

# NATIONAL HOUSING TRUST FUND



# Today's Meeting

- \$3Million in 2016 from the National Housing Trust Fund (HTF)
- KHRC must submit a *Housing Trust Fund* Allocation Plan and amend its 2016 Annual Action Plan by August 16, 2016.
- The objectives of this meeting are:
  - *Provide information on the HTF program*
  - *Solicit input on Draft Allocation Plan*
  - *Advise of 30 day comment period to draft*
  - *Discuss the application process*

# Highlights

- \$3 Million for Kansas
- Rental housing for Extremely Low Income (ELI)
  - *30% of Area Median Income or Federal Poverty Guideline*
- 30 Year restriction
- Applications due February 3, 2017

# Background

- National Housing Trust Fund (HTF) established by the Housing and Economic Recovery Act of 2008 (HERA)
  - *Administered by HUD*
  - *Granted to designated State entities*
  - *Funded from fees on Fannie Mae and Freddie Mac transactions*
  - *2016 is the first year funds are available*

# Purpose of the HTF

- To increase and preserve the supply of decent, safe and affordable housing for extremely low income (ELI) households
  - *For 2016, all HTF funds will target ELI*

# Funding Levels

- KHRC is the State-Designated Entity (grantee)
- Kansas will receive \$3 Million
  - *Funds will be granted to KHRC in Fall 2016*
  - *First project awards spring 2017*

# Eligible Applicants

- For-profit or non-profit entities (PHAs are on next slide)
  - *Experience and capacity to carry out complex rental housing development*
    - Design, finance and build a project that will be sustainable throughout the affordability period
    - Understand and comply with Federal requirements throughout the affordability period

# Public Housing Authorities

- May be used for construction or rehab of public housing that is part of the Choice Neighborhoods program or that will receive Low Income Housing Tax Credits



# HTF Application Process

- HTF funding to coincide with HOME and LIHTC
  - *Applications available in the fall*
  - *Deadline is the first Friday in February*
  - *Allocation decisions are made by early May*
  - *Review by HOME Rental Development team*

# HTF Funding

- KHRC may hold additional application rounds for HTF
  - *Depending on response and strength of applications received*

# Income Targeting

- Restricted to extremely low income households
  - *30% of AMI, or Federal Poverty Guideline*  
(whichever is higher)
  - *HUD is expected to calculate and publish income limits annually*

# Poverty Guideline vs. 30% of AMI Selected Counties and MSAs

Household Size	Poverty	KC MSA	Crawford	Finney	Wichita	Lawrence	Topeka	McPherson
1	\$ 11,770	\$15,300	\$ 12,050	\$ 12,150	\$ 13,700	\$ 15,700	13,200	14,700
2	\$ 15,930	\$17,500	\$ 13,800	\$ 13,850	\$ 15,650	\$ 17,950	15,050	16,800
3	\$ 20,090	\$19,700	\$ 15,500	\$ 15,600	\$ 17,600	\$ 20,200	16,950	18900
4	\$ 24,250	\$21,850	\$ 17,200	\$ 17,300	\$ 19,550	\$ 22,400	18,800	20950
5	\$ 28,410	\$23,600	\$ 18,600	\$ 18,700	\$ 21,150	\$ 24,200	20,350	22650
6	\$ 32,570	\$25,350	\$ 20,000	\$ 20,100	\$ 22,700	\$ 26,000	21,850	24350
7	\$ 36,730	\$27,100	\$ 21,350	\$ 21,500	\$ 24,250	\$ 27,800	23,350	26000
8	\$ 40,890	\$28,850	\$ 22,750	\$ 22,850	\$ 25,850	\$ 29,600	24,850	27700

# Rent Limits

- Calculated for affordability at 30% of AMI
  - *Including utilities*
- HUD will publish HTF rents annually
  - *By county or MSA*

# Eligible Activities

- HTF funds will be used for:
  - *Development or preservation of decent, safe and affordable rental housing*
    - New Construction
    - Reconstruction
    - Acquisition and/or rehabilitation

# Program Administration

- Up to 10% of the annual allocation (\$300,000) for planning and administrative expenses (KHRC)
- Remaining \$2.7 Million available for direct housing activities

# Eligible Costs

- Acquisition of real property
- Site improvements
- Conversion from other uses
- Demolition
- New construction
- Rehabilitation
- Other associated costs
- Limited operating assistance



# The End Result

- HTF funds create new or preserved units of decent, safe and affordable housing for households with extremely low income
  - *Housing must be produced*

# One and Done

- Funding for initial development
- No additional HTF funds during the 30 year affordability period
  - *Projects must be underwritten for 30 years*

# Rental Assistance

- Rental assistance (TBRA or PBRA) is not an eligible use of HTF funds.
- However, rental assistance from a non-HTF source will strengthen an application.

# HTF Maximum Per-Unit Subsidy Limits (same as HOME Limits)

■ 0 Bedroom (efficiency)	\$140,107
■ 1 Bedroom	\$160,615
■ 2 Bedroom	\$195,305
■ 3 Bedroom	\$252,662
■ 4+ Bedroom	\$277,344

# Operating Assistance

- Up to 1/3 of the State's grant may be used for 'operating deficit assistance'
- Must be based on project underwriting
- KHRC has not yet determined whether to include this as an eligible cost the first year
  - *Included in Action Plan as an option*

# Citizen Participation

- KHRC must develop an allocation plan and comply with citizen participation requirements
- The HTF requires an amendment to the State's Consolidated Plan and Annual Action Plan
- KHRC solicited public input earlier this spring.

# Priorities – geographic:

- Communities with:
  - *a significantly higher rate of poverty, or*
  - *a significant lack of housing for ELI households, compared to other areas*
    - Cities
    - Counties
    - Neighborhoods
    - Other areas?

# Priorities - subpopulations

## *Populations with historically high rates of poverty*

- Homeless
- Persons with disabilities
- Domestic abuse victims
- Frail elderly
- Youth aging out of foster care
- Persons transitioning from institutions
- Single parent households
- Other?



# Priorities - leveraging

- Projects which significantly leverage other resources
  - *LIHTC*
  - *USDA*
  - *HOME*
  - *SHP(Continuum of Care)*
  - *Other state/federal programs*
  - *FHLBank – AHP*
  - *Grants, local sources, etc.*
  - *Project based rental assistance*
  - *Long term commitment to supportive services*

# Affordability

- Must remain affordable for 30 years after completion (longer than many programs)
  - *Financial viability*
  - *Annual reporting*
  - *Property standards*
  - *Income and rent requirements*
  - *Management requirements*
    - Tenant selection
    - Strong management plans
    - Budgeting for the long term

# Likely Applicants

- Private developers with experience using the Low Income Housing Tax Credit (LIHTC) and/or other complex financing
- Community Housing Development Organizations (CHDOs) with experience using HOME and/or LIHTC programs
- Other non-profit organizations with strong affordable housing development experience.

# Likely HTF Projects

- Multi-family rental development (typically LIHTC) with small number of HTF units
- Targeted special needs housing with supportive services
- Permanent housing for homeless
- Preservation of housing with project based rental assistance (PBRA).

# HTF Only?

- Funding a development with only HTF funds would be difficult.
  - *Deep rent limits – 30% of AMI or Poverty*
  - *Increasing operating expenses over time*
  - *Property needs to cash flow for 30 years*
    - Best scenarios will involve layers of funding with different income limits, or.....
      - *Other sources of revenue to support operations*

# Managing Risk

- HTF is not a 'Magic Bullet'
- Biggest Risk: 30 year affordability period for ELI
  - *May have to repay funds*
  - *No additional HTF after completion*
- Avoiding and managing the risk
  - *Strong development team*
  - *Layering other financing*
  - *Mixed income*
  - *Market assessment*

# Program Regulations

- The HTF Interim Rule is at 24 CFR Part 93
  - *For the most part, the HTF closely follows the requirements of the HOME program (24 CFR Part 92).*
  - *Interim Rule:*  
<https://www.gpo.gov/fdsys/pkg/FR-2015-01-30/pdf/2015-01642.pdf>
  - *Guidance and resources:*  
<https://www.hudexchange.info/programs/htf/>

# Summary of requirements for HTF

- Income: 30% of AMI or Federal Poverty Guideline
- Rents: affordable at 30% of AMI
- Affordability Period: 30 years
- Compliance: property condition, income certification, other req'mts
- No match
- No Davis Bacon
- Environmental Review: required
- Subsidy limits = HOME limits



# Requirements

- Underwriting: appropriate level of subsidy
- Construction: Built to code, architectural standards
- Energy efficiency: minimum efficiency standards (IECC 2009)
- Accessibility: Section 504, Fair Housing, KSA 58-1402
- Lead Based Paint Hazard – acquisition/rehab built prior to 1978
- Tenant protections:
  - *Lease*
  - *Prohibited lease terms*
  - *Termination for cause*
  - *Fair Housing, Kansas Landlord Tenant Act*

# Some Other Federal Requirements

- Uniform Relocation Act
- 2 CFR 200
- Affirmative Fair Housing Marketing
- Conflict of Interest
- MBE/WBE reporting
- FFATA