

# PUBLIC FORUM NATIONAL HOUSING TRUST FUND

Thursday, February 25, 2016

*\*Original content developed by Ed Gramlich, Senior Advisor, NLIHC*



## FOCUS ON EXTREMELY LOW INCOME RENTERS

- Law limits to 25%, the amount of a state's NHTF used for rental housing to benefit very low income households (in eligible years)
- Very low income (VLI) is considered between 30% and 50% AMI.
- In rural areas NHTF law also considers households with income below poverty line as very low income.







## FOCUS ON EXTREMELY LOW INCOME (ELI) RENTERS

- Law requires at least 75% of a state's NHTF used for rental housing benefit **extremely low income (ELI)** households, or households with income below poverty level (whichever is greater).
- Proposed rule requires 100% ELI benefit in first year (and any year when GSE profits are below \$1 billion)
- Extremely low income (ELI) is considered to be at or below 30% of area median income (AMI)



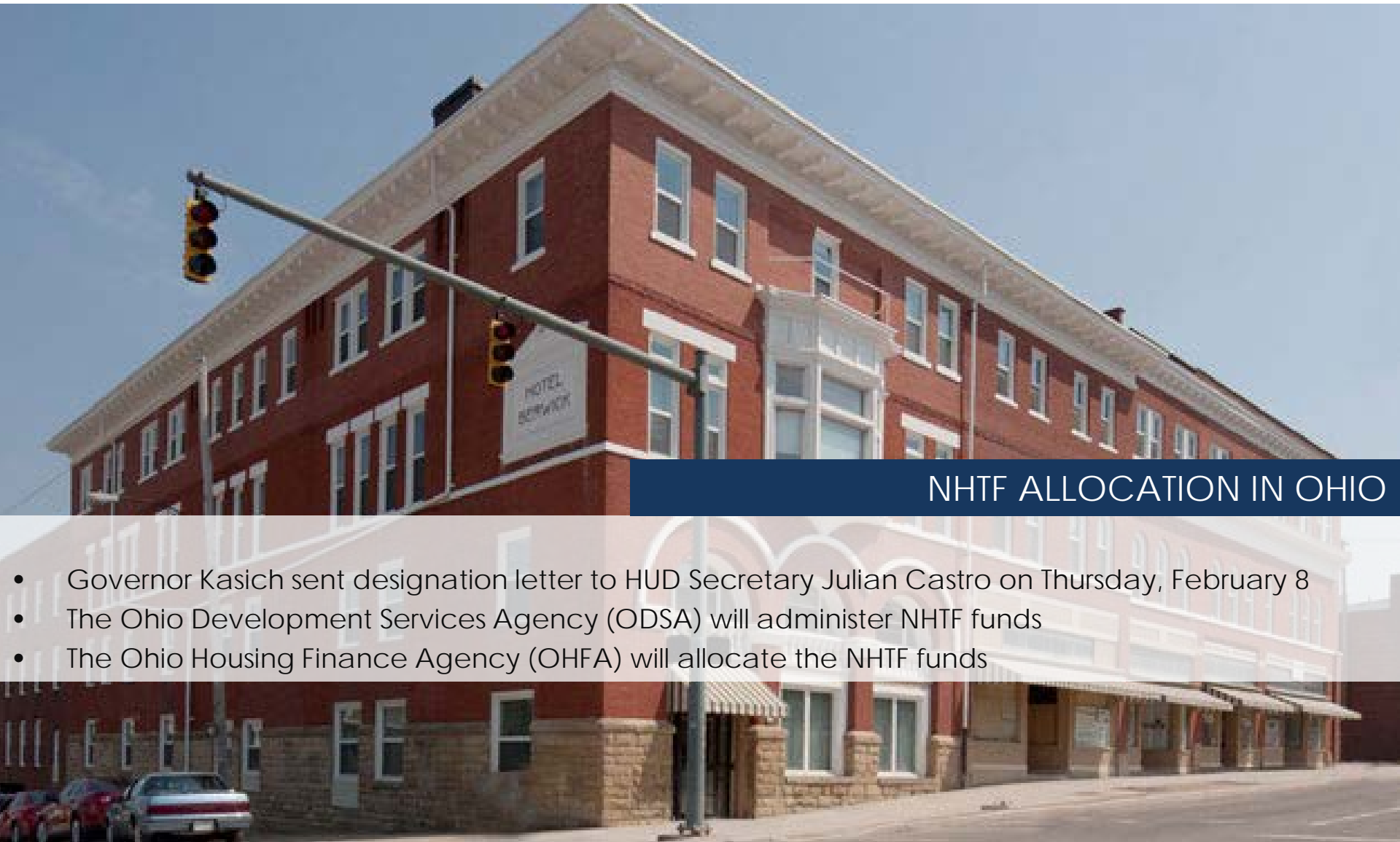
## AFFORDABILITY

- HUD's proposed rule would set maximum rent (including utilities) a household pays at a fixed amount equal to 30% of 30% AMI, or 30% of poverty level, whichever is greater
- HUD recognizes some residents will pay more than 30% of their income (be rent burdened)
- HUD thinks a fixed rent is necessary so owners and lenders can budget for future revenues from rents



## AFFORDABILITY/RESTRICTED USE PERIOD

- Proposed regulation would require both rental and homeowner housing be affordable for at least 30 years, which aligns with the requirement of the LIHTC and HOME programs.
- States and any local governments may have longer affordability periods.



## NHTF ALLOCATION IN OHIO

- Governor Kasich sent designation letter to HUD Secretary Julian Castro on Thursday, February 8
- The Ohio Development Services Agency (ODSA) will administer NHTF funds
- The Ohio Housing Finance Agency (OHFA) will allocate the NHTF funds





## NHTF ALLOCATION IN OHIO

- NHTF law requires states to prepare an “Allocation Plan” every year
- Allocation Plan must show how state will distribute NHTF it will receive in the upcoming year
- Distribution of NHTF must be based on priority housing needs in state’s Consolidated Plan (ConPlan).
- Proposed rule requires NHTF be distributed “throughout the state”



## NHTF ALLOCATION IN OHIO

- When preparing Allocation Plan, law requires states to:
  - Notify the public that Allocation Plan will be drafted
  - Provide for public comment
  - Consider public comments
  - Make final Allocation Plan available
- NHTF law also requires compliance with Consolidated Plan public participation requirements. ODSA will hold a public hearing on the final allocation plan/amendment to the ConPlan





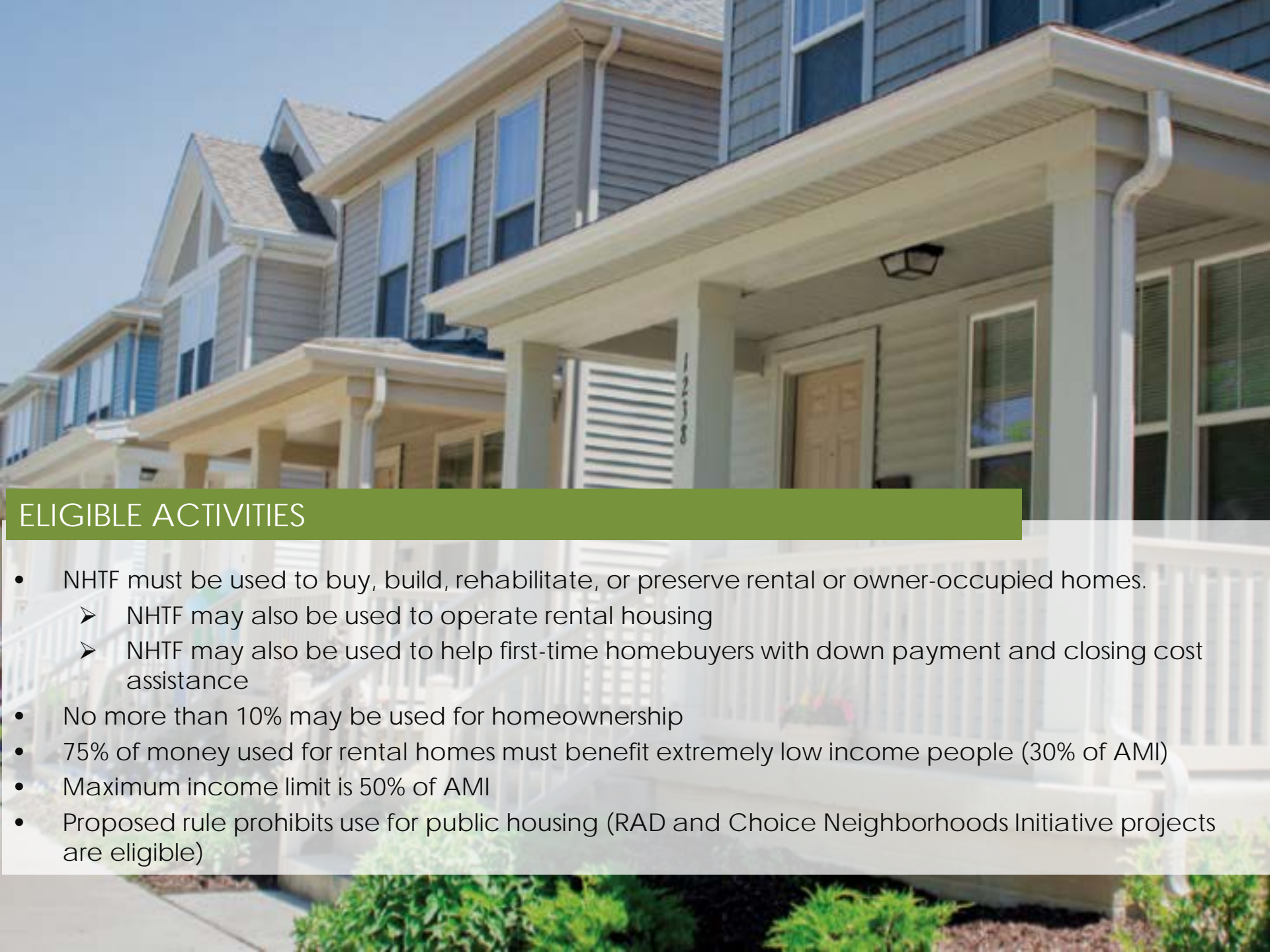
## NHTF ALLOCATION IN OHIO

- Allocation Plan must describe requirements “recipients” must meet when applying for money
- States allocate NHTF to “recipients” to carry out specific projects
- Recipients may be nonprofit, for-profit, or public entity
- Recipient must have relevant experience and financial capacity



## NHTF ALLOCATION IN OHIO

- Allocation Plan must describe criteria for selecting applications.
- Allocation Plan must give priority to projects based on:
  - Geographic diversity, as reflected in ConPlan
  - Extent rents are affordable, especially for ELI households
  - Restricted use period
  - “Merit” of a project. HUD gives a few examples:
    - Serving special populations
    - Accessible to transit or employment centers
    - Energy saving and non-polluting features
  - Applicant’s ability to obligate money and complete project in a timely fashion
  - Extent project will leverage non-federal funds



## ELIGIBLE ACTIVITIES

- NHTF must be used to buy, build, rehabilitate, or preserve rental or owner-occupied homes.
  - NHTF may also be used to operate rental housing
  - NHTF may also be used to help first-time homebuyers with down payment and closing cost assistance
- No more than 10% may be used for homeownership
- 75% of money used for rental homes must benefit extremely low income people (30% of AMI)
- Maximum income limit is 50% of AMI
- Proposed rule prohibits use for public housing (RAD and Choice Neighborhoods Initiative projects are eligible)





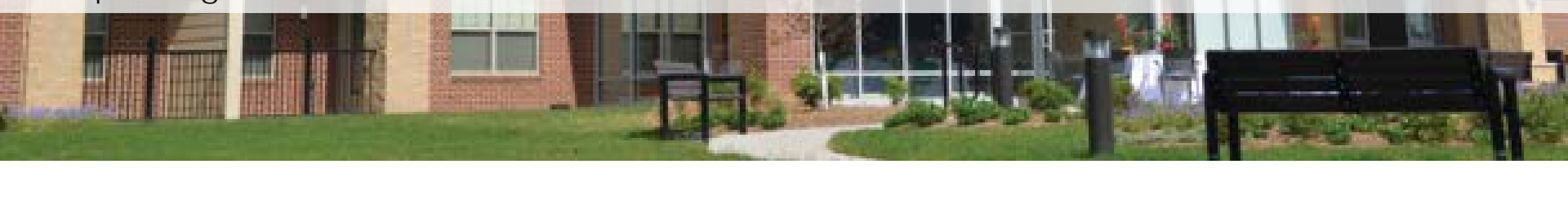
## ELIGIBLE ACTIVITIES

- Many eligible “project costs” may be paid for with NHTF:
  - Buying property
  - Development “hard costs” associated with construction
  - Relocation
  - Demolition
  - Utility connections
  - Site improvements
  - Project “soft costs” associated with financing and development
    - Affirmative marketing to prospective tenants and homeowners
    - Builders and developers fees
  - Refinancing
  - Paying construction loans
  - Staff costs directly related to carrying out a project
  - Operating assistance within limits



## ELIGIBLE ACTIVITIES

- NHTF may be used to provide operating cost assistance to NHTF-assisted rental homes.
- Operating cost assistance covers the gap in rent paid by households and cost of operating rental housing
- Operating costs include maintenance, utilities, insurance, property taxes, etc.
- Proposed rule has 20% cap on the amount of state's NHTF annual grant that may be used for operating cost assistance





## ELIGIBLE ACTIVITIES

- NHTF law limits amount used for homeowner activities to 10% of a state's total NHTF
- NHTF may be used to:
  - Build, rehabilitate, or preserve housing for homeownership
  - Help homeowners with down payment or closing cost assistance, and to make interest rate buy-downs





## GENERAL ADMINISTRATION

- Up to 10% of state's annual grant may pay for general program administration and planning.
  - Relates to overall NHTF program management and monitoring
  - Examples:
    - Preparing reports for HUD and ensuring projects comply with regulations
    - Providing information to residents participating in planning and carrying out NHTF projects
    - Carrying out activities to affirmatively further fair housing



## TIMEFRAMES FOR COMMITMENT AND EXPENDITURE

- NHTF law requires money to be “committed” within two years
- Proposed rule adds NHTF must be spent in five years
- Proposed rule defines “committed” to mean having a legal agreement with a specific timeframe for starting NHTF-assisted activity, depending on type of activity
- Proposed rule provides that project may be canceled if NHTF is committed, but none is requested from HUD (drawn down) within a year



## FUTURE PUBLIC ENGAGEMENT OPPORTUNITIES

MARCH 2016

24

FOCUS GROUP

APRIL 2016

26

FOCUS GROUP

MAY 2016

19

FOCUS GROUP

SUMMER 2016

TBD

PUBLIC HEARING





## COMMENTS AND ADDITIONAL INFORMATION

- Send comments at any time to [NHTFAllocation@ohiohome.org](mailto:NHTFAllocation@ohiohome.org)
- Visit OHFA's NHTF webpage: <http://ohiohome.org/housingtrust/default.aspx>
- HUD's NHTF Exchange webpage: <https://www.hudexchange.info/programs/htf/>

**CREATE** HOUSING OPPORTUNITIES & A RANGE OF HOUSING CHOICES

**PROMOTE** HOUSING OPPORTUNITIES FOR SPECIAL NEEDS & UNDERSERVED POPULATIONS

**IMPROVE** NEIGHBORHOODS THROUGH COMMUNITY & ECONOMIC DEVELOPMENT

**PRESERVE** EXISTING AFFORDABLE HOUSING AT RISK OF NO LONGER BEING AFFORDABLE

**ADVANCE** LIVABILITY STANDARDS & SUSTAINABLE BUILDING PRACTICES

