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

A. The National Housing Trust Fund

The National Housing Trust Fund (HTF) is a new affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income (ELI) and very low-income households (VLI). HTF funds will be distributed by formula. As specified in the enabling legislation, Grantees, like AHFA in its role as the designated administrator of HTF for the State of Alabama, are required to use at least 80 percent of each annual grant for rental housing; may use up to 10 percent for homeownership housing and up to 10 percent for the grantee’s reasonable administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted rental housing must meet a minimum affordability period of 30 years. All HTF-assisted homeownership housing must meet the minimum affordability period of 10, 20 or 30 years based on the amount of HTF investment in the unit.

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

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

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

A component of the Consolidated Plan, the Analysis of Impediments to Fair Housing (AI), was updated in 2014 and submitted for HUD’s review and approval with the Consolidated Plan in 2015. The purpose of developing the AI is to identify impediments to fair housing choice existing within Alabama’s non-entitlement communities so as to determine courses of action designed to address those impediments. The
A1 identified ten (10) primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for eight (8) of the identified impediments. To that end, AHFA will encourage and offer Fair Housing training in efforts to measurably overcome the identified impediments. Alabama's Consolidated Plan and the Analysis of Impediments to Fair Housing are available at www.adea.alabama.gov.

The new HTF program will be administered by the Alabama Housing Finance Authority (AHFA) and will be utilized to provide funds to develop new construction of decent, safe and sanitary rental housing, primarily targeting a specific underserved ELI population in the State. AHFA anticipates allocating available HTF funds to an initial preference of expanding the overall housing supply for the benefit of ELI households with incomes at or below the poverty line (whichever is greater) for homeless and/or transitioning veteran(s) located in primarily rural areas (or non-metropolitan areas).

C. General Housing Trust Funds Requirements

This HTF plan seeks to ensure that, where economically feasible, applicants will have an opportunity to compete for funding to address their unmet rental housing needs. AHFA has established certain threshold housing requirements to be used in the allocation of HTFs.

1) **Geographic Diversity** - AHFA anticipates allocating available HTF funds to expand the overall rental housing supply located throughout the State in metro and/or rural areas (or non-metro areas) as defined by HUD area definitions.

2) **Applicant Capacity** - The applicant's ability to undertake and complete the construction and/or rehabilitation of the proposed type of housing in a timely manner. Applicant must have the financial capacity to complete the proposed development. The applicant must provide a list of experienced development team members such as general contractor, architect and legal counsel.

3) **Rental Assistance** - Due to the targeted population of ELI the ability to secure rental assistance so that rents are affordable to ELI families will be a major factor in the success of any proposed development.

4) **Duration of Affordability Period** - All HTF units must have affordability requirements for a minimum of 30 years.

5) **Housing Needs of the State** - AHFA has identified a housing need for ELI households with incomes at or below the poverty line (whichever is greater) located in metro and rural areas (or non-metropolitan areas).

6) **Leveraging** – The applicant should provide additional sources of funds such as other soft funds for construction, permanent financing and/or operating expenses.

7) **Limitation on Beneficiaries or Preferences** – AHFA will give a preference to veterans who are homeless (or at risk of homelessness) or suffer from mental illness.
D. Eligible Activities

The eligible activities for HTF funds under this plan will be for new construction of single-family homes, duplex(es) or group care facilities and multifamily residential. All projects are required to meet AHFA’s Design Quality Standards and Construction Manual for construction of attached new construction rental units or for single-family rental homes. These are minimum standards, and AHFA permits applicants to exceed these project standards. Each applicant may construct the proposed project in a manner that reflects applicant goals and/or that exceeds local building codes. Also, most related soft costs are eligible expenses.

E. Eligible Recipients

AHFA will distribute HTF funds by directly selecting applications submitted from eligible recipients and will not use sub-grantees in the 2016 allocation cycle. AHFA will accept applications from for-profit and non-profit organizations meeting the applicant capacity criteria as outlined herein. No HTF application will be processed for any applicant or related entity which is not in good standing with AHFA and any other state housing finance authority, the Alabama Department of Economic and Community Affairs (ADECA), HUD and USDA Rural Development. An applicant can be denied consideration of the HTF funds under Alabama’s HTF Program if the applicant, or its related parties, have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or unlawful.

F. Maximum Allocation of HTF

AHFA will receive $3,000,000 in 2016 HTF funds. AHFA will allocate funds based on the eligible activities and funding priorities outlined in AHFA’s Housing Trust Fund Allocation Plan (HTF Plan). AHFA will award HTF funds as forgivable grants to applicants whose proposed developments are approved for funding. The HTF will remain a forgivable grant, as long as the development remains in compliance with HTF and AHFA requirements for the entire affordability period of 30 years. AHFA estimates the following uses of HTF funds for the State of Alabama:

<table>
<thead>
<tr>
<th>2016 HTF Funds Received:</th>
<th>$ 3,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>USES:</td>
<td></td>
</tr>
<tr>
<td>Grants:</td>
<td>$ 2,700,000</td>
</tr>
<tr>
<td>Administration Fee:</td>
<td>$  300,000</td>
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</tbody>
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No single applicant/recipient may receive more than $1,350,000.

G. Maximum Per-unit Development Subsidy Limits

As the administrator of the Low-Income Housing Credit and HOME funds, AHFA determines the “Reasonableness of Project Costs” annually. Reasonable project costs are determined by comparing aggregate cost data based on all applications received compared to historical cost certification cost data of completed projects and current cost data provided by AHFA third-party construction consultant reports.
After evaluating all the data, reasonable standard project hard construction costs and soft costs are established. AHFA has used the same methodology in determining the maximum per-unit development subsidy limit for housing assisted with HTFs for all areas of state. The maximum per-unit for all new construction projects will be $175,000.

H. Minimum Number of Proposed Units

A single proposed development may not contain less than four (4) units.

I. Application Process

AHFA will evaluate each application to determine which projects should receive an award of HTFs. All applicants must submit an application which includes evidence sufficient to AHFA that the applicants proposed project at minimum meets all of the housing priority factors in order to be considered for funding. AHFA may conduct a site visit(s) to inspect the proposed project’s site(s) and/or consult with a third party for professional services in evaluating each application requesting HTF funds. To facilitate the evaluation process, all applicants must complete the following basic steps:

1) Submit a complete application to AHFA. All or portions of the application may be required to be submitted online. After applications are submitted, AHFA will conduct a completeness review. The application will be deemed complete if the application package contains, at a minimum, the following:

   • All required AHFA-provided forms for current year application will be posted at www.AHFA.com prior to the beginning of the application cycle. AHFA will post these forms as they become available, and applicants should check www.AHFA.com regularly in order to begin work on the required forms as soon as possible. All AHFA-provided forms should be submitted with original signatures, legible, and all applicable spaces fully completed.
   • All required third-party documents. AHFA will post the HTF application checklist and instructions for the complete list of required documents as provided at www.AHFA.com prior to the beginning of the application cycle.
   • All applicants must comply in all respects with ASTM E1527-13 (the ASTM Standards) as to content and adhere to AHFA’s Environmental Policy Requirements for purposes for determining whether the property is environmentally suitable for construction of residential housing.

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

2) Provide evidence that the project is an eligible activity under this HTF plan and meets basic occupancy and rent restrictions required of HTF regulations. The rental housing units must be under common ownership, deed, financing and property management.

3) Demonstrate that the project is financially feasible.
4) Demonstrate the likelihood of sustained 30-year affordability period with AHFA’s requirements and the HTF Regulations.

J. AHFA Housing Priorities and Scoring Criteria

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

In the event of a tie between two or more applications the projects will be ranked in the following order to determine which applicant will receive priority:

1. The application with the greatest amount of additional subsidy per unit;
2. The application with a proposed project which is closest to the nearest Veterans Administration facility;
3. The application with the fewest missing documents and/incomplete forms as determined by AHFA during the completeness review.

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

1) Points Gained

a. Geographic Diversity - A funding priority (5 Points) will be given to applications in the rural areas (or non-metropolitan areas as defined by HUD area definitions) that are expanding the overall rental housing supply for the benefit of ELI households with incomes at or below the poverty line (whichever is greater) located throughout the State.

b. Applicant Capacity - A funding priority (15 points) will be given to the applicant’s ability to provide evidence of serving the veterans homeless and/or ELI populations. The applicants must describe their strategy for addressing homeless and/or ELI population housing problems. They will provide specific data quantifying the types of assistance or services provided to the veteran homeless or ELI individuals and families. Applicants will estimate the number of participants they propose to assist in relation to the types of assistance to be provided. They should explain their strategy for targeting housing to the neediest persons, or to the geographic or functional areas where housing may have the greatest impact.
Applicants must describe their staff capacity. Provide specific details relating to direct or related experience with service provision to veterans and homeless individuals and families or those at-risk of homelessness. Applicants will provide their plan to coordinate and integrate HTF built housing with other programs targeted to serving Veterans and homeless persons and with mainstream resources for which program participants may be eligible.

c. **Rental Assistance** - A funding priority *(25 points)* will be given to applicants with projects that have secured federal, state, or local project-based and/or voucher(s) for rental assistance so that rents are affordable to extremely low-income families.

d. **Duration of Affordability Period** - A funding priority *(5 points)* will be given for projects that demonstrate the ability to remain financially feasible five (5) years beyond the required 30-year period.

e. **Leveraging** – A funding priority *(Maximum 25 points)* will be given to applicants that have a commitment from other non-federal sources. To qualify for points for receiving additional subsidies, the funds may be loaned (required repayment) or granted during construction and/or as a permanent source of funds.

25 points - $350,001+ per unit  
15 points - $175,001 - 350,000 per unit  
10 points - $100,000 – 175,000 per unit

f. **Limitation on Beneficiaries or Preferences** – A funding priority *(25 points)* for targeting the rental housing need for ELI veterans who are homeless (or at risk of homeless) or suffer from mental illness with incomes at or below the poverty line (whichever is greater). The applicants must identify the veteran homeless and ELI population needing assistance in their service area. Applicants should specifically address the needs (housing and services) of the veterans homeless and/or ELI persons in their service area. They should use quantifiable data, specific to their service area, to the maximum extent possible. Data should include the number of individuals and families actually served during the last calendar year as well as specific services provided.

2) **Points Lost**

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

2 points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive.
Junk yard or dump
Salvage yard
Wastewater treatment facility
Distribution facilities
Electrical utility Substations
Railroads
Adult video/theater/live entertainment

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

Junk yard or dump
Salvage yard
Wastewater treatment facility
Prison or Jail

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

K. Barriers to Addressing the ELI and Veteran ELI Population

Various obstacles to addressing the ELI population exist across the State. In the rural counties, transportation is a major issue. Nonexistent public transportation limits access to mainstream resources and required services specifically for the ELI veterans that may have a physical and/or other impairment(s). Insufficient funding for resources and services at various levels of government entities or government supported entities negatively impact the needs of ELI persons. The shortage of affordable permanent housing, job loss, unemployment, and the lack of affordable healthcare are all barriers to the ELI population to access affordable housing.

It will be very challenging for developments to be successful in reaching specific ELI populations and areas of extreme high ELI households and remain economically feasible for 30 years. It will require every respective stakeholder (mental health and physical health service providers, veterans advocates and groups, non-profits and local governments) to be proactive toward; a) providing additional funding sources and incentives as available, b) helping to remove regulatory and discriminatory barriers, and c) seeking experienced development partners to assist in creating housing solutions for the respective ELI populations and areas of the state.

L. Compliance with HTF Regulations

Each eligible recipient must certify that housing units assisted with HTF funds will comply with all HTF requirements. The certification must include:

- The number of units in a HTF-assisted project by income group: extremely low income, very low income, moderate income, and above moderate income;
• A statement declaring that all tenants of a HTF-assisted development meet the income limits as required by relevant program guidelines; and
• A statement declaring that recipient will comply with rent limits, determined to be no more than 30% of the area median income.

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

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

M. Performance Goals

As of 2013, Alabama had 414,963 veterans living in the state and approximately 29,047 veterans in Alabama fall into the extremely low income (ELI) category. Statewide 43% of the ELI veteran households were severely cost burdened. Statewide 12,490 veteran households continually struggle with housing costs, are at risk of becoming homeless, and some suffer from mental illness. The veteran homelessness in the state increased 6.1% from 2013 to 2014 and there were approximately 542 homeless veterans in the state in 2014 and with the housing costs burden this number will most likely continue to increase.

Reaching out to veterans and ELI population (especially unsheltered persons and homeless) and assessing their individual needs can be difficult. AHFA has established the following goals in meeting the needs of veterans in the State of Alabama through the HTF:

1. Decrease the number of veterans by fifteen (15) who are unsheltered and/or homeless by providing affordable housing units and to increase the provision of services to them.
2. Provide fifteen (15) affordable housing units to veterans that fall into the extremely low income (ELI) category.
3. Help veterans (especially chronically homeless individuals and families, families with children) make the transition to permanent housing and independent living.
4. Facilitate access for veterans and all ELI individuals and families to affordable housing units, and prevent individuals and families who were recently homeless from becoming homeless again.
5. Increase awareness of permanent housing and services for ELI veterans and ELI households.
AHFA will monitor developments receiving HTF for the following specific goals:

- Impact of HTF-funded projects that reached veterans unsheltered and/or homeless.
- Number of veteran ELI households served by HTF-funded projects.
- Number of veteran ELI households with mental illness which were served by HTF-funded projects.
- Number of ELI households served by HTF-funded projects
- The extent to which the development met the overall goal established by the HTF Plan and AHFA.

Recipients will develop performance goals that best quantify the HTF developments impact for their local areas veteran and ELI populations. Performance goals specific to the specific geographic area will be evaluated to determine if the HTF goals have been achieved.