



ERA2 Housing Funds Policy

The statute establishing ERA2 states that a grantee may use any of its ERA2 funds that are unobligated on October 1, 2022 for other affordable rental housing purposes, provided that the grantee has obligated at least 75 percent of its total ERA2 allocation. Treasury defined “other affordable rental housing purposes” in its FAQ dated July 27, 2022, which includes the construction and rehabilitation of affordable housing. The Fund met the 75% obligation threshold and is eligible to use remaining, unobligated ERA2 funds for this purpose. This policy outlines how the Fund will administer ERA2 funds for the construction and/or rehabilitation of affordable housing (“ERA2 Housing Funds”).

Project Eligibility

To be eligible to receive ERA2 Housing Funds, projects must meet the following criteria:

1. Units funded by ERA2 Housing Funds must be occupied by very low-income households (50% AMI units as defined in section 3(b) of the United States Housing Act of 1937 (42 U.S.C 1437a(b))),
2. The income restriction in #1 must be imposed through a covenant, land use restriction agreement, or other enforceable legal requirement for a period of at least 20 years, and
3. The project must conform to and meet the requirements of one or more of the following housing programs:
 - a. Low-Income Housing Tax Credit Program (Treasury)
 - b. HOME Investment Partnerships Program (HUD)
 - c. National Housing Trust Fund (HUD)
 - d. HOME-ARP Program (HUD)

Program Administration

Since ERA2 housing projects must be aligned with another federal housing program as outlined in #3 above, the administration of ERA2 Housing Funds will follow the policies and procedures of the program with which the ERA2 housing project is aligned. This includes policies and procedures for eligibility, application, underwriting, scoring, selection, compliance and monitoring.

Cost Allocation

It is anticipated that the majority of ERA2 Housing Funds will be used in mixed-income projects (projects that have multiple income targeting levels such as 30%,40%,50% and/or 60% AMI). This is allowable as long as the percentage of ERA2 Housing Funds in the project budget does not exceed the percentage of units that will serve very-low income households (50% AMI). For example, if ERA2 funds are used to fund 50% of a project’s budget, then no less than 50% of the project’s units must serve very-low income households. If the project’s funding sources impose multiple income restrictions on a unit, all restrictions must be satisfied by applying the most restrictive requirement.

Structure of ERA2 Housing Funds

ERA2 Housing Funds will be structured as a loan to the ERA2 housing project. Repayable loans are strongly desired and are incentivized in the scoring, selection, and underwriting processes of the programs with which ERA2 funds must be aligned. However, it is anticipated that ERA2 may need to be structured as a soft source of funding. In these instances, deferred payments must be repaid on a cash-flow-contingent basis (when possible) through annual payments equal to 50% of the borrower's net cash flow. The term of ERA2 Housing Fund loans must be at least 20 years to match the required affordability period stated in #2 above. Other loan terms (loan amount, rate, collateral) will be determined during project underwriting. The final structure of all ERA2 Housing Fund loans will be presented to the Fund's Board of Directors for approval.

Obligation Deadline

All ERA2 funds (including ERA2 Housing Funds) must be obligated (loaned) no later than September 30, 2025 and must be liquidated (disbursed) no later than December 31, 2025.

Program Income

Any proceeds or income received from ERA2 Housing Fund loans after September 30, 2025 must be used in accordance with this policy.

Administrative Costs

In accordance with Treasury's FAQ dated July 27, 2022, direct and indirect administrative costs incurred by the Fund with respect to ERA2 Housing Funds may be paid for with ERA2 funds, provided that the administrative costs do not exceed 15 percent of ERA2 Housing Fund expenditures.

Treasury Guidance

This Policy may be updated or amended as necessary to comply with any additional rules or regulations promulgated by Treasury.