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Chapter 5

Permanent Supportive Housing Development

IHFA will use HOME and HOME ARP resources to develop Permanent Supportive Housing (PSH) Units. Of priority to IHFA, is the development of PSH units in communities who do not currently have PSH and/or lack the necessary units for their community.

Permanent Supportive Housing is not just the creation of housing units, but the inclusion of wrap-around supportive services to assist qualifying populations. IHFA has been providing grants to non-profits delivering supportive services. Developing partnership between non-profit supportive service providers and Developer/Owners will be key to a successful PSH application.

This Administrative Plan will detail differences and requirements between the funding sources and requirements for PSH units.

Eligible Program Participants

All development teams are welcome to apply (non-profit and for-profit).

Qualifying Populations

Unlike other development applications, the only requirement for a tenant to reside in the HOME ARP PSH unit, is meeting a definition of homelessness. *Please see Chapter 1 for definitions. These are different from ESG/CoC, it will be imperative to understand the definitions for HOME ARP.*

This means eligible tenants may not have an income. Property Managers/Development teams will need to understand this, as unless there is another federal source requiring income; it cannot be a requirement for a tenant to reside in the unit.

Funding Available

IHFA is making available the following resources:
HOME ARP - $9 million
HOME Funds - $5 million

PSH units utilizing HOME funds will need to serve households earning less than 50% AMI at each initial lease up. Funds will not be combined due to the different regulatory requirements.

Maximum Units Per Development

As previously stated, the priority for HOME ARP is the creation of PSH units in communities who do not currently have dedicated units. For both sources, the funds are limited to 8 units in a community.

Forms of Assistance

All HOME ARP/HOME PSH units funded will be due and payable upon sale or transfer of the project. Should a project be constructed on leased land, the assistance is due and payable if the lease is not renewed and/or project sold. IHFA *may* at its discretion forgive all or a portion of the HOME ARP/HOME assisted units upon completion of the compliance/affordability period.

Compliance/Affordability Periods

HOME ARP will have a compliance period of 15 years.

HOME PSH units will have an affordability period of 20 years.

If projects are compliant through their required periods, IHFA will forgive the loan notes in full. Compliant is described as having met the requirements of the Loan and Regulatory Agreements, in addition to, but not limited to:
- Tenant selection plan
- Following a PSH project specific wait list (Coordinated Entry waitlists cannot be used)
- Property standards met
- Organizational policies and procedures are met for the ongoing operations of the project
- Case management is comprehensive to meet each tenant where they are at

Permanent Supportive Housing Occupancy Requirements

HOME ARP

HOME ARP PSH projects may include acquisition of land, acquisition/rehabilitation, and/or new construction permanent supportive rental housing, for households meeting the definition of a qualifying populations described in Chapter 1 of HOME ARP Administrative Plan. *These definitions are different than the CoC or ESG definitions. It will be imperative to understand the difference and can serve all homeless populations in the project.*

Developing financially feasible PSH rental housing is challenging. Most HOME ARP qualifying households will be unable to pay rent which covers allocated debt service and operating costs. *Reminder- for HOME ARP PSH units, households only need to meet a qualifying definition of homelessness; there is no income requirement to occupy a unit.*

HOME PSH Units

HOME PSH projects are limited to those earning 50% AMI or less at each initial occupancy. HOME-assisted rental projects rely on tenant rents to cover all or a portion of the debt service and project operating costs.

Eligible Activities:

HOME ARP and HOME funds may be used for acquisition, construction, and rehabilitation, including reconstruction as defined in 24 CFR 92.2, of PSH units. Acquisition of vacant land or demolition must be undertaken only with respect to a particular housing project intended to provide PSH units.

Only eligible development costs (24 CFR 92.205(b)) of the PSH units may be charged to HOME ARP and HOME funds. Cost allocation in accordance with 24 CFR 92.205(d)(1) is required if the assisted and non-assisted units are not comparable. After project completion, the number of PSH units in a project cannot be reduced.

Prohibited Activities and Fees:

HOME ARP and HOME funds may not be used for any of the prohibited activities, costs or fees in 24 CFR 92.214.

HOME ARP/HOME Funds and Public Housing:

HOME and HOME ARP funds may be required to be in accordance with the requirements in 24 CFR 92.213(a)-(c).

Commitment:

All PSH projects require meeting the definition of *Commitment* in 24 CFR 92.2 before IHFA will execute loan documents. This includes, but is not limited to:

* Developer financial and organizational capacity;
* Identified supportive service providers with detailed plans for comprehensive case management;
* All sources (private/public) have commitment letters with terms;
* An approved budget, development timeline; and
* Can reasonably start construction in the next 12 months.

Maximum Per-Unit Subsidy and Limitations on Costs:

HOME ARP funds will provide up to $300,000 per unit, regardless of unit size. *Unit sizes should be appropriate for the housing needs of those meeting a qualifying population definition in the community to be served by the project. The size of units should be justified with the market analysis.*

HOME units are limited to the following subsidy limits (2024 HUD Published Limits):
1-bedroom: $208,048
2-bedroom: $252,993
3-bedroom: $327,292
4-bedroom: $359,263

Any gaps between the maximum per unit subsidy limits, will require the developer to find additional funding resources. All costs paid by HOME ARP and HOME funds must comply with the requirements of this Administration Plan and the Cost Principles at 2 CFR part 200, subpart E of the Uniform Administrative Requirements, as amended.

Property Standards:

HOME ARP and HOME PSH units must comply with all property standards applicable to rental projects required in 24 CFR 92.251 paragraphs (a) new construction, (b) rehabilitation projects, (c)(1) and (2) acquisition of standard housing, (e) manufactured housing, and (f) on-going property condition standards.

For PSH projects whose construction begins after October 1, 2025, NSPIRE (National Standards for the Physical Inspection of Real Estate) will be the ongoing property standards for HOME ARP and HOME.

Determining Household Income:

Annual rent limits will be published by HUD and found on IHFA's website:
https://www.idahohousing.com/federal-programs/home-program/

HOME ARP Initial Lease-Up

HOME ARP units are restricted for households meeting a qualifying population definition during the compliance period (minimum of 15 years). Qualifying households are eligible for admission to HOME ARP rental units solely by meeting the definition of one of the qualifying populations (i.e., HOME ARP, as described, **does not** impose income restrictions on units restricted for qualifying populations). If there is no income requirement in the qualifying population's definition, the Developer/Property manager **is not required** to perform an initial determination of household income, unless another funding source requires income restrictions (e.g., LIHTC/PBVs).

Rents charged to qualifying populations are limited to no more than 30% of the tenant's adjusted income. Qualifying homeless definitions 2 and 4, limit household income to 50% AMI. As such, if a household exceeds 50% AMI, they more than likely do not meet the qualifying definition of homelessness. This is different from HOME. It is imperative both Developers and Property Managers understand the differences in definitions and programs.

Units need to be leased within six (6) months of project completion and if units are not rented within 12 months will need to have HOME ARP funds repaid within 12 months of project completion. For households meeting a definition, which requires income, **adjusted income** will need to be calculated.

HOME Initial Lease-Up

HOME PSH units are limited to income eligible households at each initial lease-up, earning less than 50% AMI during the Period of Affordability (20 years). Units need to be leased within six (6) months of project completion and if units are not rented within 12 months will need to have HOME funds repaid within 12 months of project completion. For determining income, **anticipated income** is used.

Rent Limitations after Year 1

HOME ARP and HOME will be required to review household eligibility and income each year during the compliance/affordability period.

HOME ARP PSH:

For purposes of establishing the qualifying household's rental contribution after initial occupancy, a Developer/Property Manager must examine a HOME ARP qualifying household's income. This will start the first year after lease-up. Further, this is only for verification of the tenant rent portion. As long as the tenant met a qualifying population definition at initial lease-up, they are still qualified to rent the unit.

Should the project not have vouchers, the Developer/Property Manager will need to annually review income following 24 CFR 92.203(b)(c) and (f).

HOME PSH:

For consistency, the income of each low-income household must be determined as outlined in the Loan and Regulatory Agreement.

Should a HOME ARP or HOME PSH unit have other federal programs stacked in the project, the HOME department will collaborate with the other funding sources to reduce administrative burden where feasible. All final determinations will be outlined in the Loan and Regulatory Agreement.

Rent Limitations:

Rent limits for HOME ARP and HOME units are restricted for qualifying populations and for units which may be restricted for low-income households.

HOME ARP PSH:

In no case can the HOME ARP rents exceed 30% of the adjusted income of a household whose annual income is equal to or less than **50%** (this is different than HOME) for the median income of the area, as determined by HUD, with adjustments for number of bedrooms in the unit. HUD will publish the HOME rent limits on an annual basis.

The rent limits for HOME ARP units for qualifying households include the rent plus the utility allowance.

HOME PSH:

HOME PSH units occupied by low-income households must comply with the rent limitations in 24 CFR 92.252 i.e., the lesser of the Fair Market Rent for existing housing for comparable units in the area, as established by HUD, or a rental equal to 30% of the income of a family at 65% of median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit).

If the HOME PSH unit utilizes a federal or state project-based assistance (i.e. voucher), the Developer/Property Manager may charge project-based rents if:
- it is a Low-HOME unit (<50% AMI)
- is occupied by a very Low Income tenant (<50% AMI) and
- tenant does not pay more than 30% of adjusted income for rent.

The rent limits for low-income households apply to the rent plus the utility allowance.

Initial Rent Schedule and Utility Allowance:

The Developer/Property Manager must establish maximum allowances for utilities and update the allowance annually. The Developer/Property Manager may adopt the utility allowance schedule of the PHA for HOME ARP units. *This is different from HOME.*

IHFA must review and approve rents proposed by the Developer/Property Manager subject to the HOME/HOME ARP rent limitations. For HOME ARP units where the tenant is paying utilities and services (e.g., trash collation), the Developer/Property Manager must determine the rent for the unit does not exceed the maximum rent minus the monthly allowance for utilities and services.

HOME PSH units will still require the Developer to use HUD Utility Schedule Model or other method approved by IHFA for the utility allowance.

Annually, the Developer/Property Manager will need to seek approval of any rental increases.

Changed in Income and Over-income Households:

HOME ARP Units:

Households whom met the definition of one of the HOME ARP qualifying populations at initial occupancy and whose annual income at the time of income re-certification is above 50% of median income for the area but at or below 80% of the median income for the area must pay the rent specified in 24 CFR 92.252.

HOME ARP-assisted units restricted for low-income households (less than 80% AMI) continue to qualify as HOME ARP rental housing despite a temporary noncompliance cause by increases in the incomes of existing households if actions satisfactory to HUD are taken so all vacancies are filled in accordance with HOME ARP requirements until the noncompliance is correct.

A qualifying or low-income household who is not low-income at the time of income re-certification (i.e., whose income is above 80% of the median income for the area) must pay rent which complies with the over income regulatory requirements at 24 CFR 92.252(i)(2), which includes requirements applicable to HOME units and also may have LIHTC restrictions.

HOME Units:

Households whom met the income definition at initial occupancy and whose annual income at the time of income re-certification is at or below 80 percent of the median income for the area must pay the rent specified in 24 CFR 92.252(i)(2).

HOME units restricted for low-income households continue to qualify as PSH rental housing despite a temporary noncompliance cause by increases in the incomes of existing households if actions satisfactory to IHFA and HUD are taken so all vacancies are filled in accordance with HOME PSH requirements until the noncompliance is correct.

A qualifying or low-income household not low-income at the time of income re-certification (i.e., whose income is above 80 percent of the median income for the area) must pay rent which complies with the over income regulatory requirements at 24 CFR 92.252(i)(2), which includes requirements applicable to HOME units which may also have LIHTC restrictions.

Unit Designation and Maintaining Unit Mix:

To ensure compliance with the different requirements of each funding source, IHFA will not be mixing HOME ARP and HOME in any project.

HOME ARP Units

HOME ARP units are limited to a maximum of eight (8) units. Units will be fixed during the compliance period.

HOME Units

HOME units are limited to a maximum of 8 units. Depending on the total number of units in the development, these may be floating, as requested by the Developer/Property Manager.

Tenant Protections:

This section applies to both HOME/HOME ARP assisted units. Eligible household means either HOME ARP eligible (meeting a qualifying population definition) or HOME (income eligible household).

Developers/Property Managers must verify each household who occupies a PSH unit has an executed lease, which complies with the tenant protections, as outlined below. Leases must be executed between the Developer/Property Manager and eligible household.

All HOME/HOME ARP PSH Units must ensure the following provisions are included:

a. Lease Requirement:

There must be a lease between the eligible household and Developer/Property Manager of the HOME/HOME ARP-assisted project in accordance with 24 CFR 92.253(a); which is for a period of not less than one (1) year, unless mutually agreed upon between the tenant and Developer/Property Manager.

b. Prohibited Lease Terms:

The lease between the eligible household and Developer/Property Manager may not contain any of the prohibited lease terms specified in 24 CFR 92.253(b):

- Agreement to be sued
- Treatment of property
- Excusing owner from responsibility
- Waiver of notice
- Wavier of legal proceedings
- Waiver of a jury trial
- Waiver of right to appeal court decision
- Tenant chargeable with cost of legal actions regardless of outcome
- Mandatory supportive services

c. Termination of Tenancy:

A Developer/Property Manager may not terminate the tenancy or refuse to renew the lease of a tenant of a PSH unit with an eligible household except for serious or repeated violations of the terms and conditions of the lease; for violations of applicable Federal, State, or local laws; or for other good cause. An increase in the tenant's income does not constitute good cause.

The above tenant protections are necessary, as PSH projects require IHFA to perform underwriting evaluating the operating feasibility of units for eligible households for the 15– 20 years (depending on HOME/HOME ARP funds).

To terminate or refuse to renew tenancy for any eligible household occupying a PSH unit, the owner must serve written notice upon the tenant at least 30 days before termination of tenancy. The notification must, specify the grounds for the action.

d. *Tenant Selection Plans*

Developers/Property Managers are strongly encouraged to develop Tenant Selection Plans which are mindful of the tenants who will be served by the project. In particular, trying to allow flexibilities, where possible (i.e. criminal records, evictions, etc.). Remember, PSH units are different from regular multi-family developments; therefore, when reviewing projects IHFA will pay attention to the proposed tenant selection plan and will work with Developers on selected projects. If enough interest exists, IHFA *may* evaluate the reasonableness of drafting a Tenant Selection Plan, encouraging its use within the projects.

Project Completion and Occupancy:

PSH projects must meet the definition of project completion at 24 CFR 92.2. If the Developer/Property Manager fails to complete a project within four (4) years of project commitment, it must comply with the terminated project requirements at 24 CFR 92.205(e)(2). If PSH units are not occupied by eligible qualifying households or low-income households within six (6) months following project completion, IHFA must submit to HUD information on its efforts to coordinate with a CoC, homeless service providers, social service, and other public agencies to fill units for qualifying households. IHFA will require repayment any HOME/HOME ARP funds invested in units not rented to eligible qualifying or low-income households within 12 months of project completion.

Penalties for Noncompliance:

a. HOME ARP PSH

The Developer must repay HOME ARP funds invested in rental housing terminated before completion or otherwise does not comply with initial or ongoing requirements during the compliance period (15 years), as follows:

a. If the noncompliance or termination occurs within the first ten (10) years of the compliance period, the Developer must repay the entire amount of HOME ARP funds invested in the project.

b. If the noncompliance or termination occurs in years 11 through 15, the repayment amount will be reduced by 20 percent for each year beyond the initial 10-years during which time the project was compliant.

Repayment of the HOME ARP funds may not be required if the project owner sells or transfers, either voluntarily or involuntarily, the HOME ARP project during the compliance period if (1) the HOME ARP restrictions remain, (2) the project and new project owner continues to comply with all HOME ARP requirements, and (3) any HOME ARP funds remaining in a project's operating cost assistance reserve or reserve for replacement remain with the project and convey upon the sale or transfer of the project as a restricted operating cost assistance reserve or reserve for replacement subject to HOME ARP Notice requirements.

b. HOME PSH

Any HOME funds invested for a PSH unit, which does not meet the affordability requirements (20 years – new construction; 15-years for acquisition/rehabilitation) must be repaid by the Developer to IHFA.

HOME funds invested in a project terminated before completion, either voluntarily or otherwise must be repaid by the Developer in accordance with 92.503(b)(3). In addition, any HOME funds used for costs not eligible must also be repaid by the Developer.

Repayment

PSH projects are intended to be forgivable loans. So long as projects meet the terms and conditions during the compliance/affordability period; the PSH funds (HOME or HOME ARP) will be forgiven after the final on-site compliance review (verifying the units are safe, decent, habitable, and tenant files are complete). If there are deficiencies noted in the final on-site compliance review (or consistent issues during the compliance/affordability period), IHFA has the right to modify the terms of the forgivable loan. This could include an extended use period, interest, etc.

Organization Requirements

Developers eligible to apply for PSH units must ensure:

- Registered with the Idaho Secretary of State
- Organizational policies and procedures conforming with 2 CFR 200, Subpart D, including but not limited to:
  - Providing annual financial audits
  - Single audits will be required for developers who expend more than $1 million of federal funds in a year
  - Internal controls
  - Separation of duties
  - Conflict of interest provisions
  - Procurement
  - Record retention
- An ability to be reimbursed for eligible construction costs
- Identification of the third-party non-profit who will be providing supportive services. Prioritization should be with non-profits who have been receiving HOME ARP supportive services grant funding. *At the execution of Loan and Regulatory Agreements a three-party contract will be entered into between the Developer/Owner, Supportive Services Provider, and Property Manager.*

Required Reimbursement Documentation

As outlined in the Loan and Regulatory Agreement, eligible expenses will be reimbursed. For an expense to be eligible for reimbursement documentation must include the expense, proof of payment or lien waivers (where applicable), and all documents must be signed and dated. Eligible expenses for PSH units can be found at 24 CFR 92.205.

Environmental Review Requirements

For HOME ARP projects, please review Chapter 1 of the Administrative Plan for HOME ARP. For HOME projects, please review Chapter 10 of the 2024 Administrative Plan.

Environmental Reviews **must be completed** before the execution of a Loan and Regulatory Agreement. Any development actions taken after the application for PSH projects, may jeopardize the ability of IHFA to formally approve funds for the project. Developers must ensure there are no Choice Limiting Actions. It is imperative to work with the IHFA team to understand Choice Limiting Actions.

Section 3

Section 3 is required for both HOME ARP and HOME funded units.

Buy America Build America

Buy America, Build America (BABA) is not triggered on HOME ARP or HOME PSH. *HOME will be using program income for the construction of the PSH units. Program income is not subject to BABA.*

Property Standards

Units (HOME ARP/HOME) must adhere to property standard requirements established in the 2024 Administrative Plan and at [24 CFR 92.251] or NSPIRE, whichever is more current.

Inspections will be required during construction and during the compliance/affordability periods.

Supportive Services

All PSH projects will need to ensure supportive services are available for eligible households. As part of the Loan and Regulatory Agreement, a three-party agreement will need to be entered between the Owner/Developer; Property Manager; and Supportive Services Provider.

Eligible households cannot be required to access supportive services. Developers/Property Managers should consider the following partners in developing access to comprehensive supportive services:

- Case Management
- Health Care
- Food Pantry
- Life Skills

IHFA has been partnering with different non-profit supportive service providers, with HOME ARP resources. To begin with the tenant in mind, supportive services must be provided by a third-party non-profit; regardless of whether the Developer/Owner provides services. Prior to the application of a PSH development, IHFA strongly encourages Developers to reach out to IHFA for introduction to supportive service providers who are familiar with the HOME ARP supportive service requirements.

Where possible, IHFA *may* make resources available for HOME ARP supportive services for up to one-year, depending on availability of resources.

Wait Lists

Developers/Property Managers will need to maintain project specific PSH waitlists. CoC/ESG Coordinated Entry lists **cannot** be used, given the differences in definitions. Further, the HOME regulations require all applicants must apply for the available housing unit and served on a "first-come; first-served" in so far as practicable. *Households on CoC/ESG waitlists may apply after referred from Coordinated Entry, but the application by the prospective tenant is accepted in the order it is received and placed on the PSH waitlist.* This is due to the different definitions between the programs. Finally, as IHFA did not identify preferences or allow referrals as part of its Allocation Plan to HUD, projects must be able to serve all qualifying populations of homelessness.

HOME ARP PSH units, this means:

- All units must be available to those who meet a qualifying definition of homelessness;
- Waitlists must be separate from other waitlists for other units/projects; and
- Waitlists must be followed in chronological order, insofar as practicable.

HOME PSH units:

- A waitlist will need to be used for the project;
- Coordinated Entry may be used, but applicants still must apply and be placed in chronological order on the waitlist; and
- Waitlists must be followed in chronological order, insofar as practicable.

Application Scoring

Provided in this section is the scoring criteria for PSH units. A formal Request for Proposal (RFP) will be released on or around May 15, 2025.

IHFA will provide a development workshop during the RFP to familiarize Developers/Property Managers/Supportive Services providers with the process and requirements of the funding. Participation is mandatory prior to submitting an application.

IHFA reserves the right not to review incomplete applications submitted by organizations.

Minimum Threshold Requirements

1. Development experience with PSH projects.
2. Development experience and capacity with federal funds.
3. Ability to leverage multiple funding sources.
4. CPA-Reviewed Financial Statements submitted. IHFA will ensure adequate financial management systems and practices in place as well as sufficient financial resources to carry out the project to completion.
5. Ability to be reimbursed for eligible costs during development.
6. Unit sizes are reflective of the community needs for PSH
7. Comprehensive plan for supportive services