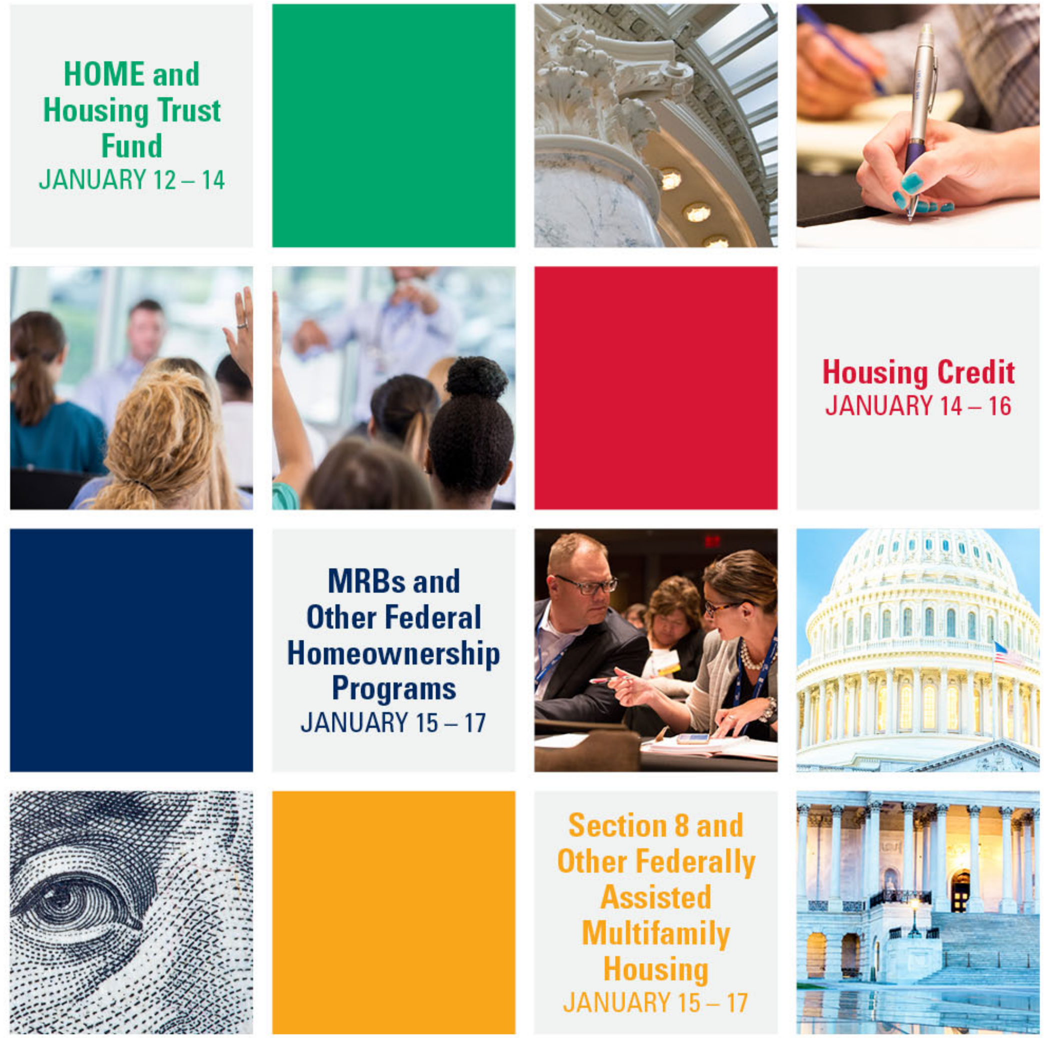
THE HFA INSTITUTE 2020

Combining HOME, Housing Trust Fund, & the Housing Credit

January 14, 2020

NCSHA National Council of State Housing Agencies



Welcome & Introductions

- Sponsored by:
  - HUD's Office of Affordable Housing Programs
  - NCSHA
- Trainer:
  - Steve Lathom, TDA Consulting

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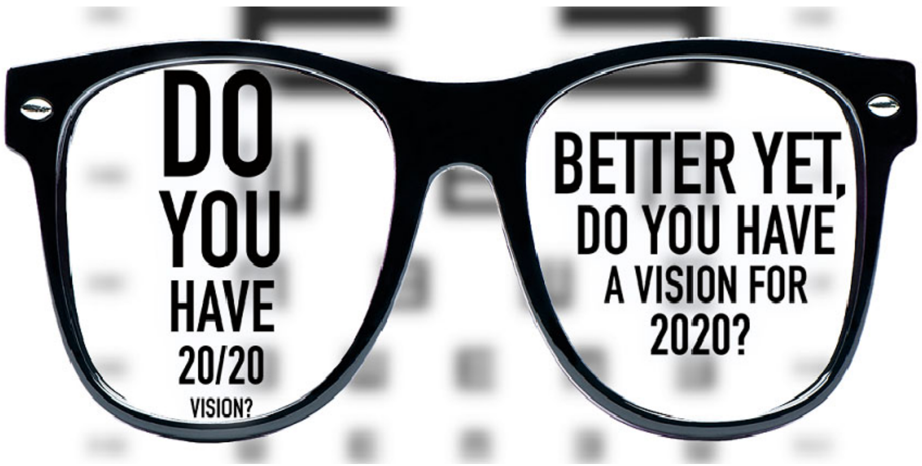
Goals

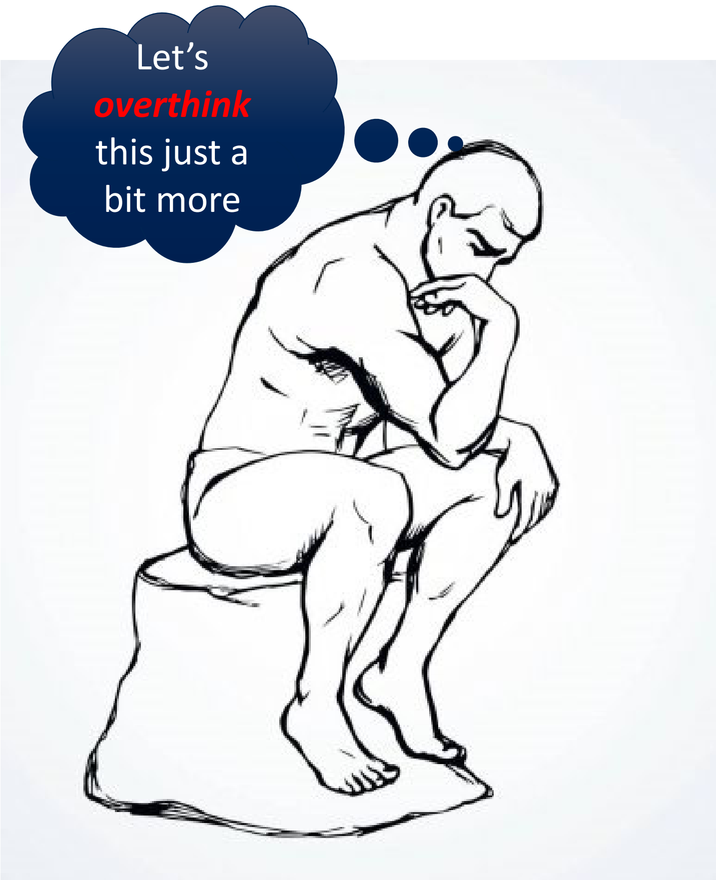


- Recognize key programmatic differences
  - Which are given to us, which have we done to ourselves?
- Reconsider past practices
  - Which add value, which cause trouble?
- Realign our approach
  - Philosophically, strategically, tactically…

More Alike Than Different

- Step back and program goals are largely the same
  - Development of affordable rental housing
  - Customized to state/regional/local needs
  - Data-driven decision making
- Many detail differences are highly technical, often statutory, and (when understood) not a big deal
  - Income/rent limits
  - Student rules
  - Good costs/bad costs

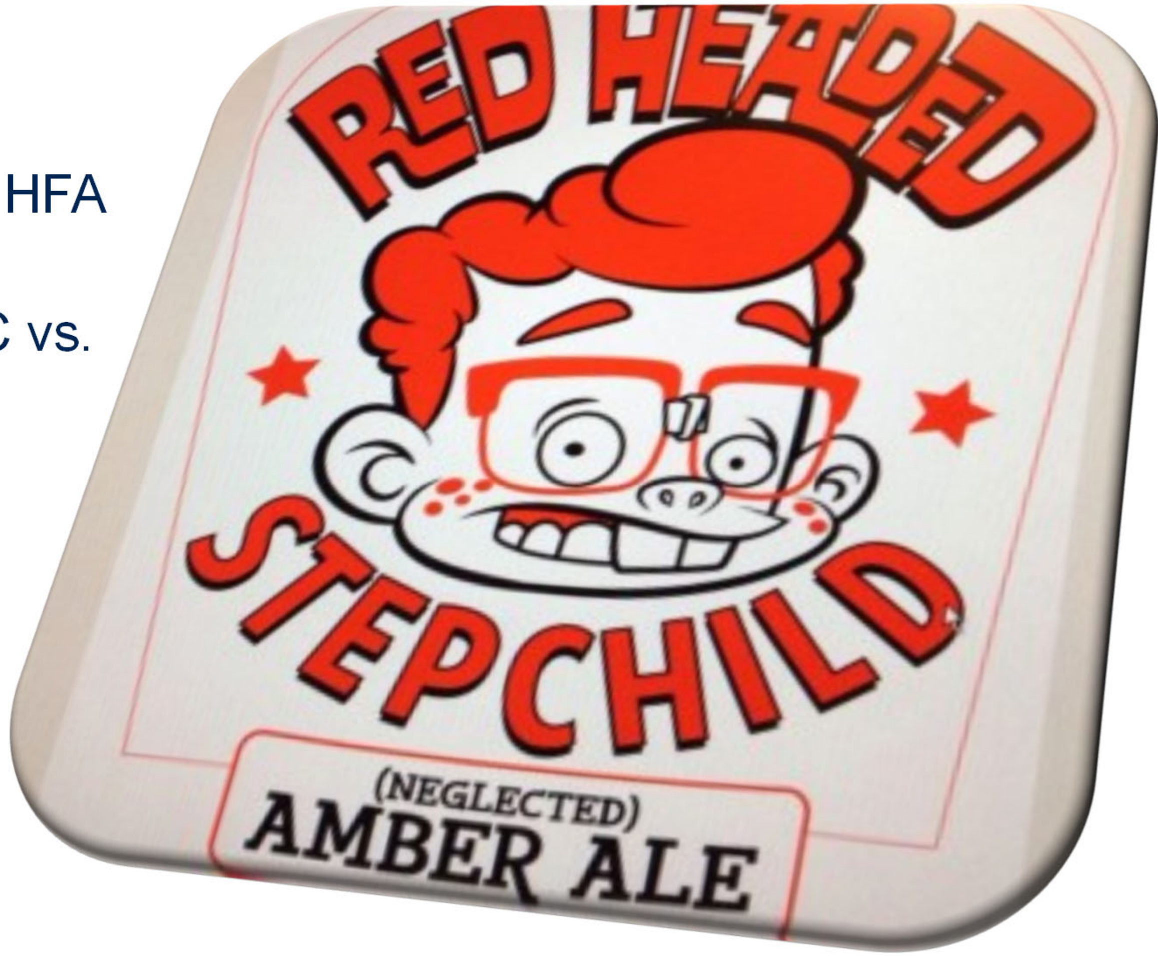
Allocator vs. Direct Funder/Lender



- Difference in risk and responsibility
  - Bad allocation = opportunity cost
  - Bad HOME/HTF = repay HUD
- Result *(I exaggerate, but not entirely)*
  - Allocations – overly deferential to the "private" sector
  - HOME/HTF – more caution in business terms, higher level of ongoing oversight

We Do It Too

- Resources often siloed
  - Among agencies at state level: HFA v. Commerce Dept
  - Within agencies: Distinct LIHTC vs. HOME/HTF divisions



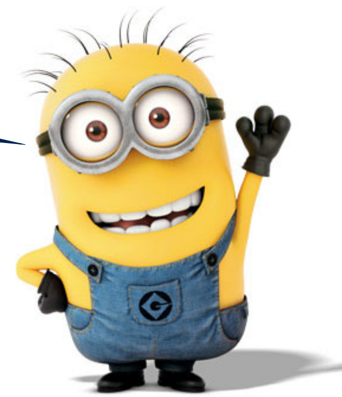
Other Differences

- Applicability of various HUD and cross-cutting requirements
  - Davis Bacon, NEPA, URA, Sec. 3, etc.
- Time frames for reinvestment
  - LIHTC: 15 years
  - HOME: 15/20 years
  - HTF: 30 years
- Income targeting, esp. for HTF

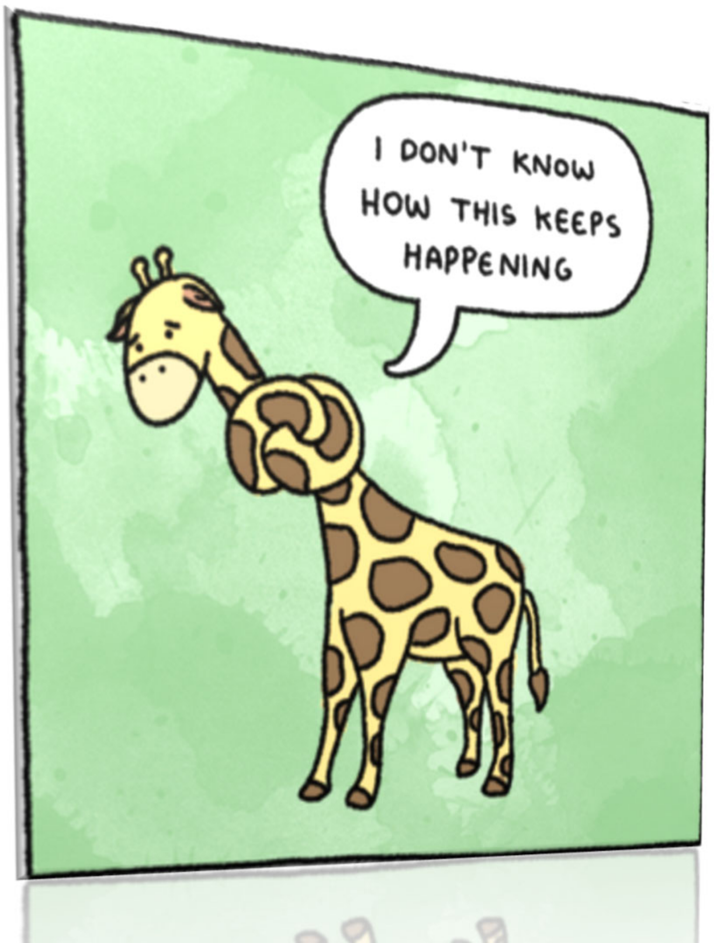
The Result

- Developer preference for one resource over another
  - Not without some reason, but not always compelling
  - Sometimes of our own doing
- Some agencies still struggle to place “less desirable” resources
  - LIHTC v. HOME/HTF
  - 4% v. 9% LIHTC
- Or see demand primarily from “weaker” partners
- Or have to “recruit someone to take it”

Sometimes even state funds



The Cost



- If we fail to place resources
  - Fewer units, less production, unmet need
- If it's harder than it has to be
  - More time and effort
  - Less efficient deployment of resources
    - Few units, less production, unmet need

Resolution for a New Year

- Reconsider and realign
  - Allocator vs. Direct Funder – a false dichotomy?
    - Does the public (or Congress) expect us to treat one resource with less care than another just because we don't "have skin in the game?"
- Broader view, not separate programs but a coordinated whole
  - How can we most effectively deploy ***ALL*** our resources to maximize public benefit?

Not Really So Radical

- Many NCSHA LIHTC best practices already align, for example requiring
  - Reserves stay with the deal (not get used for exit taxes)
  - Waivers of qualified contract (and disincentivizing those not previously waived)
  - Require ongoing operating revenue/expense data
  - VAWA & fair housing implementation and training

Other Opportunities

- More use of “one stop” application processes
  - Allow simultaneous application for LIHTC & gap funding
- Take more control over “best fit” resource decisions
  - Reserve the right to change funding mix, e.g. less credit, add-in gap financing

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With Attention Comes Opportunity

- Not just the here and now
  - More efficient deployment, workflows, etc.
- Our industry is in the national conversation
  - Despite all the other noise
  - Multiple proposals
- Whatever happens, we'll be better prepared to respond quickly & thoughtfully