NATIONAL HOUSING TRUST FUND

KANSAS HOUSING RESOURCES CORPORATION
Today’s Meeting

- $3 Million in 2016 from the National Housing Trust Fund (HTF)

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
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

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<th>Household Size</th>
<th>Poverty</th>
<th>KC MSA</th>
<th>Crawford</th>
<th>Finney</th>
<th>Wichita</th>
<th>Lawrence</th>
<th>Topeka</th>
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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).
  - 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