

North Carolina's National Housing Trust Fund 2016 Allocation Plan



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North Carolina National Housing Trust Fund 2016 Allocation Plan

This document serves as a Substantial Amendment to the Consolidated Plan and Annual Action Plan for North Carolina as well as the National Housing Trust Fund (NHTF) Allocation Plan¹. It addresses the appropriation of \$3,280,235 of the NHTF from the U.S. Department of Housing and Urban Development (HUD) to the North Carolina Housing Finance Agency (NCHFA). The NHTF funds the development of affordable housing for people earning 30 percent area median income (AMI) or less. More information on the NHTF can be found on HUD's website www.hudexchange.info/htf.

The Substantial Amendment also addresses a change in the NCHFA Single Family Rehab Loan Pool Program (SFRLP) which currently rehabilitates homes owned by elderly and/or disabled persons. The amended Plan will now read "SFRLP (or ESFRLP) repairs scattered-site single-family housing units owned and occupied by very low- and low-income households with special needs as defined by the applicable program guidelines".

I. GENERAL INFORMATION

The HTF allocation plan is an annual submission to HUD that describes how the State will distribute the HTF funds, including how it will use the funds to address its priority housing needs. The allocation plan also describes what activities may be undertaken with HTF funds and how recipients and projects will be selected.

The HTF Interim Rule (24 CFR Part 93) made the consolidated plan regulations at 24 CFR Part 91 applicable to the HTF. As a result, a HTF grantee (i.e., a State) must include HTF in its citizen participation plan (§91.115), strategic plan (§91.315) and annual action plan (§91.320). In addition, the State must submit to HUD for review and approval of a HTF allocation plan with its annual action plan (§91.320(k)(5)). Also, as required in §91.10, the HTF program must be administered by the State on the same program year it established for all grant programs covered by the consolidated plan.

The State of North Carolina has selected NCHFA as the State Designated Entity to administer the program, in accordance with 24 CFR 93.100.

II. GRANTEE INFORMATION

State: NORTH CAROLINA

FY 2016 NHTF Allocation Amount: \$3,280,235

Ten percent will be used for administration of the funds (\$328,023) and 90 percent will be used for development of rental units affordable to households earning 30 percent or less AMI (\$2,952,212).

Method of Distribution Summary

NHTF and HOME will help finance loans through NCHFA's Rental Production Program used in conjunction with Low Income Housing Tax Credits (LIHTC), state-appropriated funds, and leveraging other private and local funding. NCHFA will award NHTF based on the selection criteria as further described in Section IV of the State's Qualified Allocation Plan (QAP). The selection criteria are designed to identify the best applications based on site, market, rent affordability, development costs, project team, design and construction, as well as energy efficiency, efficient use of tax credits, units for mobility impaired, and to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice. Appendix J outlines the additional criteria for tax credit applications requesting NHTF funds. A copy of the 2017 QAP along with Appendix J is available on NCHFA's website:

<http://www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2017-qualified-allocation-plan-qap>

¹ Please note that in this document NHTF and HTF are used interchangeably and both acronyms reference the National Housing Trust Fund and not North Carolina's State Housing Trust Fund.

III. CONSOLIDATED PLAN REQUIREMENTS

Citizen Participation Plan

The consolidated plan regulation at §91.115 requires the State to include HTF in its citizen participation plan. Essentially, before adopting a consolidated plan, the State is required to adopt a citizen participation plan that describes the process for providing and encouraging citizens to participate in the development of the Consolidated Plan (ConPlan), the amendments to the ConPlan and the performance report (CAPERs). For the purposes of HTF, the State is required to make the following information available to the public:

- The amount of HTF assistance the State expects to receive,
- The range of activities the State may undertake, including the estimated amount that will benefit extremely low-income households,
- And the State's plans to minimize displacement of persons and to assist any persons displaced.

The State held an official public hearing on June 29, 2016 from 2:00 p.m. to 2:30 p.m. for the amendment of the 2016–2020 Consolidated Plan and 2016 Annual Action Plan. The public hearing was held in the Dogwood Room at the Hilton North Raleigh Midtown Hotel, 3415 Wake Forest Road, Raleigh, NC 27609. The State accepted public comment for thirty days, from June 17 through July 17, 2016. The summary of the public hearing as well as comments received are included in this document, below.

Consolidated Plan Revisions

➤ **Executive Summary- §91.320(b)**

The Executive Summary includes seven narratives: (1) Introduction; (2) Summary of Objectives and Outcomes; (3) Evaluation of Past Performance; (4) Summary of the Citizen Participation and Consultation Process; (5) Summary of Public Comments; (6) Summary of Comments Not Accepted; (7) Summary.

- 1) Introduction: The North Carolina Consolidated Plan (ConPlan) was developed in accordance with the ConPlan regulations set forth in 24 CFR Part 91 and with the requirements set forth by HUD. The ConPlan serves two purposes: First, it is the planning document that guides the North Carolina ConPlan partners in addressing housing and community development needs across the state for the next five years, using the allocated funds received from HUD. Second, this plan serves as a tool to inform a variety of stakeholders—including HUD, state and local officials, nonprofit and advocacy organizations, and the residents of North Carolina—of the need for improving the living conditions for our state's very low, low and moderate income populations.
- 2) Summary of objectives and outcomes identified in the ConPlan: The State realizes it cannot meet all of the housing need, but it can strategically invest its limited resources to alleviate important housing problems for North Carolina's households.

The State has three (3) basic goals:

- To provide decent and affordable housing
- To provide a suitable living environment
- To expand economic opportunity

The primary means to achieve these goals is the provision of affordable housing. Each ConPlan partnering agency operates programs that help to fulfill these goals while meeting housing and service-related needs statewide. With the addition of the national Housing Trust Fund, the State will expand decent and affordable housing with the development of rental housing affordable to households earning 30 percent or less AMI.

- 3) Evaluation of past performance: There is no past performance for the NHTF. NHTF performance will be evaluated similarly with HOME performance measures.

- 4) Summary of Citizen Participation process: As required, the ConPlan partners consistently involve the public through the public participation process as outlined in the approved Citizen Participation Plan. Comments received as a result of the ConPlan, Analysis to Impediments to Fair Housing Choice and the NHTF Allocation Plan will be maintained as required with North Carolina Public Records Law as outlined in North Carolina General Statutes. When comments are made about agency programs, that agency provides a written response. For NHTF, NCHFA will respond to comments received.

As an effort to gain public input on the NHTF Allocation Plan, NCHFA published a public hearing notice in major newspapers across the state: Raleigh News & Observer, Charlotte Observer, Asheville Citizen-Times and Greensboro News & Record. NCHFA also published public notices in Spanish via the Que Pasa Media Network in Greensboro, Raleigh, and Charlotte. The State accepted public comment for thirty days, from June 17 through July 17, 2016.

The State held an official public hearing on June 29, 2016 from 2:00 p.m. to 2:30 p.m. for the amendment of the 2016–2020 Consolidated Plan and 2016 Annual Action Plan. The public hearing was held in the Dogwood Room at the Hilton North Raleigh Midtown Hotel, 3415 Wake Forest Road, Raleigh, NC 27609. Thirteen people attended the public hearing; two of the attendees participated by phone. The State accepted public comment for thirty days, from June 17 through July 17, 2016.

- 5) Comments Received:

Comment #1:

If I (John Murphy) can use this format to provide comments they would be: I

- Support proposed change to the NCHFA SFRLP to include “rehabilitates homes occupied by veterans, elderly, and/or/disabled persons [sic]”, but might qualify the veteran inclusion by stating low-income or income-eligible.
- Support not providing HTF funding for homeownership activity; not really practical for target demographic.
- Use of HTF in high-income counties in NC as defined in the QAP as opposed to statewide.
- Support HTF funded properties that will address households earning less than 30% AMI.
- Would encourage the inclusion of existing affordable rental units for **preservation** of below 30% AMI as well as development.
 - Preservation of existing affordable rental units might make more sense from several perspectives.
 1. As units approach the end of their affordability periods maintaining the housing supply of below 30% AMI units should be equally important goal in terms of ‘net gain/loss’ for this particular demographic in high-income counties.
 2. As a practical matter, a development subsidy of \$32,402 ($\$2,952,212 \div 80$ units) per unit would be a better ‘fit’ for an existing unit that needs to be preserved through rehabilitation than applying it to offset the cost of new construction. If a preservation developer could link HTF with 4% LIHTCs and/or FHLB subsidies it might be the incentive to retain affordability in a project instead of converting it to market rate or selling to a private sector landlord and give the project the upgrades and substantial rehabilitation they require. The preservation of below 30% AMI units with a new extended affordability period (30 years stated in General Information Plan outline) should be an eligible use of HTF.
 3. Requiring a 25% set-aside of below 30% AMI units in new construction will require careful financial analysis for each developer as they consider reduced cash flow from a high percentage of units that generate less revenue. Would a 25% requirement for below 30% AMI units dissuade a developer from using HTF in a project? Could a lower minimum percentage of below 30% units per project still allow NCHFA to meet its

annual goal of creating 80 more below-30% units, and increase geographic diversity within QAP-eligible counties as they are spread around into more projects? A Plan Amendment could state a lower minimum percentage of below 30% units for project feasibility within a 9% LIHTC project, and state a higher percentage within a preservation or 4% LIHTC project.

NC Housing Finance Agency's Response:

Thank you for your comments regarding the National Housing Trust Fund Allocation Plan. Preservation is an important tool in affordable housing and we recognize there are many ways in which the NHTF could be used for preservation activities.

Given the limited funding available and the timing of the process for the first year of the NHTF, we made the decision to focus on new construction in high income counties through the LIHTC program. The LIHTC program provides the greatest opportunity for leveraging and production of units. The State Housing Tax Credit (STC), which ended in 2014, required deeper income targeting of 25% of units at 30% AMI level in high income counties. With this background history of producing projects underwritten and operating with these income restrictions, we chose to re-introduce this requirement with the NHTF as the best approach in the first year of implementation.

Comment #2:

To: North Carolina Finance Agency

From: Bill Rowe, General Counsel/Director of Advocacy

Date: July 15, 2016

Re: Comment on NC Federal Housing Trust Fund (HTF) Allocation Plan

My comments focus on ensuring that the HTF in NC will fulfill the Fair Housing Act's goal of affirmatively furthering fair housing (AFFH) and expanding housing options for low-income families living in segregated, high poverty neighborhoods. Since the state's Low Income Housing Tax Credit Qualified Allocation Plan (QAP) will determine the application process and eligibility requirements for the HTF, there may need to be changes made to the QAP next year in order fulfill NC's AFFH's duty. NC's QAP should address segregation, poverty concentration, disparities in access to opportunities across communities and neighborhoods, and disproportionate housing needs.

1. Adopt preference for siting housing in "opportunity areas."

NC's QAP does have a general requirement that "Projects cannot be in areas of minority and low income concentration...though exceptions may be granted for economically distressed areas which have community revitalization plans with public funds to support the effort" and the QAP also includes scoring to encourage developments be located away from detrimental land uses. The QAP should also define "opportunity areas" and award points for siting housing there. Other state QAPs offer some examples to be followed. The 2014 Massachusetts QAP defined "opportunity area" "as part of a neighborhood or community with a relatively low concentration of poverty (poverty rates $\geq 15\%$) that also offers access to opportunities such as jobs, health care, high-performing schools, higher education, retail and commercial enterprise and public amenities."

2. Require nondiscriminatory tenant selection procedures.

Screening criteria to select tenants is an area the QAP can help prevent discrimination. While it is customary for management companies and landlords to use tenant screening criteria to limit financial risk and assess other potential risks, many such screening practices can have a discriminatory impact on minority applicants. The use of credit scores and criminal background checks in an over broad manner without individualized assessment has a disproportionate impact on minority households with family

members who committed minor offenses or offenses unrelated to their tenancy or distant in time. The QAP should not allow automatic or overbroad exclusions in the tenant selection process.

NC Housing Finance Agency's Response:

Thank you for your comments regarding the Federal Housing Trust Fund Allocation Plan. As noted in your comments, we will be using the National Housing Trust Fund (NHTF) with the Low Income Housing Tax Credit Program and therefore will be subject to the eligibility requirements outline in the QAP. We are currently preparing the first draft of the 2017 QAP which we intend to release by early August. We will include your comments on the HTF Allocation Plan as part of the QAP public comments as well.

The North Carolina QAP has encouraged development in "opportunity areas" for many years by providing points and preferences for the elements that make up an "opportunity area". Our site scoring includes points for shopping, services, schools, healthcare, transit stops, neighborhood conditions as well as negative points for negative land uses. We welcome additional comments or proposed language for the 2017 QAP that might further address fair housing and AFFH.

Tenant selection is best addressed outside the QAP, so as to cover all LIHTC properties as opposed to only those governed by a particular QAP funding cycle. NCHFA released a memo on July 5, 2016, regarding Fair Housing and Tenant Selection Policy (Link: http://www.nchfa.com/sites/default/files/page_attachments/TenantSelectionPlanPolicy.pdf). This memo includes several other memos regarding fair housing and included the model policy for criminal background checks you help draft.

Thank you again for your comments on the NHTF Allocation Plan.

IV. STRATEGIC PLAN REQUIREMENTS

The State must amend the affordable housing section of the Strategic Plan to include specific objectives that describe proposed accomplishments the State hopes to achieve and must specify the number of extremely low-income families to which the State will provide affordable housing to (homeownership- §93.302; rental- §93.304) over a specific period of time.

Strategic Plan Overview:

The Strategic Plan outlines major strategies to be used by the ConPlan Partners to target the priority need groups identified over the next five years. The Strategic Plan is developed using the Housing and Market Analysis and Needs Assessment to create goals and objectives as well as strategies to achieve those goals. Based on the severity of need, the ConPlan partners assigned priorities to populations differentiated by income, tenure and homeless/special need status. Priorities are addressed as High and Low. The funding partners will deploy its allocations based on priority needs and each agency's target market. This cycle's five-year strategy, called the ConPlan, lays out the priority needs for the state, which are based on housing and population information captured from census data special tabulations that yield the incidence of certain housing problems (overcrowding, inadequate plumbing facilities, cost burden, etc.) among the population. The five-year plan also sets the framework from which each year's Annual Action Plan can be drawn. The Annual Action Plan further details how the State will accomplish its five-year goals during annual program cycles.

High priorities identified in the ConPlan that will be addressed by the NHTF are housing for households earning 30 percent or less AMI as well as non-homeless households with special needs. NHTF will be made available to eligible applicants in high-income counties in North Carolina as defined in the State's Qualified Allocation Plan (QAP). Doing so will allow the units to be made affordable to people earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.

This will increase the number of rental units affordable at 30 percent or below AMI constructed as reported in the ConPlan by 80 units.

Strategic Plan Revisions

➤ **Geographic Priorities-** §91.315(a)(1)

Currently in the ConPlan, the geographic priority is statewide. For the NHTF, an additional affordability factor was considered. NHTF funds will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to people earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to NC's *Olmstead* settlement agreement with the U.S. Department of Justice.

➤ **Priority Needs-** §91.315(a)(2)

High priorities identified in the ConPlan that NHTF funded properties will address are housing for households earning 30 percent or less AMI as well as non-homeless households with special needs.

➤ **Anticipated Resources-** §91.315(a)(4); §91.320(c)(1) and (2)

Explain how federal funds will leverage those additional resources (private, state and local funds), including a description of how matching requirements will be satisfied: HOME and NHTF will help finance loans through NCHFA's Rental Production Program used in conjunction with Low Income Housing Tax Credits (LIHTC), state-appropriated funds, and other private and local funding. All tax credit projects require leveraging of sources, public and private, to fully fund the cost of each housing development. The QAP does not provide points for leveraging as it is inherent in the process. However, it does award points for the efficient use of tax credits and provides state funding through the state Housing Trust Fund and the Workforce Housing Loan Program to encourage leveraging. Appendix J further states priority will be given to projects based on leveraging of non-federal funds. The QAP and Appendix J can be found on NCHFA's website. (Link: <http://www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2017-qualified-allocation-plan-qap>)

➤ **Goals-** §91.315(a)(4) and §91.315 (b)(2)

NHTF will be used to increase the number of rental units developed that are affordable to households earning 30 percent or less AMI. This will increase the number of rental units affordable at 30 percent or below AMI constructed as reported in the ConPlan by 80 units.

V. ANNUAL ACTION PLAN REQUIREMENTS

The State must include HTF in its annual action plan or amend the plan to include HTF information as required in §93.320(k)(5). The action plan must include a HTF allocation plan that describes the distribution of HTF funds, and establishes the application requirements and selection criteria of applications submitted by eligible recipients that meet the state's priority housing needs.

Annual Action Plan Revisions

➤ **Expected Resources-** §91.320(c)(1) and (2)

The State expects to receive \$3,280,235 in additional federal resources from the NHTF. Ten percent will be used for administration of the funds (\$328,023) and 90 percent will be used for development of rental units affordable to households earning 30 percent or less AMI (\$2,952,212).

➤ **Annual Goals and Objectives-** §91.320(c)(3) and (e)

NHTF will be used to increase the number of rental units developed that are affordable to households earning 30 percent or less AMI. This will increase the number of rental units affordable at 30 percent or below AMI constructed as reported in the ConPlan by 80 units.

➤ **Allocation Priorities-** §91.320(d)

High priorities identified in the ConPlan that NHTF will address are housing for households earning 30 percent or less AMI as well as non-homeless households with special needs. NHTF funds will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to people earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.

➤ **Method of Distribution-** §91.320(d) and (k5)

NCHFA will utilize the application process and eligibility requirements described in the QAP in awarding funds. The QAP describes in detail applicant eligibility, eligible activities, what an application is to include, when and where applications are to be submitted, the criteria by which applications will be evaluated, who will review the applications and when awards are to be made. The QAP supports the priority housing need(s) based on the outcome of its HTF citizen participation process and priority needs indicated in its current ConPlan. The State's QAP requires that at least 25 percent of the qualified low-income units in a proposed tax credit project will be affordable to and occupied by households with incomes at or below 30 percent of county median income in order to be eligible to receive HTF funds.

NCHFA will award NHTF based on the selection criteria as further described in Section IV of the QAP. The selection criteria are designed to identify the best applications based on site, market, rent affordability, development costs, project team, design and construction, as well as energy efficiency, efficient use of tax credits, units for mobility impaired, and to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice. Appendix J outlines the additional criteria for those tax credit applications requesting NHTF funds. The following chart summarizes Section IV of the QAP:

SUMMARY OF SECTION IV OF 2017 QUALIFIED ALLOCATION PLAN		
SECTION IV REFERENCE	SELECTION CRITERIA AND THRESHOLD REQUIREMENTS	MAX. POINTS OR THRESHOLD (T)
A.	SITE AND MARKET EVALUATION	
1	SITE EVALUATION	
(a)	General Site Requirements	T
(b)	Criteria for Site Score Evaluation:	
(i)	NEIGHBORHOOD CHARACTERISTICS	10
(ii)	AMENITIES	38
(iii)	SITE SUITABILITY	12
2	MARKET ANALYSIS	T
B.	RENT AFFORDABILITY	
1	FEDERAL RENTAL ASSISTANCE	T
2	TENANT RENT LEVELS AND RPP	2
C.	PROJECT DEVELOPMENT COSTS, RPP LIMITATIONS, AND WHLP	
1	MAXIMUM PROJECT DEVELOPMENT COSTS	-10
2	RESTRICTIONS ON RPP AWARDS	T
3	WORKFORCE HOUSING LOAN PROGRAM	T
D.	CAPABILITY OF THE PROJECT TEAM	
1	DEVELOPMENT EXPERIENCE	T
2	MANAGEMENT EXPERIENCE	T
3	PROJECT TEAM DISQUALIFICATIONS	T
E.	UNIT MIX AND PROJECT SIZE	T
F.	SPECIAL CRITERIA AND TIEBREAKERS	
1	ENERGY STAR	T
2	CREDITS PER UNIT AVERAGE	2
3	UNITS FOR THE MOBILITY IMPAIRED	T
4	TARGETING PROGRAM DOCUMENTS	T
5	OLMSTEAD SETTLEMENT INITIATIVE	
(a)	Projects proposing 1 bedroom units	3
(b)	Projects proposed in DHHS priority counties	1
6	SECTION 1602 EXCHANGE PROJECTS	-40
7	TIEBREAKER CRITERIA	
(a)	First Tiebreaker: Census tract with the lowest percentage of families below poverty rate	
(b)	Second Tiebreaker: The project with the lowest average income targeting.	
(c)	Third Tiebreaker: The project requesting the least amount of federal tax credits/unit	
(d)	Fourth Tiebreaker: Projects that serve tenant populations with children.	
(e)	Fifth Tiebreaker: Tenant ownership	
G.	DESIGN STANDARDS	
1	THRESHOLD REQUIREMENTS	T
2	CRITERIA FOR SCORE EVALUATION	
(a)	Site Layout	5
(b)	Quality of Design and Construction	25
(c)	Adaptive Re-Use	25
Maximum Score = 100 points		

A copy of the 2017 QAP along with Appendix J is available on NCHFA's website: <http://www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2017-qualified-allocation-plan-qap>

The State will distribute NHTF funds by selecting applications submitted by eligible recipients according to the process described in the State's QAP. Applications will be judged according to the following criteria:

- a. Priority based upon geographic diversity: NHTF will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to people earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.
- b. Applicant's ability to obligate NHTF and Applicant's ability to undertake eligible activities in a timely manner: Grantees must "commit" their NHTF within two years, and expend within five years. All tax credit projects have a strict window for completion and must be placed in service by December 31, two years after the award of credits. For example, applications awarded tax credits in 2016 must be placed in service no later than December 31, 2018. There is also a requirement for projects to expend 10% of the costs within 12 months of allocation. Using NHTF with tax credits ensures all projects will adhere to the requirement to obligate the funds and undertake eligible activities within 12 months. Appendix J further states the ability to obligate funds and undertake activities in a timely manner will be a threshold requirement for NHTF approval. NCHFA will request a timeline as part of the application for projects requesting NHTF to verify the Applicants ability to meet all deadlines.
- c. For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families: Affordable to extremely low-income families is defined as families not paying more than 30 percent of their household income for housing costs, including utilities. Project-based rental assistance includes, but is not limited to, unit-based rental assistance, operating subsidies and cross-subsidization of rents within the project. All tax credit applicants must set-aside a minimum of 10% of the total units for persons with disabilities and all of these units (referred to as Targeted Units) are eligible for state funded project-based rental assistance known as Key Rental Assistance. Therefore, all projects eligible for NHTF are also eligible to receive project-based rental assistance. Applicants who have other types of project-based rental assistance also provide the source and number of units receiving project-based rental assistance as part of their applications. Project-based rental assistance is stated as a priority in Appendix J. In the event there is a tie in QAP scoring among projects seeking NHTF, the percentage of units receiving project-based rental assistance will be used as the first tie breaker.
- d. Affordability period: All tax credit projects are required to have a 30-year affordability period. Therefore, all projects eligible for NHTF will have a minimum 30-year affordability period. A statement is included in Appendix J to indicate it is a threshold requirement for projects requesting NHTF to have a minimum 30-year affordability period.
- e. The merits of the application in meeting the State's priority housing needs: The State's ConPlan defines households earning 30 percent or less AMI to be a high-priority population.
- f. The extent to which application makes use of non-federal funding sources: All tax credit projects require leveraging of sources, public and private, to fully fund the cost of each housing development. The QAP does not provide points for leveraging. However, it does award points for the efficient use of tax credits in section IV(F)(2) and provides state funding through the state Housing Trust Fund and the Workforce Housing Loan Program to encourage leveraging. In the event of tie scores, the third tiebreaker is the project requesting the least amount of credits per unit (see QAP section IV(F)(7)(c)). Appendix J further states priority will be given to projects based on leveraging of non-federal funds. In the event there is a tie in QAP scoring among projects seeking NHTF, the project with the lowest percentage of federal funding to total sources will be used as the second tie breaker.

➤ **Geographic Distribution-** §91.320(f)

NHTF will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to people earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.

➤ **Affordable Housing-** §91.320(g)

NHTF will be used to increase the number of rental units developed that are affordable to households earning 30 percent or less AMI. This will increase the number of rental units affordable at 30 percent or below AMI constructed as reported in the ConPlan by 80 units.

➤ **Homeless and Other Special Needs Activities-** §91.320(h)

High priorities identified in the ConPlan that will be addressed with NHTF are housing for households earning 30 percent or less AMI as well as non-homeless households with special needs. NHTF funds will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to households earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.

➤ **Barriers to Affordable Housing-** §91.320(i)

NHTF will create more decent and affordable housing units affordable to households earning 30 percent or less AMI.

➤ **Other Actions-** §91.320(j)

The NHTF will help with two strategies the State has identified in its ConPlan: providing decent, affordable housing to households earning 30 percent or less AMI as well as non-homeless households with special needs. The funds will be distributed through NCHFA's Rental Production Program and will develop 80 units affordable to households earning 30 percent or less AMI. NCHFA will comply with all lead-based paint regulations. NHTF funded units will also incorporate partnerships created under the Key Program and the Transitions to Community Living Initiative (TCLI).

HTF Funding Priorities-§91.320(k)(5)(i)

The State is responsible for distributing HTF throughout the State according to its housing priority needs. The State must respond to the following questions:

1. Will the State distribute HTF funds through grants to subgrantees? If yes, describe the method for distributing HTF funds through grants to subgrantees and how the State will make those funds available to units of general local governments. If no, state N/A.

N/A

2. Will the State distribute HTF funds by selecting applications submitted by eligible recipients? If yes, describe the eligibility requirements for applicants as defined in §93.2- definition of recipient. If no, state N/A.

Yes.

NCHFA will utilize the application process and eligibility requirements described in North Carolina's QAP in awarding funds. The QAP will describe in detail applicant eligibility, eligible activities, what an application is to include, when and where applications are to be submitted, the criteria by which applications will be evaluated, who will review the applications and when awards are to be made. The QAP will indicate what the State has determined to be the priority housing need(s) it intends to address based on the outcome of its HTF citizen participation process and priority needs indicated in its current ConPlan. The State's QAP will require that at least 25 percent of the qualified low-income units in a proposed tax credit project will be affordable to and occupied by households with incomes at or below 30 percent of county median income in order to be eligible to receive HTF funds.

The recipient is an organization, agency or other entity (including a public housing agency, or a for-profit entity or a nonprofit entity) that receives HTF assistance from a grantee as an owner or developer to carry out an HTF-assisted project. A recipient must:

- (1) Make acceptable assurances to the grantee that it will comply with the requirements of the HTF program during the entire period that begins upon selection of the recipient to receive HTF funds, and ending upon the conclusion of all HTF-funded activities;
- (2) Demonstrate the ability and financial capacity to undertake, comply and manage the eligible activity;
- (3) Demonstrate familiarity with the requirements of other federal, state, or local housing programs that may be used in conjunction with HTF to ensure compliance with all applicable requirements and regulations of such programs; and
- (4) Have demonstrated experience and capacity to conduct an eligible HTF activity as evidenced by its ability to:
 - (i) Own, construct or rehabilitate, and manage and operate an affordable multifamily rental housing development; or
 - (ii) Design, construct or rehabilitate, and market affordable housing for homeownership.
 - (iii) Provide forms of assistance, such as down payments, closing costs or interest rate buy downs for purchasers

NCHFA will award NHTF based on the selection criteria as further described in Section IV of the QAP. The selection criteria are designed to identify the best applications based on site, market, rent affordability, development costs, project team, design and construction, as well as energy efficiency, efficient use of tax credits, units for mobility impaired, and to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice. Appendix J outlines the additional criteria for those tax credit applications requesting NHTF funds. A copy of the 2017 Qualified Allocation Plan (QAP) along with Appendix J is available on NCHFA's website (Link: <http://www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2017-qualified-allocation-plan-qap>).

3. Will the State distribute HTF by selecting applications submitted by eligible recipients? If yes, describe all the criteria that will be used to select applications and the relative importance of these criteria. Selection criteria is specified in §91.320(k)(5)(i).

Yes.

NCHFA will award NHTF based on the selection criteria as further described in Section IV of the QAP. The applications will be judged according to the following criteria:

- a. Priority based upon geographic diversity: NHTF will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to households earning 30 percent or less AMI. Many of North Carolina's high-income counties are also counties

that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's *Olmstead* settlement agreement with the U.S. Department of Justice.

- b. Applicant's ability to obligate NHTF funds: All tax credit projects have a strict window for completion and must be placed in service by December 31, two years after the award of credits. For example, applications awarded tax credits in 2016 must be placed in service no later than December 31, 2018. There is also a requirement for projects to expend 10% of the costs within 12 months of allocation. Using NHTF with tax credits ensures all projects will adhere to the requirement to obligate the funds and undertake eligible activities within 12 months. Appendix J further states the ability to obligate funds and undertake activities in a timely manner will be a threshold requirement for NHTF approval. NCHFA will request a timeline as part of the application for projects requesting NHTF to verify the Applicants ability to meet all deadlines. The timeline will provide estimated dates of the building process including securing building permits, executing the construction contract, closing the construction loan, begin date for construction and building placed in service date.
- c. Applicant's ability to undertake eligible activities in a timely manner: All tax credit projects have a strict window for completion and must be placed in service by December 31, two years after the award of credits. For example, applications awarded tax credits in 2016 must be placed in service no later than December 31, 2018. There is also a requirement for projects to expend 10% of the costs within 12 months of allocation. Using NHTF with tax credits ensures all projects will adhere to the requirement to obligate the funds and undertake eligible activities within 12 months. Appendix J further the ability to obligate funds and undertake activities in a timely manner will be a threshold requirement for NHTF approval. NCHFA will request a timeline as part of the application for projects requesting NHTF to verify the Applicants ability to meet all deadlines. The timeline will provide estimated dates of the building process including securing building permits, executing the construction contract, closing the construction loan, begin date for construction and building placed in service date.
- d. For rental housing, the extent to which the project has federal, state or local project-based rental assistance so rents are affordable to extremely low-income families: All tax credit applicants must set-aside a minimum of 10% of the total units for persons with disabilities and all of these units (referred to as Targeted Units) are provided with state funded project-based rental assistance known as Key Rental Assistance. Therefore, all projects eligible for NHTF will be receiving project-based rental assistance. Applicants who have other types of project-based rental assistance also provide the source and number of units receiving project-based rental assistance as part of their applications. Project-based rental assistance is stated as a priority in Appendix J. In the event there is a tie in QAP scoring among projects seeking NHTF, the percentage of units receiving project-based rental assistance will be used as the first tie breaker.
- e. For rental housing, the duration of the units' affordability period: All tax credit projects are required to have a 30-year affordability period. Therefore, all projects eligible for NHTF will have a minimum 30-year affordability period. A statement is included in Appendix J to indicate it is a threshold requirement for projects requesting NHTF to have a minimum 30-year affordability period.
- f. The merits of the application in meeting the State's priority housing needs: The State's ConPlan defines households earning 30 percent or less AMI to be a high priority population.
- g. The extent to which application makes use of non-federal funding sources: All tax credit projects require leveraging of sources, public and private, to fully fund the cost of each housing development. The QAP does not provide points for leveraging. However, it does award points for the efficient use of tax credits in section IV(F)(2) and provides state funding through the state Housing Trust Fund and the Workforce Housing Loan Program to encourage leveraging. In the event of tie scores, the third tiebreaker is the project requesting the least amount of credits per unit (see QAP section IV(F)(7)(c)). Appendix J further states priority will be given to projects based on leveraging of non-federal funds. In the event there is a tie in QAP scoring among projects seeking NHTF, the project with the lowest percentage of federal funding to total sources will be used as the second tie breaker.

Recipient Application Requirements- §91.320(k)(5)(ii)

1. Will the State require that all recipient applications contain a description of the eligible activities to be conducted with HTF funds as required in §93.200- Eligible activities?

Yes.

2. Will the State require that each eligible recipient certify that housing assisted with HTF funds will comply with HTF requirements?

Yes.

Performance Goals and Benchmarks- §91.320(k)(5)(iii)

The plan must include performance goals and benchmarks against which the State will measure its progress, consistent with the State’s goals established at §91.315(b)(2).

NHTF will be used to increase the number of rental units developed that are affordable to households earning 30 percent or less AMI. This will increase the number of rental units affordable at 30 percent or less AMI constructed as reported in the ConPlan by 80 units.

VI. OTHER REQUIREMENTS

Maximum Per-unit Development Subsidy Amount- §91.320(k)(5) and §93.300(a)

The State must establish its own maximum limitations on the total amount of HTF funds that can be invested per-unit for development of non-luxury housing. The limits must be reasonable, based on actual costs and adjusted for the number of bedrooms and geographic location of the project.

The HOME maximum per-unit subsidy limits were chosen for consistency as NCHFA also uses HOME funds with tax credits. Given that NHTF rules closely follow other established rules in the HOME program, NCHFA felt it was appropriate to rely upon an existing HUD program limit. Currently, there is only one published limit for the entire state. Based on NCHFA’s experience with rental housing development, there are no significant differences in costs which would require any geographic adjustment from the statewide limit. The current subsidy limits are attached.

Section 234 Elevator-type Basic Limit (by BR size) X HCP% = HOME Maximum Per-Unit Subsidy Limit

Greensboro, NC HUB - HCP of 239%

Bedrooms	Elevator-type Basic Limit*	HCP	HOME Maximum Per-Unit Subsidy Limit
0BR	\$58,378	239%	\$139,523
1BR	\$66,923	239%	\$159,946
2BR	\$81,377	239%	\$194,491
3BR	\$105,276	239%	\$251,610
4+BR	\$115,560	239%	\$276,188

**effective 11/18/15*

Rehabilitation Standards - §91.320(k)(5)(iv) and §93.301(b)

If the State intends to use HTF for housing being rehabilitated, it must establish rehabilitation standards that all HTF-assisted housing undergoing rehabilitation must meet at the time of project completion in accordance with § 93.301(b).

The State does not intend to use NHTF for rehabilitation of housing.

Resale and/or Recapture Provisions- §91.320(k)(5)(v) and §93.304(f)

If the State intends to use HTF to assist first-time homebuyers, it must set forth the guidelines for resale or recapture and obtain HUD specific, written approval as required in §93.304(f).

The State does not intend use NHTF to assist first-time homebuyers.

HTF Affordable Homeownership Limits- §91.320(k)(5)(vi) and §93.305

HTF funds may only be invested for the provision of modest housing for home ownership. This means the housing has a purchase price for the type of single-family housing that does not exceed 95 percent of the median purchase price for the area for newly constructed or standard housing.

The State will not use NHTF funds for home ownership housing.

State Limited Beneficiaries or Preferences- §91.320(k)(5)(vii)

The State may limit the beneficiaries or give preferences to a particular segment of the extremely low-income population only if described in the action plan. Any limitation or preference must not violate non-discrimination requirements at §93.350 and the State must not limit or give preferences to students. The State may also allow rental housing owners to limit tenants or give a preference in accordance with §93.303(d)(3), only if such limitation or preference is described in the action plan.

The State will not limit beneficiaries and/or give preferences to any segments of the extremely low-income population.

Refinancing of Existing Debt- §91.320(k)(5)(viii) and §93.201(b)

If the State will use HTF funds for refinancing of existing debt, it must establish refinancing guidelines and include them in its consolidated plan. The State's refinancing guidelines must describe the conditions under which it will refinance existing debt.

The State will not permit the refinancing of existing debt.

VII. GRANTEE CERTIFICATIONS

In addition to submitting an HTF allocation plan, the State must submit all the required certifications identified at §91.225 (as this is a new action plan).

Consistency with plan- The jurisdiction will submit a certification that the housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the Strategic Plan. NHTF will be included in this certification.