



Using Coronavirus Local Fiscal Recovery Funds (CLFRF) for Affordable Housing

The [American Rescue Plan](#) (ARP), passed by Congress and signed by President Biden in March 2021, created the [Coronavirus Local Fiscal Recovery Fund](#) (CLFRF). The U.S. Treasury Department distributes this Fund to cities, counties, and other eligible entities to help turn the tide on the pandemic, address its economic fallout, and lay the foundation for a strong and equitable recovery.

The CLFRF statute¹ and the accompanying [Treasury Interim Final Rule](#) provides substantial flexibility to local governments to choose from a broad variety of eligible uses to meet local needs - including support to households, small businesses, impacted industries, essential workers, and the communities hardest hit by the pandemic. The Interim Final Rule expressly authorizes local governments to use CLFRF dollars for affordable housing activities within stated guidelines. These funds provide a once-in-a-generation influx of capital for affordable housing and can be key in addressing rising housing prices and the disproportionate effect of the pandemic on lower-income communities.



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PAYMENTS TO LOCAL GOVERNMENTS IN FLORIDA

All [67 counties](#) and [77 municipalities](#) will receive CLFRF dollars from the U.S. Treasury Department. Allocations are based on population as county payments range from \$1.6 million to \$527 million and municipality payments range from \$1.5 million to \$157 million. Local governments will receive funds in two tranches, with 50% provided beginning in May 2021 and the balance delivered approximately 12 months later. CLFRF dollars must be obligated by December 31, 2024 and expended by December 31, 2026. **Local governments are currently deciding how to use their CLFRF dollars so education and advocacy on how to use these funds for affordable housing activities is key.**

IDEAS FOR USING CLFRF FUNDS FOR AFFORDABLE HOUSING

Local governments can use Coronavirus Local Fiscal Recovery Fund dollars to respond to the negative economic impacts of COVID-19, including assistance to households, small businesses, and nonprofits, or aid to impacted industries such as tourism, travel, and hospitality. In its Interim Final Rule and accompanying guidance, the U.S. Treasury has confirmed that these dollars can be used for affordable housing purposes to respond to COVID-19's negative economic impacts. Here are ideas for how a local government can use its CLFRF dollars for affordable housing.

- ▶ Affordable housing development costs for eligible populations and communities including hard costs, soft costs, land acquisition, demolition, site clearing
- ▶ Permanent supportive housing for persons experiencing homelessness
- ▶ Direct assistance to households for rent, mortgage, and utility assistance
- ▶ Loans or grants to nonprofit housing organizations negatively impacted by the pandemic
- ▶ Loans or grants for home repair or down payment assistance to households negatively impacted by COVID-19
- ▶ Housing vouchers and relocation assistance to areas with higher levels of economic opportunity
- ▶ Technical assistance to housing organizations to recover from the economic effects of the pandemic

¹ 42 U.S.C. § 803(a).

USING CLFRF FUNDS FOR AFFORDABLE HOUSING DEVELOPMENT, DOWN PAYMENT ASSISTANCE, HOUSING VOUCHERS, AND SUPPORTIVE HOUSING

The Interim Final Rule for the CLFRF Program allows funds to be used for “programs or services that address housing insecurity, lack of affordable housing, or homelessness” for “disproportionally impacted populations and communities.”² A non-exclusive list of eligible affordable housing programs stated in the rule include:

- ▶ Supportive housing or other programs or services to improve access to stable, affordable housing among individuals who are homeless
- ▶ Development of affordable housing to increase supply of affordable and high-quality living units
- ▶ Housing vouchers and assistance relocating to neighborhoods with higher levels of economic opportunity and to reduce concentrated areas of low economic opportunity³

These eligible programs must be for “disproportionally impacted populations and communities.” Activities within a Qualified Census Tract (QCT) are presumed to be eligible. A QCT is a census tract in which either “50 percent or more households have an income which is less than 60 percent of the area median gross income . . . or which has a poverty rate of at least 25 percent.”⁴ If a proposed affordable housing activity as stated above is not within a QCT, the local government needs to justify that the community being served has been disproportionately impacted by the pandemic, or that the households served have suffered a negative economic impact due to COVID-19.

For affordable housing development, the Treasury Interim Rule and accompanying guidance are both silent as to what specific costs are defined under “development of affordable housing.” Development costs could possibly include hard costs, soft costs, land acquisition, demolition, and site clearing, among other activities. **A local government could justify a broad range of development costs as eligible because Treasury generally allows for a broad use of CLFRF funds and does not prohibit any specific development-related cost.** However, a local government could wait for additional guidance from the U.S. Treasury Department for specifics on what development costs are eligible as the commentary for the Interim Final Rule suggests Treasury is open to creating a specific list of eligible development uses.

The use of CLFRF for down payment assistance can be justified as “assistance relocating to neighborhoods with higher levels of economic opportunity.” A local government could provide DPA grants or loans to persons within QCTs, disproportionately impacted areas, or to households identified as suffering from a negative economic impact from COVID-19.

USING CLFRF FUNDS FOR RENT/MORTGAGE ASSISTANCE, NONPROFIT SUPPORT, AND TECHNICAL ASSISTANCE

The use of CLFRF dollars can be used to provide assistance to small businesses⁵, nonprofits⁶, households⁷, and for-profit affordable housing developers⁸ who have been negatively impacted by the pandemic or provide affordable housing and housing stability services relating to the negative economic effects of COVID-19. Assistance to small businesses and nonprofits can be in the form of a loan, grant, in-kind assistance, technical assistance, or other service⁹. For example, a local government could use CLFRF funds to provide an operating support grant to a nonprofit housing organization who experienced financial hardship in the past year. All assistance must be used to respond to the negative economic impacts or public health impacts of COVID-19. Other eligible affordable housing-related uses expressly allowed by the Treasury department include:

² 31 C.F.R. § 35.3(12).

³ 31 C.F.R. § 35.3(12)(ii)(A-C).

⁴ 1 C.F.R. § 35.3 (definition of “Qualified Census Tract” has the same meaning given in 26 U.S.C. § 42(d)(5)(B)(ii)(I)).

- ▶ Rent, mortgage, and utility assistance
- ▶ Counseling and legal aid to prevent eviction or homelessness
- ▶ Home repairs
- ▶ Internet access assistance
- ▶ Loans or grants to housing organizations to mitigate financial hardship due to COVID-19
- ▶ Technical assistance, counseling, or other services to assist with business planning needs¹⁰

For example, to use CLFRF funds for rental assistance, home repair, or down payment assistance to an individual, a local government would need to justify that the household was negatively impacted by COVID-19. A City or County could use these provisions to justify providing operating support to a housing nonprofit or small business that provides affordable housing that was negatively impacted by the pandemic. Similarly, a local government could justify providing technical assistance to a housing nonprofit to help them recover from the pandemic to ultimately produce more affordable housing units.

INCOME REQUIREMENTS AND AFFORDABILITY PERIODS

The CLFRF legislation, Interim Final Rule, and accompanying guidance are silent as to any specific income requirements or affordability periods of housing units assisted by CLFRF dollars. All that Treasury requires for affordable housing development, housing stability services, and homelessness assistance is that funds must be spent on “disproportionately impacted populations and communities” as described above. Other funds that are justifiable under separate provisions of the Final Interim Rule to small businesses, nonprofits, and households, and impacted industries only require that grantees prove the assistance supports entities that suffered a negative economic impact due to COVID-19.

Although the relevant rules are silent as to income requirements, local governments should consider supporting affordable housing activities for persons in poverty or at 60% or below the Area Median Income. These two standards find their support in the fact that affordable housing development activities are presumed to be eligible in Qualified Census Tracts. Because Qualified Census Tracts are defined as tracts either with a high poverty rate or have a large percentage of households at 60% of AMI or below, a local government should focus on households that are either in poverty or at 60% or below the Area Median Income.

In terms of an affordability period, a local government should require the longest possible affordability period for units assisted by CLFRF funds. These funds provide a once-in-a-generation influx of federal capital for affordable housing and therefore should be used to support housing units that are affordable in the community long-term or permanently.

⁵ 31 C.F.R. § 35.6(b)(6).

⁶ 31 C.F.R. § 35.6(b)(7).

⁷ 31 C.F.R. § 35.6(b)(8).

⁸ 31 C.F.R. § 35.6(b)(9).

⁹ 31 C.F.R. § 35.6(b)(6-7).

¹⁰ See Coronavirus State and Local Fiscal Recovery Funds: Frequently Asked Questions, <https://home.treasury.gov/system/files/136/SLFRPFAQ.pdf>.



CONTACT US

The Florida Housing Coalition can help your local government plan to use a portion of CLFRF dollars for affordable housing initiatives. COVID-19 has accelerated housing unaffordability in the state and these dollars provide a tremendous opportunity to fund affordable housing activities in response to the pandemic. Please contact Kody Glazer at glazer@flhousing.org if you have any questions.