Getting to Know the NHTF Regulations

Part 4

How Can NHTF Money Be Used?

Ed Gramlich
National Low Income Housing Coalition
May 2015
Part 4 Topics

• General
• Forms of assistance
• Project Costs
• Operating Cost Assistance
• Operating Cost Assistance Reserve
• General Program Administration
• Public Housing
• Key Timeframes
• Homeowner Features...see part 5
How Can The Money Be Used?

General

• NHTF must be used to buy, build, rehabilitate, or preserve rental or owner-occupied homes.
  • NHTF may also be used to operate rental housing.
  • NHTF may also be used to help first-time homebuyers with downpayment and closing cost assistance.

• No more than 10% may be used for homeowners.

§93.200(a)(1)
How Can The Money Be Used?

(continued)

Forms of Assistance

• NHTF assistance may be:
  • Loans, including no-interest loans and deferred payment loans
  • Grants
  • Interest subsidies
  • Equity investments
  • Other forms

• States and any local subgrantees may decide the terms of assistance.

§93.200(b)
Many eligible “project costs” may be met with NHTF:

- Buying property
- Development “hard costs” associated with construction
- Relocation
- Demolition
- Utility connections
- Site improvements
- Project “soft costs” associated with financing and development
  - Affirmative marketing to prospective tenants and homeowners
  - Builders and developers fees
  - Architectural, engineering, related professional services
- Refinancing
- Paying construction loans
- Staff costs directly related to carrying out a project
- Operating assistance
How Can The Money Be Used?

(continued)

Operating Cost Assistance

• NHTF may be used in conjunction with NHTF-assisted rental homes to:
  • Provide operating cost assistance
  • Provide for operating cost assistance reserve

• Operating cost assistance covers the gap in rent paid by households and cost of operating rental housing.

• Operating costs include maintenance, utilities, insurance, property taxes, scheduled payments to reserve for replacement of major systems, etc.

§93.201(e)

• Rule has 33% cap on the amount of state’s NHTF annual grant that may be used for operating cost assistance or reserves.

§93.200(a)(1)
How Can The Money Be Used?

(continued)

Operating Cost Assistance

(continued)

• Rule allows grantee to commit funds from an NHTF grant received in a single year to provide funds for operating cost assistance over multiple years.
  • Grantee may renew operating cost assistance with future year NHTF grants during the affordability period.
  • Funds committed in that single year must be spent within five years.

§93.201(e)(1)
How Can The Money Be Used? (continued)

Operating Cost Assistance Reserve

• Operating cost assistance reserve may be funded upfront for NHTF-assisted units to ensure project feasibility for the affordability period – if from **non-appropriated** NHTF money, such as assessments on Fannie and Freddie.

• If operating cost assistance reserve is funded with **appropriated** NHTF funds, reserve is limited to amount needed to provide operating cost assistance for five years.

• If amount devoted to operating cost assistance reserve would exceed 33% cap, reserve could be funded in phases from future NHTF grants.

§93.201(e)(2)
How Can The Money Be Used? (continued)

General Program Administration

• Up to 10% of state’s annual grant may pay for general program administration and planning.
  • Relates to overall NHTF program management and monitoring.
  • Examples:
    • Preparing reports for HUD and ensuring projects comply with regulations.
    • Providing information to residents participating in planning and carrying out NHTF projects.
    • Carrying out activities to affirmatively further fair housing.

§93.202

www.nlihc.org/issues/nhtf
• “Project administration” – staff and overhead directly related to a specific housing development –

• Project administration may be considered as either:
  • “general program administration” or
  §93.202(c)
  • “project cost” and not count against 10% cap.
  §93.201(d)(6) and (f)(2)
  §93.202(c)
How Can The Money Be Used?

Public Housing

• In general, rule prohibits use of NHTF to rehab or build public housing.

• Rule allows NHTF to rehab public housing converted under Rental Assistance Demonstration.

• Rule allows NHTF to rehab or build new public housing if:
  • Part of Choice Neighborhoods Initiative, or
  • Will have Low Income Housing Tax Credits

§93.29
Key Timeframes To Know About

• NHTF law requires money to be “committed” within two years.
• Rule adds NHTF must be spent in five years. §93.400(d)(2)
• Rule defines “committed” to mean having a legal agreement with a recipient for a specific local project:
  • New construction or rehab – can reasonably be expected to start in 12 months.
  • Acquire standard housing – transfer title within 6 months. §93.2
• Rule provides that project may be canceled if NHTF is committed, but none is requested from HUD (drawn down) within a year. §93.402(b)(2)
More NHTF Information

• NLIHC will be preparing additional materials about the National Housing Trust Fund over time.
• Periodically check www.nhtf.org
• HUD’s NHTF webpage, https://www.hudexchange.info/htf
Contact Me

Ed Gramlich
National Low Income Housing Coalition
ed@nlihc.org
202.662.1530 x314
www.nlihc.org
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.