



# ESG Homelessness Prevention Manual

Emergency Solutions Grant–Coronavirus Relief  
Consulting and Staffing Services





Version Number	Date Updated	Summary of Changes
V1.0	3.22.2022	Initial version of the document

## I. Introduction

### A. Overview

The Emergency Solutions Grant (ESG) Program is a federal program operated by the U.S. Department of Housing and Urban Development (HUD) to make grants to states, local governments, and territories for the purposes of funding activities that directly serve people experiencing homelessness, including people at risk of homelessness. The California Department of Housing and Community Development (CA HCD) is a direct recipient of ESG from HUD. CA HCD administers an annual allocation of ESG and an additional one-time allocation of ESG made available under the CARES Act.

Homelessness Prevention (ESG-HP) is one of several components (i.e. project types) that can be funded by ESG. Per 24 CFR Part 576, also referred to as the “ESG Program Interim Rule”:

[ESG-HP] funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance necessary to prevent an individual or family from moving into an emergency shelter or another place described in paragraph (1) of the “homeless” definition [... which includes but is not limited to living on the streets, in a park, or in another place not meant for human habitation.]<sup>1</sup>

For the purposes of this document, “annual ESG” refers to CA HCD’s annual allocation of ESG, “ESG-CV” refers to CA HCD’s one-time allocation of CARES Act ESG, and “ESG” refers to the program in general and to aspects of the program that apply to both annual ESG and ESG-CV.

This Emergency Solutions Grant Homelessness Prevention Manual (“Manual”) provides the structure under which organizations receiving certain ESG grants from CA HCD (“subrecipients”) can create and implement ESG-HP projects.

### B. Applicability

This Manual applies to ESG grants funded using:

- Annual ESG from Fiscal Year (FY) 2020 and earlier
- ESG-CV

### C. Hotels and Motels

Several places in this document discuss hotels and motels. This Manual recognizes that in many places in the United States, including California, the line between hotels/motels and apartment housing is becoming less clear.

For the purposes of this Manual, hotels/motels and apartments are generally distinguished using the following criteria:

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<sup>1</sup> 24 CFR 576.103, “Homelessness prevention component”



- Hotels/motels:
  - Do not have leases that meet the standards of California rental law
  - Usually have terms of residence less than 30 days (even if the resident has lived there for longer than 30 days)
  - Often lack features typically found in long term residences (e.g. in-unit kitchen, on-site laundry)
- Apartments:
  - Have leases that meet the standards of California rental law
  - Have terms of residence that are at least 30 days
  - Have most or all features typically found in long term residences

For further guidance about whether a specific unit should be considered a hotel/motel or an apartment, projects should contact CA HCD.

## II. Project Requirements

### A. Overview

ESG-HP can be an effective, human-centered approach to preventing people at risk of homelessness from experiencing homelessness. The requirements in this Manual are intended to ensure subrecipients create ESG-HP projects that:

- Comply with all applicable federal laws, statutes, and regulations;
- Provide assistance that is tailored to each participant’s specific needs and housing barriers;
- Implement best practices for serving only those who will experience literal homelessness without ESG-HP assistance.

### B. Applicability of Federal Requirements

Projects are required to adhere to all applicable federal laws, statutes, and regulations, which include but are not limited to the ESG Program Interim Rule (24 CFR Part 576) and the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (2 CFR Part 200). Elements of these requirements are incorporated into this Manual; however, subrecipients are strongly encouraged to independently review all applicable requirements independent of this document.

### C. Written Policies and Procedures

Projects are required to develop and implement written policies and procedures (P&Ps) that fully detail their ESG-HP operations. At minimum, they must include the following content pieces:

- a. **Participant triage.** The P&Ps must have a triage process that ensures the project serves only those who will experience literal homelessness without ESG-HP assistance. (For more information, refer to [Section II.D., “Triage and Intake.”](#))
- b. **Coordinated Entry integration.** The P&Ps must detail how its participant intake process complies with the Coordinated Entry process for the Continuum of Care (CoC) or CoCs in which the project operates. (For more information, refer to [Section II.E., “Coordinated Entry.”](#))



- c. **Participant eligibility.** The P&Ps must detail how it establishes and documents participant eligibility. (For more information, refer to [Section III.E., “Eligibility Requirements,”](#) and [Section III.F., “Documentation Requirements.”](#))
- d. **Suite of services.** The P&Ps must define the following:
  - i. The full suite of services that can be provided by the project, which can include only those eligible activities enumerated in [Section IV.B., “Eligible Activities”](#);
  - ii. The project’s process for assessing each participant’s barriers to housing and self-sufficiency and designing individualized service plans that ensure each participant receives only those services designed to address their specific barriers;
  - iii. The project’s process for periodically reassessing each participant’s service plan and amending it to reflect both barriers that have been removed and new barriers that have been identified.
- e. **Staffing pattern.** The P&Ps must detail the project’s staffing pattern, including:
  - i. Estimated caseloads for staff providing direct services, which must be sufficient to meet any commitments or projections regarding the number of participants to be served by the project during a given period;
  - ii. A process for entering participant data into and maintaining participant data in the local Homeless Management Information System (HMIS) in an accurate and timely manner.<sup>2</sup>
- f. **Termination and appeals.** The P&P must include a participant termination and appeals process. (For more information, refer to [Section III.F., “Termination and Appeals.”](#))
- g. **Other requirements.** The P&P must meet any other requirements in documents other than this Manual. Other sources of requirements may include but are not limited to federal laws, statutes, and regulations; CA HCD policy regarding federal awards generally and the ESG Program specifically; and the project’s CoC.
  - i. In the event of a conflict between requirements in this Manual and another document, or between this Manual and another applicable body of policy, subrecipients are required to consult with CA HCD to resolve the conflict.
- h. **General operations.** In addition to the requirements above, the P&Ps must provide sufficient information about the operations of the project that a person not familiar with the project could reasonably reconstruct it from the P&Ps.
- i. **Approval.** Projects are required to adhere to the following approvals process for their P&Ps:
  - i. P&Ps must be submitted for approval to CA HCD;
  - ii. Projects are not required to have approved P&Ps before beginning to spend ESG-HP funds, but CA HCD will not issue reimbursements to any project before its P&Ps are approved;
  - iii. CA HCD is the sole arbiter of whether P&Ps meet the requirements in this Manual;

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<sup>2</sup> Subrecipients should contact their local CoC for information about the local HMIS, including user access and training, data standards and requirements, and technical support. For the purposes of this subsection, subrecipients may define “timely manner” at their discretion but are strongly encouraged to adopt policies that requires new data to be entered into HMIS as soon as possible but no more than five business days after it is collected, including entry and exit dates/assessments.



- iv. P&Ps are not approved until the project receives written, signed approval from CA HCD, either on the P&Ps or in a separate letter;
- v. CA HCD may withdraw its approval at any time via a written, signed statement if it discovers that a project’s implementation differs materially from its P&Ps.

#### D. Triage and Intake

Projects are required to develop a participant triage and intake policy that ensures the project serves only those who will experience literal homelessness without ESG-HP assistance. (This policy must fully comply the local CoC’s Coordinated Entry process; for more information, refer to [Section II.E., “Coordinated Entry.”](#))

This policy must incorporate the following elements:

- i. **Participant eligibility.** This policy must establish a process for determining whether a participant is eligible to receive assistance. (For more information, refer to [Section III.B., “Eligibility Requirements.”](#)) A participant is not considered eligible by projects under this Manual unless they are determined to be eligible by a process as defined by this section. This process must include the following elements:
  - i. A methodology for establishing that a participant’s annual income is less than 30% of the area median income (AMI).<sup>3</sup> HUD publishes AMIs annually for every state, county, and metropolitan service area (MSA).<sup>4</sup> The methodology must include a process for determining whether a given participant’s income is assessed against the state, county, or (where applicable) MSA AMI. This process may be as simple or as nuanced as the project prefers, but the process must be applied consistently across the project and must not result in a participant or participants receiving preferential treatment.
  - ii. A methodology for assessing and determining whether a person will experience literal homelessness without ESG-HP assistance. This methodology must consider factors beyond an eviction notice or other documentation establishing that a person will lose their current nighttime residence within 14 days.
    - Such factors must include case manager certification that they have, in partnership with the participant, determined that the participant has not identified a subsequent nighttime resident.
    - Such factors must include case manager certification that they have, in partnership with the participant, determined that the participant lacks the resources and support networks (e.g. family, friends, faith-based or other social networks) that would enable the participant to obtain permanent housing with an initial tenure of at least 7 days. Qualifying residences are not limited to traditional rentals and include safe living situations with friends, family, etc. (sometimes referred to as “doubling up”).

<sup>3</sup> As required by 24 CFR 576.401(c), projects must use the standard for calculating participant income listed in 24 CFR 5.609 (also known as “Part 5 income calculation”).

<sup>4</sup> AMIs can be accessed online here: <https://www.huduser.gov/portal/datasets/il.html>



- Such factors must require that participants meet at least one of the following conditions:
    - Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
    - Is living in the home of another because of economic hardship;
    - Has been notified in writing that their right to occupy their current housing or living situation will be terminated within 21 days after the date of application for assistance;
    - Lives in a hotel or motel that is being used as a hotel/motel and the cost of the hotel/motel stay is not paid by charitable organizations or by federal, state, or local government programs for low-income individuals;
    - Lives in a single-room occupancy or efficiency apartment in which there reside more than two person or lives in a larger housing unit in which there reside more than 1.5 people per room;
    - Is exiting a publicly funded institution or system of care (such as a health care facility, a mental health facility, foster care or other youth facility, or correction program or institution);
    - Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness as identified in CA HCD’s approved consolidated plan.
  - Such factors should include additional factors that make it significantly more difficult for a person in the project’s locality to remain in or re-establish permanent housing once they are at imminent risk of homelessness (e.g. income significantly below 30% AMI, sex offender status, felony criminal record and other demonstrated barriers to permanent housing).
- ii. **Needs assessment.** This policy must establish a process for assessing each project applicant’s needs, including both their relative risk of experiencing homelessness and the housing barriers they would need ESG-HP to resolve. This process must incorporate the following elements:
- i. The project may determine whether the needs assessment and the eligibility assessment (listed in subsection (a), “Participant eligibility,” of this section) are the same or separate processes and whether they share some, all, or none of their criteria; however, if they are separate processes, the needs assessment should only be applied to project applicants who are eligible to receive assistance.
  - ii. The project must define how, if the number of project applicants exceed the project’s participant capacity, the project will use its needs assessment process to triage participants for the purposes of ensuring that ESG-HP serves those with the greatest need who *both* will experience literal homelessness without ESG-HP assistance *and* will remain in permanent housing if they receive ESG-HP assistance.
- iii. **Coordinated Entry.** This policy must comply with the local CoC’s Coordinated Entry process. (For more information, refer to [Section II.E., “Coordinated Entry.”](#))



### E. Coordinated Entry

Projects are required to fully integrate the Coordinated Entry process for their local CoC or CoCs into its operations, including its participant intake process. Coordinated Entry processes will vary between CoCs, and many Coordinated Entry systems have few requirements for ESG-HP (insofar as ESG-HP exclusively serves people at risk of homelessness). Projects are strongly encouraged to consult with their local CoC or CoCs early in the project design process to ensure they have fully integrated all applicable Coordinated Entry requirements.

#### ESG Outcome Measure for Homelessness

Percentage of people that enter the homeless service system (ES, SO) after receiving ESG-CV HP financial assistance

### F. Termination and Appeals

Projects are required to develop a termination and appeals policy. This policy must comply with all requirements in 24 CFR 576.402, “Terminating Assistance,” which includes but is not limited to a provision that participants’ assistance be terminated only in the most severe cases. This policy must also comply with any additional applicable requirements, which can most commonly be found in the following places:

- The project’s application to CA HCD and CA HCD’s grant award or contract for the project
- ESG Written Standards developed by CA HCD or its local direct subrecipient
- CoC Written Standards developed by the local CoC insofar as they apply to ESG-HP projects

## III. Participant Eligibility

### A. Overview

Participant eligibility requirements in this Manual are derived from two places:

- The ESG Program Interim Rule
- Best practices for ensuring that CA HCD’s limited ESG-HP resources are spent where they are most likely to have an impact (i.e. on participants who will *both* experience literal homelessness without ESG-HP assistance *and* remain in permanent housing if they receive ESG-HP assistance)

Note that the participant eligibility requirements in this Manual are more acute than the baseline requirements for both annual ESG and ESG-CV to facilitate demonstrated best practice prevention outcomes.<sup>5</sup>

<sup>5</sup> The program requirements for annual ESG can be found in the ESG Program Interim Rule. For more information about the program requirements for ESG-CV, refer to the most recent version of the ESG-CV Notice on the HUD Exchange: <https://www.hudexchange.info/programs/esg/esg-cv/#program-requirements>



## B. Eligibility Requirements

Participants must meet the criteria in this section to be eligible for assistance under any project covered by this Manual. (Note that the requirements in this section are captured by and expanded on in the process listed in [Section II.D.a., “Participant eligibility,”](#) of this Manual.)

Participants must meet all the following criteria:

- a. **Annual income.** The participant’s annual income must be less than 30% of the AMI.
- b. **Insufficient resources and support networks.** The participant must lack sufficient resources and support networks (e.g. family, friends, faith-based or other social networks) to prevent them from experiencing literal homelessness.
- c. **Additional risk conditions.** The participant meets at least one of the following conditions:
  - a. Has moved because of economic reasons two or more times during the 60 days immediately preceding the application for homelessness prevention assistance;
  - b. Is living in the home of another because of economic hardship;
  - c. Has been notified in writing that their right to occupy their current housing or living situation within 21 days after the date of application for assistance;
  - d. Lives in a hotel or motel and the cost of the hotel or motel stay is not paid by charitable organizations or by federal, state, or local government programs for low-income individuals;
  - e. Lives in a single-room occupancy or efficiency apartment unit in which there reside more than two person or lives in a larger housing unit in which there reside more than 1.5 people per room;
  - f. Is exiting a publicly funded institution or system of care (such as a health care facility, a mental health facility, foster care or other youth facility, or correction program or institution);
  - g. Otherwise lives in housing that has characteristics associated with instability and an increased risk of homelessness as identified in CA HCD’s consolidated plan.
- d. **Additional criteria established by the project.** The process listed in [Section II.D.a., “Participant eligibility,”](#) of this Manual empowers projects to identify, as part of its eligibility assessment, additional factors that make it significantly more difficult for a person in the project’s locality to remain in or re-establish permanent housing once they are at imminent risk of homelessness. Those factors are incorporated into the participant eligibility criteria for the project.

## C. Documentation Requirements

Projects are required to follow the documentation standards in 24 CFR 576.500, “Recordkeeping and reporting requirements.”

Projects are further required to maintain appropriate documentation of any project-specific activities created in response to [Section II, “Project Requirements”](#) of this Manual that are not otherwise covered by 24 CFR 576.500.





## IV. Activity Eligibility

### A. Overview

Eligible activities in this Manual are derived in two places:

- The ESG Program Interim Rule
- ESG-CV Notice CPD-21-08

Note that activities or components of activities listed as eligible under ESG-CV Notice CPD-21-08 are only eligible insofar as they are used to prevent, prepare for, respond to, and mitigate the impacts created by COVID-19. Note also that activities listed as eligible under ESG-CV Notice CPD-21-08 may become ineligible going forward if that Notice is amended, superseded, or rescinded, which may occur at HUD’s discretion through September 2022.

All activities not listed in this Manual are considered ineligible.

### B. Eligible Activities

The following activities from the ESG Program Interim Rule are eligible under projects covered by this Manual.

ESG-HP funds may be used to provide housing relocation and stabilization services and short- and/or medium-term rental assistance necessary to prevent an individual or family from experiencing literal homelessness. These activities are only eligible to the extent that they are necessary to help the participant regain stability in their current permanent housing or move into and achieve stability in other permanent housing.

Specific eligible activities:

#### 1. Financial Assistance Costs

Projects may set maximum dollar amounts that participants may receive for each type of financial assistance listed under this section.

Projects may set a maximum period for which a participant may receive assistance listed under this section.

Eligible Activity	Description
<b>Rental Application Fees</b>	ESG funds may pay for the rental application fee that is charged by the owner to all applicants
<b>Security Deposits</b>	ESG funds may pay for a security deposit that is equal to no more than 2 months’ rent.
<b>Last Month’s Rent</b>	
<b>Utility Deposits</b>	ESG funds may pay for a standard utility deposit required by the utility company for all customers for the utilities listed under “Utility Payments,” below.



Eligible Activity	Description
<b>Utility Payments</b>	ESG funds may pay for up to 24 months of utility payments per program participant, per service, including up to 6 months of utility payments in arrears, per service. A partial payment of a utility bill counts as one month. This assistance may only be provided if the program participant or a member of the same household has an account in their name with a utility company or proof of responsibility to make utility payments. Eligible utility services are gas, electric, water, and sewage. No participant can receive more than 24 months of utility assistance through any ESG-HP project within any 3-year period.
<b>Moving Costs</b>	ESG funds may pay for moving costs, such as truck rental or hiring a moving company. This assistance may include payments of temporary storage fees for up to 3 months provided that the fees are accrued after the date the participant begins receiving any form of assistance under <a href="#">IV.B.2., “Service Costs,”</a> and before the participant moves into permanent housing. (Payment of temporary storage fees in arrears is not eligible.)
<b>Emergency Transfer Lease-Breaking Fees</b>	If a participant is receiving assistance under <a href="#">IV.B.3., “Rental Assistance,”</a> and meets the conditions for an emergency transfer in accordance with the project subrecipient’s ESG Written Standards, ESG funds may be used to pay amounts owed for breaking a lease to effect an emergency transfer. These costs are not subject to the 24-month limit on rental assistance.

## 2. Service Costs

Projects may set a maximum period for which a participant may receive assistance listed under this section. However, except for housing stability case management, the total period for which any participant may receive services under this section cannot exceed 24 months during any 3-year period. The limits on assistance under this section apply to the total assistance a person receives, either individually or as part of a family.



Eligible Activity	Description	Citation
<b>Housing Search and Placement</b>	<p>ESG funds may pay the costs of services or activities necessary to assist participants in locating, obtaining, and retaining suitable permanent housing, including the following:</p> <ul style="list-style-type: none"><li>• Assessment of housing barriers, needs, and preferences</li><li>• Development of an action plan for locating housing</li><li>• Housing search</li><li>• Outreach to and negotiation with owners</li><li>• Assistance with submitting rental applications and understanding leases</li><li>• Assessment of housing for compliance with ESG requirements for habitability, lead-based paint, and rent reasonableness<ul style="list-style-type: none"><li>○ When funds are used to prevent, prepare for, and respond to COVID-19, and when they are used to help a participant remain in housing, that housing is not required to meet habitability standards per Notice CPD-21-08, Section III(E)(7)(c)</li></ul></li><li>• Assistance with obtaining utilities and making moving arrangements</li><li>• Tenant counseling</li></ul>	24 CFR 576.105(b)(1)



Eligible Activity	Description	Citation
<b>Housing Stability Case Management</b>	<p>ESG funds may be used to pay the cost of assessing, arranging, coordinating, and monitoring the delivery of individualized services to facilitate housing stability for a participant who resides in permanent housing or to assist a participant in overcoming immediate barriers to obtain housing. This assistance cannot exceed 30 days (60 days when funds are used to prevent, prepare for, and respond to COVID-19 per Notice CPD-21-08, Section III(E)(4)(f)) during the period in which the participant is seeking permanent housing and cannot exceed 24 months during the period in which the participant is living in permanent housing. These activities consist of:</p> <ul style="list-style-type: none"> <li>• Using the local CoC’s Coordinated Entry system</li> <li>• Evaluating participant eligibility for ESG-HP</li> <li>• Counseling</li> <li>• Developing, securing, and coordinating services and obtaining federal, state, and local benefits</li> <li>• Monitoring and evaluating participant progress</li> <li>• Providing information and referrals to other providers</li> <li>• Developing an individualized housing and service plan, including planning a path to permanent housing stability</li> <li>• Conducting participant eligibility re-evaluation               <ul style="list-style-type: none"> <li>○ When funds are used to prevent, prepare for, and respond to COVID-19, participants’ needs and eligibility must be re-evaluated not less than every six months rather than not less than every three months per Notice CPD-21-08, Section III(E)(13)(b)</li> </ul> </li> </ul>	24 CFR 576.105(b)(2)
<b>Mediation</b>	<p>ESG funds may pay for mediation between the participant and the owner or person(s) with whom the participant is living, provided that the mediation is necessary to prevent the participant from losing permanent housing in which the participant currently resides.</p>	24 CFR 576.105(b)(3)



Eligible Activity	Description	Citation
<b>Legal Services</b>	<p>ESG funds may pay for legal services as described in 24 CFR 576.102(a)(1)(vi) except that the eligible subject matter also includes landlord/tenant matters and that all services must be necessary to resolve a legal problem that prohibits the participant from obtaining permanent housing or will likely result in the participant losing the permanent housing in which they currently reside.</p> <p><i>(Alternatively, when funds are used to prevent, prepare for, and respond to COVID-19, these services are alternatively limited only to those necessary to help participants obtain housing or keep a participant from losing housing where they currently reside, per Notice CPD-21-08, Section III(E)(4)(i))</i></p>	24 CFR 576.105(b)(4)
<b>Credit Repair</b>	<p>ESG funds may pay for credit counseling and other services necessary to assist participants with critical skills related to household budgeting, managing money, accessing a free personal credit report, and resolving personal credit problems. (This assistance does not include the payment or modification of a debt.)</p>	24 CFR 576.105(b)(5)

### 3. Rental Assistance

Projects may provide participants with up to 24 months of rental assistance during any 3-year period. This assistance may be short-term rental assistance, medium-term rental assistance, payment of rental arrears, or any combination thereof.

Short-term rental assistance is assistance for up to 3 months of rent.

Medium-term rental assistance is assistance for more than 3 months but not more than 24 months of rent.

Rental assistance may be tenant-based or project-based.

Payment of rental arrears consists of a one-time payment for up to 6 months of rent in arrears, including any late fees on those arrears.

Limitations on assistance under this section apply to the total assistance a person receives either as an individual or as part of a family.

The following rules, requirements, and standards apply when rental assistance is provided:

- (a) **Discretion to set caps and conditions.** Within the boundaries of the project subrecipient’s ESG Written Standards, the project may set a maximum amount or percentage of rental assistance that a participant may receive, a maximum number of months that a participant may receive



rental assistance, a maximum number of times that a participant may receive rental assistance, and whether and to what extent participants are required to share in the costs of rent.

- (b) **Use with other subsidies.** Except for a one-time payment of rental arrears on the tenant’s portion of the rental payment, rental assistance cannot be provided to a participant who is receiving tenant-based rental assistance or living in a housing unit receiving project-based rental assistance or operating assistance through other public sources. Rental assistance may not be provided to a participant who has been provided with replacement housing payments under the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, as amended (“the URA”) during the period of time covered by the URA payments.
- (c) **Rent restrictions.** Rental assistance cannot be provided unless the rent:
- i. Does not exceed the Fair Market Rent (FMR) established by HUD as provided under 24 CFR Part 888; *note that this requirement does not apply when funds are used to prevent, prepare for, and respond to COVID-19 per Notice CPD-21-08, Section III(E)(4)(b)(i)*
  - ii. Complies with HUD’s standards of Rent Reasonableness (RR) as established under 24 CFR 982.507
- (d) **Calculating rent.** Rent shall equal the sum of the total monthly rent for the unit, any fees required for occupancy under the lease other than late fees and pet fees, and, if the tenant pays separately for any utilities, the monthly allowance for those utilities (excluding telephone and internet) as established by the public housing authority (PHA) for the area in which the housing is located.
- (e) **Rental assistance agreement.** The project may make rental assistance payments only to an owner with whom the project has entered into a rental assistance agreement that complies with the conditions laid out in 24 CFR 576.106(e).
- (f) **Late payments.** The project must make timely payments to owners in accordance with its rental assistance agreements. Rental assistance agreements must contain the same payment due dates, grace periods, and late payment penalty requirements as a given participant’s lease. If a project incurs a late payment penalty, the project subrecipient is solely responsible for paying for that penalty and must use non-ESG funds to do so.
- (g) **Lease.** Participants receiving rental assistance must have a written, legally binding lease that complies with the conditions laid out in 24 CFR 576.106(g).
- i. Participants receiving rental assistance solely in the form of arrears do not need to meet this requirement.
- (h) **Tenant-based rental assistance.** Participants who receiving tenant-based rental assistance are entitled to select a housing unit in which they live and are entitled to move to another unit or building and continue receiving rental assistance as long as the participant continues to meet the project’s program requirements. The project may require participants live within a particular area for the period in which rental assistance is provided.
- i. The rental assistance agreement with the owner must terminate and no further rental assistance payments under that agreement may be made if any of the following occur:
    - The participant moves out of the unit for which they have a lease
    - The lease terminates and is not renewed
    - The participant becomes ineligible to receive rental assistance through ESG



- (i) **Project-based rental assistance.** If the project identifies a permanent housing unit that meets ESG requirements and becomes available before a participant is identified to lease the unit, the project subrecipient may enter into a rental assistance agreement with the owner to reserve the unit and subsidize its rent in accordance with the following requirements:
- i. The rental assistance agreement may cover one or more permanent housing units in the same building; each unit covered by the rental assistance agreement (“assisted unit”) can only be occupied by participants except as provided under part iv. of this section, below.
  - ii. The project may pay up to 100% of the first month’s rent provided that a participant signs a lease and moves into the unit before the end of the month for which the first month’s rent is paid. The rent paid before a participant moves into the unit must not exceed the rent to be charged under the participant’s lease and must be included when determining the participant’s total rental assistance.
  - iii. The project may make monthly rental assistance payments only for each whole or partial month an assisted unit is leased to a participant. When a participant moves out of an assisted unit, the project may pay the next month’s rent (i.e. the first month’s rent for a new participant) as provided in part ii. of this section, above.
  - iv. The participant’s lease must not condition the terms of occupancy on the provision of rental assistance payments. If the participant is determined ineligible or reaches the maximum number of months over which rental assistance can be provided, the project must suspend or terminate the rental assistance payments for the unit. If the payments are suspended, the individual or family may remain in the assisted unit as permitted under the lease and the project may resume payments of the individual or family again becomes eligible and needs further rental assistance. If the payments are terminated, the rental assistance may be transferred to another available unit in the same building provided that the other unit meets all ESG requirements.
  - v. The rental assistance agreement must have an initial term of one year. When a new participant moves into an assisted unit, the term of the rental assistance agreement may be extended to cover the initial term of the participant’s lease. If the participant’s lease is renewed, the rental assistance agreement may be renewed or extended, as needed, up to the maximum number of months for which the participant remains eligible. However, under no circumstances may the project commit ESG funds to be expended beyond the expenditure deadline of the current grant or commit funds from a future ESG grant before the grant is awarded.

#### 4. Activities Eligible Under ESG-CV Notice CPD-21-08

Eligible Activity	Description
Training	Funds may be used for training on infectious disease prevention and mitigation for staff working directly to prevent, prepare for, and respond to COVID-19 among persons who are homeless or at risk of homelessness. For more information, refer to Notice CPD-21-08, Section III(E)(3)(b).



Eligible Activity	Description
<b>Hazard Pay</b>	Funds may be used to pay hazard pay for staff working directly to prevent, prepare for, and respond to COVID-19 among people at risk of homelessness. For examples of eligible staff/activities, refer to Notice CPD-21-08, Section III(E)(3)(c).
<b>Landlord Incentives</b>	<p>Funds may pay for landlord incentives as reasonable and necessary to obtain new housing for eligible participants. Landlord incentives may include any of the following insofar as the total incentives for a given landlord do not exceed three times the rent charged for the unit:</p> <ul style="list-style-type: none"> <li>• Signing bonuses equal to up to two months of rent</li> <li>• Security deposits equal to up to 2 months of rent (these are separate from the costs of security deposits under 24 CFR 576.106(a) and therefore do not factor into the cap established in that section)</li> <li>• Paying the cost to repair damages incurred by participants not covered by the security deposit or that are incurred while the participant is still residing in the unit</li> <li>• Paying the costs of extra cleaning or maintenance of a participant’s unit or appliances.</li> </ul> <p>To support these costs, the project must determine and document that each of these costs is reasonable under the participant’s particular circumstances and does not exceed the amount necessary to house the participant.</p>
<b>Volunteer Incentives</b>	Funds may pay for the cost of providing reasonable incentives to volunteers (e.g. cash, gift cards) who have been and are currently helping to provide necessary housing relocation and stabilization services.
<b>Cell Phones and Internet</b>	Funds may pay for the costs of providing temporary cell phones for participants who are receiving any other services under ESG-HP. To qualify as an eligible cost, the cell phone must be owned by the project subrecipient and the wireless service plan must be the project subrecipient’s, but the phone may be loaned to participants and the wireless service cost may be paid as needed to enable participants to participate in activities necessary to obtain or maintain housing (e.g. to interview for jobs, receiving health and mental health services, continue education). The phone and phone service may be loaned to the participant while stay-at-home or social distancing orders are in effect in the community in which the participant resides or while the participant continues to need it to participate in activities necessary to obtain and maintain housing that remain virtual even after social distancing measures are relaxed and must be returned to the project subrecipient when no longer necessary for those purposes.
<b>Personal Protective Equipment (PPE) for Program Participants</b>	Funds can be used to purchase PPE such as masks, disposable gloves, and hand sanitizer for ESG-HP participants to the extent the participant needs PPE to avoid exposure to and prevent the spread of COVID-19 (e.g. to go out in public or enter common areas of housing).





<b>Eligible Activity</b>	<b>Description</b>
<b>Furniture and Household Furnishings</b>	Funds can be used to purchase furniture and household furnishings to the extent that the purchase of these items will enable a project to establish a participant in housing or improve their stability in housing. <i>Note:</i> furniture and household furnishings are subject to the requirements for equipment under 2 CFR 200.313, including the disposition requirements included in paragraph (e) of that section.
<b>Essential Services</b>	Funds can be used for the essential services listed under 24 CFR 576(102(a)(1) to the extent they are demonstrably required to assist a given participant in obtaining and maintaining housing.
<b>Renters Insurance</b>	Funds can be used to pay for renters insurance. In order to pay for a participant’s renters insurance, the project must demonstrate that the payment is necessary to obtain or maintain housing (e.g. the landlord requires renters to have renters insurance) and pay the renters insurance directly to the insurance company on behalf of the participant.
<b>Vaccine Incentives</b>	Funds can be used to pay for direct cash payments to participants as an incentive to receive a COVID-19 vaccine. Participants may receive up to \$50/dose. This cost is eligible only insofar as other vaccine incentives are inaccessible or unavailable to participants within the community.
<b>Sponsor-Based Rental Assistance</b>	Funds can be used to pay for sponsor-based rental assistance as an alternative model to tenant-based or project-based rental assistance. For more information, refer to Notice CPD-21-08, Section III(E)(3)(o).
<b>Assisting Participants with Subleases</b>	References to “owner” and “lease” in the ESG Program Interim Rule under 24 CFR 576.105, “Housing relocation and stabilization services,” and 24 CFR 106, “Short-term and medium-term rental assistance” that restrict participants from receiving assistance in units they sublease are modified as per Notice CPD-21-08, Section III(E)(3)(o).

### C. Duplication of Benefits

For projects covered under this Manual, a duplication of benefits occurs when federal financial assistance is provided to a person or entity, including through a program (such as ESG-CV) to address losses resulting from a federally declared emergency or disaster, and the person or entity has received (or would receive by acting reasonably to obtain available assistance) financial assistance for the same costs from any other source (including insurance) and the total amount received exceeds the total need for those costs.

Projects must establish and maintain adequate procedures to prevent any duplication of benefits with annual ESG or ESG-CV funds.

Further information on duplication of benefits is pending from HUD. CA HCD will release formal guidance for projects covered by this Manual subsequent to receiving further information from HUD.

### D. Program Income

Program income is defined as provided in 2 CFR 200.1.



Program income is treated as in 24 CFR 576.2 and 24 CFR 576.401(c)(1), except for program income generated by activities to prevent, prepare for, respond to, and mitigate the impacts created by COVID-19, which is treated as in ESG-CV Notice CPD-21-08, Section III.D., “Program Income.”

#### E. “Prevent, Prepare, and Respond” Tieback

Under this Manual, when ESG funds are used to prevent, prepare for, or respond to COVID-19 (PPR), there are certain requirements related to documenting those activities’ relationship to PPR at the activity level (but not the participant level) and in the Integrated Disbursement and Information System (IDIS). More information about those requirements, including sample text for IDIS, for many common activities, can be found in HUD’s [“Homeless System Response: ESG-CV ‘Prevent, Prepare, and Respond’ Tieback Flexibilities Quick Guide.”](#)