

## **State of Iowa National Housing Trust Fund Draft Allocation Plan**

### **Introduction**

These substantial amendments (amendments) to the State of Iowa's 2015-2019 Consolidated Plan and the 2016 Annual Action Plan are necessary to implement the federal government's National Housing Trust Fund (NHTF). The amendments are being offered for public comment.

The Iowa Finance Authority has been designated by the Governor and the State Legislature as the Iowa recipient of NHTF from the U.S. Department of Housing and Urban Development (HUD) as stated in Iowa Code Section 16.181. IFA will receive the minimum state grant amount of \$3,000,000 in 2016. The funds will be used to house extremely low-income families. As allowed under 24 CFR Part 93, IFA will allocate 10 percent of the grant or \$300,000 for program planning and administration costs; up to one-third for operating cost assistance or operating cost assistance reserves; and the remaining funds will be used to provide capital funding for new construction, adaptive reuse, or rehabilitation of NHTF units.

### **National Housing Trust Fund Strategic Plan §91.315(b)(2)**

#### **Geographic Priorities:**

The NHTF funds will be used in conjunction with Low-Income Housing Tax Credits or made available through a stand-alone NHTF funding round. IFA anticipates utilizing the funds in multiple projects across the state in areas which exhibit a strong need for housing for extremely low-income families as well as in areas that reflect the geographic priorities established in the 2017 Qualified Allocation Plan which includes high opportunity areas, very high opportunity areas, census tracts that do not contain high density of LIHTC units, and Great Places, as defined in Iowa Code Section 303.3C.

#### **Goals:**

Number of NHTF units constructed or rehabilitated in 2016: 11

Number of NHTF units receiving operating subsidies: up to 11

Any operating subsidies will be awarded in accordance with HUD guidance.

### **National Housing Trust Fund Action Plan §91.320(k)(5)**

#### **Distribution of NHTF:**

Iowa will not allocate funds to subgrantees for their distribution to owners/developers. Instead, IFA will distribute NHTF funds directly to owner/developers of affordable housing. The NHTF funds will be allocated on a competitive basis and may be paired with proposed LIHTC projects as applicable. Iowa believes that the components of the NHTF program compliment Iowa's existing LIHTC priorities. Projects are eligible for a basis boost dependent on the number of units elected to serve households below 30 percent area median income.

IFA may offer NHTF funds to eligible applicants on a pipeline basis in the event other qualified proposals are insufficient to use the entire grant.

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### Application Requirements and Selection Criteria

Eligible applicants will be required to meet the same eligibility criteria as required for LIHTC and HOME awardees. The needs of extremely low-income renters, those with incomes below 30% of Average Median Income (AMI), are a high priority for IFA. IFA's Qualified Allocation Plan (QAP) details the priorities and requirements for LIHTC projects. The 2016 QAP included a provision that awarded a basis boost to projects that had a certain percentage of units that served households under 30% AMI. To ensure the units will continue to serve the extremely low-income households, IFA's Compliance team requires the projects to recertify their tenants' income annually. The 2016 QAP also included a Homelessness Set-Aside where a qualified project was required to dedicate the greater of four units or 10 percent of their low-income units to persons experiencing homelessness. Both the basis boost and the Homelessness set-aside are also included in the 2017 draft QAP. Applications will be evaluated in accordance with need and scoring criteria that emphasizes other State priorities as outlined in IFA's 9% QAP which can be found at <http://www.iowafinanceauthority.gov/Public/Pages/PC116LN11>.

### Priority for Awarding Funding to Eligible Applicants

#### 1. Geographic Diversity.

IFA will accept and consider proposals from across the state consistent with the state's certification to affirmatively further fair housing. The needs of very low-income and extremely low-income tenants across Iowa are a high priority; however, geographic location of a project will be considered as it relates to opportunity areas and location near other affordable projects.

#### 2. Applicant Capacity.

Applicants must demonstrate the ability to perform the tasks associated with the requirements of the NHTF and complete the assisted project in a timely manner. This capability will be evaluated during the competitive application review process. Capacity of the entire development team is evaluated, taking into consideration experience with similar projects, financial and staff capacity, and other factors relevant to the role of the entity.

#### 3. Project-Based Rental Assistance.

IFA's QAP provides a significant number of points (up to 35) to projects that have project-based rental assistance already established. The QAP also provides a specific set-aside for projects that are seeking funds for rehabilitation to preserve affordable housing.

#### 4. Duration of Affordability Period.

New construction, adaptive reuse, and rehabilitation rental projects will have an affordability period of 30 years. Nearly all projects awarded LIHTC in Iowa have a 30 year compliance period. Any operating subsidies will be awarded in accordance with HUD guidance, but no subsidy will be given beyond the 30 years.

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### 5. Priority housing needs.

High housing costs reduce economic opportunities, limit access to jobs and services, and restrict the ability of lower-income households, including the elderly and persons with disabilities, to live in safe and healthy homes in the communities and neighborhoods of their choice. Between 2000 and 2010 the population of Iowa grew 3% to 3,016,267 people which represented 1,215,954 households, a 5% increase in total households throughout the State. According to 2007-2011 CHAS data for Iowa, 224,370 households, 18% of the total households in the State, were in the low-income range of 51-80% HUD Area Median Family Income (HAMFI or AMI); 146,655 households, 12% of the total households in the State, were in the very low-income range of 31-50% AMI; and 135,840 households, 11% of the total households in the State, were extremely low-income at or below 30% AMI. Overall, 506,865 households in the State were at or below 80% of AMI, or 42% of the total households in the State.

### 7. Eligible Activities.

The application shall describe the activity to be funded with NHTF. The Applicant must certify that the assisted units will comply with NHTF requirements. Activities to be undertaken include new construction, adaptive reuse, and rehabilitation of rental housing.

### 8. Eligible Applicants.

Eligible applicants for NHTF include owners or developers that must be either be a for-profit entity or a 501(C)(3) non-profit entity (including Community Housing Development Organizations, or CHDO's). The application will describe the project including building type, number of units, property type and proposed address. The application will also outline all sources of funds for the project as well as the uses for those funds.

The owner and development team must not be debarred or excluded from receiving federal assistance prior to selection or entering into a Written Agreement. Applicants and their development team will undergo an evaluation by IFA of their capacity, and the project is required to meet IFA's stringent underwriting criteria.

Eligible applicants will certify that housing units assisted with NHTF will comply with NHTF program requirements during the entire period which begins upon selection and ends upon the conclusion of all NHTF-funded activities. Applicants shall demonstrate familiarity with requirements of other Federal, State or local housing programs that may be used in conjunction with NHTF funds to ensure compliance with all applicable requirements throughout the 30-year NHTF affordability period.

### 9. Performance Goals and Benchmarks.

Iowa will receive the minimum state grant amount of \$3,000,000 in 2016. All NHTF funds received in 2016 will be used to house extremely low-income families. As allowed under 24 CFR Part 93, 10 percent of the grant or \$300,000 will be used for program planning and administration costs; up to one-third for operating cost assistance or operating cost assistance reserves; and the remaining funds will be used to provide capital funding for new construction, adaptive reuse, or rehabilitation of NHTF units.

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IFA anticipates completing 11 units of housing affordable to extremely low-income families. IFA expects to allocate funding for operating cost assistance or operating cost assistance reserves in accordance with HUD guidance. IFA reserves the right to reallocate uncommitted operating funds to capital costs if qualified applications for operating funds are insufficient to award all operating funds.

### 10. Maximum Per-Unit Development Subsidy Limits.

The Maximum Per-Unit Development Subsidy Limits will be the currently effective HOME Maximum Per-Unit Subsidy Limits for Iowa published annually by HUD utilizing the Section 234 Condominium Housing (Elevator) basis.

### 11. Rehabilitation Standards.

Properties served with NHTF funds must comply with all applicable state and local codes, standards, and ordinances by project completion. In cases where standards differ, the most restrictive standard will apply. In the absence of a State or local building code, the International Residential Code or International Building Code of the International Code Council will apply.

Properties must meet local housing habitability or quality standards throughout the affordability period. If no such standards exist, HUD's Uniform Physical Conditions Standards (UPCS), as set forth in 24 CFR 5.705, will apply. All rehabilitation projects funded through the NHTF program must follow Iowa's Minimum Housing Rehabilitation Standards. These guidelines are available on the Iowa Finance Authority website: [Iowa's Minimum Housing Rehabilitation Standards](#).

All projects with 26 or more units are required to have the useful remaining life of the major systems determined. Major systems include: structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning. If the useful remaining life of one or more major system(s) is less than the applicable effective period, the system(s) must be either included in the scope of work or a replacement reserve must be established and monthly deposits made to the reserve account to adequately repair or replace the systems as needed.

The housing stock in Iowa is relatively older than the rest of the country; approximately 70% of the housing units were built before 1980, presenting a risk for lead-based paint hazards. Of the units built before 1980, we estimate that approximately 40% of those units are occupied by low- or moderate-income households and approximately 45% of those units at risk for lead-based paint hazards have children present within them. Therefore, to address lead-based paint hazards, Iowa will follow and monitor projects to ensure compliance with the HUD lead-based paint regulations implementing Title X of the Housing and Community Development Act of 1992, which covered CDBG, HOME, ESG and HOPWA. Additionally, Iowa passed legislation in 2009 to certify renovators who work in housing and child-occupied facilities. It also passed legislation to require all children entering kindergarten to be tested for lead poisoning. Through these Federal and State regulations, Iowa ensures that all projects receive the appropriate activity or activities to remediate any lead-based paint hazards.

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### 12. Resale and Recapture Provisions.

Not applicable. IFA will not use NTHF to assist first-time homebuyers.

### 13. Affordable Homeownership Limits.

Not applicable. IFA will not use NHTF for homebuyer assistance.

### 14. Limitation on Beneficiaries or Preferences.

As a matter of course, IFA will not limit the beneficiaries of the program or target specific sub-populations of extremely low-income households. IFA reserves the right to fund a project that targets a specific sub-population if the project merits an award.

### 15. Refinancing Existing Debt.

IFA will not use NHTF to refinance existing debt.