

HOME-ARP Program

Final as of 12/31/2025

Program Overview

The HOME Investment Partnerships Program – American Rescue Plan (HOME-ARP) was created as part of the American Rescue Plan Act of 2021 in response to the COVID-19 pandemic and is administered by the U.S. Department of Housing and Urban Development (“HUD”). The Commonwealth of Pennsylvania received \$73,094,403 of HOME-ARP funds for the Department of Community and Economic Development (“DCED”) to develop housing for HOME-ARP designated qualifying populations, as defined below (“Qualifying Populations”).

Under the Commonwealth’s Consolidated Plan as updated in the HOME-ARP Allocation Plan, DCED administers the HOME-ARP Program and has set aside \$35 million in HOME-ARP funds for the Pennsylvania Housing Finance Agency (“PHFA” or the “Agency”) to develop affordable rental housing for applicable Qualifying Populations (the “Agency’s HOME-ARP Program”).

Purpose

The Agency's HOME-ARP Program offers zero percent (0%) interest, deferred payment loans that can be used to support the development, rehabilitation, and preservation of rental housing for applicable Qualifying Populations and low-income households.

Qualifying Populations

In projects funded through the Agency’s HOME-ARP Program, 70% of units must be set aside for Qualifying Populations. The remaining 30% of units are not required to be set aside for Qualifying Populations but are restricted to low-income households as defined in 24 CFR 92.2 (typically meaning households earning less than 80 % of area median income).

Qualifying Populations are as follows:

1. Homeless as defined in 24 CFR 91.5 Homeless (1), (2) or (3),
2. At-risk of homelessness as defined in 24 CFR 91.5,
3. Fleeing, or attempting to flee, domestic violence and human trafficking as defined in 24 CFR 5.2003 and HUD Notice: CPD 21-10, and
4. Other populations who do not qualify under any of the other three populations but meet one of the following criteria:
 - a. Other families requiring services or housing assistance to prevent homelessness as defined by HUD, and
 - b. Those at greatest risk of housing instability as defined by HUD.

Qualifying Populations given preference through DCED's HOME-ARP Allocation Plan:

DCED's HOME-ARP Allocation Plan, as accepted by HUD, gives preference to HOME-ARP funded projects that will support families experiencing:

1. Homelessness, as defined in 24 CFR 91.5 Homeless (1), (2), and (3); and/or
2. Domestic violence/sexual assault/trafficking, as defined by HUD in CPD Notice 21-10.

Continuum of Care Requirements

Per DCED's HOME-ARP Allocation Plan, resident referrals for units in HOME-ARP rental projects must be accepted from the local Continuum of Care (CoC) Coordinated Entry waitlists. Developers, owners, non-profits, and other applicable entities are required to develop agreements with their local CoC describing how referrals will be made to the project.

The requirement to accept referrals from a CoC Coordinated Entry waitlist is applicable to 70% of the units that are assisted with HOME-ARP funds that are designated for Qualifying Populations.

If it is not feasible to accept referrals from the CoC Coordinated Entry waitlist, then justification must be provided for using a project-specific waitlist, and this will be subject to approval by both DCED and PHFA.

The Project must adhere to the requirements of CPD Notice 21-10, section IV.C. Owners/applicants using Coordinated Entry for referrals are required to have a signed memorandum of understanding between the developer and the local CoC.

Property Eligibility Requirements

The Agency's HOME-ARP Program is designed to support new construction, rehabilitation, and preservation projects. Applicants seeking to create, preserve, or rehabilitate rental units through the Agency's HOME-ARP Program must meet the following property eligibility and standards requirements:

1. Be located within the Commonwealth.
2. Ensure units are occupied in accordance with all federal, state, and local laws, including fair housing and accessibility laws.
3. Be suitable for occupancy and comply with all applicable federal, state, and local building and health codes and comply with all applicable rental property standards required by 24 CFR 92.251.

4. Consists of five or more units that are under common ownership, management, and financing as a single undertaking. (Preservation of property may be exempt from this unit minimum subject to Agency approval.)
5. Comply with Agency design standards, local code and accessibility standards, environmental due diligence, Multifamily Loan Program Guidelines, the Housing Finance Agency Act, and marketing and underwriting standards.
6. Provide new units, rehab existing structures and/or or preserve existing deed-restricted housing units that are in "deteriorated" condition, pose a health or safety concern, or are overcrowded.
7. To the extent applicable, comply with Labor Standards, including state and/or Federal Prevailing Wage as applicable. See 24 CFR 92.354; Davis-Bacon Act (40 U.S.C. 3141; 3701); Contract Work Hours and Safety Standards Act (40 U.S.C.-3701); and 34 PA Code 9.101-9.112.

Owner/Applicant Eligibility Requirements

1. The owner/applicant must complete certifications and attestations about past business management and behavior.
2. Applicants with existing affordable housing projects that are, or have been subject to, PHFA compliance monitoring by virtue of participation in LIHTC, PennHOMES, PHARE, or other Agency programs must be able to demonstrate a history of good standing with the Agency.
3. The owner/applicant must be in good legal and fiscal standing with the Commonwealth and PHFA.
4. Owner/borrower must be a single asset, single purpose Pennsylvania entity organized exclusively for the purpose of owning and operating the proposed development.

Maximum Monthly Rents and Household Incomes

Applicants must comply with the HOME-ARP Income Limits and HOME-ARP Rent Limits (as HUD may adjust annually). The HOME-ARP program aims to benefit households based on their status as Qualifying Populations without additional income criteria. The HOME-ARP requirements are set to ensure that at least 70% of the units served by the program benefit Qualifying Populations, with up to 30% of the HOME-ARP assisted units restricted to low-income households. For the up to 30% of the units that are available for households that do not meet one of the Qualifying Populations but do qualify as a low -income household as defined in

24 CFR 92.2, the household income should not exceed 80% of the area median income, adjusted for family size.

For any rental units produced using HOME-ARP funds, during the period of affordability, referred to as the Compliance Period in HOME-ARP, monthly rents must not exceed the HOME-ARP guidelines provided in CPD Notices 21-10.

Many households in the Qualifying Populations may be unable to pay rents that are sufficient to cover unit operating costs. Accordingly, project owners should attempt to obtain project-based rental subsidies, if available. Since project-based rental subsidies can be difficult to secure, additional flexibility may be necessary to structure and underwrite projects so that they remain both affordable and financially viable.

Loan Terms

The Agency's HOME-ARP Program offers zero percent (0%) interest, deferred payment loans that can be used to support the development, rehabilitation, and preservation of rental housing for applicable Qualifying Populations and low-income households.

1. Loan and Affordability Period: 15 years for preservation, rehabilitation, and new construction projects
2. Repayment Terms: Cashflow only
3. Interest Rate: 0%
4. Compliance Period: A minimum of 15 years. If the project has entered into Housing Assistance Payment Contract, the compliance period will extend through the greater of 15 years or the term of the HAP contract. (CPD Notice 21-10, section VI.B).
5. Mechanism to Record Affordability: A deed restriction or other restrictive covenant agreement will be recorded as a mechanism to enforce the Compliance Period. Future program compliance will occur under the existing PHFA monitoring process, including provisions for non-compliance when necessary. For additional information, see CPD Notice 21-10, section VI.B.18.
6. Procedure in Instances of Default: In the event of default with program compliance, HOME-ARP allows for the recapture of funds by DCED and/or PHFA.
7. Primary Mortgage (non-HOME ARP requirements): If the development can support amortizing market debt, applicants must incorporate permanent financing into the capital budget. The Agency can provide a proposed term sheet in connection with providing the primary mortgage loan.

8. Debt Service Coverage Ratio: If HOME-ARP is secured as the first mortgage, the development must be projected to achieve and maintain breakeven cash flow for the first 15 years of project operations. In the event the HOME-ARP loan is used in conjunction with an amortizing primary loan, the Debt Service Coverage Ratio must be at least 1.15 in the initial stabilized operating period and is not less than 1.00 in years one through and including 15 and no more than 1.20 in year 15. Certain Rural Development projects or developments utilizing a HUD FHA-insured loan may have a debt service coverage ratio as low as 110% in the first operating period but must maintain a ratio of 100% through year 15.

HOME-ARP Repayment Terms

Developments that generate a surplus of revenue over expenses in any calendar year shall distribute 50% of the excess revenue to repay the HOME-ARP loan principal. HOME-ARP must be in the senior subordinate position (can only be second to first mortgage amortizing debt).

Per Unit Funding Limitations

HOME-ARP funds are flexible and have the capability of being leveraged in conjunction with other funding sources as long as the HOME-ARP funds are only used for eligible costs and the other sources of funds do not inhibit Qualifying Populations from receiving assistance.

The Agency reserves the right to limit/cap HOME-ARP on a per-project basis so that the funding can be used for multiple developments across the Commonwealth. Additionally, if a HOME-ARP development is in a Participating Jurisdiction (a geographic area that receives a direct allocation of HOME-ARP funds from HUD), the Participating Jurisdiction must also contribute funds to the development.

1. For projects in Participating Jurisdictions that were allocated less than \$4 million of HOME-ARP funds directly from HUD, the amount of Agency HOME-ARP funds must not exceed 75% of the total development costs of the project.
2. For projects in Participating Jurisdictions that were allocated \$4 million or more HOME-ARP funds directly from HUD, the amount of Agency HOME-ARP funds requested may not exceed 50% of the total development costs of the project.

Property Standards and Environmental Review

As indicated in 24 CFR 92.251, newly constructed, rehabilitated, and preservation HOME-ARP projects must meet all applicable state and local codes, ordinances, and requirements, as applicable or, in the absence of such codes, the International Residential Code, or the International Building Code (as applicable to the type of structure).

The environmental effects of each activity carried out with HOME-ARP funds must be assessed in accordance with HUD's HOME Investment Partnerships Program environmental review requirements at 24 CFR 92.352.

As part of the environmental review, efforts must be made to determine if the property is located on a floodplain. In addition, Section 106 of the National Historical Preservation Act Review must be completed.

PHFA will not fund any new residential development in a FEMA-identified 100-year floodplain per the Flood Disaster Protection Act of 1973 unless:

1. Exceptions include communities in the geographical area of the project participants in the National Flood Insurance Program.
2. Flood insurance is obtained for all assisted housing units involved in the project.

Section 3 Requirements

Section 3 of the Housing and Urban Development Act of 1968, as amended, establishes certain goals to enhance the economic opportunity to be afforded to residents within a neighborhood of federally assisted developments. Section 3 requirements established at 24 CFR part 75 apply to HOME-ARP assisted projects.

Residential/Non-residential Anti-displacement and Relocation Requirements

All developments must follow the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 ("URA") and HUD's HOME Investment Partnerships Programs requirements at 24 CFR 92.353.

Administration and Applications

Application for the Agency's HOME-ARP Program will be due in the first quarter of 2026. PHFA staff will review all applications for eligibility with the Agency's HOME-ARP Program guidelines and the federal HOME-ARP requirements. If qualified applications request more than the funding availability, funding decisions are at the discretion of PHFA. PHFA will prioritize funding decisions that ensure distribution of HOME-ARP funding across the Commonwealth. Any award of funds from the Agency's HOME-ARP Program is, at all times, subject to the availability of funding.

Additionally, projects that establish a Compliance Period that exceeds the minimum Compliance Period will be prioritized. The Agency reserves the right to require longer Compliance Periods for projects that receive larger awards.

PHFA also reserves the right to hold additional funding cycles at its discretion if the full allocation of HOME-ARP funding is not committed in the first funding cycle.



Disbursement of Funds

Once the award documents are executed, the HOME-ARP funds will be disbursed to pay for approved costs through the PHFA-approved draw-down process in accordance with PennHOMES disbursement procedures.

References

HUD HOME-ARP Program Overview: CPD Notice 21-10, available at <https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-10cpdn.pdf>.

DCED HOME-ARP Allocation Plan: Available at <https://dced.pa.gov/download/home-arp-allocation-plan/?wpdmdl=115814>.

Qualifying Populations Definitions:

- 1) Homeless: Defined in 24 CFR 91.5 Homeless (1), (2) or (3),
- 2) At risk of homelessness Defined in 24 CFR 91. 5,
- 3) Fleeing, or attempting to flee domestic violence, dating violence, sexual assault, stalking or human trafficking: Defined in 24 CFR 5.2003 and HUD Notice: CPD 21-10, and
- 4) Other populations who do not qualify under any of the other three populations but meet one of the following criteria:
 - (a) Other families requiring services or housing assistance to prevent homelessness, as defined by HUD; and
 - (b) Those at the greatest risk of housing instability, as defined by HUD.

Continuum of Care Requirements: CPD Notice 21-10, section IV.C.

Household Income Determinations: 24 CFR 92.203.

Residential/ Non-residential Anti-displacement and Relocation Requirements: 24 CFR 92.353.

Affirmative Fair Housing Marketing Plan: 24 CFR 92.351.

Affirmative Fair Housing Marketing Plan Form: HUD-935.2A available at: <https://www.hud.gov/sites/dfiles/OCHCO/documents/935-2A.pdf>.

Property Standards: 24 CFR 92.251.

Environmental Review: 24 CFR 92.352.

Labor Standards Requirements: 24 CFR 92.354; Davis-Bacon Act (40 U.S.C. 3141); Contract Work Hours and Safety Standards Act (40 U.S.C.: 3701); and 34 PA Code 9.101 – 9.112.

Conflicts of Interest: 24 CFR 92.356.