

NHHTF • The National  
• Housing  
• Trust Fund



# Getting to Know the NHHTF and Influencing the Allocation Plan

National Alliance to End Homelessness

Spotlight Micro-Session

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Ed Gramlich

National Low Income Housing Coalition

# Introduction

## National Housing Trust Fund (NHTF)



The primary purpose of the NHTF is to increase the supply of rental housing for extremely low income (ELI) households, income less than 30% of the area median income (AMI), and homeless households.

# Introduction

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- Became law on July 30, 2008 as part of HERA (Housing and Economic Recovery Act).
- Program for collecting and distributing “dedicated” funds – money not at risk of Congressional appropriations cuts.
- Will not compete with existing HUD programs funded by Congressional appropriations.
- Block grant to states.

# How Is the NHTF Funded?



- No money in NHTF at first.
  - First dedicated funds were to come from annual 4.2 “basis point” (0.042%) assessment on new business of Fannie Mae and Freddie Mac.
  - 65% to NHTF, 35% to Capital Magnet Fund.
  - But before funds could get to NHTF, Fannie and Freddie hit by 2008 banking crisis; this source of dedicated money put on hold.

# How Is the NHTF Funded?

(continued)



- December 11, 2014, FHFA lifts suspension.
- Fannie and Freddie set aside funds from January 1, 2015 through December 31.
- April 4, HUD announces nearly \$174 million for 2016.
- May 5, *Federal Register* notice shows how much each state and DC will receive.
- HUD published interim regulation on January 30, 2015.

# How Will NHTF Block Grant Be Distributed To States?



- NHTF law requires money to be distributed to states by formula that has four factors that only deal with **renter** household needs.
- 75% of formula's value goes to two factors reflecting needs of extremely low income (ELI) renters.
- Amount of money a state gets depends on **shortage** of rental housing affordable and available for ELI, and extent ELI renters **pay more than 50%** of income for rent and utilities.
- Each state and DC is to receive minimum of \$3 million.

# NHTF Focus on Renters



- Law creating NHTF requires at least 90% (80%) of a state's NHTF money be used to produce, rehabilitate, preserve, or operate **rental housing**.
- Up to 10% may be for homeowner activities.

# NHTF Focus on Extremely Low Income Renters



- Law also requires at least 75% of a state's NHTF used for rental housing to benefit **extremely low income** (ELI) households, or households with income below poverty level (whichever is greater, according to regulations).
- Extremely low income (ELI) is less than 30% of area median income, AMI.

# NHTF Focus on Extremely Low Income Renters

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- Law limits to 25%, the amount of a state's NHTF used for rental housing to benefit **very low income households**.
- Generally, very low income (VLI) is between 30% and 50% AMI.
- Interim reg: When there is less than \$1 billion, 100% must benefit ELI (rental and homeowner).

# How Will NHTF Be Allocated Within States?



States must choose a state agency, such as housing finance agency, or housing department, or tribally-designated housing entity to receive NHTF and administer its program.

List of state agencies on HUD website,  
<https://www.hudexchange.info/programs/htf/grantees>

# How Will NHTF Be Allocated Within States

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## NHTF Allocation Plan



- NHTF law requires states to prepare an “Allocation Plan” every year.
- Allocation Plan must show how state will distribute NHTF it will receive in the upcoming year.
- Distribution of NHTF must be based on priority housing needs in Consolidated Plan (ConPlan).
- Rule requires state’s NHTF Allocation Plan be integrated into its Consolidated Plan.

# How Will NHTF Be Allocated Within States?

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## Allocation Plan and Public Participation



- When preparing Allocation Plan, law requires states to:
  - Notify the public that Allocation Plan will be drafted.
  - Provide for public comment.
  - Consider public comments.
  - Make final Allocation Plan available.
- NHTF law requires compliance with Consolidated Plan public participation requirements.

# How Will NHTF Be Allocated Within States?

(continued)

## Allocation Plan and Public Participation

(continued)



### Tip for Advocates

- Action around Allocation Plan begins at state level.
- Advocates used to ConPlan advocacy only at local level need to learn how to advocate at state ConPlan level.
- State ConPlan agency might be different than the NHTF agency.

# Allocation Plan

## “Recipients”



Allocation Plan must describe requirements “recipients” must meet when applying for money.

- Recipients may be nonprofit, for-profit, or public entity.
- States allocate NHTF to “recipients” to carry out specific projects.
- Recipient must have relevant experience and financial capacity.

# Allocation Plan

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## Selecting Applications for NHTF Dollars



- Allocation Plan must describe criteria for selecting applications from potential recipients.
- Allocation Plan must give priority to projects based on:
  1. Extent rents are affordable, especially for ELI households.
  2. Length of time apartments will remain affordable.
  3. “Merit” of a project. HUD gives a few examples:
    - a) Serving people with special needs.
    - b) Accessible to transit or employment centers.
    - c) Energy saving and non-polluting features.
  4. Geographic diversity, as reflected in ConPlan.
  5. Extent project will use non-federal funds.
  6. Applicant’s ability to obligate money and carry out project in timely way.

# Allocation Plan Suggestions



## **Weighing the Six Statutory Priority Factors.**

HTF statute requires states to give priority in awarding HTF to projects based on six factors.

Statute and regulation do not give weight to factors.

Advocates might suggest awarding HTF to applicants based on applicant's total points, up to 100 points.

# Six Statutory Priority Factors:

## 1. Affordability (part 1)



**Advocates might suggest 50 points for affordability.**

Will rents be affordable?

- A basic housing policy is “Brooke rule” which considers housing “affordable” only if households use no more than 30% of their income for rent and utilities.
- Neither HTF law nor HUD’s rule cap resident rent and utility payments at 30% of their income.

# Six Statutory Priority Factors:

## 1. Affordability (part 2)



- HUD's rule sets maximum rent (including utilities) household pays at **fixed amount** equal to 30% of 30% AMI, or 30% of poverty level, whichever is greater.
- HUD recognizes some residents will pay more than 30% of their income.
- HUD thinks fixed rent is necessary so owners and lenders can budget for future revenues from fixed, known rents.

# Six Statutory Priority Factors:

## 1. Affordability (part 3)



- Statute: Extent to which rents are affordable, especially to extremely low income families.
- Regulation for states: extent to which project has federal, state, or local project-based rental assistance so rents are affordable to ELI.
- No basis in statute for narrowing to “federal, state, local project-based assistance”.

# Six Statutory Priority Factors:

## 1. Affordability (part 4)



- Advocates might seek to have Allocation Plan define “affordability” to mean:
  - Household spending no more than 30% of income for rent and utilities – “Brooke Rents” or
  - Mix of units with fixed rents at:
    - 30% of 30% AMI,
    - 30% of 20% AMI, and
    - 30% of 10% AMI
- NLIHC Developer Advisory Group knows is difficult, but possible; they have done it without vouchers.

# Affordability -- Operating Cost Assistance



- HTF may be used at HTF-assisted rental homes to provide operating cost assistance.
- Operating cost assistance **reserve** may be funded upfront for HTF-assisted units to ensure project feasibility for affordability period.
- Up to 33% of state's HTF annual allocation may be used for operating cost assistance or reserves.
- 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.

# Six Statutory Priority Factors:

## 2. Length of Affordability



**Advocates might suggest 15 points for length of affordability.**

How long will HTF-assisted units be affordable?

- Regulation requires minimum affordability period of 30 years.
- Advocates might suggest, extent project exceeds 30-year minimum determines points, to maximum of 15 points for projects committing to permanent affordability.

# Six Statutory Priority Factors:

## 3. Merit of Project (part 1)



### Advocates might suggest 30 points for project's "merit".

- Statute requires states to consider merit of project.
- Regulation refines: merit of project in meeting ConPlan priority housing needs.
- Examples in regulation:
  - Housing that serves people with special needs
  - Housing accessible to transit and employment
  - Housing that is energy efficient

# Six Statutory Priority Factors:

## 3. Merit of Project (part 2)



- Advocates might suggest awarding points on extent project meets needs of lowest income households within state's ConPlan priority housing needs.
- Examples:
  - Projects serving special needs populations, homeless people, or individuals leaving correctional institutions.
  - Projects proposed by nonprofits.
  - Projects that do not cause displacement.
  - Projects affordable to households with income less than 15% of AMI.

# Six Statutory Priority Factors:

## 3. Merit of Project (part 3)



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

- There is a shortage of 3,415,253 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.
- 90% are paying more than half of their income for rent and utilities.

# Six Statutory Priority Factors:

## 4. Geographic Diversity



**Advocates might suggest 0 points for geographic diversity.**

- Given small amount of HTF money first year, suggest focusing on projects with most impact, rather than distribute small amounts of money to many projects.
- HUD stresses importance of affirmatively furthering fair housing when considering geographic diversity.
- In future when HTF is more robust, geographic diversity will be very important.

# Six Statutory Priority Factors:

## 5. Use of Non-Federal Resources



**Advocates might suggest 5 points for use of non-federal resources.**

- 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.
  - Private funds or in-kind commitments, including donation of land, for production, preservation, or operation to achieve deep affordability for ELI households.

# Six Statutory Priority Factors:

## 6. Ability to Obligate HTF (part 1)



**Advocates might suggest 0 points for ability to obligate funds and undertake activities in timely manner.**

This ought to be a threshold consideration; if applicant lacks capacity it should not make the cut.

# Six Statutory Priority Factors:

## 6. Ability to Obligate HTF (part 2)



- Statute requires recipient to have demonstrated experience and capacity to conduct HTF activity, evidenced by ability to:
  - Own, construct, or rehabilitate, and manage and operate affordable multifamily rental housing.
- Regulation defines “commitment” for recipients as:
  - For new construction or rehabilitation, starting construction within 12 months of date of contract between recipient and state.
  - For acquisition of existing housing, receipt of title within 6 months of date of contract between recipient and state.

# Six Statutory Priority Factors:

## 6. Ability to Obligate HTF (part 3)



Advocates might suggest considering applicant's:

- Experience serving extremely low income households and special needs populations, such as homeless families and people with disabilities.
- Successful completion of similar projects.

Advocates might suggest limiting recipients to mission-driven nonprofits, or for-profits with proven track record of providing and operating rental housing for ELI households.

# Additional Suggestions



- Given the small amount of HTF for 2016, Advocates might suggest HTF in first year only be used to produce and rehabilitate rental housing.
  - Do not use for homeowner activities.
  - Do not use to build, rehab, or preserve federally assisted housing.
- Maximize affordability:
  - Projects should have as little debt service as possible.
  - Provide HTF as grants or zero-interest loans.

# How Can The Money Be Used?

## Forms of Assistance



- NHTF assistance may be:
  - Loans, including no-interest loans and deferred payment loans
  - Grants
  - Interest subsidies
  - Equity investments
  - Other forms
- States may decide the terms of assistance.

# How Can The Money Be Used?

(continued)

## Project Costs



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
- <sup>33</sup>Operating assistance

[www.nlihc.org/issues/nhtf](http://www.nlihc.org/issues/nhtf)

# 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.

# Tenant Protections and Selection



- Must be a written lease for at least one year.
- Tenants can only lose tenancy for “good cause”.
- Owner must:
  - Not turn down someone wanting to rent a NHTF unit because they have a voucher.
  - Select tenants from written waiting list in chronological order.
  - Comply with state’s affirmative marketing requirements.

# More NHTF Information



- NLIHC has additional materials about the National Housing Trust Fund.
- Periodically check [www.nhtf.org](http://www.nhtf.org)
- HUD's NHTF webpage, <https://www.hudexchange.info/htf>

# 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>
- Contact [outreach@nlihc.org](mailto:outreach@nlihc.org) or call 202-662-1530, ask to speak to your Housing Advocacy Organizer.

# Contact Me



**Ed Gramlich**

National Low Income Housing Coalition

[ed@nlihc.org](mailto:ed@nlihc.org)

202.662.1530 x314

[www.nlihc.org](http://www.nlihc.org)

