

## National Housing Trust Fund

Request for Applications

May 2019



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### I. Introduction

The National Housing Trust Fund (HTF) was created by the Housing & Economic Recovery Act of 2008, and was designed to provide additional resources to construct and rehabilitate housing for Extremely Low-Income (ELI) families across the nation. All HTF-assisted rental housing must meet a 30-year affordability period. Additional information about the HTF can be found on <https://www.hudexchange.info/programs/htf/>.

The Wisconsin Housing & Economic Development Authority (WHEDA) is the administrator of the HTF program in Wisconsin.

While the HTF program allows states to use up to 10% of program resources for homeownership-related programs, Wisconsin (and the vast majority of other states) have opted to use the HTF program to specifically target rental housing development and rehabilitation. HTF proceeds may not be utilized to refinance existing debt.

At this time, all HTF resources allocated for rental housing development/rehabilitation must be used to assist households at/below 30% of Area Median Income. Specifically, maximum HTF rent plus utilities for units is the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of the area median income (AMI). All 30% units will be required to be fixed and cannot be swapped out with other units. Properties with fixed HTF units have specific units that are designated as HTF units for the duration of the effective period. Owners must maintain these specific units as the HTF units. When an owner conducts the annual income recertification and finds that a household is over-income, the unit will continue to qualify until the household vacates, at which time the unit must be rented to an HTF-qualified household.

Currently, \$5.1 million of HTF proceeds are available within Wisconsin. It is expected that Wisconsin – and other states – will receive an annual allocation of HTF proceeds in future years.

The program requirements and procedures described in this document were included in an allocation plan that was submitted to the U.S. Department of Housing and Urban Development (HUD). HUD approved Wisconsin's Allocation Plans for the 2016, 2017 and 2018 allocations to Wisconsin. The Allocation Plans can be found on <https://www.wheda.com/Developers/National-Housing-Trust-Fund/>.

WHEDA expects to be structuring HTF awards as low-interest (target rate of 3%), subordinate debt to be repaid from available cash flow from operations.

At this time, WHEDA is requesting applications for \$5.1 million of HTF proceeds. There is not a minimum amount for an HTF request. Due to the timing requirements of the HTF proceeds of the individual award years, WHEDA will open the applications to the following projects:

| Award Year | Amount Available | Eligible Projects                                       | HTF Funds Committed Prior To*: | HTF Funds Expended Prior To: |
|------------|------------------|---|--------------------------------|------------------------------|
| 2017       | \$1,415,000      | 4% State HTC with Reservation Agreement                 | 10/19/2019                     | 10/19/2022                   |
| 2018       | \$3,700,000      | 4% HTC and 9% HTC Supportive set aside in the year 2020 | 09/12/2020                     | 09/12/2023                   |

\*If WHEDA determines that all necessary funding sources for the property are not likely to be committed prior to the dates listed, an HTF award will not be made.

## II. Threshold Requirements.

The following items are threshold requirements for all HTF applications, and are described in more detail within the HTF Threshold Criteria Attachment.

- a) Applicant Eligibility
- b) Applicant's Ability to Obligate HTF Resources.
- c) Applicant's Ability to Undertake Eligible Activities in a Timely Manner

WHEDA will require evidence that the HTF proceeds are required for the proposed property's financial feasibility. The feasibility review will also include a review of the proposed income, operating expenses and structuring of capital sources. Applications that are determined to be financially infeasible will not receive an HTF award.

Section 8 properties must evidence that 50% of total units will be set aside at 30% County Median Income (CMI).

WHEDA will allow a three-day cure period for threshold only requirements needing further clarification after the initial review has been completed. There will be no cure period for scoring criteria.

## III. Scoring Criteria.

All applications must score a minimum of 50 points in the scoring categories described below.

The following scoring criteria will be used to evaluate all applications passing the threshold requirements noted above. The scoring criteria are explained in more detail within the HTF Scoring Items attachment available on <https://www.wheda.com/Developers/National-Housing-Trust-Fund/>.

- a) Geographic Diversity (5 points)
- b) Affordability (up to 25 points)
- c) Priority housing needs (20 points)
- d) Makes use of non-federal funding sources (up to 25 points)
- e) Other selection criteria (up to 25 points)

**Tie Breakers:**

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to the project with the greater number of units set aside at 30% county median income (CMI); if a tie still remains;
2. Second tie breaker: Priority will be given to a project located in any city, township or Tribal Reservation that has not received tax credits in the last two years.

**IV. Recipient Application Requirements**

WHEDA will require that all applications include a description of the eligible activities to be conducted with the HTF funds as required in 24 CFR 93.200, and a certification that the housing assisted with HTF funds will comply with all HTF requirements.

WHEDA will complete a background check on any individual with ownership of 20% or more within the managing member/general partner. Individuals with active files on the Wisconsin Department of Revenue’s List of Delinquent Taxpayers, or unexpired liens on the Wisconsin Child Support Lien Docket will not be eligible for an HTF award.

**V. Maximum per-unit subsidy limit for housing assisted with HTF**

WHEDA will utilize the HOME program per-unit subsidy limits for the HTF program. The current HOME per-unit subsidy limits can be found below.

Issued by Milwaukee CPD

Effective 06/04/2018

| <b>WISCONSIN HOME PER UNIT SUBSIDY LIMITS - 2018</b>   |  |           |           |           |           |
|--|--|-----------|-----------|-----------|-----------|
| (for all Wisconsin Participating Jurisdictions)  |  |           |           |           |           |
| All Wisconsin Participating Jurisdictions Use the High Cost Percentage (240%)<br> | Section 234 Basic Limits per No. of Bedrooms |           |           |           |           |
|  | 0  | 1         | 2         | 3         | 4+        |
|  | \$61,281                                     | \$70,250  | \$85,424  | \$110,512 | \$121,307 |
| \$147,074  | \$168,600                                    | \$205,018 | \$265,229 | \$291,137 |           |



Per CPD Notice 15-003, limits are based on Section 234-Condominium Housing Basic Mortgage Limits (Elevator Type).

## VI. Compliance Requirements for the use of HTF proceeds

### a. HTF recipients will be required to comply with:

1. Americans with Disabilities Act – see <https://www.ada.gov/>
2. Section 504 of the Rehabilitation Act
  - i. For newly constructed housing, a minimum of five percent (5%) of the total dwelling units or at least one unit in a multi-family housing project, whichever is greater, shall be made accessible for persons with mobility impairments. An additional two percent (2%) of the units (but not less than one unit) in such a project shall be accessible for persons with hearing or vision impairments.
  - ii. For rehabilitation of existing housing:
    - a. If alterations are undertaken to a housing facility that has 15 or more units and the cost of the alterations is 75% or more of the replacement cost of the completed facility, then five percent of the total dwelling units or at least one unit, whichever is greater, shall be made accessible for persons with mobility impairments. An additional two percent of the units (but not less than one unit) shall be accessible for persons with hearing or vision impairments
    - b. Alterations to dwelling units in a multi-family housing project (including public housing) shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps. If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire dwelling unit shall be made accessible
3. Lead-Based paint provisions noted in 24 CFR part 35. For properties originally constructed before 1978:
  - i. HTF recipients will be required to complete an inspection for the existence of lead-based paint.
  - ii. If lead-based paint is discovered, the rehabilitation plan must include the removal of the lead-based paint, or a detailed description of how the proposed renovation will comply with the EPA's Renovation, Repair and Painting Program.
  - iii. All rehabilitation must comply with HUD's Lead Safe Housing Rule (LSHR) – see [https://www.hud.gov/program\\_offices/healthy\\_homes/enforcement/ls\\_hr](https://www.hud.gov/program_offices/healthy_homes/enforcement/ls_hr)
4. Design and Construction requirements noted in 24 CFR 100.205
5. Fair Housing Act – see [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp](https://www.hud.gov/program_offices/fair_housing_equal_opp)
6. HTF Environmental review procedures – please see <https://www.hudexchange.info/resources/documents/Notice-CPD-16-14-Requirements-for-HTF-Environmental-Provisions.pdf> for a description of the environmental requirements for HTF-funded properties. HTF housing projects must meet the applicable Property Standards, including the HTF Environmental Provisions, at project completion. WHEDA will require evidence that the applicable requirements will be met for new construction or rehabilitation as

noted in Appendix B (New Construction) or Appendix C (Rehabilitation) in the document linked above. Properties combining HTF with other HUD resources – such as HOME – may be subject to additional environmental reporting requirements as described in 4 CFR Part 50 and Part 58. Projects that cannot meet the applicable property standards and environmental provisions prior to completion will not receive HTF proceeds.

7. Wisconsin’s Environmental Barriers Act

8. Wisconsin Accessibility Code

9. State statutes, local zoning requirements, and all state and local building codes, including the standards for multifamily dwellings established in Administrative Code sections SPS 361-365.

- b. WHEDA will not permit HTF resources to be used in buildings that are located within a 100-year flood plain. Portions of the site may be located in the 100-year flood plain, but may not include parking areas or the footprint of the residential units or accessory buildings. All properties receiving HTF resources must comply with the State of Wisconsin Hazard Mitigation Plan, the 2009 edition of the International Building Code® and the International Existing Building Code®. The Hazard Mitigation plan can be found at [http://emergencymanagement.wi.gov/mitigation/state\\_plan.asp](http://emergencymanagement.wi.gov/mitigation/state_plan.asp).

## **VII. Properties utilizing HTF for the rehabilitation of existing rental housing**

- a. Applicants must submit a Capital Needs Assessment (CNA) to document that the proposed rehab meets HUDs Uniform Physical Condition Standards (UPCS), and to bring all systems up to a reasonable useful life.
  - 1. All items identified as Level 3 or Health & Safety deficiencies on the “UPCS Condition Standards – Comprehensive Listing” will be required to be completed as part of the rehabilitation of the property. If Level 2 items are not included in the rehabilitation budget, deposits to a replacement reserve must be sufficient to complete the repairs at the estimated time identified in the Capital Needs Assessment. A detailed description of UPCS deficiencies can be found at [https://www.hud.gov/offices/reac/pdf/pass\\_dict2.3.pdf](https://www.hud.gov/offices/reac/pdf/pass_dict2.3.pdf).
  - 2. The CNA must address imminent health and safety issues that must be corrected immediately, the condition of major systems (such as structural support, roofing, and plumbing), and the presence of lead-based paint. WHEDA’s Capital Needs Assessment Policy is updated periodically, and include required formats for the assessment, along with the proposed scope or work. The Capital Needs Assessment policy can be found on <https://www.wheda.com/LIHTC/Allocating/>.
- b. All HTF properties will also be required to comply with Exhibit A – Wisconsin HTF Rehabilitation Standards.
- c. The request for HTF resources will include a Scope of Work describing all rehabilitation to be completed. If the rehabilitation Scope of Work does not result in a useful life that is commensurate with the project’s affordability period, the operating budget must show appropriate replacement reserve deposits for their future replacement when needed.
- d. All rehabilitation proposals must comply with Wisconsin Administrative Code Chapter SPS 366 for Existing Buildings, which incorporates the 2009 edition of the International Building Code®, the International Energy Conservation Code®, the International

Mechanical Code®, the International Fuel Gas Code® and the International Existing Building Code®. Chapter SPS 366 can be found at [Admin Code SPS 366](http://codes.iccsafe.org/l-Codes.html) and <http://codes.iccsafe.org/l-Codes.html>.

- e. WHEDA will not permit the permanent displacement of residents in properties receiving HTF resources. Temporary relocation of existing residents must comply with the federal Uniform Relocation Act.

**VIII. Properties utilizing HTF for the construction of new rental housing.** Newly-constructed properties must contain the following features:

- a. Lever-style handles on all interior doors
- b. Bath/kitchen faucets being replaced or initially installed must be single-lever type
- c. Non-skid tub/shower pattern covering 75% of tub/shower floor
- d. All walls within 36" of toilet and in tub/shower area shall have 3/4" plywood behind drywall to provide sufficient support for grab bars or other assist devices
- e. Bathtub/shower stalls with offset controls
- f. Low-profile thresholds – 1/4" maximum vertical height or 1/2" maximum beveled at 1:2 are required between ALL interior common areas and in all dwelling unit openings when floor transition height differs

Include a letter from the development's architect confirming that the items above will be included in the development.

**IX. Eligible Uses of HTF Proceeds.** Eligible uses of HTF proceeds include:

- a. Real property acquisition
- b. Site improvements and development hard costs
- c. Related soft costs
- d. Demolition
- e. Financing costs
- f. Relocation assistance

**X. Cost Certification.** At the completion of the construction or rehabilitation, the applicant will be required to complete a third-party cost certification, which will provide evidence of the costs incurred in completion of the property. This cost certification will be used to confirm compliance with the HTF's current requirement that all HTF resources be used to assist households at or below 30% of Area Median Income

**XI. Closing and construction process for HTF.**

- a. Applications tentatively selected for funding will be presented to WHEDA's Internal Loan Committee, and possibly WHEDA's Members Loan Committee for final approval.
- b. If approved, WHEDA will distribute a closing checklist to the applicant prior to closing
- c. WHEDA will process requests for HTF proceeds as a construction draw – requiring items such as approval by an architect and lien waivers from contractors.
- d. All HTF proceeds must be expended per the table on page two.
- e. If HTF resources are being combined with other HUD funds, the property cannot be acquired until the third-party environmental review is completed.
- f. HTF proceeds may be used during construction, 20% of which will be withheld until construction completion.

- XII. Recapture.** WHEDA will require guarantees from all HTF recipients – in the event that an HTF-funded property does not maintain compliance with HTF program guidelines, including but not limited to providing the required number of units for households at/below 30% CMI, WHEDA will make efforts to recapture all HTF proceeds provided to that property.
- XIII. Application Deadline.** WHEDA will accept HTF applications postmarked or delivered to WHEDA's Madison office no later than 5:00 PM (Central Time) on June 14, 2019.