

# Getting to Know the NHETF Regulations

## Part 4

## How Can NHETF Money Be Used?

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# Part 4 Topics



- General
- Forms of assistance
- Project Costs
- Operating Cost Assistance
- Operating Cost Assistance Reserve
- General Program Administration
- Public Housing
- Key Timeframes
- Homeowner Features...see part 5

# How Can The Money Be Used?

## General



- 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 downpayment and closing cost assistance.
- No more than 10% may be used for homeowners.

§93.200(a)(1)

# How Can The Money Be Used?

(continued)

## Forms of Assistance



- NHTF assistance may be:
  - Loans, including no-interest loans and deferred payment loans
  - Grants
  - Interest subsidies
  - Equity investments
  - Other forms
- States and any local subgrantees may decide the terms of assistance.

§93.200(b)

# How Can The Money Be Used?

(continued)

## Project Costs



Many eligible “project costs” may be met 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
  - Architectural, engineering, related professional services
- Refinancing
- Paying construction loans
- Staff costs directly related to carrying out a project
- Operating assistance

§93.201

# How Can The Money Be Used?

(continued)

## Operating Cost Assistance



- NHTF may be used in conjunction with NHTF-assisted rental homes to:
  - Provide operating cost assistance
  - Provide for operating cost assistance reserve
- 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, scheduled payments to reserve for replacement of major systems, etc.

§93.201(e)

- Rule has 33% cap on the amount of state's NHTF annual grant that may be used for operating cost assistance or reserves.

§93.200(a)(1)

# How Can The Money Be Used?

(continued)

## Operating Cost Assistance

(continued)



- Rule allows grantee to commit funds from an NHTF grant received in a single year to provide funds for operating cost assistance over multiple years.
  - Grantee may renew operating cost assistance with future year NHTF grants during the affordability period.
  - Funds committed in that single year must be spent within five years.

§93.201(e)(1)

# How Can The Money Be Used?

(continued)

## Operating Cost Assistance Reserve



- Operating cost assistance reserve may be funded upfront for NHTF-assisted units to ensure project feasibility for the affordability period – if from **non-appropriated** NHTF money, such as assessments on Fannie and Freddie.
- If operating cost assistance reserve is funded with **appropriated** NHTF funds, reserve is limited to amount needed to provide operating cost assistance for five years.
- If amount devoted to operating cost assistance reserve would exceed 33% cap, reserve could be funded in phases from future NHTF grants.

§93.201(e)(2)



# How Can The Money Be Used?

(continued)

## General Program 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.

§93.202

# How Can The Money Be Used?

(continued)

## General Program Administration

(continued)



- “Project administration” – staff and overhead directly related to a specific housing development –
- Project administration may be considered as either:
  - “general program administration” or
  - “project cost” and not count against 10% cap.

§93.202(c)

§93.201(d)(6) and (f)(2)

§93.202(c)

# How Can The Money Be Used?

## Public Housing



- In general, rule prohibits use of NHTF to rehab or build public housing.
- Rule allows NHTF to rehab public housing converted under Rental Assistance Demonstration.
- Rule allows NHTF to rehab or build new public housing if:
  - Part of Choice Neighborhoods Initiative, or
  - Will have Low Income Housing Tax Credits

§93.29

# Key Timeframes To Know About



- NHTF law requires money to be “committed” within two years.
- Rule adds NHTF must be spent in five years. §93.400(d)(2)
- Rule defines “committed” to mean having a legal agreement with a recipient for a specific local project:
  - New construction or rehab – can reasonably be expected to start in 12 months.
  - Acquire standard housing – transfer title within 6 months.
- Rule provides that project may be canceled if NHTF is committed, but none is requested from HUD (drawn down) within a year. §93.2  
§93.402(b)(2)

# More NHTF Information



- NLIHC will be preparing additional materials about the National Housing Trust Fund over time.
- Periodically check [www.nhtf.org](http://www.nhtf.org)
- HUD's NHTF webpage, <https://www.hudexchange.info/htf>

# Contact Me



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# Become an NLIHC Member



- Members are essential in helping NLIHC advocate on behalf of low income people in need of safe and affordable housing.
- Membership is open to individuals, organizations, corporations, and government agencies.
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- Questions?
- Contact [outreach@nlihc.org](mailto:outreach@nlihc.org) or call 202-662-1530, ask to speak to your Housing Advocacy Organizer.