



**TO:** The Honorable City Council President and Members of the Baltimore City Council

**CC:** Natawna Austin, Executive Secretary

**FROM:** Shamiah T. Kerney, Chief Recovery Officer

**DATE:** January 10, 2022

**SUBJECT:** City Council Bill 21-0173 Baltimore City Home Grant Repairs Program

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### **Background**

City Council Bill 21-0173 would establish the Baltimore City Home Repairs Grant Program and charge DHCD with the administration of the program. The housing package—inclusive of this Bill—proposes use of \$200 million from the City's allocation of State and Local Fiscal Recovery Funds granted by the American Rescue Plan Act (ARPA).

### **Recovery Office Comments**

In general, the US Treasury Department's Interim Final Rule (IFR) guidance suggests that a grant program for housing repairs is an eligible use of ARPA funds, so long as individuals or households reside in a qualified census tract (QCT) and/or experienced disproportionate public health and/or negative, economic impacts resulting from the pandemic.<sup>1</sup>

**The Office of Recovery Programs would like to emphasize the need for any funding allocated from the State and Local Fiscal Recovery Funds granted by the American Rescue Plan Act (ARPA) ARPA funds be used to cover “costs incurred” by the recipient between March 3, 2021, and December 31, 2024, and funds must be expended by December 31, 2026.**

Additionally, the US Treasury Department's Final Rule (FR) was issued on January 6, 2022 and the Office of Recovery Programs is in process of reviewing the FR to determine final eligibility of all applications received by the office to date.

### **Eligible uses of ARPA funds**

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<sup>1</sup> Qualified Census Tracts (QCTs) is a designation used by the United States Treasury and the United States Department of Housing and Urban Development (HUD) to define underserved and disproportionately impacted communities. QCTs are census areas where at least half of households have lower income than most of the surrounding region.

1. *Interim Final Rule – II. Eligible Uses, Section A, Public Health and Economic Impacts, Subsection: Eligible Uses to Address Disparities in Public Health Outcomes*
  - IFR permits use of funds to build healthier environments and includes “housing services to support healthy living environments and neighborhoods conducive to mental and physical wellness;” and “remediation of lead paint or other lead hazards to reduce risk of elevated blood levels among children.”
  - Funds are only eligible when provided within a QCT or to “populations, households, or geographic areas that are disproportionately impacted by the pandemic.”
2. *Interim Final Rule – II. Eligible Uses, Section A, Public Health and Economic Impacts, Subsection: Assistance to Households*
  - IFR defines “assistance to households or populations facing negative economic impacts due to COVID-19” as an eligible use of funds, and explicitly includes home repairs and weatherization
3. *FAQ 2.5 – Household Assistance*
  - “Assistance to households includes, but is not limited to...home repairs, weatherization, or other needs.”

### Considerations

- The City (the grant recipient) should clearly define intentions and plans to assess how households or populations experienced a negative public health and/or economic impact due to the pandemic or are members of vulnerable groups outlined by IFR. ARPA funds are not eligible for individuals outside of this distinction.
- The Bill as proposed does not speak to the ability to recoup grants funds if not used for its intended purpose.
- The Bill as proposed does not speak to the use of grant funds within a specified timeframe. **ARPA funds must be used to cover “costs incurred” by the recipient between March 3, 2021, and December 31, 2024, and funds must be expended by December 31, 2026.** If costs are incurred after December 31, 2024 and/or are not expended by December 31, 2026, ARPA funds cannot be used.
- Administrative and resource burden on City agencies for administering the program.
- Other federal funding streams have been made available for housing assistance. CDBG-CV CARES funds or ARPA HOME funds may be more appropriate funding sources than ARPA SLFRF for housing repairs.

### Conclusion

The proposed Baltimore City Home Repairs Grant Program would provide funding for home repairs. In general, home repairs are an allowable use of ARPA funding under the law. However, in considering whether a potential use is eligible under the Assistance to Households category, a recipient of ARPA funds must consider whether, and the extent to which, the household has experienced a negative economic impact from the

pandemic. **The Recovery Office takes no position on this legislation and defers to the agency tasked with administering this program—the Department of Housing and Community Development.**