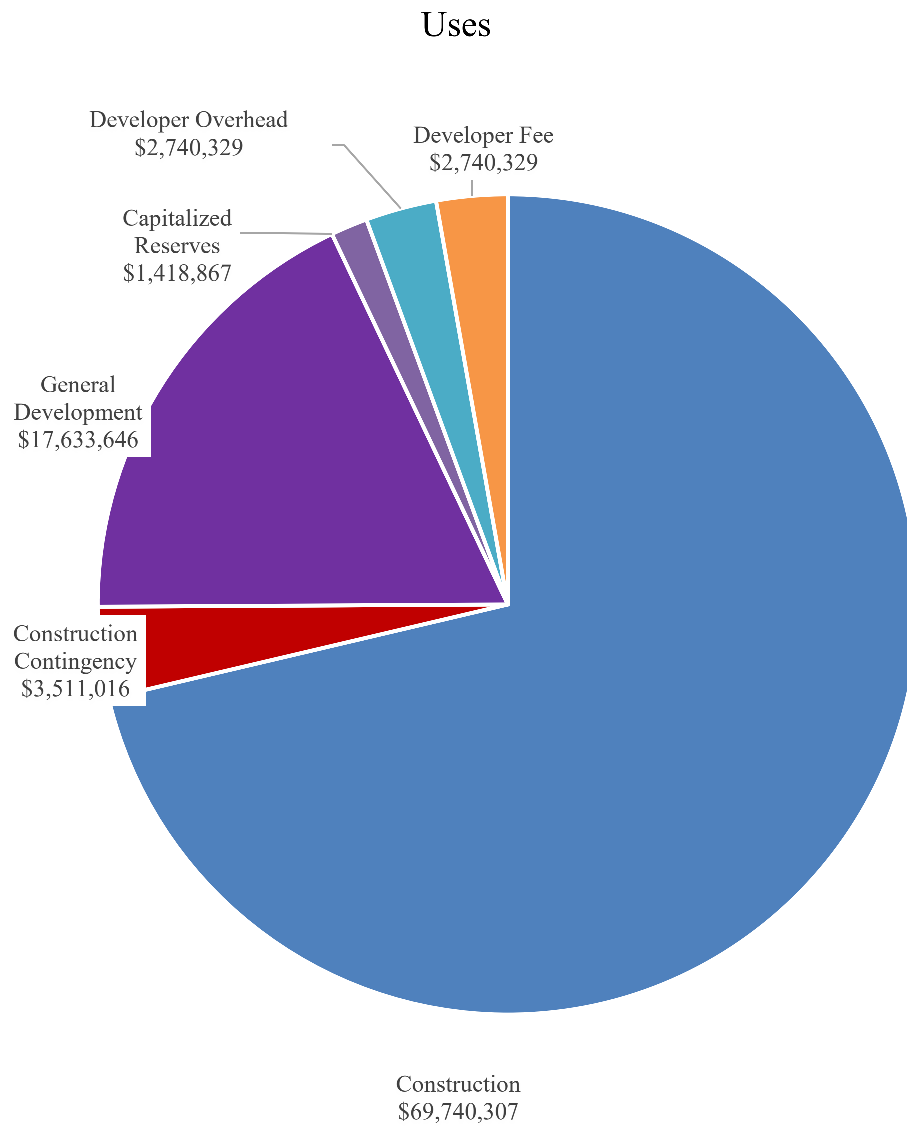
Sources and Uses: Mildred Hailey Building 1A





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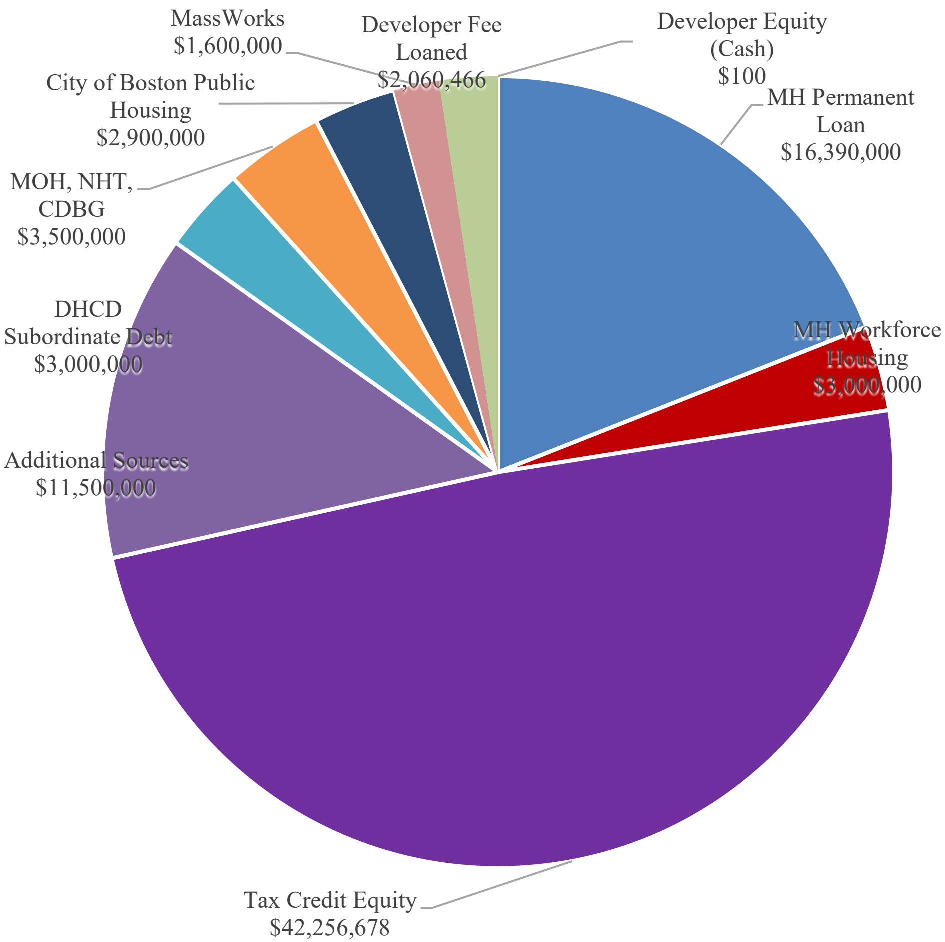
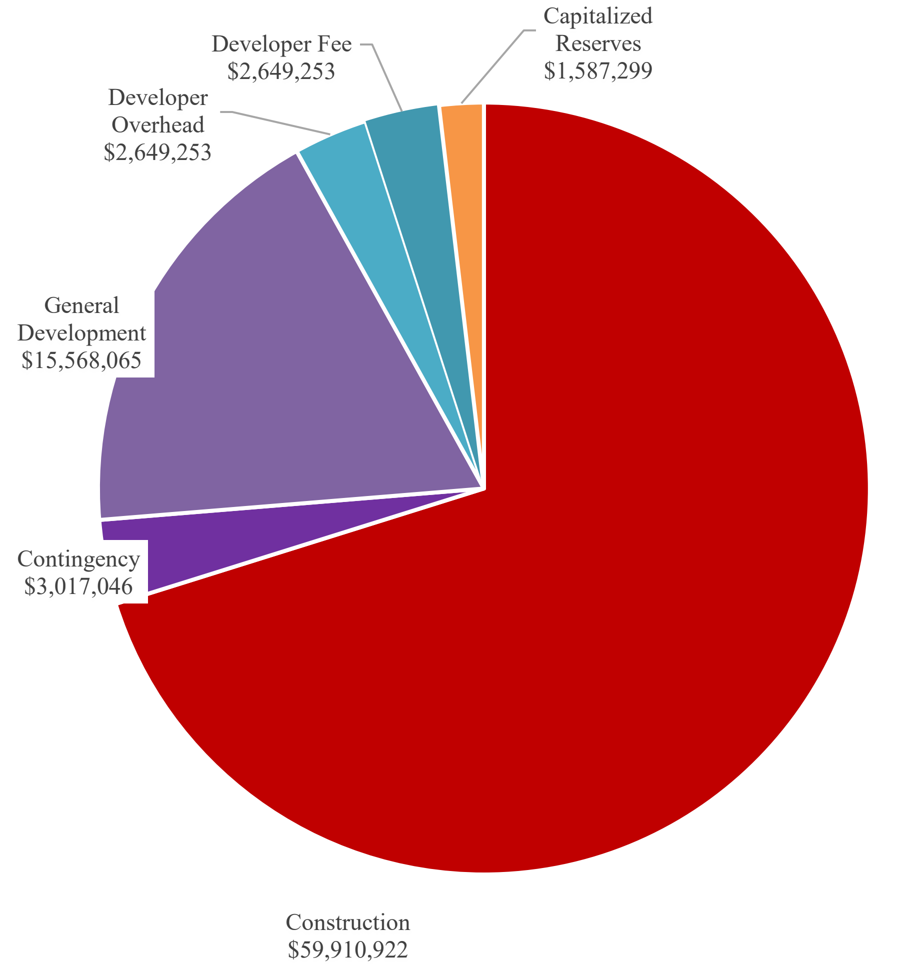
Sources and Uses: Mildred Hailey Building 1B





MassHousing

Emergency Rental Assistance Program

ERA ELIGIBLE EXPENSES

1. Rental Assistance

2. Utilities and Home Energy Costs

3. Other Expenses (under certain constraints)

4. Housing Stability Services

5. **Affordable rental housing and eviction prevention purposes**

AFFORDABLE HOUSING FAQ as of July 27, 2022

FAQ46: *What are eligible "other affordable rental housing and eviction prevention purposes" under the statute establishing ERA2?*

Once grantees have reached 75% obligation, they may use any of their ERA2 funds that are unobligated on October 1, 2022, for "affordable rental housing and eviction prevention purposes, as defined by the Secretary, serving very low-income families".

- **Eligible "affordable rental housing purposes" are expenses for:**
  - the construction, rehabilitation, or preservation of affordable rental housing projects serving very low-income families; and
  - the operation of affordable rental housing projects serving very low-income families that were constructed, rehabilitated, or preserved using ERA2 funds
- **Eligible "eviction prevention purposes" are defined in the same manner as housing stability services under FAQ 23**
- **See additional requirements in FAQ46**

AFFORDABLE HOUSING FAQ

Eligible rental housing projects must serve very low-income families:

- Very low-income as defined as at or below 50% Area Median Income (AMI)
- Income limitation is imposed through a 20-year covenant, or other enforceable legal requirement

Eligible Affordable Rental Housing Purposes:

- Affordable rental housing project must be aligned with at least one federal program
- Funds may be used as part of the financing for a mixed-income housing project under certain circumstances
- Funds can be layered with other federal funding sources
- Funds can be provided in the form of a loan

In order to use funds for this purpose, you must reach at least 75% obligation of your total ERA2 allocation.

Thank you.

For More Information about SLFRF Eligible Uses and Program Requirements for Affordable Housing:

Please review the SLFRF Final Rule, available here, and the Final Rule FAQs, available here.

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