

National Housing Trust Fund

2016 Kansas Allocation Plan

Introduction/Background

Section 1131 of the Housing and Economic Recovery Act of 2008 (HERA) established the National Housing Trust Fund (HTF), to be administered by HUD. The HTF is initially funded from fees on new business by Fannie Mae and Freddie Mac. HUD published an interim rule for HTF on January 30, 2015, codified at 24 CFR Part 93.

The State of Kansas has selected Kansas Housing Resources Corporation (KHRC) as the State Designated Entity to administer the program statewide.

Purpose

The purpose of the HTF is to provide grants to State governments to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families.

Program Requirements

The HTF regulations are modeled on those of the HOME Program, with several key differences, most notably those related to the income restrictions and 30 year affordability requirements.

Income Targets and Affordability

For 2016, housing units developed with HTF funds must serve households at or below 30% of Area Median Income, or the Federal Poverty Guideline, whichever is greater. HUD will publish rent limits annually, based on affordability at 30% of AMI. HUD or KHRC will provide the applicable income limits annually. Housing developed using HTF funds must remain affordable at that level for a minimum of 30 years.

Funding Levels

Annual allocations to states are based on a formula, with a minimum allocation per state of \$3 million. The Kansas allocation is expected to be at the minimum level for 2016.

Threshold factors and application funding limits

Applications must meet threshold requirements for the HTF program as described at 24 CFR Part 93.

1. The application must be for a qualified residential development.
2. The development must meet the extremely low income restrictions as described in the HTF interim rule at 24 CFR Part 93 and as defined by HUD.
3. The development must be ready to proceed, with other funding committed or applied for concurrently.

KHRC will consider applications from eligible recipients as follows: Recipients, as defined at 24 CFR 92.2, are organizations, agencies or other entities (for-profit or non-profit) that receive HTF funds to undertake an eligible project. HTF funds will not be subgranted by KHRC to units of local government.

Application Process

Applications will be made available in the fall of 2016, and must be received, complete and with all supporting documents, by 4:30 PM on Friday, February 3, 2017, in conjunction with the applications for LIHTC and HOME Rental Development funds. The application for funding will closely follow the application for HOME Rental Development, except that when a project is proposed to include HOME and/or LIHTC, a shorter supplemental application will be acceptable for HTF funds. Applications will be reviewed and scored by HOME staff with recommendations submitted to KHRC's Loans and Grants Committee for discussion and approval. The review process will take approximately 90 days from submission to a final determination.

HTF Funding Priorities

1. Distribution of Funds

- a. KHRC will not distribute HTF funds through local jurisdiction subgrantees.
- b. HTF funds will be distributed statewide, including HOME and CDBG Entitlement Communities to eligible recipients whose proposals address the criteria outlined in this allocation plan as well as priority housing needs as identified in the state's Consolidated Plan.
- c. HTF funds will be offered as a loan, with payments deferred for the duration of the statutory affordability period, provided the activity is completed per the written agreement, and remains compliant with the terms of both the statute and written agreement for the duration of that affordability period.

2. Application Selection Criteria

- a. Projects will be selected for geographic diversity including urban and rural communities across the state.
- b. Proposals will be evaluated for local need. Geographic priorities will be communities (cities, counties, geographic regions, neighborhoods) with significantly higher rates of poverty or shortage of housing for Extremely Low Income (ELI) households compared to other locations.
- c. A proposal will receive consideration only if it can be demonstrated to be financially viable, at a minimum, throughout the 30 year affordability period. Proposals will be evaluated for sustainability beyond that minimum threshold.
- d. Applications will be scored based on the applicant's ability to obligate HTF funds and undertake the project in a timely manner, as evidenced by current and past performance, commitment of other funding sources, site control, local support, development capacity, etc.
- e. Proposals which include a long term commitment for project based rental assistance will be prioritized for the ability to maintain positive cash flow while keeping rents affordable to ELI households.
- f. Proposals may provide housing for specific subpopulations that are understood to have a higher rate of household poverty (such as elderly, disabled, victims of domestic abuse, persons aging out of foster care or transitioning from institutions, homeless families and individuals, etc.), or if they integrate extremely low income households into more economically diverse neighborhoods or housing developments.
- g. Proposals will be prioritized based on the extent to which a project is located near essential services, transportation, and supportive services necessary for the health and independence of the target population, and the extent to which there is a commitment from the applicant or associated entities to provide supportive services.
 - i. Acceptance of supportive services cannot, however, be a requirement for occupancy of an HTF assisted unit, nor can refusal of services be grounds for termination or non-renewal of a lease.
- h. Proposals will be evaluated based on the extent to which other resources are leveraged, from both federal and non-federal sources. Priority will be given to projects that successfully leverage non-federal sources of funds to create a sustainable project.

3. Applicant and Application Requirements

- a. Applicants will be evaluated for the capacity and experience necessary to build and manage a successful project, and the ability to ensure viability over the statutory affordability period.
- b. Applications will follow the form of the current HOME and LIHTC application, with additional information required as appropriate to HTF program requirements

4. Eligible Recipients/Applicants

- a. The applicant must be a for-profit or non-profit developer with the experience and capacity to carry out any activity proposed to use HTF funds.
- b. Eligible applicants will include for-profit and non-profit developers and public housing agencies (but may not be used for public housing except as described at 24 CFR 93.203).

5. Duration of Affordability Period

- a. HTF assisted rental units have a statutory affordability period of 30 years. Priority will be given to projects that are underwritten to demonstrate the financial feasibility of the project well beyond the required 30 year period.

6. Priority Housing Needs of Kansas

- a. Priority will be given based on the merits of the application in meeting priority housing needs as described in the Kansas Consolidated Plan and Annual Action Plan.

7. Leveraging

- a. Preference will be given to proposals that effectively leverage other funding sources, particularly non-Federal sources.

8. Eligible Activities

- a. 90% of the funds allocated to Kansas will be used for rental housing development, with up to 10% being available to KHRC for planning and administrative costs. HTF funds may be used for the development of decent, safe and affordable rental housing, including new construction, reconstruction, or rehabilitation of modest housing. Eligible costs are the hard costs and related soft costs of housing development, and limited operating cost assistance or operating reserve contributions as described at 24 CFR 93.201.
- b. Home ownership will not be an eligible HTF activity in Kansas.

9. Assurances – An applicant must:

- a. Provide acceptable assurances to KHRC that it will comply with the requirements of the HTF program throughout the development and entire affordability period;
- b. Demonstrate the organizational and financial capacity to carry out the proposed activity, including the ability to own, develop and manage affordable rental housing;
- c. Demonstrate the knowledge and ability to comply with the requirements of all other sources of funding (Federal, State, local or non-governmental) being used in conjunction with HTF funds;
- d. Certify that an HTF assisted project will comply fully with HTF requirements and all other applicable Federal, State and local requirements.

10. Performance Goals and Benchmarks

- a. A minimum of 12 HTF assisted rental units will be acquired, rehabilitated or constructed for households with extremely low income (ELI).
- b. Up to 1/3 of the annual allocation may be used for operating cost assistance in conjunction with new units acquired, constructed or rehabilitated with HTF funds.

11. Maximum Per Unit Development Subsidy Limits – HOME limits will be used for HTF

- a. Per unit subsidy limits (current as of 06.15.2016):
- b. Subject to change per HUD

0 BR	1 BR	2 BR	3 BR	4+ BR
\$140,107	\$160,615	\$195,305	\$252,662	\$277,344

12. Rehabilitation Standards

- a. Rehabilitated HTF assisted units will be required to meet the rehabilitation standards for the HOME Rental Development program, as updated and amended.

13. Resale and Recapture Provisions

- a. Does not apply as homeownership activities will not be funded with HTF.

14. Affordable Homeownership Limits

- a. Homeownership activities will not be funded with HTF.

15. Limitation of Beneficiaries or Preferences

- a. HTF activities may limit beneficiaries or provide preferences to specific populations with extremely low income as allowed by the HTF Interim Rule, provided those preferences do not violate the nondiscrimination requirements in 93.350. HTF assisted units may not be used as student housing.

16. Refinancing Existing Debt

- a. HTF funds will not be used to refinance existing debt.