

# **Draft 2022 AHFA National Housing Trust Fund Allocation Plan**

**PREPARED BY ALABAMA HOUSING FINANCE AUTHORITY ACTING SOLELY IN ITS CAPACITY AS  
THE ADMINISTRATOR OF THE STATE OF ALABAMA'S NATIONAL HOUSING TRUST FUND**

**Alabama Housing Finance Authority (AHFA)  
National Housing Trust Fund Allocation Plan**

**A. The National Housing Trust Fund**

Established 2016, the National Housing Trust Fund (HTF) is an affordable housing production program that complements 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. HTF funds are distributed to U.S. states and territories annually by formula. As specified in the enabling legislation, AHFA, in its role as the designated administrator of HTF for the State of Alabama, is required to use at least 80 percent of each annual grant for rental housing and is permitted, but not required, to use up to 10 percent for homeownership housing and up to 10 percent for the AHFA's reasonable administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted rental housing must meet a minimum affordability period of 30 years (HTF Affordability Period).

**B. Development of AHFA's Use and Allocation of Housing Trust Funds**

AHFA has been responsible for preparing a housing needs assessment and strategy for the State of Alabama since the HOME Investment Partnerships Program began in 1992. AHFA prepared the first Comprehensive Housing Affordability Strategy (CHAS) as a prerequisite for Alabama to receive federal dollars for housing. Beginning in 1995, the United States Department of Housing and Urban Development (HUD) abandoned the CHAS and created the Consolidated Plan in an effort to blend the four Community Planning and Development programs - Community Development Block Grant, Home Investment Partnerships (HOME), Emergency Shelter Grants, and Housing Opportunities for Persons with AIDS - into a single submission process. AHFA, as administrator of the HOME program, was deemed responsible for writing the housing portion of the new Consolidated Plan. The Consolidated Plan provided a detailed overview of how the state planned to utilize its annual Community Planning and Development funding to meet economic development objectives, provide affordable housing, and address other special needs. As a contributor, AHFA offered a detailed analysis of the status of housing in Alabama with special attention devoted to the condition of housing and housing affordability. Many in our state are poor and thousands of Alabama families and households need a safe and affordable place to live. AHFA will use the limited resources available to address as many unmet needs as feasible across the state. The Consolidated Plan, in addition to providing an overall assessment of housing needs for the state, identifies the specific housing needs associated with special needs groups (single-parent families, seniors, persons with physical or mental disabilities, AIDS/HIV patients, and homeless populations).

A demographic analysis performed for the first Consolidated Plan (and still true today) concluded "that a significant number of individuals in all parts of the state are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe. The largest numbers relative to housing needs are found in the state's most populous urban and metropolitan counties, but the greatest concentration of need is observed in rural counties located in the southern portion of the state, the Black Belt in particular."

A component of the Consolidated Plan, the Analysis of Impediments to Fair Housing Choice (AI), was last completed in 2015 and updated in 2020. It was submitted for HUD's review and approval with the Py2020-PY2024 Five-Year Consolidated Plan. The AI process involves a thorough examination of a variety of sources related to housing, the fair housing delivery system, housing transactions, locations of public

housing authorities, areas having racial and ethnic concentrations of poverty and access to opportunity. The development of the AI also includes public input, and interviews with stakeholders, public meetings to collect input from citizens and interested parties, distribution of draft reports for citizen review, and formal presentations of finding and impediments, along with actions to overcome the identified fair housing issues/impediments.. Alabama's Consolidated Plan and the Analysis of Impediments to Fair Housing are available at [www.adeca.alabama.gov](http://www.adeca.alabama.gov).

AHFA administers the HTF program to provide funds for new construction of decent, safe and sanitary rental housing in the state that targets primarily the underserved households with incomes at or below either ELI or the federal poverty line (whichever is greater). AHFA anticipates allocating available HTF funds to targeted populations with a preference for expanding, benefiting and increasing the overall housing supply for veterans, the homeless, persons with physical or mental disabilities, and other ELI underserved populations who are located in metropolitan and/or rural (or non-metropolitan areas) throughout the state.

AHFA may allocate 2022 HTF funds in combination with (a) any unallocated HTF funds from previous plan years and/or (b) Low-Income Housing Tax Credits, HOME funds or Multifamily Housing Revenue Bonds, whether separate or combined, allocated by AHFA to projects that have not yet placed-in-service. The owners of Projects that receive HTF funds must rent HTF assisted units to ELI households throughout the HTF Affordability Period.

AHFA may schedule additional application cycles to allocate unused allocations of HTF by required HUD commitment deadlines.

Annually, subject to the availability of HTF funds, AHFA will encourage citizen participation in the HTF planning process by the development of a draft version of the HTF Allocation Plan (HTF Plan). AHFA will begin the annual process by providing public notice that a draft HTF Plan is available for review at [www.ahfa.com](http://www.ahfa.com). This public notice will be published in major statewide newspapers, will be posted online at [www.ahfa.com](http://www.ahfa.com), and will be delivered by email to all who have registered with AHFA to receive its email notifications. AHFA will also provide a public notice, which notice may be included in the initial notice or circulated separately by all the same means, of the date and time of a public hearing at which AHFA will have copies of the HTF Plan available for those in attendance, present a brief description of the HTF Plan, and accept comments from the public, both orally and in writing. For a period of 30 days following the public hearing, AHFA will continue to accept written comments from all interested parties regarding the draft HTF Plan. After providing the public notices, conducting the public hearing, completing the 30-day public comment period, and giving due consideration to all comments received, AHFA will publish a final version of the HTF Plan at [www.ahfa.com](http://www.ahfa.com) that will be accompanied by a summary of all public comments received and AHFA's responses. To finalize the HTF Plan each year, AHFA must present the final HTF Plan for approval by the applicable state and federal authorities.

Certain defined terms used in this HTF Plan are located at [www.ahfa.com](http://www.ahfa.com). Such defined terms may be amended at any time with public notice.

Capitalized terms used in this HTF Plan and not otherwise defined herein shall have the same meanings assigned in the AHFA Defined Terms available at [www.ahfa.com](http://www.ahfa.com) or as regulations or other context require. Singular terms include the plural as well as the singular, and vice versa.

### **C. General Housing Trust Funds Requirements**

This Plan seeks to ensure that applicants presenting economically feasible projects have an opportunity to compete for funding to address the state's unmet rental housing needs. AHFA has established certain threshold housing requirements to be used in the allocation of HTF funds.

- 1) Geographic Diversity - AHFA anticipates allocating available HTF funds to expand the overall rental housing supply located throughout the state in metropolitan and/or rural areas (or non-metropolitan areas) as defined by HUD.
- 2) Applicant Capacity – AHFA will evaluate each applicant's ability to undertake and complete construction of the proposed HTF housing in a timely manner. Each applicant will be required to demonstrate in its application the human and financial capacity to complete the proposed Project and will be required to provide a list of the proposed Project's development team members (e.g., general contractor, architect, legal counsel, etc.).
- 3) Duration of HTF Affordability Period - All HTF units must satisfy the HTF program's affordability and other applicable requirements for the entire HTF Affordability Period (i.e., not less than thirty years).
- 4) Housing Needs of the State - AHFA has identified a statewide housing need for households with incomes at or below either ELI or the federal poverty line (whichever is greater) located in both metropolitan and/or and rural (or non-metropolitan) areas.

### **D. Eligible Activities**

Eligible activities for HTF funds under this plan include the new construction of affordable rental housing. AHFA may consider providing an Operating Cost Assistance Reserve (see HTF regulations) for HTF-assisted rental housing if a need for such reserve is determined by AHFA during its underwriting of the Project's application. HTF rental housing may include single-family rental homes, duplexes, group care facilities and multifamily residential. AHFA will not use HTF funds for homeownership housing. All projects are required to adhere to AHFA's Design Quality Standards and Construction Manual requirements located at [www.ahfa.com](http://www.ahfa.com). These are minimum standards, and AHFA permits applicants to exceed these project standards provided Project costs do not exceed a reasonable cost standard as determined by AHFA. Each applicant may design and construct a proposed Project in a manner that reflects applicant's goals and/or exceeds local building codes.

### **E. Eligible Recipients**

AHFA will allocate HTF funds by evaluating applications submitted from eligible recipients and will not allocate indirectly through sub-grantees. AHFA will accept applications from an organization, agency, or other entities (e.g., public housing agency, for-profit entity, nonprofit entity, etc.). Each applicant must:

- 1) Make acceptable assurances to AHFA regarding compliance with HTF program requirements from the time of application submittal, and if approved, through the end of the HTF Affordability Period.
- 2) Demonstrate the ability and financial capacity to undertake, comply, and manage the proposed HTF eligible activities.
- 3) Demonstrate its familiarity with the requirements of applicable 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. Please note:
  - a) Applicants that receive HTF funds must comply with the provisions of the Violence Against Women Reauthorization Act of 2013 (VAWA 2013). Additional information about VAWA can be found on <https://www.hudexchange.info>.
  - b) All Projects must comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA's Environmental Policy Requirements (provided at [www.ahfa.com](http://www.ahfa.com)) and must meet 24 CFR 93.301(f)(1) for purposes for determining whether the property is environmentally suitable for construction of residential housing. AHFA will engage an environmental professional to prepare the Environmental Site Assessment.
- 4) Evidence demonstrated experience and capacity to conduct an eligible HTF activity including abilities to own, construct, manage, and operate an affordable multifamily rental housing development(s).

AHFA will not accept an application from any applicant or related entity that is not in good standing with AHFA or with any of the following: any state housing finance/credit authority, the Alabama Department of Economic and Community Affairs, HUD or USDA Rural Development. AHFA may deny consideration of a request for funding under Alabama's HTF Program if the applicant, or its related parties, have a history of payment delinquencies, bankruptcy, foreclosure, or activities determined to be unsound or unlawful.

**F. Maximum Allocation of HTF**

AHFA anticipates receiving an estimated 2022 HTF allocation of \$6,690,654. AHFA will allocate all HTF funds based on the eligible activities and funding priorities outlined in this HTF Plan. AHFA estimates the following uses of HTF funds for the State of Alabama:

**2022 HTF Funds Received:**

<b>Uses:</b>	\$6,690,654
Grants	\$6,021,589
Administration Fees:	\$669,065

No Project will be allocated more than \$1,350,000 of HTF funds during any HTF program year; provided, however, that AHFA may allocate funds in excess of this amount to one or more Projects during any HTF

program year to ensure commitment of AHFA’s unallocated HTF funds by applicable deadlines if all of the following conditions exist:

- 1) AHFA has unallocated HTF funds that are at risk of expiring if not allocated by applicable HUD deadlines;
- 2) The Projects need additional HTF funds to balance proposed sources and uses for the Project; and
- 3) There are not enough viable applications pending.

AHFA may allocate HTF funds to an approved project in one of following ways:

1. As forgivable grant. Repayment of a grant of HTF funds will be forgiven entirely (but never in part) if the funded Project remains in compliance with HTF and AHFA requirements for the entire HTF Affordability Period.
2. A loan. The HTF loan will bear an interest rate of one-half of one percent (1/2%) accrued annually with all principal and accrued interest payments due at the end of the 30th year. In the event of default, AHFA reserves the right to set a default rate more than the prevailing Prime Lending Rate applicable at the time of default

### **G. Maximum Per-unit Development HTF Subsidy Limits**

As administrator of the State of Alabama’s Low-Income Housing Tax Credits and HOME funds, AHFA determines the “Reasonableness of total Project Costs” annually. Reasonable project costs are determined by comparing aggregate cost data from all applications received, historical cost certification data for completed projects and current cost data provided to AHFA by third-party construction consultant reports. After evaluating all relevant data, AHFA establishes reasonable standards for total project hard construction costs and soft costs. AHFA will use the same methodology to determine the maximum project costs permitted for HTF-funded projects. For the current application cycle, the maximum amount of HTF funding that may be allocated to new construction projects, according to number of bedrooms, are as follows:

1 Bedroom	\$108,750.00
2 Bedrooms	\$160,400.00
3+ Bedrooms	\$231,000.00

### **H. Application Process**

AHFA follows a competitive process by which all applicants are objectively scored according to criteria specified in the HTF Plan. AHFA strictly adheres to the policy and procedures of the HTF Plan. Efforts to influence the outcome of the application process through lobbying efforts either directly (by the applicant) or indirectly (via the efforts of third parties on the applicant’s behalf), will be futile, considered as a violation of the HTF Plan and may result in the termination of the application. In addition, the applicant could be subject to civil or criminal liability. Each application must stand on its own merits.

All applicants must submit an application. AHFA will evaluate each application to determine which Projects will be allocated HTF funds. In order to be considered for funding, each application must include evidence satisfactory to AHFA that the proposed Project, at a minimum, meets all AHFA housing priority factors. In evaluating each application, AHFA may conduct one or more site visits to inspect each proposed Project site and/or consult with a third party for professional services. To facilitate the evaluation process, all applicants must complete the following steps:

- 1) Submit a complete application package to AHFA within the specified timeframes as designated by AHFA. All or portions of the application package may be required to be submitted online. After application packages are submitted, AHFA will conduct a completeness review. The application will be deemed complete if the application package is submitted within the AHFA specified timeframe and contains, at a minimum, the following:
  - All required AHFA-provided forms for current year applications will be posted at [www.ahfa.com](http://www.ahfa.com) prior to the beginning of the application cycle. AHFA will post these forms as they become available, and applicants should check [www.ahfa.com](http://www.ahfa.com) regularly in order to begin work on the required forms as soon as possible. All AHFA-provided forms should be completed pursuant to instructions, legible, and all applicable spaces fully completed.
  - The AHFA DMS Authority Online Application must be completed and submitted by the Application Cycle deadline. Failure to submit the AHFA DMS Authority Online Application by the Application Cycle deadline will result in termination of the application.
  - All required third-party documents. AHFA will post the HTF application checklist and instructions for the complete list of required documents provided at [www.ahfa.com](http://www.ahfa.com) prior to the beginning of the application cycle.

After the completeness review, AHFA will contact each applicant via e-mail regarding any missing and/or incomplete items or documents. Upon notice, applicant must submit all missing and/or incomplete items or documents in order to be considered for funding.

If AHFA determines during the completeness check that any application has an aggregate total of 8 or more missing and/or incomplete items, the application will be terminated automatically by AHFA, and AHFA will notify the applicant by email of this termination.

- 2) Provide evidence that the Project is an eligible activity under this HTF Plan and meets HTF occupancy and rent restrictions. All proposed HTF rental housing units must be under common ownership, financing and property management.
- 3) Demonstrate that the project is financially feasible.
- 4) Demonstrate the likelihood of compliance with 30-year affordability period and with AHFA requirements and HTF regulations.

## I. AHFA Housing Priorities and Scoring Criteria

HTF allocations will be based on each application meeting, at a minimum, the general HTF requirements listed above and the calculated total score of each application. Once AHFA has determined that an application meets or exceeds all requirements, AHFA will allocate funds to the highest-scoring project until all HTF funds have been allocated.

In the event of a tie between two or more applications, the tied applications will be ranked in the following order to determine which application will receive funding priority:

- 1) First, the application with the highest amount of subsidy funding per unit from sources other than HTF funds.
- 2) Second, the application with a proposed Project that is closest to the nearest Veterans Administration facility.
- 3) Third, the application with the fewest missing documents and incomplete forms as determined by AHFA during the completeness review.

AHFA reserves the right to deny an allocation of HTF funds to any applicant or project, regardless of that applicant's point ranking, if in AHFA's sole determination, the applicant's proposed Project is not financially feasible or viable. Regardless of strict numerical ranking, AHFA's scoring of HTF applications does not operate to vest in an applicant or Project any right to an allocation of HTF funds. In all instances, AHFA reserves the right to allocate HTF funds consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

### 1) Points Gained

- a. Geographic Diversity - A funding priority (**10 Points**) will be given to applications in rural areas (or non-metropolitan areas as defined by HUD area definitions) that expand the overall rental housing supply for households with incomes at or below either ELI or the federal poverty line (whichever is greater).
- b. Applicant Capacity – A funding priority (**Maximum 25 points**) will be given to each applicant who provides historical evidence of having served the following targeted populations:

Targeted Population	Evidence Required	Maximum Points Awarded
ELI Veterans	The applicants must show evidence of having served ELI veterans and describe their strategy for addressing housing problems for ELI veterans. .	25



ELI populations with physical or mental disabilities	The applicants must show evidence of having served ELI populations with physical or mental disabilities and describe their strategy for addressing housing problems for populations with physical or mental disabilities. .	15
Other ELI underserved populations, such as, persons who are experiencing homelessness or at risk of homelessness, those transitioning out of the foster care system, etc.	The applicants must show evidence of having served other ELI underserved populations and describe their strategy for addressing housing problems for ELI underserved populations.	10

Applicants must provide historical data regarding the number of ELI targeted individuals and families served and actual services provided by the applicant, for the most recent calendar year prior to application submittal. Applicants must provide evidence of their staff capacity, including specific details regarding their staff’s direct (or related) experience in providing support services to ELI populations.

- c. Rental Assistance - A funding priority **(25 points)** will be given to applicants with projects that have secured federal, state, or local project-based and/or voucher(s) for rental assistance so that rents are affordable to ELI families.
- d. Duration of HTF Affordability Period - A funding priority **(5 points)** will be given for projects that demonstrate the ability to remain financially feasible five (5) years beyond the required 30-year period.
- e. Leveraging – A funding priority **(Maximum 25 points)** will be given to applicants that have a commitment from other non-federal sources needed to develop and operate the proposed housing. Sources may include, but are not limited to, value of donated land, funds for purchase of land, construction financing, permanent financing, furnishings and operating subsidies. To qualify for points for receiving additional subsidies, the funds may be loaned (required repayment) or granted.

25 points - \$75,001 + per unit  
15 points - \$50,001 - 75,000 per unit  
10 points - \$25,000 - 50,000 per unit

- f. Limitation on Beneficiaries or Preferences – A funding priority **(25 points)** will be given for targeting the rental housing needs of ELI veterans, ELI persons with physical or mental disabilities or other ELI underserved populations. The applicant must identify each specific ELI population needing assistance in the targeted service area and provide evidence in the form of a memorandum of understanding (MOU) with a

service provider or provide a written Beneficiary Plan detailing efforts to coordinate and integrate the proposed HTF units with other support service programs and other mainstream resources targeted to ELI populations. Applicants must specifically address the housing and service needs of ELI veterans, ELI persons with physical or mental disabilities, and/or other ELI underserved populations in the targeted service area. Quantifiable data, specific to their service area, must be detailed to the fullest extent possible. To qualify for points, the applicant must provide a MOU or Beneficiary Plan.

25 points – Memorandum of Understanding

15 points – Beneficiary Plan

## 2) Points Lost

Points will be deducted from applications that contain sites with the following negative neighborhood characteristics:

2 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Industrial
Distribution facilities	Airports
Electrical utility Substations	Prison or Jail
Railroads	Solid waste disposal
Adult video/theater/live entertainment	

1 point each will be deducted if any of the following incompatible uses listed are within .3 mile of the site. The list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater treatment facility	Airports
Prison or Jail	Solid waste disposal

*Points will not be deducted for a prison, jail, or detention facility if it is co-located with a law enforcement office.*

## J. Barriers to Addressing the ELI and Veteran ELI Population

Various barriers exist when addressing the needs of ELI populations statewide. In rural counties, access to transportation can be a major issue for most ELI populations. Minimal to nonexistent public transportation

may limit access to mainstream resources and needed support services, particularly for ELI veterans or ELI populations with physical or mental disabilities. Insufficient funding for needed resources and services at state and local levels, of government are also barriers for ELI persons and families. Additional barriers include the shortage of affordable permanent housing, job layoffs, unemployment, and access to affordable healthcare.

Addressing the needs of ELI populations, especially rural ELI persons, over the entire HTF Affordability Period will require active and ongoing engagement by multiple stakeholders (mental health and physical health service providers, veteran's advocates\groups, non-profits, and local governments). Therefore, all stakeholders must be proactive toward: (a) providing additional funding sources and incentives as available; (b) helping to remove regulatory and discriminatory barriers; and (c) seeking experienced development partners to assist in creating housing solutions for ELI populations statewide. When working with service providers, Continuum of Care, or advocacy groups, every effort should be made to ensure that prospective tenants are able to live independently within the proposed Project.

#### **K. Compliance with HTF Regulations**

Each recipient of HTF funds must certify that housing units assisted with such funds will comply with all HTF program requirements. The certification must include statements confirming the following:

- The number of units in a HTF-assisted project expected to be occupied by each of the following income groups: extremely low-income, very low-income, moderate income, and above moderate income.
- That all tenants of all HTF-assisted units meet the income limits as required by relevant program guidelines.
- That the recipient will comply with rent limits, determined to be no more than 30% of the area median income.

AHFA staff will monitor each HTF project on-site at least once prior to the completion of the project and periodically through the entire HTF Affordability Period. AHFA will review for compliance with this HTF Plan, eligibility requirements, housing construction standards (24 CFR 93.301), rent reasonableness, affirmative outreach (24 CFR 93.350), tenant protections and selection (24 CFR 93.303), fair housing and financial management.

After each monitoring visit, written correspondence will be sent to the HTF recipient describing the results of the review in sufficient detail to describe clearly the areas that were covered and the basis for any conclusions reached. Monitoring determinations will range from "acceptable" to "finding" with appropriate corrective measures imposed. Corrective measures may include certifications that inadequacies will be resolved, documentary evidence that corrective actions have been instituted, or reimbursement of disallowed costs.

#### **L. Performance Goals**

As of 2017, Alabama had 369,962<sup>1</sup> veterans living in the state and an estimated 29,047 veterans in Alabama fall into the ELI category. Veteran households struggle continually with housing costs, are at risk of becoming homeless, and some suffer from mental illness. In 2018, there were approximately 339 homeless veterans statewide, and with the housing cost burden, this number could increase.

Outreach to ELI veterans and other ELI populations (particularly those who are homeless or have physical or mental disabilities) and assessment of their individual needs can be difficult. AHFA has established the following goals for use of the HTF program to assess and meet the needs of ELI veterans and these other ELI populations in the State of Alabama:

- 1) Decrease by 15 the total number of ELI veterans, particularly the homeless, by providing affordable housing units combined with an increased number of support services.
- 2) Provide 15 affordable housing units to ELI veterans, particularly the homeless.
- 3) Assist ELI veterans, particularly the chronically homeless, make the transition to permanent housing and independent living.
- 4) Facilitate access for ELI veterans as well as other ELI households (particularly veterans and other individuals or families who are chronically homeless) to affordable housing units.
- 5) Help prevent ELI veterans and other ELI households (particularly veterans and other individuals or families who are chronically homeless) who were recently homeless from becoming homeless again.
- 6) Increase awareness of the availability of permanent housing and related services for ELI veterans and ELI households (particularly veterans and other individuals or families who are chronically homeless).

AHFA will monitor Projects receiving HTF funds for the following specific goals:

- Impact of HTF-funded projects that reached ELI veterans.
- Number of veteran ELI households served by HTF-funded projects.
- Number of ELI households with physical or mental disabilities that were served by HTF-funded projects.
- Number of ELI households served by HTF-funded projects.

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<sup>1</sup> Veterans as a Percent of County Populations (FY2017): Alabama (9/27/18) - [https://www.va.gov/vetdata/docs/SpecialReports/State\\_Summaries\\_Alabama.pdf](https://www.va.gov/vetdata/docs/SpecialReports/State_Summaries_Alabama.pdf)

- The extent to which the Project met the overall goals established by this HTF Plan and AHFA.

Recipients will develop performance goals that best quantify each HTF-funded Project's impact on its local veteran and ELI populations. Performance goals specific to the targeted geographic area will be evaluated to determine if stated HTF goals have been achieved.

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