Department of Commerce

National Housing Trust Fund

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Session Objectives

- History and Current State of the National Housing Trust Fund (NHTF)
- Commerce's Allocation Plan – Status and Overview
- Open Conversation

NHTF History

- Enacted in 2008 as part of the Housing and Economic Recovery Act of 2008 (HERA)
- Dedicated fund intended to provide revenue to build, preserve, and rehabilitate housing for people with the lowest incomes
- Funded by an annual assessment on Freddie Mac's and Fannie Mae's volume of business: 4.2 basis points

NHTF History (continued)

- Fannie Mae and Freddie Mac were taken into conservatorship by the Federal Housing Finance Administration and any contribution to the NHTF was suspended
- That suspension was lifted in December 2014 with funds set-aside in 2015 for a 2016 distribution
- In April 2016 HUD announced a $174M allocation

NHTF Purposes

While both extremely low income (ELI) and very low income (VLI) households can benefit, there is a clear emphasis on ELI households:

- If the amount of NHTF funds available in a fiscal year is <$1 billion, grantees must spend 100% of the funds for the benefit of ELI households.
- If the amount of NHTF funds available in a fiscal year is ≥ $1 billion, grantees must spend at least 75% of funds for the benefit of ELI households.

Rental Housing

Increase, preserve, and operate rental housing units for ELI and VLI households

Homeownership

Increase homeownership opportunities for ELI and VLI households

NHTF Implementation

- HUD issued an Interim Rule in January 2015
- The interim rule is modeled after the HOME program with some key differences:
  - Lower income population
  - Lower rent requirements
  - Longer minimum affordability period (30 vs. 10 years)
- NHTF requires an **annual** Allocation Plan be submitted to HUD
- The 2016 Allocation Plan was due August 15, 2016
- Commerce's Allocation Plan **was approved this week**

NHTF Uses of Funds

- At least 90% of the allocation must be used for the production, preservation, rehabilitation, or operation of rental housing
  - Of this, up to 10% may be used for homeownership and 90% for rental housing
    - Of the amount used for rental, up to 30% can be used as an operating subsidy
- 10% of the allocation may be used for overall program administration and planning

A Breakdown Example

Total State Allocation = $3M

10% = $300K for program administration

90% = $2.7M for production

10% = $270K for homeownership

90% = $2.43M for rental housing

70% = $1.701M for capital investments

30% = $729K for operating subsidies

The State's Allocation Plan

- In the 2016 funding cycle:
  - Address the immediate need for new affordable housing rental units
  - Project funding will run simultaneously with the State HTF and HOME competitive process
- For future funding cycles:
  - Engage a statewide group of stakeholders in discussions
  - Consider other uses, e.g., rehabilitation, operating subsidy, and homeownership
- Final Allocation Plan can be found on the Commerce website

http://www.commerce.wa.gov/serving-communities/current-opportunities/community-development-block-grants/cdbg-consolidated-plan-action-plan/

The State's 2016 Allocation Plan (continued)

Eligible applicants must:

- Make assurances that they will comply with the NHTF requirements during the affordability period (min. 30 years)
- Demonstrate the ability and financial capacity to undertake, comply, and manage the project
- Demonstrate their familiarity with the requirements of other Federal, State, or local housing programs
- Have experience and capacity to conduct eligible NHTF activities
- Be a non-profit community- or neighborhood-based organization, public housing authority, or municipality

The State's 2016 Allocation Plan (continued)

Ranking criteria:

1. Geographic/statewide diversity
2. Readiness & capacity (timely obligate funds and complete activities):
    - All capital financing will be committed by September 2017
    - The applicant has site control at the time of the application
    - The applicant has recent relevant experience in affordable housing or partners with an experienced developer
    - The applicant has capacity to develop the project, manage it long-term, and deliver services (or identify formal partnerships)
    - If the project includes services, the applicant can secure all service commitments
3. Federal, State, or local project-based rental assistance

The State's 2016 Allocation Plan (continued)

Ranking criteria (continued):

4. Affordability period: min. 30 years (40-50 years if funded by State HTF)

5. Meeting the priority housing needs of the State:

- Population served
- Homeless and special needs services: feasible/sustainable plans, aligned with State/Federal recognized best practices
- Greatest need and local support
- Opportunity-rich communities: access to employment, transportation, and partnerships with school districts
- Green building standards: ESDS

6. Leverage of non-federal funds

The State's 2016 Allocation Plan (continued)

Max. Per Unit Development Subsidy:

- Requires a methodology that accounts for geographic differences
- Allows the use of HOME limits, however, a single statewide HOME limit does not account for geographic differences
- Commerce will implement a two-tiered test:
  - HOME limits
  - State's cost containment policy: 110% of the application pool for similar size/type/region

Additional Resources

Department of Commerce – www.commerce.wa.gov

Washington Low Income Housing Alliance – www.wliha.org

HUD Exchange – www.hudexchange.info/programs/htf/

National Low Income Housing Coalition – www.nlich.org/issues/nhtf

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Q&A

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