

Many communities have included hotels and motels as part of their non-congregate sheltering strategies. These facilities serve as both isolation and quarantine units as well as protective places for individuals and families experiencing homelessness who are at risk of complications from COVID-19 due to underlying health conditions. Communities have begun to explore options to acquire the properties and convert them to permanent housing using new federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This document builds on others (outlined below) to detail what federal resources might support hotel/motel acquisition and rehabilitation.

## Know Before You Go

Acquiring properties like hotels and motels can be a complicated and lengthy process. A hotel conversion strategy should work alongside other community rehousing strategies to be part of the community's overall plan.

### *Center Equity and Include the Voices of People with Lived Expertise*

As you are considering a hotel conversion, ensure that you are centering equity and considering the disproportionate impact that both historical and structural racism as well as COVID-19 has had and is having on Black, Indigenous, and people of color (BIPOC) in your community. Disaggregate and analyze Homeless Management Information System (HMIS) data by race and ethnicity, gender, household size, and the intersection of those demographics. Consider completing a [Racial Equity Impact Assessment \(REIA\)](#) and using local data to identify the greatest disparities in access, services, housing, etc. The REIA may help identify appropriate strategies for creating more housing and demonstrate whether hotel conversion is the right strategy for your community. Research whether the site has a negative or racially traumatic historical association that might impact BIPOC households referred for housing.

Look at data for the community using a tool like [Opportunity 360](#) to understand neighborhood distribution of resources and where there are inequities. In particular, consider the property's proximity to resources such as transportation, grocery stores, medical care, and other resources that sustain health and housing. These questions are also important to consider in rural areas and states where access may be even more challenging.

### *Using ESG-CV For Hotel/Motel Acquisitions*

Coronavirus Emergency Solutions Grants (ESG-CV) funding can be used to acquire or rehabilitate hotels for the purpose of using them for temporary emergency shelter. If the strategy is to convert the property to permanent housing, there must be another funding plan in place because the ESG-CV funding will need to be repaid; the real property requirements at [2 CFR 200.311](#) still apply, even though the minimum period of use requirements are waived for temporary emergency shelters acquired or renovated with ESG-CV funding.

Part 200 requires that, when real property is no longer needed for the originally authorized purpose (an emergency shelter or temporary emergency shelter, in this instance), the non-federal entity must obtain disposition instructions from the federal awarding agency or pass-through entity. Currently, there are two possible disposition options for recipients:

- Repay the U.S. Department of Housing and Urban Development (HUD) the acquisition and renovation costs and retain the title of the property. The amount repaid to HUD is calculated by applying the percentage of ESG-CV funds used for the original purchase, plus any ESG-funded costs for renovation, to the fair market value of the property.
- Sell the property and repay HUD.
  - The amount repaid to HUD is calculated by applying the amount of ESG-CV funds used for the original purpose, plus any ESG-funded costs for renovation, to the proceeds of the sale after deduction of any actual and reasonable selling and fixing-up expenses.

- If the ESG-CV grant has not been closed out, the net proceeds from the sale may be used to offset the original cost of the property. When the recipient is directed to sell the property, sales procedures must be followed that provide for competition to the extent practicable and result in the highest possible return.

In either case, HUD will provide recipients with disposition instructions to further explain the process.

### **Consider Hotel/Motel Acquisition in the Context of Your Overall Rehousing Strategy**

Your community’s rehousing strategy is likely to include rapid rehousing and permanent supportive housing (PSH) as well as prevention and other types of activities (e.g., diversion, shallow subsidies, etc.). Any plans to convert hotels into permanent housing—whether supportive, affordable, or mixed—should be part of the overall rehousing strategy and timeline. Consider partnerships with nonprofit developers, interested property owners, and state and local governments. Further, center equity by having people with lived expertise, across races and identities, provide meaningful input in the overall housing strategy. It is important to partner with or otherwise include community organizing groups to learn their perspective on community needs and how/if the hotel/motel acquisition would best meet those needs.

Some of the recently issued CARES Act funds have expenditure deadlines, so you will want to plan carefully about what can be purchased now with those funds and what may be financed with other, non-CARES Act resources (such as local or state sources, housing authorities, etc.). Another important consideration is the time it takes to rehabilitate a property to meet local, state, and federal housing quality standards. For example, most hotels do not have in-unit kitchens, which need to be in place to meet housing quality standards for permanent housing required by many federal funding sources. The cost of rehabilitation needs to be factored into the timeline as well.

Finally, once a hotel is purchased, there needs to be ongoing funding to pay for operating expenses, particularly if the building is being used for affordable housing or PSH. For the time being, many of the CARES Act funding sources are eligible to use for time-limited rental assistance (see table below). In most cases, permanent rental assistance or operating resources will also be needed; possible sources include project-based housing choice vouchers, Continuum of Care (CoC) PSH funding, and state or local sources. Services funding is also important for PSH, and looking for a partner that can provide or connect to ongoing services will be key.

Summary of resources:

- For an overview of key considerations for state and local jurisdictions to consider regarding hotel/motel acquisition and for an overview of financial and real estate considerations, access the Corporation for Supportive Housing (CSH) “From Hotel to Home” series: [Part 1](#) and [Part 2](#).
- For a step-by-step example of hotel/motel acquisition and conversion, view [this article](#) by CalMatters.

<b>Funding Source or Partner</b>	<b>Possible Application for Hotel/Motel Acquisition &amp; Conversion</b>
<ul style="list-style-type: none"> <li>● Local and state sources</li> </ul>	<p>Conversion of hotels into permanent housing (usually supportive housing) is not unprecedented. Recent examples include a conversion of a hotel in <a href="#">Denver</a>.</p> <p>Broadly, state housing finance agencies and local jurisdictions that administer HOME, Low-Income Housing Tax Credit (LIHTC), and <a href="#">other affordable housing funding</a> can also be accessed for hotel/motel conversion projects.</p>
<ul style="list-style-type: none"> <li>● Public Housing Agencies (PHAs)—Operating</li> </ul>	<p>PHAs have purchased hotels in some cases (<a href="#">Modesto, CA</a>). This would likely include capital fundraising and might be most appealing where the local capital funders are already in support of/looking for an owner for the property so it is lower risk to the PHA. They can also be a major source for operating funds by project-basing their housing choice vouchers. Project-based vouchers are especially good for site-based permanent supportive housing.</p>

Funding Source or Partner	Possible Application for Hotel/Motel Acquisition & Conversion
<ul style="list-style-type: none"> <li>Public Housing Agencies (PHAs)—Developing Properties</li> </ul>	<p>Many PHAs also have developmental expertise that can support local hotel acquisition projects. Some examples are below. Note that in some cases PHAs may request payment for these services.</p> <ul style="list-style-type: none"> <li>Conducting or overseeing a feasibility analysis/capital needs assessment on behalf of a prospective owner/operator or funder.</li> <li>Acting as the development consultant to a prospective nonprofit purchaser.</li> </ul>
<ul style="list-style-type: none"> <li>ESG-CV</li> </ul>	<p>While ESG-CV funds cannot be used to acquire hotels, funds can pay for leasing hotels or motels for non-congregate shelter while the jurisdiction secures funding for acquisition or rehabilitation to turn the property into permanent housing.</p>
<ul style="list-style-type: none"> <li>Coronavirus Community Development Block Grant (CDBG-CV)</li> </ul>	<p>CDBG-CV can be used for capital/acquisition/rehabilitation of hotels/motels to isolate individuals with mild symptoms/in recovery from COVID-19, though it can be technically difficult to do so. This funding can also be used for rental assistance and services, as the 15 percent cap on services is lifted for CV funds.</p>
<ul style="list-style-type: none"> <li>Housing Opportunities for Persons With AIDS (HOPWA)</li> </ul>	<p>Annual HOPWA funds can be used for acquisition and rehabilitation, while hotels/motels using HOPWA-CV hotels/motels are only eligible under “leasing.”</p> <p>To purchase a hotel or motel, a community would have to use the FY formula funds, not HOPWA-CV. If that activity was not already in the Annual Plan, then a substantial amendment would be required. HOPWA funding for construction, while rare, is eligible. Tenants would need to be under 80 percent Area Median Income (AMI) and at least one household member would need to be HIV+. HOPWA restrictions for major construction span 10 years, and 3 years for minor rehabilitation.</p>
<ul style="list-style-type: none"> <li>Coronavirus Relief Funds</li> </ul>	<p>Must be expended between March 27, 2020 and December 31, 2021.</p> <p>Can be used to convert leased hotels/motels into permanent housing.</p> <p>Can be used as operating subsidies for supportive housing as well as services.</p> <p>Example: <a href="#">Vermont, Project Homekey, CA</a>.</p>