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Treasury Significantly Expands Use of ARPA Funds to Promote Affordable Housing Supply

On March 5, 2024, the U.S. Department of Treasury released updated guidance regarding the use of Coronavirus State and Local Fiscal Recovery Funds (aka “ARPA Funds”) to facilitate the development, repair, or operation of affordable housing.

This updated guidance was published under item #2.14 of the Treasury Department’s continuously updated “Frequently Asked Questions” document. The guidance was also accompanied by a [blog post](#) authored by Deputy Secretary of the Treasury Wally Adeyemo providing an overview of the Treasury’s specific actions in 2024 to increase the supply of housing. These actions include the updates discussed below as well as three additional administrative updates and policy initiatives.

Beginning with the release of the “Affordable Housing How-To Guide” in July 2022, the Treasury established two categories of presumptively eligible affordable housing projects for recipients of ARPA Funds: (i) “Option 1 Projects” included projects that would otherwise qualify for assistance under a list of nine specifically enumerated federal programs (LIHTC, HOME, HTF, Public Housing Capital Fund, Section 202, Section 811, Project-Based Rental Assistance, Multifamily Preservation and Revitalization Program, and affordable housing provided by a Tribal government); and (ii) “Option 2 Projects” included projects that would make housing available to households with incomes at or below 65% of area median income (AMI) for a period of 20 years, as established under a land use restriction agreement or similar agreement.

The Treasury’s recent updates to FAQ #2.14 build upon the “two option” framework while significantly expanding the manner under which a project can qualify as an eligible use of ARPA Funds. The expansion of the two options can be summarized as follows:

Expanded Option 1 Projects

The original list of Option 1 Projects has been expanded to include projects that would otherwise qualify under 17 federal programs. This expanded list now includes the following additional federal programs: (i) Choice Neighborhoods (provided the funds are used for the “development of affordable housing” as defined under the program); (ii) Section 514/516 Farm Labor Housing Direct Loans; (iii) Section 538 Multifamily Housing Loan Guarantees; (iv) Section 502 Single Family Housing Guaranteed Loans; (v) Projects financed under the Section 108 Loan Guarantee Program; and (vi) projects financed with loans purchased by Fannie Mae or Freddie Mac (provided the loan meets one of two criteria).

Expanded Option 2 Projects

With respect to projects that do not otherwise align with one of the enumerated federal programs, the Treasury has increased the income threshold to a maximum household income of 120% AMI. This is a significant increase from the original threshold of 65% AMI or less.

Additional Eligible Projects

The Treasury continues to provide recipients with the flexibility to identify projects that do not otherwise qualify as Option 1 Projects or Option 2 Projects. This could include projects that serve households with incomes exceeding 120% AMI.

The Treasury’s updated guidance will undoubtedly be welcome news to recipients seeking to expand housing supply in their jurisdictions while also navigating the December 31, 2024 . This increased flexibility will be an important intervention to address the well-documented housing shortage across the United States. Members of Frost Brown Todd’s Public Finance Team stand ready to assist recipients, subrecipients, and developers with effectively deploying ARPA Funds as well as other funding sources to address these housing needs.

Please reach out to the authors of this article or any attorney with the firm’s [Public Finance Team](#) if you have questions. You can also find our prior ARPA coverage below.

- [Less Than One Year Left to Obligate Your ARPA Funds!](#)
 - [Use It or Lose It: ARPA Funds Spending Update](#)
 - [S. Department of The Treasury Publishes Final Rule for State and Local ARPA Fund Recipients](#)
 - [Making the Most of the ARPAtunity](#)
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