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NATIONAL HOUSING TRUST FUND
2017 REQUEST FOR PROPOSALS
AND
ANNUAL ALLOCATION PLAN

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The Housing Trust Fund program contained herein is contingent upon HUD's approval and allocation of 2017 formula grant amounts to the State of North Dakota as well as upon any potential changes by HUD to the Housing Trust Fund regulations. Any approvals to and from the program are subject to such program changes and grant allocation by HUD.

Equal Housing Opportunity

Revised 6/19/2017

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I. INTRODUCTION

North Dakota Housing Finance Agency (NDHFA) is dedicated to maximizing housing opportunities for all North Dakotans and proactively addressing the housing needs of low and moderate income households.

The National Housing Trust Fund (HTF) is a permanent federal program, established as part of the Housing and Economic Recovery Act of 2008. The primary purpose of the HTF is to provide grants to state governments to increase and preserve the supply of affordable rental housing for extremely low income (ELI) households, defined as those earning less than 30 percent of the area median income (AMI), including homeless families. The HTF is funded by an assessment on all business booked by Fannie Mae and Freddie Mac. Parties interested in pursuing HTF funding should refer to the Code of Federal Regulations, Title 24, Part 93 (24 CFR Part 93) for further guidance.

NDHFA is responsible for the administration of the HTF for the State of North Dakota, including the development of an Annual Allocation Plan (the Plan) which defines the process by which HTF funds are distributed to qualifying properties throughout the state. The Plan promotes the selection of those properties which serve to address the most crucial needs of the state within the priorities outlined in the North Dakota Consolidated Plan,[1] as well as the relevant strategies identified in North Dakota's 10-Year Plan to End Long Term Homelessness:[2]

North Dakota Consolidated Plan Housing Strategies

- Preserve and improve the quality and condition of the existing rental and owner-occupied housing stock through the rehabilitation of lower-income, disabled, and elderly households.
- Fund homeownership opportunities for lower income residents.
- Provide funding to increase the supply of multifamily housing.

North Dakota Consolidated Plan Homeless Strategies

- Support emergency shelters and transitional housing for the homeless.
- Create additional transitional and permanent supportive housing facilities.
- Provide financial support to assist those at imminent risk of homelessness, including rapid rehousing.
- Fund homeless prevention activities, including data collection and prevention services.

North Dakota's 10-Year Plan to End Long Term Homelessness: Relevant Strategies

- Develop permanent supportive housing.
- Improve the ability to pay rent.
- Expand supportive services to wrap around housing.

This Plan was developed with input from our partners and stakeholders, solicited during a public comment period, and finalized through a public hearing process.

[1] North Dakota Department of Commerce, Division of Community Services, "2015-2019 North Dakota Consolidated Plan" (2015), available at www.communityservices.nd.gov/uploads/25/20152019ConPlan9.15.pdf.

[2] North Dakota Interagency Council on Homelessness, "Housing Homeless: North Dakota's 10-Year Plan to End Long Term Homelessness" (2008), available at www.ndhomelesscoalition.org/10-year-plans/.

II. DEFINITIONS

For purposes of the HTF program, the following definitions shall apply.

Brownfield: A previously developed site where future use is affected by real or perceived environmental contamination.

Extremely Low Income (ELI): The primary affordability target of the HTF, defined by the United States Department of Housing and Urban Development (HUD) as household income of not more than the greater of 30 percent of area median income (AMI) or the federal poverty line.

Grantee: The state entity that prepares the HTF Allocation Plan, receives the HTF dollars from HUD, and administers the HTF in the state. NDHFA is the HTF grantee for the State of North Dakota.

Grayfield: Previously developed property.

HTF-Assisted Unit: A housing unit which meets the HTF eligibility requirements and benefits from financial assistance from the HTF.

Multifamily: Any building or group of buildings totaling four or more permanent residential rental units operated as a single housing project. Initial leases must be for a term of at least six months.

Period of Affordability: Also, "affordability period." Units in projects receiving HTF assistance will be required to maintain affordability to extremely low income households for a period of at least 30 years.

Recipient: An entity which is awarded assistance from the HTF for the development, rehabilitation, or operation of multifamily rental property for the benefit of ELI households.

Rent Restricted: Rent that does not exceed the published Maximum HTF Rent Limit, which is based on an assumed 1.5 persons per bedroom (single person in an efficiency). Rental Assistance is allowed, so long as the tenant pays no more than 30 percent of their adjusted income and such tenant-paid portion does not exceed the published HTF rent limit.

Stabilized Occupancy: For purposes of the HTF, occupancy of at least 90 percent of the units in the property for a period of at least 90 days.

Total Development Cost: The all-in cost of developing the project including acquisition, pre-development costs, hard and soft construction or rehab costs, financing costs, developer fees, and reserve account capitalization.

III. GENERAL PROVISIONS

Available HTF Funding

North Dakota is expected to receive the small-state allocation of $3,000,000 from the 2017 National Housing Trust Fund. HUD authorizes NDHFA to expend from the HTF up to a maximum of 10 percent of the state allocation for reasonable costs to administer the HTF program. The maximum amount of administrative costs NDHFA may expend from the HTF will be evaluated as to reasonableness each year during allocation plan development.

Eligible Recipient
The organization or agency that submits an application to NDHFA for funds to carry out the HTF project must be an eligible recipient. Eligible recipients include units of local, state, and tribal government; local and tribal housing authorities; community action agencies; regional planning councils; nonprofit organizations, and for-profit developers. Individuals are not eligible to receive direct assistance from the HTF.

Eligible recipients must demonstrate their familiarity with the requirements of other Federal, State, or local housing programs that may be used in conjunction with HTF funds to ensure compliance with all applicable requirements and regulations of such programs.

Eligible Uses
All applications for assistance through the HTF must contain a detailed description of the eligible activities to be conducted with HTF funds. Federal statute authorizes HTF funds to be used for the production, preservation, rehabilitation, and operation of the ELI portion of a multifamily rental housing project. This may be done through the following eligible activities:

1) The HTF can pay those development costs, identified in 24 CFR Part 93.201, associated with the new construction, rehabilitation, acquisition, or adaptive reuse of a multifamily housing project. Such development costs include acquisition, site improvements and development hard costs, related soft costs, demolition, financing costs, relocation assistance, and rent-up reserve capital (not to exceed 18 months).

   Projects involving rehabilitation must perform a minimum of $15,000 in rehabilitation per unit on average. Please refer to the ND Housing Trust Fund Rehabilitation Standards document on our website at www.ndhfa.org/Development/HousingTrustFund.html for additional requirements of rehabilitation projects. HTF funds may not be used to refinance existing debt.

2) Operating cost assistance in the form of an operating subsidy. Up to 33 percent of each annual state grant may be used for operating cost assistance for HTF-assisted units. This may be in the form of an upfront reserve to help cover eligible operating costs for HTF-assisted units to ensure financial feasibility for the entire affordability period*. Operating cost assistance may only be used in conjunction with eligible use number one above, and is not available on units receiving project-based rental assistance. Eligible operating costs which may be subsidized by HTF include that portion of the following which are attributable to the HTF-assisted units in a project on a pro-rata basis:

   - Insurance
   - Utilities
   - Property tax
   - Maintenance
   - Replacement reserve payments

   Operating cost assistance may be provided to a project in addition to the funding of an initial operating (“rent-up”) reserve, not to exceed 18 months, which is a separate development cost.

   The operating cost assistance reserve escrow account must be maintained separately from the project’s operations account and other reserve accounts in a federally insured financial institution or the Bank of North Dakota. Disbursements may be made from this account only to cover the operating expenses identified above, and only with the express prior written approval of NDHFA.

*In years when the HTF is funded through appropriated funds in addition to, or instead of, non-appropriated funds (Fannie and Freddie assessment), the operating cost assistance reserve may be limited to a period of five years with periodic renewals possible. In 2017, the HTF is funded entirely by non-appropriated funds.

Ineligible Projects
Projects under construction are not eligible for consideration. HTF funds cannot be used for development hard costs or acquisition undertaken before the HTF funds are committed to the project.

Ineligible Uses of HTF Funds
HTF funds may not be used for:

- Laundry and community facilities which are not located in the same building as the housing.
- Providing assistance during the affordability period of a project previously assisted with HTF funds, except for renewal of operating cost assistance or an operating cost reserve. Additional HTF funds may be committed to a project up to one year after project completion, but the total assistance is subject to the maximum per-unit HTF subsidy limit identified in the Recognizable Costs paragraph of this section.
- Payment of delinquent taxes, fees, or charges on properties to be assisted with HTF funds.
- Payment for political activities, advocacy, lobbying, counseling services, travel expenses (other than those eligible under 24 CFR Part 93.202(b)), or preparing or providing advice on tax returns.
- Payment for any cost not eligible under 24 CFR Parts 93.201 and 93.202.

Maximum HTF Award
Generally, net allocations from the HTF for a single eligible project (comprised of one or more buildings) will be limited to the lesser of a) the equity required to secure necessary project financing and make the project feasible; or b) up to 100 percent of the HTF-assisted units' share of actual development cost, subject to the Recognizable Cost limits below, plus any HTF-funded operating cost assistance as defined in the Eligible Use section of this allocation plan. Exceptions to these maximums may be made on a case-by-case basis, at the sole discretion of NDHFA, to accomplish overall program goals, such as meeting the priorities outlined in the North Dakota Consolidated Plan.

Recognizable Costs
HTF regulations require NDHFA to establish maximum limitations on the total amount of HTF funds that may be awarded per unit. NDHFA has elected to use the following HTF subsidy limits which are aligned with the state's HOME program limits, as the two HUD programs are similar in many respects, and because of the confidence in the limits created by HUD's data and research methodology. Furthermore, NDHFA has elected to utilize a single statewide set of development subsidy limits based on a lack of evidence indicating a significant variation in development costs across the state at the present time. To supplement their HOME development subsidy limits, HUD published High Cost Percentages and High Cost Area Revisions for 2015 which indicated a sole difference between the Fargo metro area and the balance of the state at 1.67%. NDHFA does not believe this is a significant variation requiring implementation of separate development subsidy limits based on geographic location. Should sufficient evidence supporting a significant variation in development costs across the state exist in the future, NDHFA will revisit the matter and make appropriate changes to the Plan.

Recognizable Costs for determining maximum HTF assistance will be determined for each project by multiplying the number of corresponding units by the respective per-unit cost limit, and arriving at a total.

Unit Type	*Unit Cost*
Efficiency/Studio	$140,107
1 Bedroom	$160,615
2 Bedroom	$195,305
3 Bedroom	$252,662
4 Bedroom	$277,344

Commented [HWJ1]: As of 6/16/17 HUD has not released 2016 numbers yet. These Unit Cost limits will change upon HUD's release of 2016 limits.

Costs in excess of these limits are not prohibited, however they will not be included in the calculation of maximum HTF assistance. The HTF is prohibited from investing in housing which is considered luxury. Therefore, NDHFA reserves the right to reject an application if it determines that project costs are excessive.

Contractor Profit and Developer Fee

Combined builder profit, builder overhead, and general requirements may not exceed 14 percent of the hard construction costs. Developer fee may not exceed 15 percent of total development cost net of the developer fee, acquisition, and any permanent financing costs for projects with 50 or fewer units (max 12 percent for projects with 51 or more units). Fees paid to consultants will be included in this limitation. On acquisition/rehabilitation or adaptive reuse projects, the developer fee for the acquisition portion may be a maximum of five percent. The fees of all parties with an Identity of Interest with the Developer in the property will be taken into consideration when calculating the Developer's maximum fees.

When the Developer and the Contractor are the same entity, in addition to the fee limits stated above, the combined sum of Developer Fee, Contractor Profit, Contractor Overhead, and General Requirements may not exceed 20 percent of the total development cost, less the Developer Fee.

Reserves

All properties will be required to maintain a replacement reserve account for the term of the HTF loan. The replacement reserve requirement for new construction properties and substantial rehabilitation properties (rehab exceeding $30,000 per unit) designed for seniors will be no less than $350 per unit per year, inflated at three percent annually. The requirement for all properties designed for families as well as rehabilitation developments with rehabilitation costs of $30,000 per unit or less will be no less than $400 per unit per year, inflated at three percent annually. This account shall not be used for routine maintenance and upkeep expenses. Project owners shall be required to provide NDHFA with a record of all activity in the replacement reserve account during the prior fiscal year in conjunction with submission of the project's annual compliance monitoring materials. Furthermore, the Limited Partnership Agreement or Operating Agreement must require that the replacement reserves may only to be used for the intended purpose of funding capital improvements and replacement of long-lived capital assets, and may not be distributed to owners or partners until at least the end of the Period of Affordability.

All properties will also be required to establish and maintain, until the property has achieved a minimum of five years of stabilized operations, an operating reserve equal to a minimum of six (6) months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments. This requirement can be met with an up-front cash reserve; a personal guarantee from the developer/general partner with a surety bond to stand behind the personal guarantee; or partnership documents specifying satisfactory establishment of an operating reserve.

Each reserve account identified in this section must be maintained in separate accounts maintained in a federally insured financial institution or the Bank of North Dakota. Reserve accounts must also be separate from the project's ordinary operating account.

Maximum Tenant Income
All HTF funding must be used for the benefit of extremely low-income households, as verified through the "Part 5" definition of annual income. The Part 5 definition, found at Subpart F of 24 CFR Part 5, is used by a variety of programs, including LIHTC, HOME Investment Partnership, CDBG, and Section 8, as well as the North Dakota Housing Incentive Fund.

If the total nationwide HTF funding exceeds $1 billion in a given year, up to 25 percent of the HTF program may be used for the benefit of very low-income households at or below 50 percent AMI. **Nationwide HTF funding did not exceed $1 billion for 2017 and, therefore, 50 percent AMI units are not eligible for assistance under HTF for 2016.**

Income determination is performed at initial occupancy; tenant self-certification is allowed thereafter. However, income source documents must be verified at least once every six years. PBRA recertification rules prevail and will also be employed for all HTF-assisted units when applicable. Next-available-unit rule applies; HTF-assisted units must be floating, and not fixed to specific project units, in order to facilitate the next-available-unit rule. Tenants cannot be evicted for being over-income upon recertification.

IV. FEDERAL CROSS-CUTTING REQUIREMENTS

Environmental Review
The environmental effects of each project carried out with HTF funds must be assessed in accordance with the property standards at 24 CFR Part 93.301(f) for historic preservation, archaeological resources, farmland, airport zones, Coastal Barrier Resource System, coastal zone management, floodplains, wetlands, explosives and hazards, contamination, noise, endangered species, wild and scenic rivers, safe drinking water, and sole source aquifers. Applicants should refer to 24 CFR Part 93.301(f), as well as further guidance published in HUD Notice CPD-16-14, found on the Housing Trust Fund webpage at www.ndhfa.org/Development/HousingTrustFund.html, for additional information regarding HTF Environmental Review requirements.

Section 3
Section 3 of the Housing and Urban Development Act of 1968 requires, in the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, that opportunities for training and employment be given to lower-income persons residing within the unit of local government or the non-metropolitan county in which the project is located, and contracts for work in connection with the project be awarded to eligible business concerns which are located in, or owned in substantial part by persons residing in, the project area. The grantee must assure good faith efforts toward compliance with the statutory directive of Section 3. Applicants should refer to 24 CFR Part 135, as well as NDHFA's Section 3 Guide, found at www.ndhfa.org/Development/HousingTrustFund.html, for additional information regarding Section 3 requirements.

ADA and Section 504
Housing assisted with HTF funds must meet the accessibility requirements of 24 CFR Part 8, which implements Section 504 of the Rehabilitation Act of 1973, and Titles II and III of the Americans with Disabilities Act, implemented at 28 CFR Parts 35 and 36, as applicable. "Covered multifamily dwellings," as defined at 24 CFR Part 100.201, must also meet the design and construction requirements at 24 CFR Part 100.205, which implements the Fair Housing Act.

Energy Efficiency
For new construction, HTF-assisted projects must comply with energy efficiency standards of the 2007 edition of the American Society of Heating, Refrigerating, and Air-Conditioning Engineers (ASHRAE) Standard 90.1.

Uniform Relocation Act
The development of housing with HTF assistance is required to follow the requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. The Act applies to persons both temporarily and permanently relocated as a result of the HTF-assisted project. Applicants should see 24 CFR Part 93.352 for additional detail regarding the Uniform Relocation Act.

Lead Based Paint
Housing assisted with HTF funds is subject to the regulations at 24 CFR Part 35, subparts A, B, J, K, and R.

Affirmative Marketing
Each HTF recipient must adopt and follow Affirmative Fair Housing Marketing (AFHM) procedures and requirements for rental projects containing five or more HTF-assisted housing units. AFHM steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. If NDHFA's written agreement with the project owner permits the rental housing project to limit tenant eligibility or to have a tenant preference in accordance with 24 CFR Part 93.303(d)(3), the recipient must have affirmative marketing procedures and requirements that apply in the context of the limited/preferred tenant eligibility for the project. NDHFA has published, on its website, an Affirmative Fair Housing Marketing Plan Guidance document which provides detailed and step-by-step direction on how to satisfy AFHM under the HTF program. Applicants should also see 24 CFR Part 93.350 for additional detail regarding the AFHM requirements of the HTF program.

UPCS
HTF projects which are placed-in-service must follow property standards which include all inspectable items and inspectable areas specified by HUD based on the HUD physical inspection procedures, known as the Uniform Physical Condition Standards (UPCS) prescribed by HUD pursuant to 24 CFR Part 5, subpart G. Rehabilitation projects (including adaptive reuse) must address any and all deficiencies identified in Section XV of the HTF Minimum Housing Rehabilitation and Property Standards (Property Standards) as part of the project's scope of work so that, upon completion, all such deficiencies are cured. For projects which include acquisition and/or rehabilitation of occupied housing, any life threatening health and safety deficiencies, as defined in the Property Standards, must be addressed and corrected immediately.

Likewise, all deficiencies identified during annual compliance monitoring site visits of HTF-assisted properties must be cured. NDHFA will monitor property condition standards using the same process and procedures as for the federal Low Income Housing Tax Credit Program which does not employ a scoring protocol or grade levels of deficiencies; all identified deficiencies must be corrected. Please refer to the HTF Minimum Rehabilitation and Property Standards document for further details regarding inspectable areas, inspectable items, and observable deficiencies requiring correction.

Eminent Domain
No HTF funds may be used in conjunction with property taken by eminent domain, unless eminent domain is employed only for a public use, except that, public use shall not be construed to include economic development that primarily benefits any private entity.

Davis-Bacon
The Davis-Bacon and Related Acts do not apply to the HTF program.

VAWA
All housing receiving HTF funds must comply with the provisions of the Violence Against Women Reauthorization Act of 2013 (VAWA 2013). Additional information about VAWA 2013 can be found in a document in the HTF section of NDHFA's website entitled, "The Violence Against Women Act of 2013," published by the National Housing Law Project. All rental applicants and tenants should be provided with the following documents, templates for which can be found on NDHFA's website: "Notice of Tenant Rights Under VAWA"; "Housing Provider's Emergency Transfer Plan Under VAWA"; "Certification of Domestic Violence"; and "Emergency Transfer Request".

V. APPLICATION PROCESS

Applicants must apply (using NDHFA forms) to receive a conditional commitment of financial assistance from the HTF program. The complete application must be received by 5:00 PM (Central Time) on the closing date to be eligible for consideration in the funding round. The application rounds will be as follows until all HTF funds have been obligated:

Maximum Amount of HTF Assistance Available Per Application Closing Date

Round 1:	September 29, 2017	Up to $3,000,000
Round 2:	December 29, 2017	Balance of available HTF assistance, if any
Round 3:	March 30, 2018	Balance of available HTF assistance, if any

Threshold Requirements
When an application is received, it shall first be reviewed for eligibility to be scored and ranked. In order to be eligible for scoring and ranking, the application must be complete and include the following information, unless waived by NDHFA for good cause. Application packages missing any of the following threshold items after the application deadline will be deemed incomplete and will be given reasonable time to submit the missing information. However, a 5 point deduction will be assessed during the scoring process for each missing item.

A. **Development Team Ability:** NDHFA must be satisfied that those who will develop, own, and operate the property are familiar with, and prepared to comply with, the requirements of the HTF program. The application package must include a signed certification that the housing units assisted with the HTF will comply with all regulatory HTF requirements contained in 24 CFR Part 93. In addition, the applicant must demonstrate that all members of the development team have the experience, ability, and financial capacity, in their respective roles, to undertake, maintain and manage the property, as well as comply with all federal cross-cutting requirements identified in Section IV of this Allocation Plan. Applicants with limited experience in the development, ownership, and management of multifamily rental property are encouraged to partner with an experienced developer or sponsor. Applicants without sufficient experience in, or working knowledge of, all federal cross-cutting requirements identified in Section IV of this Plan including, but not limited to, Section 3 hiring practices, environmental review, Section 504 and ADA accessibility requirements, Lead-Based Paint mitigation, and Uniform Physical Conditions Standards, should enter into a contractual consultant or partnership relationship with an experienced and knowledgeable entity. Misrepresentation of any information about the experience or financial capacity of any property team member will be grounds for denial and debarment from NDHFA programs.

NDHFA may require the applicant to provide financial statements as deemed necessary.

Applicants who have been convicted of, entered an agreement for immunity from prosecution for, or plead guilty, including a plea of nolo contendere, to: a crime of dishonesty, moral turpitude, fraud, bribery, payment of illegal gratuities, perjury, false statement, racketeering, blackmail, extortion, falsification or destruction of records are ineligible. Applicants who have been debarred from any North Dakota or federal program are ineligible. Applicants having an Identity of Interest with any debarred entity may not be eligible at the sole discretion of NDHFA.

B. Market Conditions: Completion of a comprehensive market study of the housing needs of ELI and VLI individuals in the area to be served by the property, at the Developer's expense, by a disinterested party who is acceptable to NDHFA, is required. The Market Study must document sufficient demand in the market area to support the proposed development. The Market Study must have been completed within six months of application for HTF assistance and must contain the National Council of Housing Market Analysts' (NCHMA) core standards (see www.housingonline.com/wp-content/uploads/2014/09/Final-Model-Content-V3.0.pdf) unless authorization to deviate from these standards is granted by NDHFA. The applicant is advised to reference the market study requirements of other funding sources, such as USDA Rural Development, as may be applicable and ensure that the market study meets NDHFA requirements as well as those of other funding providers. If NDHFA has cause to question the conclusions reached in the study, we reserve the right to order a new market study at the expense of the applicant.

C. Demonstrated Site Control: Evidence must be provided proving the applicant has, and will maintain from the start of the application review process until the land is acquired, direct site control. This will also include a sketch plan of the site as it would look when developed.

D. Zoning, Codes, and Ordinances: Evidence that the appropriate zoning will be available must be provided (i.e. a letter from a city or tribal official stating that appropriate zoning is in place or forthcoming.) Upon completion, HTF-assisted housing projects must meet all applicable State and local codes, ordinances, and requirements as applicable, or, in the absence of a State or local building code, the International Residential Code, International Building Code (as applicable to the type of structure), or the International Existing Building Code (for rehabilitation projects) of the International Code Council.

E. Infrastructure and Utility Availability: Evidence must be provided to demonstrate that appropriate infrastructure (roads, curb, gutter, etc.) and utilities (water, sewer, electricity, natural gas) are in place at the time of HTF application and will adequate capacity to absorb the proposed project. Examples of evidence include letters from the applicable utility companies and the city official stating appropriate utilities and infrastructure are in place.

If infrastructure is not in place to the proposed site at the time of LIHTC application, a letter from the local jurisdiction must accompany the application indicating that no adequate infill opportunities currently exist in the community.

F. Financial Projections: A 30-year pro forma financial projection for the property shall accompany the application using the income, expenses, replacement reserves, and debt service as represented in the application. The rental income should reflect the vacancy rate as stated in the application.

The applicant must be able to demonstrate, as part of the application package, that the project would not be feasible without financial assistance from the HTF. This will be evaluated in terms of the gap between cost of construction and amount of debt the project can reasonably obtain and support. The applicant must provide information outlining both the short and long term financial feasibility of the project. Project proposals will be underwritten to achieve a target debt service coverage ratio of 1.20. Debt coverage projections below 1.10 or greater than 1.30 will require further explanation and analysis to determine suitability for HTF participation.

The reasonableness of development costs and operating expenses in relation to other similar developments will be assessed in evaluating the financial feasibility of applications.

G. Capital Needs Assessment: A Capital Needs Assessment (CNA) must be submitted with all application packages involving rehabilitation (including adaptive reuse projects). The CNA must be completed by a competent, independent third party acceptable to NDHFA, such as a licensed architect or engineer, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs and improvements, pending repairs, and existing or chronic physical deficiencies. The assessment will include a site visit and a physical inspection of the interior and exterior of all units and structures. The assessment will consider the presence of environmental hazards such as asbestos, lead paint and mold on the site. The assessment will include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. If the remaining useful life of any component is less than 50 percent of the expected useful life, immediate rehabilitation will be required unless capitalized. If the remaining useful life of a component is less than the term of the HTF loan, the application package must provide for a practical way to finance the future replacement of the component. The assessment will examine and analyze the following:

- Site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, and gas and electric utilities and lines.
- Structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage.
- Interiors, including unit and common area finishes (carpeting, tile, plaster walls, paint condition, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors.
- Mechanical systems, including plumbing and domestic hot water; HVAC, electrical, lighting fixtures, fire protection, and elevators.

Applicants are advised to also consider the requirements of other funding sources, such as USDA Rural Development, when ordering a capital needs assessment.

H. Appraisal: An application package involving acquisition costs or equity contribution of real estate which exceed 15 percent of the total development costs, must include an appraisal of the subject property, completed within six months of the date of the application by a state Certified General Real Property Appraiser, that supports the amount of acquisition.

I. Subsidies: The application package must include a signed certification as to the full extent of all federal, state, and local programs and subsidies (both development and rental subsidies) that are expected to apply to the property. Additionally, the application for HTF funding must specifically discuss how the incorporation of the listed subsidies will allow project rents to be affordable to extremely low-income households.

J. Tenant Recruitment and Selection: The application package must include a detailed description of the project's plan to market the HTF units to eligible households as well as the application and selection process to be used.

The project's Affirmative Fair Housing Marketing Plan, as discussed in Section IV of this Plan, should be submitted to NDHFA prior to receiving a HTF financial award.

A sample rental application and lease with all addenda must be provided to NDHFA as part of the post-closing requirements prior to the final draw of HTF funding. The rental application must request the applicant's demographic information (race, ethnicity, marital status, and disability status).

K. Public Housing Waiting List: The application package must include a signed written commitment from the applicant to inform the public housing authority (PHA) of vacancies and to give priority to households on PHA waiting lists who apply for occupancy.

L. Broadband Infrastructure: Projects receiving HTF assistance must install broadband infrastructure to all units and community rooms. Broadband infrastructure is defined as cables, fiber optics, wiring, or other permanent (integral to the structure) infrastructure – including wireless infrastructure – resulting in broadband capability meeting the Federal Communication Commission's (FCC) definition in effect at the time the pre-construction estimates are generated. Currently, the FCC defines broadband speeds as 25 Megabits per second (Mbps) download, and 3 Mbps upload.

M. Self-Scoring: The applicant must provide a self-scoring of the project proposal as part of the application package. The self-scoring assessment should indicate the number of points being sought in each scoring category as well as a brief explanation of the project proposal's eligibility for those points.

Scoring Criteria

Each application meeting the threshold requirements will be reviewed and assigned points according to the following selection criteria. Representations made by applicants for which points are given will be binding and will be monitored through the annual compliance review process. Applications must achieve a minimum score of 85 points to be considered for funding. Based on ranking, projects will be selected for a conditional commitment. Once a property is selected, NDHFA will determine the amount of HTF to be awarded, which may not equal the amount requested in the application.

In the event of a tie between two or more projects when insufficient program funds remain to fund each one, the tie breaker will go to the project which best meets the Housing Strategies outlined in the current North Dakota Consolidated Plan in effect at the time of HTF application.

A. Serves Extremely Low Income Households 20-50 points

Up to 50 points will be awarded to properties with units both income and rent restricted for ELI households. Elections made in this category will be incorporated into the Land Use Restrictive Agreement and will be binding, at a minimum, for the term of the HTF loan.

35% of total units income and rent restricted at or below ELI – 50 points
30% of total units income and rent restricted at or below ELI – 40 points
25% of total units income and rent restricted at or below ELI – 30 points
20% of total units income and rent restricted at or below ELI – 20 points

For purposes of applying the ELI rent restriction under this category, an exception for exceeding the ELI rent may be granted for project-based rental assistance where it can be shown that additional rents are necessary to make the project feasible and that the tenant-paid portion of the rent will not exceed 30% of their household income nor the published HTF rent limit.

B. Use of LIHTCs **0 or 20 points**

Projects which have received, or are applying for federal Low Income Housing Tax Credits in a pending application round, will receive 20 points. Projects which applied for, but are not awarded LIHTCs in the current pending application round are ineligible for points under this category.

C. Committed Non-Federal Leverage **0 or 5-20 points**

An applicant who provides signed, firm commitments for contributions or incentives from state or local government, private parties and/or philanthropic, religious or charitable organizations, excluding entities with an identity of interest or those with a significant role in the property (e.g. contractors, accountants, architects, engineers, consultants, etc.), will receive points in this category. Not eligible as sources of leverage under this category are interest bearing loans to the project, LIHTCs, HRTCs, HOME, CDBG, NAHASDA, or any other federal source of funding. Also not eligible as leverage under this category is project-based rental assistance which earns points in scoring category D.

Leverage of at least 50% of total development cost – 20 points
Leverage of at least 40% of total development cost – 15 points
Leverage of at least 30% of total development cost – 10 points
Leverage of at least 20% of total development cost – 5 points

D. Project-Based Rental Assistance **0 or 5 points**

Projects which have received binding commitments for federal, state, or local project-based rental assistance for all of the extremely low income units in the project will receive 5 points.

E. Redevelopment and Revitalization **0 or 5 points**

A project will receive 5 points if it meets one of the following conditions:

(1) The project is located on a site considered by NDHFA, in its sole discretion, to be brownfield or grayfield in nature.

(2) The project is in a city revitalization area established by resolution or other legal action by the city, and the development of the project contributes to a concerted community revitalization plan. For purposes of this Plan, a concerted community revitalization plan is defined as a locally approved revitalization plan targeting specific existing areas or neighborhoods within the community for housing and economic development including the infill new construction or rehabilitation of housing. To qualify, the plan must be officially adopted by the local governing body, identify a specific time period, apply only to a defined geographic area within the community, and specifically call for infill new construction or rehabilitation of affordable housing within the boundaries of the plan. Local housing needs surveys, consolidated housing or economic development plans, short-term work plans, municipal zoning or land use plans, or plans which are so broad as to encompass the entire community or so

narrow as to encompass only the project's subject property do not qualify under this definition.

Adaptive reuse projects are eligible for points under this category. Rehabilitation of existing habitable and occupied housing is not.

F. Permanent Supportive Housing **0 or 5-20 points**

Properties in which low income units are set aside and rented to persons with special needs will receive up to 11 points. For purposes of this scoring category, special needs populations include:

- Persons suffering from chronic or persistent mental illness.
- Persons suffering from chronic chemical dependency.
- Persons with disabilities (physical and/or developmental).
- Individuals or families who are experiencing long-term homelessness, or at significant risk of long-term homelessness. The frail elderly, defined as persons, 62 years of age or older, who are unable to perform one or more "activities of daily living" without help. Activities of daily living comprise walking, eating, bathing, grooming, dressing, transferring, and home management activities.

  10 percent of the units..................... 5 points
  15 percent of the units..................... 8 points
  20 percent of the units………… .... 11 points

Permanent Supportive Housing Threshold Criteria
To earn points in this Permanent Supportive Housing scoring category, a property must provide documentation that it meets the following requirements:

(1) A need for the special type of housing based on market demand, the applicable *Consolidated Plan (either provide a narrative that cites page numbers and includes excerpts or mark applicable sections in the table of contents and provide the pages containing those excerpts, not the entire plan)*, and the findings of the local social service agency or North Dakota Department of Human Services regional service center;

(2) Third-party verification of the services which are appropriate to the targeted population. Such services will vary depending on the target population. Examples include, but are not limited to:

- Case management.
- Mental health services.
- Alcohol and substance abuse counselling.
- Independent living skills training.
- Job and vocational skills training.
- Health and medical care.
- Social and community engagement activities.
- "Peer-to-peer" guidance from individuals already in the service program.
- For Frail Elderly, securing access to meal services adequate to meet nutritional needs, housekeeping aid, personal assistance, or other services essential to maintaining independent living.

(3) A formal letter of intent between the owner and a qualified service agency/agencies to provide on-going services consistent with the needs of the targeted population. The service provider must have experience providing services to a similar population and have sufficient capacity to deliver the services proposed. The letter of intent must be detailed regarding:

- The special needs population to be served.
- The services pledged.
- The projected costs of the services and the sources of funds to cover such costs.
- A tenant selection plan that describes how those individuals and/or families will be identified and assisted in renting the supportive housing units, for projects serving chronic homeless (or at-risk-of) populations.

(4) Projects receiving conditional commitments of HTF assistance will be required to submit, prior to HTF loan closing, a formal agreement between the owner and the qualified service agency/agencies committing to the provision of the services described in the letter of intent.

Compliance monitoring activities will include confirmation of the provision of the services pledged at the time of HTF application as well as a review of marketing efforts targeted at the specific special needs population. Projects which dedicate 100% of its units to Permanent Supportive Housing and which will be staffed by services personnel will receive bonus points as follows:

- 8 to 12 hours per day, Monday through Friday……3 points
- 8 to 12 hours per day, seven days per week………6 points
- 24 hours per day……………………………………..…….9 points

Personnel whose primary responsibility is for the maintenance or security of the property is not considered to be “services personnel” for purposes of this scoring bonus.

G. Universal Design **0 or 3-12 points**

Properties which meet the minimum universal design features below are eligible for points in this scoring category based on a percentage of units:

10 percent of the units……………… 3 points
15 percent of the units……………… 6 points
20 percent of the units……………… 9 points

Universal design units must be wheelchair-accessible and contain design features which may exceed the ADA standards, but which allow a project to be usable for the greatest possible percentage of the population. For purposes of this scoring category, the required minimum universal design features include:

- Roll-in or walk-in shower in at least one bathroom in the unit.
- Any additional bathrooms containing a bath tub should include a transfer seat, grab bars, and a floor drain to handle water splashed onto the floor during transfer.
- Front loading washing machines and dryers with accessible controls.
- Dishwasher.
- Lever handles on all doors and fixtures.
- Security doors with automatic openers.
- Accessible garbage dumpsters.
- Covered outside entries with adequate lighting.
- Kick plates on apartment doors to prevent damage from wheelchairs.

- Apartment doors which are wieldy for persons using a wheelchair or a walker.
- Hard surface flooring with maximum threshold heights of ½” beveled or ¼” square-edged.
- Appliances with front controls.
- Controls for the garbage disposal, range hood light, and exhaust fan located on the front of the lower cabinets.
- Lower-mounted upper cabinets with handles within reach of a person in a wheelchair.
- Roll-under bathroom and kitchen sinks.
- Lower-mounted mirrors/medicine cabinets.
- Audio/visual alert doorbells.
- Braille characters included to the left on all interior common area signage.

The project architect must certify that the accessible units and common areas meet or exceed Federal Fair Housing Accessibility Guidelines and include the universal design elements listed above.

Applicants who receive points under this category will receive 1 additional point for each of the universal design units that are two-bedroom or larger, up to a maximum of 3 points. As an example, a project with more than 20 percent of the total units meeting the universal design elements, 3 of which are two-bedroom or larger will receive a total of 12 points.

H. Design Standards 0 or 3-10 points

(1) Properties with an elevator in each residential building will receive 10 points.

(2) Properties with a building(s) design that does not exceed 2 stories and no more than 4 units per outside main entrance will receive 3 points. (Points given for this building design cannot be added to points given for design standard #1.)

(3) Properties with a building design(s) that does not exceed 2 stories and includes a separate outside main entrance for each unit will receive 10 points. (Points given for this building design cannot be added to points given for design standards #1 or #2.)

A maximum of 10 points may be earned in this category.

I. Readiness to Proceed 0-25 points

Applicants must provide a timeline for completion of the project. Points awarded in this category are based on earliest achievable completion of the activity. Such things as letters of interest or commitment for all sources of project financing; ownership of the land; and availability of infrastructure will be considered in the award of points. Points will be awarded at the sole discretion of NDHFA in comparison to other projects competing in the application round.

J. Housing for Families 0 or 10 points

Properties in which 20 percent (20%) or more of the HTF-assisted units identified in the application are three-bedroom or larger will receive 10 points.

K. Period of Affordability **0 or 1 point**

The minimum period of affordability for projects assisted by the HTF is 30 years. Projects which commit to affordability for a period of 31 years or longer will receive one point.

L. Geographic Diversity **0 or -5 points**

Federal regulation places a priority on the use of HTF funding in a geographically diverse manner. Projects located in the same city as a project which has already been selected in the current HTF application round shall receive a scoring deduction of five points.

M. Missing Threshold Items **0 or -5 points per missing item**

In accordance with the Threshold Requirements section of this Allocation Plan, a five point deduction will be assessed during the scoring process for each threshold item missing from the application package after the application deadline.

VI. SET-ASIDE

Indian Reservation Set-Aside

Ten percent (10%) of the state's HTF funding will be set aside for projects located within North Dakota Indian Reservations or on Tribal land held in trust. If sufficient qualifying proposals on Indian Reservations or Tribal trust lands are not received by the close of the first application round, the unused set-aside funding will be included in the general pool of funding, eligible to be awarded to non-Indian Reservation proposals in accordance with this Plan. The Indian Reservation set-aside will only be available in the first application round, and not in subsequent application rounds, of each Plan year.

For 2017, the amount of HTF funding set aside under this section of the Plan is $300,000. Only the first $300,000 of the highest scoring qualified application is eligible for approval under this set-aside. Any requested amount of funding in excess of the first $300,000 of the highest scoring qualified application must compete for such funding in the general pool.

To be eligible for approval under this set-aside, applications must meet all requirements contained in this Plan, including all general provisions, federal cross-cutting requirements, threshold requirements, and minimum scoring.

VII. AWARD PROCESS

Proposals received by the due date will be reviewed and ranked within an approximate 30-day timeframe. Successful proposals will be issued a 90-day conditional commitment of financial assistance from the HTF. During this timeframe, applicants will be required to reach certain benchmarks identified in NDHFA's conditional commitment letter, including completion of an environmental review. A 60-day extension of the conditional commitment period may be granted at the sole discretion of NDHFA. Upon satisfactory review of these items, a financial award agreement will be issued. The financial award agreement will rescind 270 days from the date of the initial conditional commitment, if the HTF loan is not closed, so that NDHFA is able to reallocate the HTF funding to other projects in the next annual round. Federal regulation requires that all HTF funds must be committed by NDHFA within 24 months and expended within five (5) years of HUD's agreement with NDHFA.

Required monthly progress reports from financial award to HTF loan closing.
In order to ensure that HTF funding is conditionally committed to projects which are proceeding according to the schedule presented in the application, each applicant receiving an HTF financial award will be required to submit monthly progress reports until closing of the HTF loan. The report must describe the applicant's actual progress to date together with an estimated timeline for future project activity.

Required quarterly progress reports from HTF loan closing to occupancy.
Commencing with closing of the HTF loan, the borrower must submit quarterly progress reports until the project has reached stabilized occupancy. The report must describe actual development progress to date together with a current development budget and estimated timeline for future activity and lease-up. Development costs which increase above the contingency listed in the HTF application must be disclosed in the progress reports along with an explanation as to how the gap is being filled. At NDHFA's discretion, information submitted with draw requests, such as site reports, may serve to satisfy the quarterly reporting requirement.

VIII. ACCESS TO HTF FUNDS

Draws against an HTF financial award can be made for eligible costs incurred upon firm commitment of all other funding sources. A mortgage with recapture provisions, deed restriction, loan agreement, and promissory note (collectively, the Loan Documents) must be executed prior to release of any HTF funds. The deed restriction must be in a senior position to any foreclosable loan(s) on the property. The Loan Documents will detail the loan terms and affordability requirements, as well as any additional requirements particular to the project, such as limiting tenant preference to homeless individuals and families.

The borrower may request one or more draws of available HTF loan proceeds for payment or reimbursement of eligible costs incurred toward the development of the project. Draws are requested by submitting to NDHFA a completed HTF Draw Request form together with an ACH authorization, documentation supporting the expenses claimed, general contractor's sworn construction statement, architect's inspection or trip report, and conditional lien waivers for any general contractor or major subcontractor payments in the current draw as well as unconditional lien waivers for any general contractor and major subcontractor payments paid by the previous draw. All disbursements are made by electronic funds transfer to the borrower's account or designated escrow agent.

Disbursement of up to 95 percent (95%) of the HTF loan proceeds may be made during construction of the project. A hold-back amount of five percent (5%) of the HTF loan proceeds will be retained until project completion. Disbursement of the hold-back amount will be made upon satisfaction of all conditions identified on the Borrower's Post-Closing Requirements document signed at closing including but not limited to final sworn total development cost certification, certificate of occupancy, completion certification, final lien waivers, and executed loan or grant commitments for all other permanent funding sources.

IX. REPAYMENT OR RECAPTURE OF HTF FUNDS

All HTF awards will be structured as forgivable zero-interest loans with a minimum term of 30 years. Repayment terms will be based on cash flow and determined on a project specific basis as necessary to achieve project feasibility. Recapture of HTF funds may occur in the event that final total development costs were such that assistance provided by the HTF exceeds established program limits, or exceeded that which was necessary to make the project financially feasible.

Income targeting and rent restriction requirements will remain on the project for the term of the loan and will be enforced through a deed restriction on the land. In the event of a prepayment of the loan, the deed restriction will ensure the income and rent restrictions remain in place for the remainder of the term of the HTF loan.

A recapture of the HTF funds from the borrower will occur at any time during the term of the loan if the borrower fails to abide by the representations made in the application, unless waived by NDHFA. In the event of recapture of the HTF funds, the deed restriction will remain in place for the remainder of the original term of the HTF loan.

X. COMPLIANCE MONITORING

Owners of HTF-assisted properties must remain in compliance with program guidelines throughout the term of the HTF loan. NDHFA will monitor all properties for compliance with HTF program requirements including those related to income and rent limits, cash flow, reserve accounts, insurance coverage, and property condition. Annual compliance monitoring will consist of a desk review of information provided by the project owner and/or a property inspection and review of documentation at the project location. A copy of the HTF Ongoing Compliance Monitoring Manual is provided to all HTF award recipients and is also available on the NDHFA website at www.ndhfa.org/Development/HousingTrustFund.html.

On a quarterly basis, owners of HTF-assisted properties must provide to NDHFA the HTF Quarterly Report, found on the NDHFA website at www.NDHFA.org.

On an annual basis during the affordability period, owners of HTF-assisted properties must provide, at a minimum, the following items to NDHFA:

- Rental Compliance Report (rent schedule for all Restricted Units), found on the NDHFA website at www.ndhfa.org/Development/HousingTrustFund.html.
- An audit of the project, including project-specific financial statements such as a balance sheet and statement of revenues and expenses (income statement).
- Reserve account statements.
- Proof of sufficient property and liability insurance coverage listing NDHFA as mortgagee.
- Documentation supporting the current utility allowance being used (i.e., a copy of the utility allowance table from the local public housing authority).
- A self-certification attesting to the owner's continued compliance with all HTF regulatory requirements contained in 24 CFR Part 93.

NDHFA will charge each HTF-assisted property an annual fee to cover expenses incurred during normal and routine monitoring activities. The fee is currently set at $50 per property, plus $35 per Restricted Unit. NDHFA reserves the right to adjust the annual fee as necessary. Additional fees may be assessed to properties determined to be in substantial noncompliance in order to cover the expense of additional monitoring. The HTF compliance monitoring fee should be included in the operating budget of applications for HTF assistance.

Developments which are subject to annual compliance monitoring fees for other programs administered by NDHFA may be eligible for a reduction in their HTF compliance monitoring fee at the sole discretion of NDHFA.

XI. DISCLAIMER OF NDHFA LIABILITY

NDHFA seeks to allocate sufficient HTF assistance to a project to make the project economically feasible. Such decision shall be made solely at the discretion of NDHFA but in no way represents or warrants to any applicant, investor, lender, or others that the property is feasible, viable, or of investment quality.

No member, officer, agent, or employee of NDHFA shall be personally liable concerning any matters arising out of, or in relation to, the allocation of HTF assistance.

XII. MODIFICATION TO THE ALLOCATION PLAN

The Executive Director may make minor modifications deemed necessary to facilitate the administration of the HTF or to address unforeseen circumstances. Further, the Executive Director is authorized to waive any conditions not mandated by federal statute or regulation on a case by case basis for good cause shown. As a matter of practice, NDHFA will document any waivers from the established priorities and selection criteria of this Allocation Plan and will make this documentation available to the public, upon request.

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Equal Housing Opportunity