

# National Housing Trust Fund Allocation Plan

Low Income Housing Coalition of Alabama

April 21, 2016

Ed Gramlich

National Low Income Housing Coalition

# A Very Brief Overview National Housing Trust Fund



Before getting into the NHTF Allocation Plan,  
first a very short description of the NHTF  
to make sure we are all on same page.

# Getting to Know the NHTF Program

(Five Minute Overview)

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# What Is the National Housing Trust Fund?



- The National Housing Trust Fund (NHTF) is a federal program with dedicated sources of funding not subject to the annual Congressional appropriations process.
- The NHTF became law as part of the Housing and Economic Recovery Act of 2008 (HERA).

# What Is the National Housing Trust Fund? *(continued)*



The primary purpose of the NHTF is to increase and preserve the supply of **rental** housing for **extremely low income** (ELI) households, those earning less than 30% of area median income (AMI).

# How Is the NHTF Funded?

The NHTF is to be funded with dedicated sources of revenue.

- HERA requires annual assessment of 0.042% on new business of Fannie Mae and Freddie Mac.
- 65% to go to the NHTF.
- Due to banking crisis of 2008, this source of money was put on hold.

# How Is the NHTF Funded?

*(continued)*



- On December 11, 2014 the hold was removed.
- Fannie and Freddie began to set aside funds on January 1, 2015
- Funds had to be transferred to HUD by March 1, 2016.
- On April 4, HUD announced nearly \$174 million for 2016.
- Funds will reach states early summer 2016.
- HUD published interim regulations on January 30, 2015.



# How Can NHTF Be Used?

- The law requires at least 90% of the funds be used for the production, preservation, rehabilitation, or operation of **rental** housing.
- Up to 10% can be used for homeownership activities that include constructing, rehabilitating, or preserving housing for first-time homebuyers, as well as providing down payment and closing cost assistance.



# Who Is Served by the NHTF?

- The law requires at least 75% of the funds for rental housing benefit **extremely low income** (ELI) households or households with income below the federal poverty line.
- Up to 25% of the funds for rental housing may benefit very low income (VLI) households (earning less than 50% of area median income).
- All homeowner activities must benefit ELI or VLI.
- When there is less than \$1 billion, 100% must benefit ELI.

# How Is NHTF Money Distributed?

- The NHTF law requires money to be distributed as block grants to states by formula.
- 75% of the formula's value goes to two factors reflecting the **shortage of rental housing** affordable and available to ELI households, and the extent ELI renter households pay **more than half of their income** for rent and utilities.

# How Is NHTF Money Administered?

- The law requires states to select a state agency (such as a housing finance agency or a housing department) to receive and administer NHTF resources.
- Each state must prepare an annual Allocation Plan showing how it will distribute NHTF money based on its priority housing needs.
- The Allocation Plan must be inserted as a component of a state's Consolidated Plan that requires public input.

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# NHTF Is Block Grant to States (Part 1)

There are two conditions that each state must meet in order to receive its NHTF allocation:

- State must designate entity to administer NHTF and notify HUD Secretary of the administering entity.
- State must prepare and submit NHTF Allocation Plan to HUD.

# NHTF Is Block Grant to States (Part 2)

## Alabama selected

- Alabama Housing Finance Authority
- Robert Strickland, Executive Director  
P.O. Box 242967, Montgomery, AL 36124-2967  
334.244.9200, [rstrickland@ahfa.com](mailto:rstrickland@ahfa.com)

David Young, AHFA Multifamily Administrator  
might be person involved with NHTF on a day-to-day basis.



# Tentative Timeline



- April 4: HUD announces nearly \$174 million for NHTF for 2016.
- Late April: HUD publishes NHTF Allocation Plan guidance.
- Late April: HUD publishes NHTF allocations to states in *Federal Register*.  
NLIHC estimates Alabama will receive **\$3 million**.
- April-May: Alabama Housing Finance Authority (AHFA) develops NHTF Allocation Plan following ConPlan public participation procedures, including at least 30-day comment period.
- June: AHFA submits NHTF Allocation Plan.  
HUD has 45 days to review.
- Summer: When Secretary Castro wants to distribute NHTF funds.

[www.nlihc.org/issues/nhtf](http://www.nlihc.org/issues/nhtf)



# Statute, Regulation, or Suggestion?



Information in this presentation is based on:

- NHTF statute is **ST**.
- NHTF regulation is **REG**.
- NLIHC suggestion is **SUG**.

# NHTF Allocation Plan and Alabama ConPlan (part 1)



- NHTF Allocation Plan is part of Annual Action Plan Alabama submits as update to Consolidated Plan (ConPlan).
- Community Economic Development Division (CED) of Alabama Department of Economic and Community Affairs (ADECA) submits ConPlan and Annual Action Plan.
- AHFA collaborates in the ConPlan/Annual Action Plan process by developing HOME portion.
- AHFA will draft NHTF Allocation Plan.

# NHTF Allocation Plan and Alabama ConPlan (part 2)



- Not clear whether Alabama's ConPlan only covers non-entitlement jurisdictions – might give incomplete picture of housing needs.
- Advocates need to be familiar with state ConPlan and state's public participation process.
- For 2016 NHTF Allocation Plan will be "substantial amendment" to Annual Action Plan.
  - Triggers ConPlan public participation procedures.
  - 30-day comment period is required.

# Definitions

- **Grantee (ST).**

State entity that prepares NHTF Allocation Plan, receives NHTF dollars, administers NHTF.

- **Subgrantee (REG).**

State may choose to designate local jurisdiction to administer NHTF in a city or county.

- **Eligible Recipient (ST).** Organization or agency that applies to grantee for NHTF money to carry out NHTF project.

# NLIHC Suggestions (Part 1)

## ALL SUGGESTIONS

- Advocates should seek **deepest possible affordability** for rents in NHTF-assisted units and **longest possible affordability periods**.
- All funds in first year should be used for **rental housing**.
- All funds should be distributed by state to eligible recipients (no subgrantees).

# NLIHC Suggestions (Part 2)

## ALL SUGGESTIONS

- All funds first year should be used to expand ELI housing.
  - Prevent supplanting.
  - Minimize use for preservation of existing federally assisted housing.
- Maximize affordability,
  - Projects should have as little debt service as possible.
  - Grants or no interest loans preferred.
- Given small amount of money first year, focus on projects with most impact.
  - Don't give small amounts of money to many projects.



# 14 Elements of NHTF Allocation Plan

(those in **bold** covered here) Part 1



- 1. Description of distribution of funds (ST)**
- 2. Application requirements (REG)**
- 3. Criteria for selecting applications submitted by recipients (ST)**
- 4. State's maximum per-unit development subsidy limit for NHTF-assisted housing (REG)**
5. If funds used for first-time homebuyers, identify resale or recapture provisions (REG)
6. Whether state will distribute funds directly, and/or use subgrantees (REG)
- 7. Funding priority based on six factors (ST)**



# 14 Elements of NHTF Allocation Plan

(those in **bold** covered here) Part 2



8. **Description of eligible activities and recipient eligibility requirements (ST)**
9. Recipient certification, NHTF-assisted units will comply with NHTF requirements (ST)
10. **Performance goals and benchmarks consistent with state's proposed accomplishments (ST)**
11. Rehabilitation standards NHTF-assisted projects must meet (REG)
12. NHTF affordable homeownership limits (REG)
13. **Preferences or limitations to a particular segment of ELI population (REG)**
14. Refinancing requirements and conditions (REG)

# 1. Description, Distribution of Funds

(Part 1)



## All SUGGESTIONS

- AHFA will use **Request for Proposals (RFPs)** describing:
  - Eligible applicant,
  - Eligible activities,
  - What must be included in an application,
  - When and where applications are to be submitted,
  - Application evaluation criteria,
  - Who will review applications, and
  - When grant awards are to be made.
- RFP will indicate ConPlan **priority housing need(s)** Alabama intends to address based on NHTF public participation process.

# 1. Description, Distribution of Funds

## ALL SUGGESTIONS

- AHFA will use **Request for Proposals (RFPs)** describing: eligible applicant, eligible activities, what must be included in an application, when and where applications are to be submitted, application evaluation criteria, who will review applications, and when grant awards are to be made.
- RFP will indicate ConPlan **priority housing need(s)** Alabama intends to address based on NHTF public participation process.
- AHFA convenes application review panel composed of:
  - state officials
  - at least two private housing and homeless advocates.

# 1. Description, Distribution of Funds

(Part 2)

## SUGGESTION

- AHFA convenes application review panel composed of:
  - state officials
  - at least two private housing and homeless advocates.

## 2. Application Requirements (Part 1)



NLIHC suggests AHFA detail 9 application requirements in RFPs. They include (SUGGESTIONS):

- Project information similar to LIHTC applications.
- How project responds to Alabama's priority housing needs.
- How project responds to six priority factors in statute.
- Plan and methods for achieving affordability (rent at no more than 30% of household income) for households at 30% AMI, 20% AMI, and 10% AMI.
- How NHTF-assisted units will be integrated with units having higher income targeting.

## 2. Application Requirements (Part 2)



NLIHC suggests AHFA detail 9 application requirements in RFPs. They include (SUGGESTIONS):

- How project affirmatively furthers fair housing.
- Description of tenant recruitment and selection process.
- Definition of a successful resident; description of services and subsidies to be provided to maximize resident success.
- Applicant's credentials to carry out project, including evidence of successful completion and operation of similar projects.



# 3. Criteria for Selecting Applications



(Part 1)

NLIHC suggests (SUGGESTIONS):

a. Threshold criteria:

- Responsiveness to application requirements.
- Project reflects priority housing need(s) in ConPlan.

b. Final criteria, rating based on:

- Six priority factors in statute.
- Creativity and innovation.
- Feasibility.
- Potential for resident success.
- Applicant's credentials.



# 3. Criteria for Selecting Applications

(Part 2)



Alabama 2015-2019 ConPlan priority housing needs:  
“Production of new units” is the “high” priority in the Alabama ConPlan.

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“Of the four traditionally defined housing problems, the one that is the most pervasive and the one most difficult to mitigate is cost burden [spending more than 30% of income for rent and utilities]...And because only 30% of Alabama households are renters overall, a large disproportionate need exists for renters. The top priority for the use of state HOME funds in 2015-2019 will be the production of affordable rental housing.”

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[There is no elaboration on whether this is for certain household characteristics (such as elderly, small families, families with children, people with disabilities, etc.)]

# 3. Criteria for Selecting Applications



(Part 3)

Alabama 2015-2019 ConPlan general housing priority needs:

- AHFA gives preference to HOME applications to projects serving lowest income tenants for longest periods.
- AHFA seeks to promote the following priorities in the allocation cycle for 2015 through 2019:
  - Projects that add to the affordable housing stock;
  - Projects that, without HOME funds, would likely not set aside units for lower income tenants;
  - Projects that use additional assistance through federal, state, or local subsidies; and,
  - Balanced distribution of HOME funds throughout the state in terms of geographical regions, counties, and urban/rural areas.

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# 4. Alabama's Maximum Per-Unit Subsidy Limit



Alabama must set maximum limits on total amount of NHTF funds that can be invested per-unit:

- Adjustments based on number of bedrooms and location.
- Limits must be reasonable and based on actual costs. REG

HUD will issue guidance.

- Limit likely to be higher than HOME limits.
- HUD recognizes that deeper targeting for NHTF units will require more subsidy.

# 7. Six Priority Factors (Part 1)

State must give priority in awarding funds to applications based on six factors (ST, REG).

Statute and regulation do not weigh factors.

NLIHC suggests awarding NHTF to applicants based on applicant's total points, up to 100 points (SUGGESTIONS).

- a. Geographic diversity. **(Maximum points = 0)**
- b. Applicant's ability to obligate funds and undertake activities in a timely manner.  
**(Maximum points = 10)**

# 7. Six Priority Factors (Part 2)

## c. For rental housing:

- “extent to which rents...are affordable, especially for ELI households” (ST);
- “extent to which the project has federal, state, or local project-based rental assistance so that rents are affordable to extremely low income families (REG).

**(Maximum points = 40)**

## d. For rental housing, duration of unit’s affordability period. **(Maximum points = 15)**

# 7. Six Priority Factors (Part 3)

- e. Merits of application in meeting state's priority housing needs. **(Maximum points = 25)**
- f. Extent application makes use of non-federal funding sources. **(Maximum points = 10)**



# Factor a: Geographic Diversity

*Geographic diversity* (ST). **(Maximum points = 0)**

Given relatively small amount of money  
available first year,

NLIHC suggests focusing on projects with most impact,  
rather than distributing small amounts of money  
to many projects (SUGGESTION).



# Factor b: Ability to Obligate Funds



*Applicant's ability to obligate funds and undertake activities in a timely manner (ST). (Maximum points = 10)*

- Regulation defines “commitment” for recipients as:
  - For new construction or rehabilitation, starting construction within 12 months of date of contract between recipient and state (REG).
  - For acquisition of existing housing, receipt of title within 6 months of date of contract between recipient and state (REG).

# Factor c: Rent Affordability (Part 1)

- *For rental housing, extent to which rents are affordable, especially to extremely low income families (ST).*
- *For states, rule is extent to which project has federal, state, or local project-based rental assistance so rents are affordable to extremely low income families (REG).*

**(Maximum points = 40)**

# Factor c: Rent Affordability (Part 2)



- “Affordable” defined as not paying more than 30% of household income for housing costs, including utilities (SUGGESTION).
- “Project-based rental assistance” includes, unit-based rental assistance, operating subsidies, or cross-subsidization of rents within project (SUGGESTION).
- 33% of state’s NHTF allocation may be used for operating cost assistance and/or operating cost assistance reserves for NHTF-assisted units (REG).
  - NOTE: HUD intends to issue guidance on operating costs for NHTF in the next year.

# Factor d: Duration of Affordability



*For rental housing, duration of the units' affordability period (ST). (Maximum points = 15)*

- Minimum affordability period is 30 years (REG).
- Extent project exceeds 30 year minimum determines duration points, to maximum of 15 points for projects that commit to affordability in perpetuity (SUGGESTION).

# Factor e: Merits of the Application

(Part 1)



*Merits (ST) of application in meeting state's priority housing needs (REG). (Maximum points = 25)*

- Extent project meets needs of lowest income households within state's priority housing needs (SUGGESTION).
- Examples (SUGGESTIONS):
  - Projects serving special needs populations, homeless, individuals leaving correctional institutions.
  - Projects affordable to households with income less than 15% of AMI.
  - Projects proposed by nonprofits.
  - Phased rehabilitation projects that do not cause displacement.



# Factor e: Merits of the Application

(Part 2)



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[page 129]

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# Factor f: Use of Non-Federal Resources

*Extent application makes use of non-federal funding (ST).*

**(Maximum points = 10)**

- Extent application makes use of:
  - State and local publicly-controlled funds and/or land donated by state or local government to achieve deep affordability for ELI households (SUG).
  - Private funds or in-kind commitments, including donation of land, for production, preservation, or operation to achieve deep affordability for ELI households (SUG).

# 8a. Eligible Activities

NLIHC suggests eligible activities be limited to:

- Production and rehabilitation of rental housing affordable to extremely low income households (SUGGESTION).
- Up to 33% for operating cost assistance and/or operating cost assistance reserves (SUG allowed by REG).

SUGGESTION:

“Alabama does not intend to permit NHTF funds to be used for homeownership activities or for new construction, rehabilitation, or preservation of federally assisted housing in the 2016 funding cycle.”

## 8b. Eligible Recipients (Part 1)

Eligible recipient is organization, agency, including nonprofit or for-profit (ST), or public housing agency (REG).

Consider limiting recipients to nonprofits first year, or to for-profits that limit profits or rate of return (SUGGESTION).

## 8b. Eligible Recipients (Part 2)

Recipient must:

- Have demonstrated experience and capacity to conduct NHTF activity, evidenced by ability to:
  - Own, construct, or rehabilitate, and manage and operate affordable multifamily rental housing (ST); and
  - Serve extremely low income households and special needs populations, such as homeless families and people with disabilities (SUGGESTION);

# 10. Performance Goals and Benchmarks (Part 1)



Refers to proposed accomplishments in affordable housing section of Strategic Plan part of ConPlan.

State must specify number of extremely low income, low income, and moderate income families for whom state will provide affordable rental housing.

Affordable rents defined as not exceeding greater of 30% of federal poverty line or 30% of 30% AMI (REG).



# 10. Performance Goals and Benchmarks (Part 2)

NLIHC suggests, to achieve maximum affordability, NHTF Allocation Plan should set performance goals about:

- How many extremely low income families and homeless people will have affordable housing, with affordability defined as 30% of household income (SUGGESTION), or
- How many households will have rents set at 30% of 20% AMI or 30% of 10% AMI (SUGGESTION).
- Alabama 2015-2019 ConPlan estimates providing 100 rental units to extremely low income households over five year period (using 20% of HOME allocation).

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# 14. Preference or Limitation to Particular Segment of ELI Population (Part 1)



Alabama can limit or give preference to a particular segment of ELI population based on priority housing needs in ConPlan. Any preference or limitation must be in written agreement between state and recipient (REG).

Alabama 2015-2019 ConPlan does not indicate housing priority needs for any particular segment of the extremely low income population.

# 14. Preferences or Limitations to Particular Segment of ELI Population (Part 2)



Any limitation or preference must not violate nondiscrimination requirements.

Fair housing requirements, including affirmatively further fair housing, apply to NHTF program.

Limitation does not violate nondiscrimination requirements if housing also receives funding from federal program that limits eligibility to particular segment of population (e.g. Housing Opportunity for Persons Living with AIDS, Section 202, and Section 811) (REG).

# Questions?



## Questions?

NHTF  
[www.nlihc.org/issues/nhtf](http://www.nlihc.org/issues/nhtf)

# For More Information



Ed Gramlich, [egramlich@nlihc.org](mailto:egramlich@nlihc.org), 202-507-7469

[www.nlihc.org/issues/nhtf](http://www.nlihc.org/issues/nhtf)