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# National Housing Trust Fund

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Missouri Housing Development Commission



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# Purpose

The National Housing Trust Fund (HTF) is a new affordable housing production program that will complement existing Federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income (ELI) and very low-income households (VLI), including homeless families.

# A Few Definitions...



- **Extremely Low Income**
  - Low-income families whose annual incomes do not exceed 30% of the median family income of a geographic area
- **Very Low Income**
  - Low-income families whose annual incomes are in excess of 30% but not greater than 50% of the median family income of a geographic area



# Missouri's Allocation



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- \$3 Million
  - Up to \$1 Million for Operating Assistance
  - Up to \$300,000 for Homeownership Activities
  - Up to \$300,000 for Administrative Activities



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# Income Limits

- The First Year and Years When Total Funds Are Less Than \$1 Billion
  - All Funds Are For ELI Households
- Years When Total Funds Are Greater Than \$1 Billion
  - 75% of Funds for ELI Households
  - Up to 25% for VLI Households



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# Eligible Costs

- Development Hard Costs
- Refinancing Costs
- Acquisition Costs
- Related Soft Costs
- Operating Cost Assistance and Reserves\*
- Relocation Costs
- Costs Related to Payment of Loans



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# Operating Cost Assistance and Reserves

MHDC can provide up to one-third of each annual grant for operating cost assistance and operating cost assistance reserves.







# Operating Cost Assistance and Reserves

- Eligible Costs Include:
  - Insurance
  - Utilities
  - Real Property Taxes
  - Maintenance
  - Scheduled Payments to a Reserve for Replacement of Major Systems





# Operating Cost Assistance and Reserves

- Can only be provided if the HTF-assisted units do not have project-based assistance
- Must be based on the underwriting of the project
- Must be specified in the written agreement





# Operating Cost Assistance and Reserves

- As the HTF is currently funded (through Fannie Mae and Freddie Mac),
  - The reserve may be funded for the amount estimated to be necessary through the affordability period
  - Must be funded at the time of executing the written agreement



# Eligible Forms of Assistance



- Equity Investments
- Interest-Bearing Loans or Advances
- Non-Interest Bearing Loans or Advances
- Interest Subsidies
- Deferred Payment Loans
- Grants
- Other Forms of Assistance Approved by HUD



# Rental Housing Guidelines



## Rents

- Maximum is 30% of the income of a household at 30% AMI, adjusted for number of bedrooms
  - Rent limit includes utility allowance
- If HTF Unit receives Federal or state project-based rental subsidy, the maximum allowable rent is the allowable rent under the subsidy program as long as tenant does not pay more than 30% of their adjusted income



# Rental Housing Guidelines



## Affordability Period

- HTF Units must have at least a 30-year period of affordability
- If affordability restrictions are terminated before 30 years, total HTF allocation must be repaid to HUD

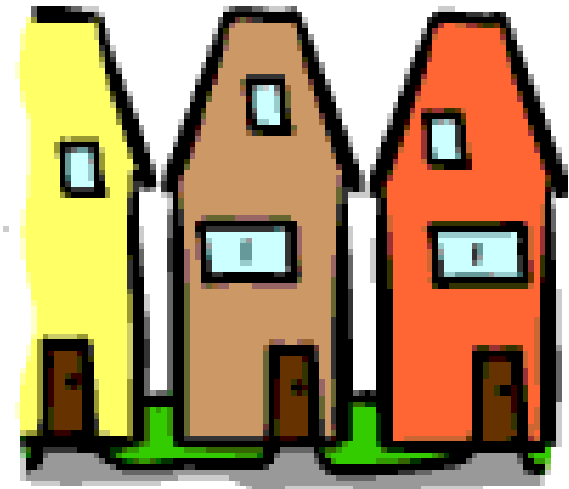


# Underwriting Example



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- 29 Units in Balance of State
- Senior Site
- 5 Special Needs Units with Rent Assistance
- 1 & 2 Bedrooms
- All Units Affordable at 60% AMI



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# Underwriting Example



## Construction Budget

Total Development Budget	\$4,450,000
TC Equity	785,000
Construction Loan	2,785,000
HOME	500,000
Grant	23,000
Developer Fee Post-Const.	267,000
Other Costs Paid Post-Const.	90,000

## Operating Outlook

Bdrm Size	# of Units	Monthly Rent
1-Bed	11 Units	\$449/Mo.
2-Bed	18 Units	\$571/Mo.

Yearly Income approx. \$156,060  
approx. \$5,100/unit

## Operating Expenses

Yearly Expenses approx. \$129,800  
approx. \$4,480/Unit

\* \$60,000 Emergency Reserve





# Underwriting Example

## Pro Forma



	Year 1	Year 5	Year 10	Year 15
Income w/ Vacancy	148,000	160,000	177,000	195,000
Expenses	121,100	136,000	158,000	183,000
Reserves	8,700	9,800	11,300	13,000
<b>Cash Flow</b>	<b>18,200</b>	<b>14,200</b>	<b>7,700</b>	<b>** -1,000</b>

### Assumptions –

- \* 2% Yearly Increase in Income
- \* 3% Yearly Increase in Expenses and Reserves



# A Note On Income Limits...



What does 30% AMI look like in our example?

# of People in Household	Yearly Income	Monthly Income	30% of Monthly Income
1	\$11,580	\$965	\$290
2	\$13,230	\$1,103	\$331
3	\$14,880	\$1,240	\$372
4	\$16,530	\$1,378	\$414



# Underwriting Example - #3



With No Vouchers

\$600,000 – NHTF Funds

5 NHTF Units

## New Unit Make-Up

Size	# of Units	Unit Type	Rent
1 Bdrm	9	Tax Credit	\$459
2 Bdrm	15	Tax Credit	\$606
1 Bdrm	2	NHTF	\$310
2 Bdrm	3	NHTF	\$372



# Underwriting Example - #3



## Construction Budget

## Operating Outlook

Total Development Budget	\$4,570,000
TC Equity	783,000
Construction Loan	2,620,000
NHTF	600,000
Grant	23,000
Developer Fee Post-Const.	267,000
Other Costs Paid Post-Const.	277,000

Bdrm Size	# of Units	Monthly Rent
1-Bed	9 Units	\$459/Mo.
2-Bed	15 Units	\$606/Mo.
1-Bed	2 Units	\$310/Mo.
2-Bed	3 Units	\$372/Mo.

Yearly Income approx. \$153,000  
 approx. \$5,300/unit

\$180,000 Trust Fund Reserve  
 \$15,000 Deferred Developer Fee

## Operating Expenses

Yearly Expenses approx. \$129,800  
 approx. \$4,480/Unit



# Underwriting Example - #3



## Pro Forma

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Income w/ Vacancy	145,000	157,000	174,000	192,000	212,000	234,000	258,000
Expenses	121,000	136,000	158,000	183,000	212,000	246,000	286,000
Reserves	9,000	10,000	11,000	13,000	15,000	18,000	20,000
<b>Cash Flow</b>	<b>15,000</b>	<b>11,000</b>	<b>5,000</b>	<b>-4,000</b>	<b>-15,000</b>	<b>-30,000</b>	<b>-48,000</b>

### Assumptions –

- \* 2% Yearly Increase in Income
- \* 3% Yearly Increase in Expenses and Reserves



# Underwriting Example - #4



## Vouchers and Market Rate Units

\$440,000 – NHTF Funds

5 NHTF Units

### New Unit Make-Up

Size	# of Units	Unit Type	Rent
1 Bdrm	7	Tax Credit	\$459
2 Bdrm	12	Tax Credit	\$581
1 Bdrm	2	NHTF	\$570
2 Bdrm	3	NHTF	\$800
1 Bdrm	2	Market	\$529
2 Bdrm	3	Market	\$691



# Underwriting Example - #4



## Construction Budget

Total Development Budget	\$4,390,000
TC Equity	785,000
Construction Loan	2,790,000
NHTF	440,000
Grant	24,000
Developer Fee Post-Const.	267,000
Other Costs Paid Post-Const.	84,000

## Operating Outlook

Bdrm Size	# of Units	Monthly Rent
1-Bed	7 Units	\$459/Mo.
2-Bed	12 Units	\$581/Mo.
1-Bed	2 Units	\$570/Mo.
2-Bed	3 Units	\$800/Mo.
1-Bed	2 Units	\$529/Mo.
2-Bed	3 Units	\$691/Mo.

Yearly Income approx. \$176,000

approx. \$6,100/unit

## Operating Expenses

Yearly Expenses approx. \$129,800

approx. \$4,480/Unit



# Underwriting Example - #4



## Pro Forma

	Year 1	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
Income w/ Vacancy	167,000	181,000	200,000	220,000	243,000	269,000	296,000
Expenses	121,000	136,000	158,000	183,000	212,000	246,000	286,000
Reserves	9,000	10,000	11,000	13,000	15,000	18,000	20,000
<b>Cash Flow</b>	<b>37,000</b>	<b>35,000</b>	<b>31,000</b>	<b>24,000</b>	<b>16,000</b>	<b>5,000</b>	<b>-10,000</b>

### Assumptions –

- \* 2% Yearly Increase in Income
- \* 3% Yearly Increase in Expenses and Reserves





# Current Timeline

Week of May 9 – Stakeholder Meetings

May 13 – Initial Stakeholder Comments Due

May 27 – Draft Allocation Plan/ Start of 30-  
Day Comment Period

Before July 4 – Hearings

Week of July 4 – Commission  
Approval/Submit Plan to HUD

Week of August 29 – HUD Approval?

# Additional Resources



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- HUD Exchange
  - [www.hudexchange.info/programs/htf](http://www.hudexchange.info/programs/htf)
- National Low Income Housing Coalition
  - [www.nlihc.org/issues/nhtf](http://www.nlihc.org/issues/nhtf)
- Novogradac
  - [www.novoco.com](http://www.novoco.com)
- MHDC
  - [www.mhdc.com](http://www.mhdc.com)



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# The End



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