

# Tennessee's Allocation Plan for the National Housing Trust Fund

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GOVERNOR'S HOUSING CONFERENCE

October 12, 2016

# NHTF Background

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- The National Housing Trust Fund (NHTF) is a federal program with dedicated sources of funding not subject to the annual appropriation process
  - Resources from Fannie Mae and Freddie Mac
- The NHTF became law as part of the Housing and Economic Recovery Act of 2008 (HERA)
  - Interim Rule was published in January 2015
  - However, Congress did not direct the GSE's to fund the program until passage of the Omnibus Budget Act in December 2015.

# Primary Purposes of the NHTF

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- To increase and preserve the supply of rental housing for extremely low income (ELI) households and very low income households, including homeless families
- And
- To increase homeownership for extremely low income and very low income families
    - Extremely Low Income: Households earning less than 30% of Area Median Income (AMI) for the county, as adjusted for household size
    - Very Low Income: Households earning less than 50% of AMI for the county, as adjusted for household size

# Rental versus Homeownership

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- At least 90% of the funds must 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

# Additional Beneficiary Restrictions

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- At least 75% of the funds for rental housing must benefit extremely low income (ELI) households or households with an 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 fewer than \$1 billion allocated nationally, 100% of the NHTF must benefit ELI households

# Allocation to Tennessee....

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- The NHTF law requires money to be distributed by formula as block grants to states
- 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
- Based on the national allocation of \$174M, **Tennessee will receive an initial allocation of \$3 million** in NHTF resources for Federal FY 2016
- As a result, **100% of the housing created must benefit households at 30% AMI**

## ...And How Can TN Access Them

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- The Governor has designated the Tennessee Housing Development Agency as the entity to administer the NHTF dollars
- Each state must prepare an annual Allocation Plan showing how NHTF money will be distributed based on its priority housing needs
- The Allocation Plan must be inserted as a component of the state's Consolidated Plan that requires public input.

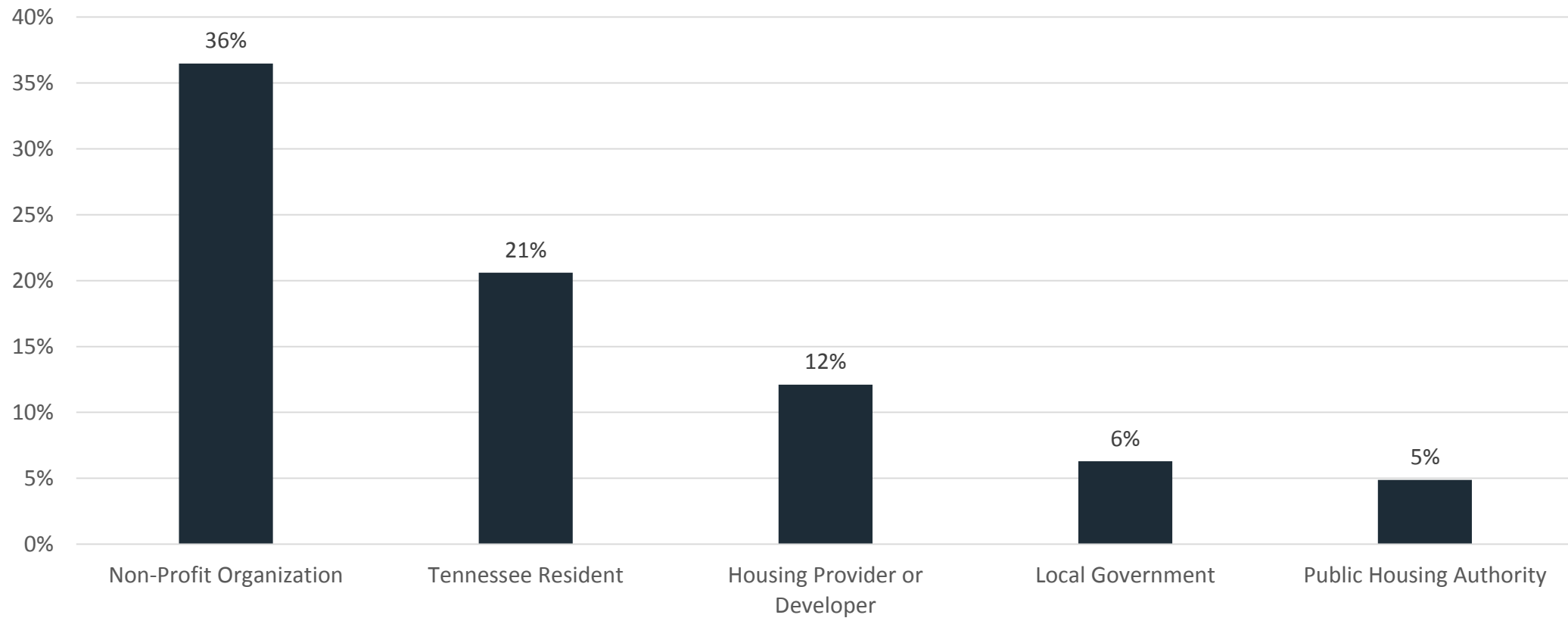
# National Housing Trust Fund Survey Results

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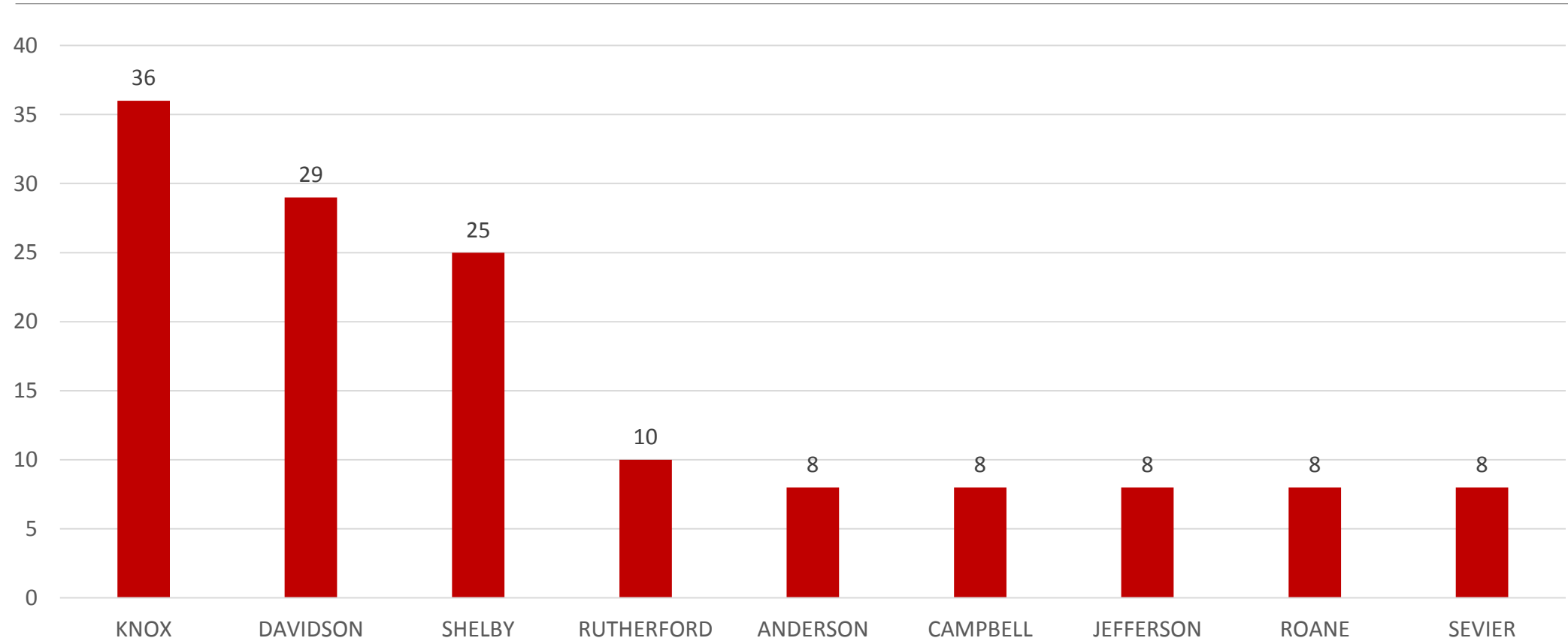
TN 2015-19 CONSOLIDATED PLAN SUBSTANTIAL AMENDMENT



## Organizations Most Represented in NHTF Survey



## Respondents by County in NHTF Survey

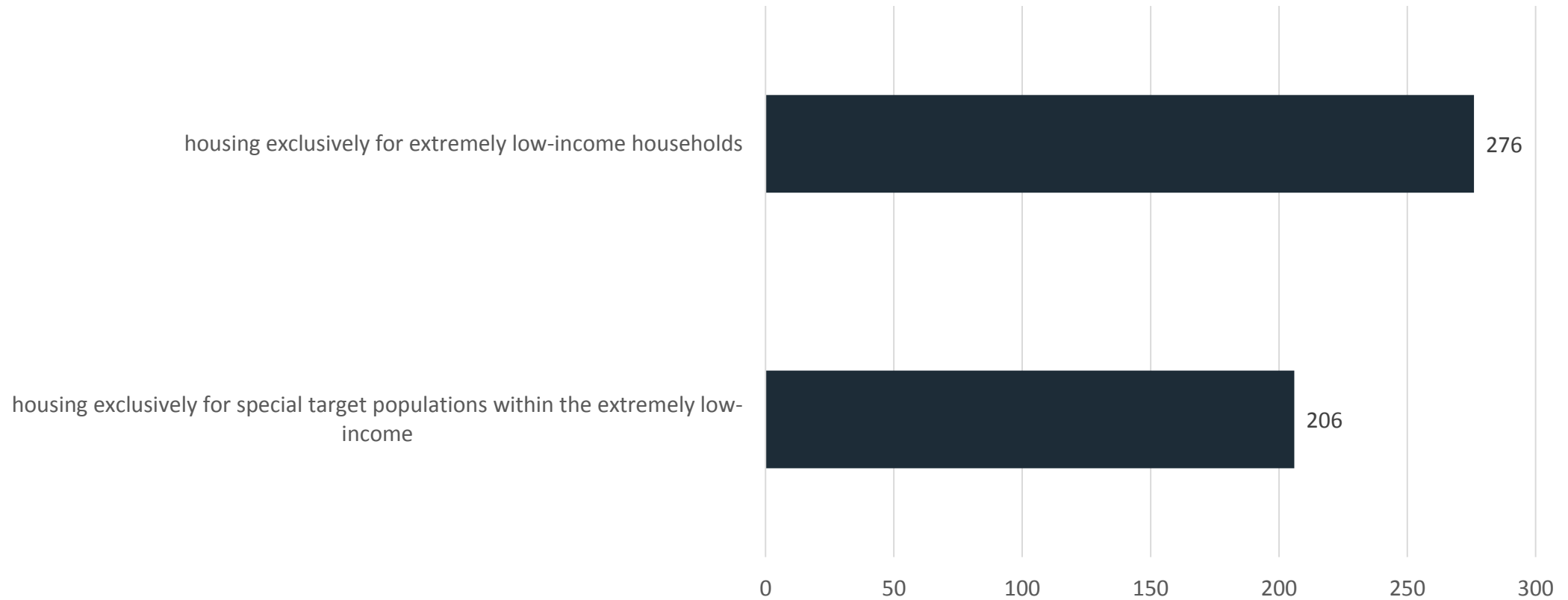


## Rental Housing Size Need for Extremely Low-Income Households

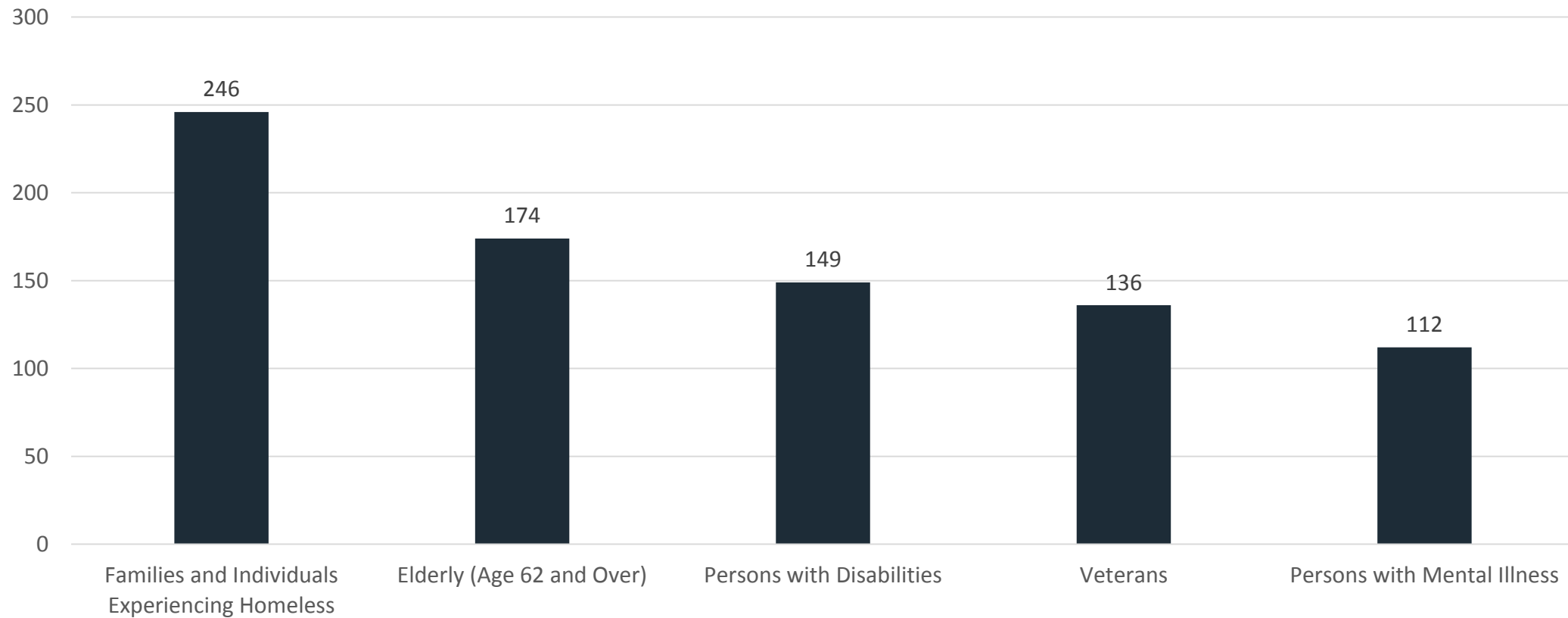
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| Housing Size           | Need Ranking | Averaged Ranking Score |
|------------------------|--------------|------------------------|
| Two Bedroom Units      | 2.75         | 1                      |
| One Bedroom Units      | 2.79         | 2                      |
| Three Bedroom Units    | 3.16         | 3                      |
| Efficiency Apartments* | 3.84         | 4                      |
| Single Room Occupancy* | 4.49         | 5                      |
| Four Bedroom Units     | 4.64         | 6                      |
| Five Bedroom Units     | 5.85         | 7                      |

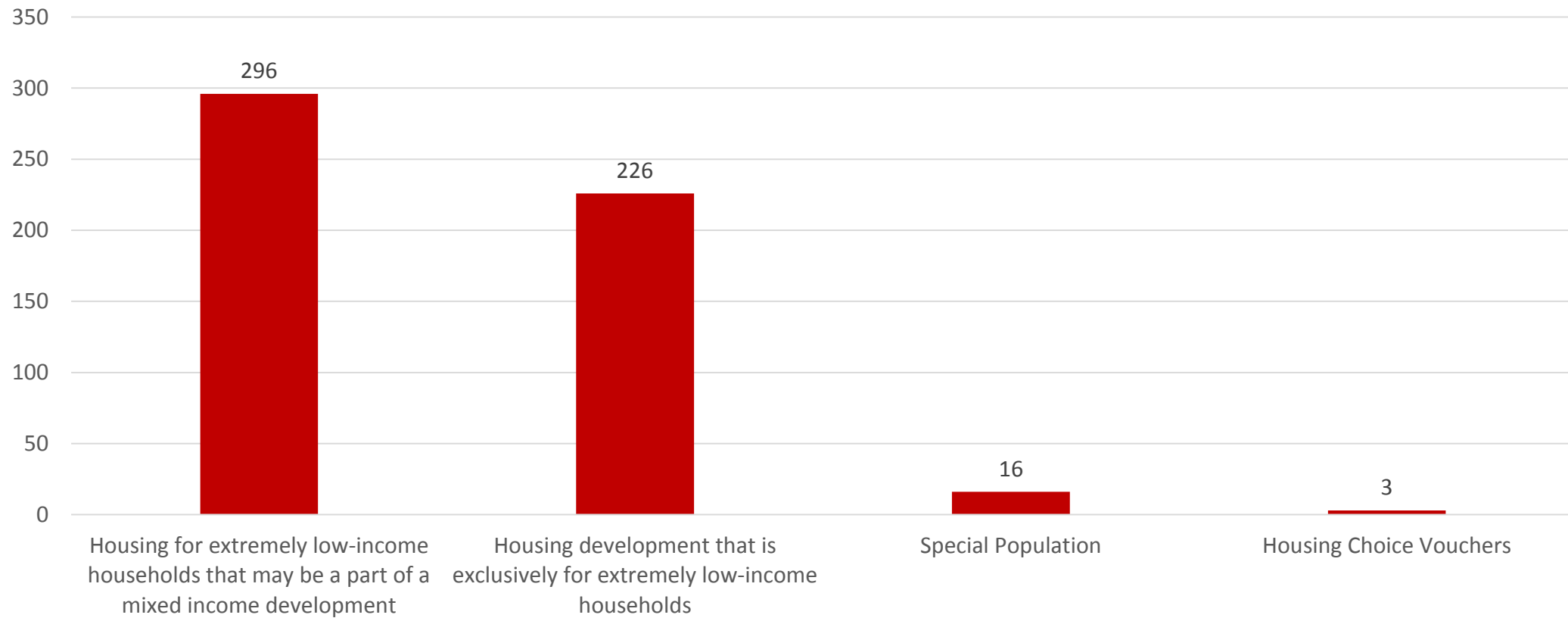
## Special Target Population vs All Extremely Low-Income Households



## Top Special Target Populations with the Highest Need



## Top Housing Types that should be Assisted with NHTF

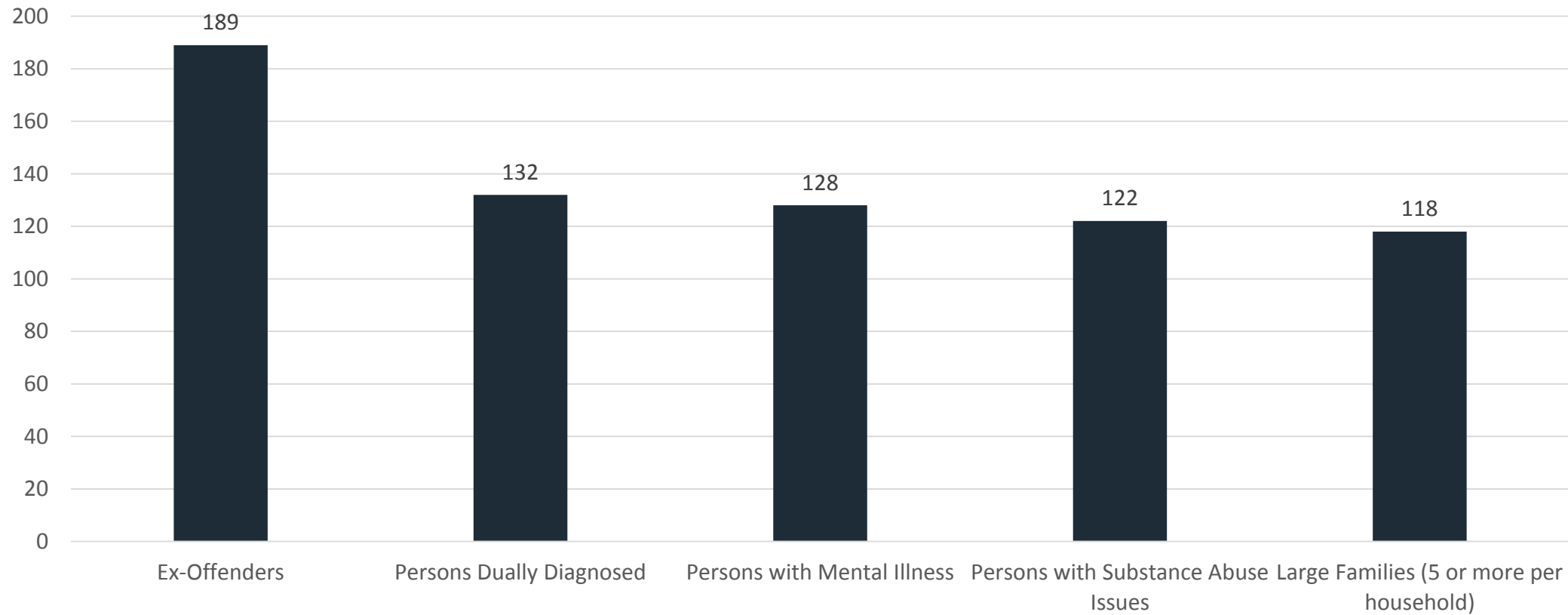


## Largest Barriers for ELI Households in Accessing Rental Housing

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| Barriers in Accessing Rental Housing   | Need Ranking | Average Ranking Score |
|--|--------------|-----------------------|
| Lack of available, affordable rental units                                   | 1.97         | 1                     |
| Lack of access to rental assistance  | 2.82         | 2                     |
| Restrictions limiting access due to poor credit history                      | 3.22         | 3                     |
| Lack of services available to support the individual/family in the community | 3.45         | 4                     |
| Restrictions limiting access due to criminal histories                       | 3.48         | 5                     |

## Top Special Target Population with Voucher but Unable to Obtain Housing





## Barriers to New Construction or Acquisition/Rehab of Rental Housing



# National Housing Trust Fund Allocation Plan 2016

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# Key Allocation Plan Decisions

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- TN will use 100% of the resources allocated for FY2016 to increase or preserve the supply of rental housing for households at 30% of AMI
- TN will not distribute resources to sub-grantee local governments

# Resource Allocation

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- Up to 10% of the NHTF resources will be allocated for THDA Administration
- Up to 33% of the resources may be used for operating cost assistance and operating cost assistance reserves

# Funding Priorities

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- THDA will distribute 100% of the NHTF non-administrative dollars by selecting applications competitively that are submitted by eligible participants, including public housing authorities and for-profit and non-profit entities which:
  - Are organized and authorized to do business in the state of Tennessee
  - Demonstrate the financial capacity necessary to undertake, complete and manage an affordable rental housing program
  - Demonstrate understanding of Federal, State and local housing program requirements

# Funding Priorities

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THDA proposes to evaluate recipients of National HTF based on the following criteria:

- Geographic Diversity – Applications may be received for housing to be created or preserved in any TN community
  - Tennessee will rank all applications achieving a minimum threshold score within each Grand Division. The highest scoring application within each Grand Division will be selected.
  - If additional funding is available, THDA will rank all remaining applications in a single ranking by score. THDA will select from those remaining applications based on score until funding is exhausted.

# Funding Priorities

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- Geographic Diversity – Continued:
  - However, given the limited funding available statewide and Tennessee’s goal to disperse NHTF funding across Tennessee, THDA reserves the right to:
    - Limit funding to only one award per county.
    - Not select a proposed project if sufficient funding is not available to award all funds requested by the applicant. In such instances, THDA may move to the next lower scoring projects in order to meet its federal commitment obligations.

# Funding Priorities

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- Applicant's Ability to Obligate NHTF Resources – THDA will evaluate the experience of entire proposed team with developing, owning, and managing projects of similar size and scope serving the intended population proposed
- Applicant's Ability to Undertake Eligible Activities Timely – THDA will evaluate the past performance of the applicant in completing THDA funded development activities, including compliance with federal and state requirements
- Commitment of Project-Based Rental Assistance to the Proposed Project – THDA will evaluate the extent to which the project has a binding commitment for Federal, State, or local project based rental assistance so rents are affordable to ELI households



# Funding Priorities

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- Affordability Period – THDA will not prioritize developments which propose an affordability period beyond the 30-year standard required by NHTF regulation
- Non-THDA and Non-Federal Resources – THDA will provide a priority for applications that will use NHTF resources in combination with non-THDA resources and non-federal funding sources
- Meeting the State's Priority Housing Needs –
  - THDA will provide a priority for applications in county's with a higher rental housing need
  - THDA will provide a priority for applications in census tracts of opportunity

# Funding Priorities – High Need

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The following variables are being considered for inclusion in the Rental Housing Need Score to be measured at the county level, with measures 1-3 being added and measures 4-6 being subtracted:

1. Percent of the State's ELI Renter Households with Housing Problems
2. Population Growth Rate 2016-2025
3. Population Growth 2016-2025 as a Percent of the State's Population Growth
4. Prior Allocation Per Capita ELI Renter Household
5. Pipeline - Rental housing under construction
6. 3-Year Average Vacancy Rate

# Funding Priorities – High Opportunity

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The following variables will be considered for inclusion in the Housing Opportunity Score to be scored at the census tract level and measured at the census tract or county level:

1. High rents – Median gross rent
2. High cost-burdens – Median rent as a percentage of household income
3. Close to employment – Percentage of workers whose commute times are less than 15 minutes
4. High workforce participation – Percent of adult population (ages 16-65) that worked in the last 12 months
5. Low levels of abandoned housing – Overall housing vacancy rate
6. Strong rental market – Rental market vacancy rate
7. Pipeline – Rental housing under construction

# Other Evaluation Factors

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THDA will consider other factors for all development proposals:

- THDA will evaluate the the design of the proposed development, including
  - Unit configuration
  - On-site amenities and services
  - Integration with mixed income housing options
  - Access to community services, including education, transportation, medical, support, recreation, and other activities of daily living
- Market demand for the proposed units
- Firm financial commitments to the proposed development
- Site control
- Inclusion of universal design features into each unit

# Other Evaluation Factors

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Proposals for housing in which more than 20% of assisted units will be set-aside for people with disabilities must meet the quality of settings requirements established by the Centers for Medicare and Medicaid Services in the final rule dated January 16, 2014, including:

- Setting is integrated and supports full access to the greater community
- Is selected by the individual from among setting options
- Optimizes autonomy and independence in making life choices
- Facilitates choice regarding services and who provides them

And...

# Other Evaluation Factors

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- And, for provider owned or controlled settings:
  - The individual has a lease or similar agreement with similar protections
  - The individual has privacy in their unit, including lockable doors, choice of roommates, and freedom to furnish and decorate the unit
  - The individual controls his/her own schedule, including access to food at any time
  - The individual can have visitors at any time
  - The setting is physically accessible

# Other Proposed NHTF Requirements

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- All resources will be made as compliance grants with full repayment if the housing does not meet NHTF requirements for the full 30-year compliance period
  - Secured by Restrictive Covenant and Deed of Trust
- Grant Minimum - \$250,000
- Grant Maximum - \$750,000

# Other NHTF Requirements

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- HOME Maximum Per Unit Subsidy Limits, HOME Income Limits, and HOME Rent Limits will apply
- All units must meet all applicable local or state codes, rehabilitation standards, Uniform Property Condition Standards (UPCS), and zoning ordinances at the time of project completion
  - Building Permits must be issued as required under local requirements for the jurisdiction and all units must be inspected upon completion by a State-Certified Building Inspector.
- THDA's Design Standards for New Construction and for Rehabilitation will apply as applicable



# Other NHTF Requirements

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Note: All single family units to be constructed or rehabilitated which would require inspection to the International Residential Building Code must be located in jurisdictions which either:

- Are participating in the State Residential Building Program

OR

- Have an enforce a locally established building code

# Approximate Implementation Timeframe

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- February 2017: Issue Program Description and Open Application Period
- February 2017: Application Workshop
- May 2017: Applications Due
- September 2017: Application Selection Announced

*All Dates are Tentative*



# General Questions

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Don Watt

Director, Community Programs Division

(615) 815-2032

[DWatt@THDA.org](mailto:DWatt@THDA.org)

Craig Stevens

Senior Housing Coordinator

(615) 815-2035

[CStevens@THDA.org](mailto:CStevens@THDA.org)