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National Housing Trust Fund Allocation Plan

Training for Georgia Advocates
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NHTF is Block Grant to States



There are two conditions that each state must meet in order to receive its NHTF allocation:

- The state must designate an entity to administer the NHTF and notify the HUD Secretary of the administering entity. The person in charge of Georgia's NHTF Allocation Plan is:

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- The state must prepare and submit a NHTF allocation plan to HUD.

www.nlihc.org/issues/nhtf

Tentative Timeline

- February 18: Fannie and Freddie filed annual reports with SEC that cite total amount of funding or NHTF for 2016
- Any Day Now: HUD publishes state Allocation Plan guidance
- Mid April: HUD publishes NHTF allocation to states in *Federal Register*. NLIHC estimates that Georgia will receive **\$3,340,000**.
- March-April: Georgia Housing Finance Agency (GHFA) develops NHTF Allocation Plan following ConPlan citizen participation procedures, including at least a 30 day comment period.
- June: GHFA submit NHTF Allocation Plan. HUD has 45 days to review; plans are approved after 45 days if HUD does not comment.
- Summer: When Secretary Castro wants to distribute NHTF funds.

Statute, Regulation, or Recommendation?

Information in this presentation that is based on:

- NHTF statute is **ST**.
- NHTF regulation is **REG**.
- NLIHC recommendation is **REC**.

NHTF Allocation Plan and the Georgia ConPlan

- The NHTF **allocation plan** is part of the annual **action plan (REG)** that Georgia must submit as updates to its five year **consolidated plan (ConPlan)**.
- Georgia's last Annual Action Plan was submitted on May 15, 2015.
- The Georgia Department of Community Affairs (DCA) is responsible for submitting the ConPlan and Annual Action Plans. GHFA appears to be a part of DCA.
- Georgia's state ConPlan only covers non-entitlement jurisdictions that do not do their own ConPlans.
- NHTF advocates need to be **familiar** with their state's ConPlan and the state's process for seeking public input for its ConPlan.

NHTF Allocation Plan and the Georgia ConPlan (cont.)

- HUD has announced that for 2016 the NHTF Allocation Plan will be submitted as a “**substantial amendment**” to the Annual Action plan. A substantial amendment requires a 30 day comment period.
- The timing of the submission of the NHTF Allocation Plan will **differ** from that of the Annual Action Plan or the ConPlan.
- Typically, ConPlans and Annual Action Plans are submitted via HUD’s IDIS electronic system. However, until the **IDIS** system is adapted to receive the NHTF Allocation Plan, it will be submitted as a PDF document.
- The NHTF rule does not address the **approval process** for Allocation Plans. Because it is part of the ConPlan, we assume that the same approval process applies. After the ConPlan is submitted, HUD has 45 days to review and reject it. If HUD does not act, the plan is accepted.

Important Definitions for the NHTF Allocation Plan

- **Grantee (ST).** The state entity that prepares the allocation plan, receives the NHTF dollars from HUD, and administers the NHTF in the state.
- **Subgrantee (REG).** Local jurisdiction that the grantee designates to administer the NHTF in a city or county.
- **Eligible Recipient (ST).** The organization or agency that submits an application to the grantee or subgrantee for funds to carry out a NHTF project in the state or locality.

NLIHC is making the following recommendations and assumptions:



ALL REC.

- Advocates will seek the **deepest possible affordability** for rents in NHTF-assisted units and the **longest possible periods** of affordability.
- All funds in the first year will be used for **rental housing**.
- All funds will be distributed by the GHFA to **eligible recipients** (no subgrantees).
- All funds in first year will be used to **expand** ELI housing. Prevent **supplanting**. Minimize use for preservation of existing federal assisted housing.
- In order to maximize affordability, projects should have as **little debt service** as possible. Preferred forms of assistance are grants or no interest loans.
- Given small amount of money in first year, focus on projects with the **most impact**; don't give small amounts of money to many projects.

NHTF Allocation Plan has 15 Elements (those in bold are covered here).



1. **Description of distribution of funds (ST)**
2. **Application requirements (REG)**
3. **Criteria for selection of applications submitted by eligible recipients (ST)**
4. **State's maximum per-unit development subsidy limit for housing assisted with NHTF funds (REG)**
5. If funds are to be used for first-time homebuyers, identify resale and recapture provisions (REG)
6. Decision on distribution of funds through grants to subgrantees and/or to eligible recipients (REG)
7. **If distributing directly to selected applicants, the priority for funding based on six factors (ST)**
8. **Description of eligible activities and eligibility requirements for recipients (ST).**
9. Recipient certification that NHTF-assisted housing units will comply with NHTF requirements (ST).
10. **Performance goals and benchmarks consistent with State's proposed accomplishments.(ST)**
11. Rehabilitation standards that NHTF-assisted projects must meet (REG)
12. Resale and recapture guidelines if funds used for first-time homebuyers (REG)
13. NHTF affordable homeownership limits (REG)
14. **Preferences or limitations to a particular segment of ELI population (REG)**
15. Requirements and conditions under which existing project debt may be refinanced (REG)

1. Description of distribution of funds



All REC

- GHFA will prepare and distribute a **Request for Proposal (RFP)** that will describe in detail eligible applicants, eligible activities, what an application is to include, when and where applications are to be submitted, the criteria by which applications will be evaluated, who will review the applications, and when grant awards are to be made. The RFP will indicate what Georgia has determined to be the **priority housing need(s)** it intends to address based on the outcome of its NHTF citizen participation process and priority needs indicated in its current ConPlan (as amended).
- GHFA will convene an application review panel composed of state officials and **at least two private citizens** representing the housing and homeless advocacy community who are not affiliated in any way with any applicant.
- GHFA will determine which applications are responsive to the application requirements and present those to the members of the application review panel. The panel members will independently review each application and rate it according to the published criteria. The panel will then meet as a group to reconcile their scores and settle on agreed upon recipients.
- GHFA will be responsible for executing contracts.

2. Application requirements

GHFA will detail the application requirements in the Request for Proposals (RFPs). NLIHC recommends (REC) they include, but are not limited to:

- Project information similar to that required for **LIHTC** applications.
- How the project responds to **priority** housing need that Georgia intends to address.
- How the project responds to the **six priority factors** dictated by the statute.
- Description of how NHTF-assisted units will be **integrated** with units with higher income targeting.
- Description of how the project affirmatively furthers fair housing.
- Description of the plan and methods for **achieving affordability** (rent at no more than 30% of household income) for households at 30% AMI, 20% AMI, and 10% AMI.
- Description of **tenant** recruitment and selection process.
- Definition of a **successful resident**; description of services and subsidies that will be provided to maximize resident success.
- Applicant **credentials** to carry out project, including evidence of successful completion and operation of similar projects.

3. Criteria for selection of applications by eligible recipients



NLIHC recommends (REC):

a. Threshold criteria

- Responsiveness to application requirements
- Project reflects priority housing need(s) found in ConPlan that state intends to address. The high priority need listed in the 2013-2017 GA ConPlan that is relevant to the NHTF for 2016 is:
 - Affordable Rental Housing for ELI, Large Families, Families with Children, Elderly, Frail Elderly, Persons with Mental Disabilities, Persons with Physical Disabilities, Persons with Developmental Disabilities, Persons with Alcohol or Other Addictions, Persons with HIV/AIDS and their Families, Victims of Domestic Violence. NOTE: GA emphasizes its obligation to comply with the Olmstead decree to move people with disabilities from institutions to community-based settings.

3. Criteria for selection of applications by eligible recipients (cont.)



b. Final criteria

- Rating on the six priority factors dictated by statute
- Rating based on creativity and innovation
- Rating based on feasibility
- Rating on potential for resident success
- Rating based on applicant credentials

4. Georgia's maximum per-unit development subsidy limit for housing assisted with funds



Each state must establish maximum limitations on total amount of NHTF funds that can be invested per-unit to develop “non-luxury” housing with adjustments for number of bedrooms and location. Limits must be reasonable and based on actual costs (REG).

HUD has indicated that it will be issuing guidance on the per-unit development subsidy limit for the NHTF. The limit is likely to be higher than it is for units produced with HOME funds recognizing that the deeper targeting for NHTF units will require higher levels of subsidy.

7. Six priority factors for funding of eligible applicants

Factors (ST), Weighting (REC)

Determination of recipients based on applicant's total maximum points = 100. NLIHC recommends this allocation of the points. The statute and regulation do not weight the factors, but weighting is allowed.

- a. Geographic diversity. **(Maximum points = 0)**
- b. Applicant's ability to obligate funds and undertake eligible activities in a timely manner. **(Maximum points = 10)**
- c. For rental housing, the extent to which the project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low income families. (NOTE: Statute says "extent to which rents...are affordable, especially for ELI households.) **(Maximum points = 40)**
- d. For rental housing, the duration of the unit's affordability period **(Maximum points = 15)**
- e. Merits of the applications in meeting the priority housing needs of the State. **(Maximum points = 25)**
- f. Extent to which the application makes use of non-federal funding sources. **(Maximum points = 10)**

Factor a: Geographic diversity



Geographic diversity (ST). (Maximum points = 0)

Given the relatively small amount of money available in the first year, NLIHC recommends focusing on projects with the most impact, as opposed to distributing small amounts of money to many projects (REC).

Factor b: Ability to obligate funds



Applicant's ability to obligate funds and undertake eligible activities in a timely manner (ST). (Maximum points = 10)

While the statute and regulations refers to an applicant's ability to "obligate (ST and REG)" funds, obligate is not defined. The regulation refers to the "commitment (REG)" of funds.

- The state must "commit" their NHTF funds within 2 years (ST and REG), and expend within 5 years (REG).
- Factor b factor concerns the ability of the applicant/potential recipient. The regulation defines "commitment" for eligible recipients as:
 - For new construction or rehabilitation of rental housing, to start construction within 12 months of date of contract between the recipient and state (REG).
 - For acquisition of rental housing, receipt of title to the property within 6 months of the date of contract between the recipient and state (REG).

Factor c: Rent affordability



For rental housing, the extent to which the project has Federal, State, or local project-based rental assistance so that rents are affordable to extremely low income families (ST). (Maximum points = 40)

- “Affordable to extremely low income families” is defined as families not paying more than 30% of their household income for housing costs, including utilities (REC).
- Project-based rental assistance includes, but is not limited to, unit-based rental assistance, operating subsidies, cross-subsidization of rents within the project.
- Up to 33% may be used for operating cost assistance and operating cost assistance reserves for NHTF-assisted units (REG).
 - NOTE: HUD intends to issue guidance on operating costs for NHTF in the next year.

Factor d: Duration of affordability



For rental housing, the duration of the units' affordability period (ST). (Maximum points = 15)

- Minimum affordability period is 30 years (REG).
- The extent to which a project exceeds the 30 year minimum determines its duration points, to a maximum of 15 points for projects that commit to affordability in perpetuity (REC).

Factor e: Merits of the application



Merits (ST) of the applications in meeting the priority housing needs of the State (REG). (Maximum points = 25)

- The extent to which a project meets the needs of the lowest income households (REC) within the state's priority housing needs (REG) to a maximum of 25 points. The priority housing need identified in the GA 2013-2107 ConPlan that is relevant to the NHTF for 2016 is:
 - Affordable Rental Housing for ELI, Large Families, Families with Children, Elderly, Frail Elderly, Persons with Mental Disabilities, Persons with Physical Disabilities, Persons with Developmental Disabilities, Persons with Alcohol or Other Addictions, Persons with HIV/AIDS and their Families, Victims of Domestic Violence. NOTE: GA emphasizes its obligation to comply with the Olmstead decree to move people with disabilities from institutions to community-based settings.
- Examples (REC):
 - Projects that serve special needs populations, homeless households, individuals leaving correctional institutions.
 - Projects that are affordable to households with income less than 15% of AMI.
 - Projects proposed by nonprofits.

Factor f: Use of non-federal resources



Extent to which the application makes use of non-federal funding sources (ST). (Maximum points = 10)

- Extent to which application makes use of state and local publicly-controlled funds and/or land donated by state or local government to achieve deep affordability for ELI households (REC).
- Extent to which application makes use of private funds or in-kind commitments, including donation of land, for production, preservation, or operation of the project to achieve deep affordability for ELI households (REC).

8. Eligible activities and eligibility requirements for recipients

NLIHC recommends that eligible activities be limited to:

- Production and rehabilitation of rental housing affordable to extremely low income households (ST).
- Up to 33% for operating cost assistance and operating cost assistance reserves (REG)
 - May only be provided to rental housing acquired, rehabilitated, reconstructed, or newly constructed with NHTF funds (REG)
 - Includes costs for: insurance, utilities, real property taxes, and maintenance and schedule payments to a reserve for replacing major systems (REG)

REC: “Georgia does not intend to permit NHTF funds to be used for homeownership activities or for the new construction, rehabilitation or preservation of federally assisted housing in the 2016 funding cycle.”

8. Eligible recipients (cont.)

An eligible recipient is an organization, agency, or other entity, including a for-profit or nonprofit entity (ST), or public housing agency (REG).

Consider limiting eligible recipients to nonprofits in first year or limit for-profits to those that limit profits or rate of return to investors (REC).

An eligible recipient must:

- Have demonstrated experience and capacity to conduct an eligible NHTF activity as evidenced by its ability to:
 - Own, construct, or rehabilitate, and manage and operate an affordable multifamily rental housing development (ST); and
 - Serve extremely low income households and special needs populations, such as homeless families and people with disabilities (REC);
- Demonstrate ability and financial capacity to undertake, comply and manage eligible activities; (ST)
- Demonstrate its familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with NHTF funds to ensure program compliance (ST); and
- Make acceptable assurances to the State that it will comply with NHTF program requirements (ST).

10. Performance goals and benchmarks



This section also refers to the state's ConPlan in which accomplishments are detailed in the **affordable housing section** of the **strategic plan**. The state must specify the number of extremely low income families and homeless persons for whom the state will provide affordable rental housing. Affordable rents are defined as not exceeding the greater of 30% of the federal poverty line or 30% of 30% AMI (REG).

GA's 2013-2017 ConPlan calls for constructing 1800 rental housing units and rehabbing another 100 units; seven ELI households would be assisted.

To achieve maximum affordability, a NHTF Allocation Plan should set performance goals about (REC):

- how many extremely low income families and homeless people will have affordable housing with affordability defined as 30% of household income (REC), or
- how many families or persons will have rents set at 30% of 20% AMI or 30% of 10% AMI (REC).

14. Preferences or limitations to a particular segment of ELI population



Georgia can limit or give preference to a particular segment of the ELI population based on the state's priority housing needs as described in the ConPlan and Annual Action Plan. Any such preference or limitation must be in the written agreement between the State and eligible recipient (REG). The high priority need listed in the 2013-2017 GA ConPlan that is relevant to the NHTF for 2016 is:

- Affordable Rental Housing for ELI, Large Families, Families with Children, Elderly, Frail Elderly, Persons with Mental Disabilities, Persons with Physical Disabilities, Persons with Developmental Disabilities, Persons with Alcohol or Other Addictions, Persons with HIV/AIDS and their Families, Victims of Domestic Violence. NOTE: GA emphasizes its obligation to comply with the Olmstead decree to move people with disabilities from institutions to community-based settings.

Any limitation or preference must not violate nondiscrimination requirements. Fair housing requirements, including affirmatively further fair housing, apply to the NHTF program. A limitation does not violate nondiscrimination requirements if the housing project also receives funding from a federal program that limits eligibility to a particular segment of the population (e.g. Housing Opportunity for Persons Living with AIDS program, the Section 202 and Section 811 programs) (REG).

For more information



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