

National Housing Trust Fund Allocation Plan

Indiana Association for Community Economic Development

June 2, 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.
- On May 5, *Federal Register* notice announces how much NHTF each state will get 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 with four factors.
- 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.
- Other two factors also based on renter needs, those of very low income households.

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)

Indiana selected

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Samantha Spergel, Director of Real Estate Production,
is the person involved with NHTF on day-to-day basis.

Timeline



- April 4: HUD announces nearly \$174 million for NHTF for 2016.
- April 26: HUD publishes NHTF Allocation Plan guidance, Notice CPD-16-07.
- May 5: HUD publishes NHTF allocations to states in *Federal Register*. Indiana will receive **\$3 million** (the minimum).
- May-June: Indiana Housing and Community Development Authority (IHCDA) develops NHTF Allocation Plan following ConPlan public participation procedures, which ought to include at least 30-day comment period.
- Early July: IHCDA submits NHTF Allocation Plan. HUD has 45 days to review.
- Indiana and HUD sign Grant Agreement, funds now available.

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 Indiana ConPlan (part 1)



- NHTF Allocation Plan is part of Annual Action Plan Indiana submits as update to Consolidated Plan(ConPlan).
- The Office of Community and Rural Affairs (OCRA) is lead entity for submitting ConPlan and Annual Action Plan. IHCD prepares the HTF and HOME portions of ConPlan.
- Advocates need to be familiar with state ConPlan and state's public participation process.
- Indiana's ConPlan just covers non-entitlement jurisdictions – giving incomplete picture of housing needs.

NHTF Allocation Plan and Indiana ConPlan (part 2)



- April 26, 2016 Notice CPD-16-07 indicates NHTF Allocation Plans will simply be “amendments” to ConPlan.
- Only “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.
- May 17 HUD letter and sample form make clear public participation required.

Definitions



- **Grantee (ST).**
State entity that prepares NHTF Allocation Plan, receives NHTF dollars, administers NHTF.
For Indiana the grantee is IHCDA.
- **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 (be careful if LIHTC).
- 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

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

2. Application Requirements (Part 1)



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

- Project information similar to LIHTC applications.
- How project responds to Indiana's priority housing needs.
- How project responds to statute's six priority factors.
- 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 IHCD 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.
- Evidence of applicant's 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)



Indiana's 2015-2019 ConPlan general housing needs:

- Severe housing cost burden, paying more than 50% of incomes for rent and utilities, is most common housing problem.
- Of renters with severe cost burden, nearly three-fourths have incomes of less than 30% AMI.
- Among households earning less than 30% AMI, large households have highest rate of cost burden.
- Small and large households earning less than 30% AMI experience severe cost burden at higher rates than elderly households.

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3. Criteria for Selecting Applications

(Part 3)



Indiana's 2015-2019 ConPlan general housing needs:

- Stakeholders were asked about top housing needs in a survey. Top housing needs included: housing for persons earning less than 30% AMI, housing for low income households in general, housing to help persons who are homeless and housing for seniors.

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- Primary need of persons living with disability is access to affordable, accessible housing options.

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3. Criteria for Selecting Applications



(Part 4)

Indiana's 2015-2019 ConPlan Housing Market Analysis:

- Top housing market need identified by stakeholders: rental units affordable to 0-30% AMI. [page 41]
- Stakeholders surveyed and interviewed consistently described growing and very pronounced need for rental units affordable to 0-30% AMI households. [page 43]
- Rental housing lacking for ELI households, whose needs have grown since Great Recession. Census estimates 16,000 more renters earning less than \$20,000/year in 2013 than 2007 (includes entitlement areas). Almost 10,000 of these earn less than \$5,000 per year. [page 45]

3. Criteria for Selecting Applications

(Part 5)



Indiana's 2015-2019 ConPlan priority housing needs:

- Low and very low income households
- Visitable homeowner housing
- Housing that allows homeowners to age in place and is accessible for persons with disabilities

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Given needs of ELI renters with severe cost burden stated in general needs and market analysis sections, especially for large households and people with disabilities, above list of “priority” housing needs very inadequate.

4. Indiana's Maximum Per-Unit Subsidy Limit



Indiana 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 issued guidance as an FAQ on May 12.

- These are not prescriptive, compared to 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)

- *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).*

{No basis in statute for narrowing to
“federal, state, local project-based assistance.”}

(Maximum points = 40)

Factor c: Rent Affordability (Part 2)



- “Affordable” should be defined as not paying more than 30% of household income for housing costs, including utilities (SUGGESTION).
- “Project-based rental assistance” should include, 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)



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

Projects affordable to households with incomes less than 15% AMI or whose sole income is SSI.

- Indiana has shortage of 70 ,000 rental units affordable and available to households with income less than 15% of AMI.
- For every 100 renter households with income less than 15% AMI, are only 17 units affordable and available to them.
- 93% paying more than half of their income for rent and utilities.

Factor e: Merits of the Application

(Part 3)



Indiana 2015-2019 ConPlan priority housing needs:

- Low and very low income households
- Visitable homeowner housing
- Housing that allows homeowners to age in place and is accessible for persons with disabilities

Indiana's ConPlan does not establish genuine priority housing needs.

- Doesn't give priority to renters.
- Doesn't give priority to ELI households
- Doesn't give priority to large households
- Doesn't give priority to people with disabilities

www.nlihc.org/issues/nhtf

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% may be used for operating cost assistance and/or operating cost assistance reserves (SUG allowed by REG).

SUGGESTION:

“Indiana 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 have a proven track record of providing and operating rental housing for ELI households (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, and homeless persons 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).

- Use of 30% of poverty line will cause cost burden.
- No basis in statute for it.

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).

10. Performance Goals and Benchmarks (Part 3)

- Indiana's 2015-2019 ConPlan does not provide goals for extremely low income households even though ConPlan regulations require such a breakdown by income categories.
 - Construct 250 rental units (no income breakdown)
 - Rehab 250 rental units (no income breakdown)

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



Indiana 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).

The Indiana 2015-2019 ConPlan does not give high priority to extremely low income population. High priority [page 71]:

- Low and very low income households
- Visitable homeowner housing
- Housing that allows homeowners to age in place and is accessible for persons with disabilities

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).

For More Information



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www.nlihc.org/issues/nhtf

Become an NLIHC Member



- Members are essential in helping NLIHC advocate on behalf of low income people in need of safe and affordable housing.
- Membership is open to individuals, organizations, corporations, and government agencies.
- Join NLIHC at <http://nlihc.org/membership>
- Questions?
- Contact outreach@nlihc.org or call 202-662-1530, ask to speak to your Housing Advocacy Organizer.

The National Housing Trust Fund: Hoosier Impact from an Advocacy Perspective

Indiana Housing Conference Session



The session will be an excellent chance to provide updates on statewide progress following IHCD's submission of Indiana's substantial amendment and share advocacy insights, including best practices and innovative approaches other states haven't taken to inform efforts to ensure Indiana's NHTF dollars are making true impact and addressing urgent community needs. Join us at the JW Marriott August 25th-August 26th, 2016, the registration link will be sent next week by IHCD.

Advocacy Feedback on Indiana's Housing Priorities



- IACED ensures our members' feedback regarding housing and community development needs in their communities are reflected in statewide plans by surveying and providing in-depth recommendations. Please be sure your voice is heard and respond to IACED's policy surveys."
- Link: <http://www.iaced.org/2016/04/iaced-offers-member-feedback-to-indiana-annual-action-plan/>

National Housing Trust Fund

OVERVIEW OF DRAFT ALLOCATION PLAN

- Allocation plan being drafted now.
- Program will be designed to allocation HTF as gap financing in conjunction with Rental Housing Tax Credits.
- Will be used for the rehabilitation and/or new construction of supportive housing.
- HTF will be offered as grants.

HTF Priorities

- Demonstrate project will meet the needs of the specific community;
- Serve populations that are extremely low income, and experiencing homelessness;
- Link the project to the revitalization of existing neighborhoods.
- IHCDa will ensure geographic diversity, and tie the funding to local homelessness needs.

ELIGIBLE APPLICANTS

- Can be either for-profit or non-profit.
- Only non-funded projects which have completed either the 2015 or 2016 Permanent Supportive Housing Institute are eligible.
- Projects must meet all the threshold requirements of Supportive Housing under the Qualified Action Plan.
- Fund will apply to both 100% PSH and Integrated Supportive Housing.

ALLOCATION PLAN TIMELINE

- IHCDa will be submitting a substantial amendment to the Con Plan.
- Draft of the HTF Allocation Plan and the Amendment will available June 16th.
- 30 day comment period.
- IHCDa will hold three public meetings across the state.
- Will distribute draft to each CoC for comments.

CONTACT INFORMATION

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Questions?



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NHTF
www.nlihc.org/issues/nhtf