

NHHTF

- The National Housing
- Trust Fund



National Housing Trust Fund Allocation Plan

Training for State Leads
March 2016

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

Tentative Timeline



- February 18: Fannie and Freddie filed annual reports with SEC that cite **\$173.7 million** for NHTF for 2016.
- Early March: HUD will publish state Allocation Plan guidance.
- Mid April: HUD will publish NHTF allocation to states in *Federal Register*.
- MarchL April: States develop Allocation Plans following ConPlan public participation procedures, including at least a 30 day comment period.
- MayL June: States submit Allocation Plans. We assume HUD has 45 days to review, and that plans are approved after 45 days if HUD does not comment. (Official HUD guidance will clarify.)
- Summer: When Secretary Castro wants to distribute NHTF funds.

Statute, Regulation, or Recommendation?



Information in this presentation is based on:

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

NHTF Allocation Plan and State ConPlan



- The NHTF **allocation plan** is part of the annual **action plan (REG)** that states must submit as updates to their three to five year **consolidated plans (ConPlan)**.
 - The NHTF administering entity may or may not be the same agency that prepares the state ConPlan.
 - The state ConPlan typically covers only those 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.
- HUD has announced that for 2016 the NHTF allocation plan will be submitted as a "**substantial amendment**" to the action plan. A substantial amendment triggers ConPlan public participation procedures. A 30 day comment period is required.

NHTF Allocation Plan and State ConPlan (cont.)



- The timing of the submission of the NHTF allocation plan will **differ** from that of the action plan or the ConPlan.
- Typically, ConPlans and 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.

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Important Definitions for NHTF Allocation Plan



- **Grantee (ST).** The state entity that prepares the allocation plan, receives NHTF dollars from HUD, and administers the NHTF in the state.
- **Subgrantee (REG).** State may choose to designate local jurisdiction 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 Makes the Following Recommendations and Assumptions



ALL REC.

- Advocates should seek the **deepest possible affordability** for rents in NHTF-assisted units and the **longest possible affordability periods**.
- All funds in the first year should be used for **rental housing**.
- All funds should be distributed by the grantees to **eligible recipients** (no subgrantees).
- All funds in first year should 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 14 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. NHTF affordable homeownership limits (REG)
13. **Preferences or limitations to a particular segment of ELI population (REG)**
14. Requirements and conditions under which existing project debt may be refinanced (REG)

1. Description of Distribution of Funds



All REC

The state agency will:

- Prepare and distribute **Request for Proposals (RFPs)** 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 the state has determined to be the **priority housing need(s)** it intends to address based on the outcome of its NHTF public participation process and priority needs indicated in its current ConPlan (as amended).
- Convene an application review panel composed of state officials and **at least two private** representatives of the housing and homeless advocacy community who are not affiliated in any way with any applicant.
 - State and local examples: Ohio Housing Trust Fund Advisory Committee
Richmond Affordable Housing Trust Fund Advisory Board (Virginia)
- 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 to reconcile their scores and settle on agreed upon recipients.
- Will be responsible for executing contracts.

2. Application Requirements



State agency 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 needs** that state 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 Selecting Applications from 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.

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. State's Maximum Per-Unit Development Subsidy Limit for Housing Assisted with NHTF



The NHTF rule says that this information must be indicated in the ConPlan.

HUD has indicated that it will be issuing guidance on the per-unit development subsidy limit for the NHTF.

7. Six Priority Factors for Funding Eligible Applicants



Factors (ST), Weighting (REC)

NLIHC recommends determining awarding funds to recipients based on applicant's total maximum point, up to 100 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 application in meeting state priority housing needs. **(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 regulation refer to an applicant's ability to "obligate" funds (ST and REG), obligate is not defined. The regulation defines "commitment" of funds (REG).

- Grantees must "commit" their NHTF funds within 2 years (ST and REG), and expend within 5 years (REG).
- Factor b concerns the ability of the applicant/potential recipient. The regulation defines "commitment" for eligible recipients as:
 - For new construction or rehabilitation, starting construction within 12 months of date of contract between the recipient and state (REG).
 - For acquisition of existing 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 rents are affordable, especially to extremely low income families (ST). For states, the rule reads 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 (REG).

(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, or cross-subsidization of rents within the project (REC).
- Up to 33% of state’s NHTF allocation may be used for operating cost assistance and/or 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 application 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 within the state's priority housing needs (REC) to a maximum of 25 points.
- 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.
 - Phased rehabilitation projects that do not cause displacement.

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, maintenance, and schedule payments to a reserve for replacing major systems (REG).

REC: “The State 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).

To achieve maximum affordability, an 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).

13. Preferences or Limitations to a Particular Segment of ELI Population



State 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 state's ConPlan and action plan. Any such preference or limitation must be in the written agreement between the state and eligible recipient (REG).

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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