

National Housing Trust Fund Allocation Plan

Empower Missouri Affordable Housing and Homelessness Task Force

May 3, 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)

Missouri selected

- Missouri Housing Development Commission
- Tina Beer, Director of Operations
920 Main Street, Suite 1400
Kansas City, MO 64105
816.759.6600
tbeer@mhdc.com

Alissa Ice, in Community Initiatives 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.
- April 26: HUD publishes NHTF Allocation Plan guidance, Notice CPD-16-07.
- Early May: HUD publishes NHTF allocations to states in *Federal Register*.
NLIHC estimates Missouri will receive **\$3 million**.
- May-early June: Missouri Housing Development Commission (MHDC) develops NHTF Allocation Plan following ConPlan public participation procedures, including at least 30-day comment period.
- Late June-early July: MHDC submits NHTF Allocation Plan. HUD has 45 days to review.
- Summer: When Secretary Castro wants to distribute NHTF funds.

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 Missouri ConPlan (part 1)



- NHTF Allocation Plan is part of Annual Action Plan Missouri submits as update to Consolidated Plan (ConPlan).
- Missouri Department of Economic Development (DED) is lead entity for submitting ConPlan and Annual Action Plan.
- MHDC collaborates in the ConPlan/Annual Action Plan process by developing HOME portion.
- MHDC will draft NHTF Allocation Plan.

NHTF Allocation Plan and Missouri ConPlan (part 2)



- Not clear whether Missouri's state ConPlan only covers non-entitlement jurisdictions that do not do their own ConPlans.
 - Advocates need to clarify this.
 - If only covers non-entitlement areas, state ConPlan will be incomplete picture of housing and homelessness needs.
- Advocates need to be familiar with state ConPlan and state's public participation process.

NHTF Allocation Plan and Missouri ConPlan (part 3)



- June 2015 HUD FAQ stated that 2016 NHTF Allocation Plan will be submitted as a “substantial amendment” to Annual Action Plan.
- However, April 26, 2016 Notice CPD-16-07 indicates NHTF Allocation Plans will simply be “amendments” to ConPlan.
- “Substantial amendment” requires 30-day comment period.
- If only an “amendment”, advocates will still want state to have at least a 30-day comment period.

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 urban 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

All SUGGESTIONS

- MHDC 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)** Missouri intends to address based on NHTF public participation process.
- MHDC convenes application review panel composed of:
 - state officials
 - at least two private housing and homeless advocates.

2. Application Requirements (Part 1)



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

- Project information similar to LIHTC applications.
- How project responds to Missouri'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 MHDC 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)

Missouri 2013-2017 ConPlan general housing needs:

- Elderly households disproportionately impacted by housing cost burden; 24% of senior households pay more than 30% of income for rent and utilities. [page 16]
- MHDC identified statewide need for housing within special needs populations, specifically households with disabilities, households with mental illness, households experiencing homelessness, and youth aging out of foster care. [page 16]
- Missouri's lowest income households (0-30% AMI) report majority of housing problems. [page 18]

3. Criteria for Selecting Applications



(Part 3)

Missouri 2013-2017 ConPlan Market Analysis:

- 2011, MHDC starts 33% priority for special needs housing units, targeted to developments that provide permanent supportive housing and integrated housing for persons with special needs.
[page 38]
- Only 10% of housing units in state affordable to renter households earning 30% of HAMFI (Household Area Median Family Income), which falls far short of meeting needs. 25 of state's 115 counties have more than 15% of renter households paying more than 30% of income on housing. Many of these cost burdened households are in rural communities.
[page 40]
- 63% of households 30% or below of HAMFI, have at least one housing problem – substandard housing, overcrowding, and/or cost burden.
[page 42]

3. Criteria for Selecting Applications

(Part 4)



Missouri 2013-2017 ConPlan priority housing needs:

- Missouri's ConPlan does not establish genuine priority housing needs. State lists virtually everything as "high" priority and does not distinguish between income categories such as extremely low, very low, and low income, or among demographic characteristics. [page 68-73]
- For instance, Priority Need 1, "Affordable Housing for Low Income Households", is a "high" priority with income levels including extremely low and low income. Is "targeted" to large families, families with children, and elderly households. For homeless populations "targets" rural, individuals, families with children, mentally ill, veterans, and unaccompanied youth. For non-homeless special needs populations, targeting is for elderly, persons with mental disabilities, persons with physical disabilities, and persons with developmental disabilities.

4. Missouri's Maximum Per-Unit Subsidy Limit



Missouri 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)



Missouri 2013-2017 ConPlan priority housing needs:

Missouri's ConPlan does not establish genuine priority housing needs. State lists virtually everything as "high" priority and does not distinguish between income categories such as extremely low, very low, and low income, or among demographic characteristics.

[page 68-73]

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:

“Missouri 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).
- Missouri's 2013-2017 ConPlan does not provide goals for extremely low income households even though ConPlan regulations require such a breakdown by income categories. [page 83-88]

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



Missouri 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).

Missouri 2013-2017 ConPlan lists as high priority array of populations characteristics too broad to be genuine indication of priority housing needs.

14. Preference or Limitation to Particular Segment of ELI Population (Part 2)



“Special Needs Housing” is Priority Need 6 in Missouri’s 2013-17 ConPlan. Targeting is very broad:

Family types: large families, families with children, elderly, and public housing households.

Homelessness: rural, chronic homelessness, individuals, families with children, mentally ill, chronic substance abuse, veterans, persons with HIV/AIDS, victims of domestic violence, and unaccompanied youth.

Non-homeless special needs: elderly, persons with mental disabilities, persons with physical disabilities, persons with developmental disabilities, persons with alcohol or other addictions, persons with HIV/AIDS and their families, and victims of domestic violence. [page 73]

14. Preferences or Limitations to Particular Segment of ELI Population (Part 3)



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

Upcoming Event



The Empower Missouri Affordable Housing and Homelessness Task Force Meets
Thursday, May 19, 10:30 a.m.-12:30 p.m. at
The Salvation Army Veterans Residence in
The Locust Business District located at
2933 Locust St, St Louis, MO 63103
You may also attend by teleconference.
Please RSVP to Walt@EmpowerMissouri.org

Topics for the May 19th Meeting:

- Legislative Session Wrap-Up
- STL Campaign Against Lock-Outs
- National Housing Trust Fund and Federal Budget Updates
- Preparing for our Annual Conference October 6 and 7 in Kansas City

For More Information



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www.nlihc.org/issues/nhtf