

THE HFA INSTITUTE 2020

HTF Basics

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National Council of
State Housing Agencies

**HOME and
Housing Trust
Fund**
JANUARY 12 – 14



**MRBs and
Other Federal
Homeownership
Programs**
JANUARY 15 – 17



**Section 8 and
Other Federally
Assisted
Multifamily
Housing**
JANUARY 15 – 17



Housing Credit
JANUARY 14 – 16



Background

HTF is a formula block grant that:

- Provides annual allocations to States
- Increases and preserves rental and homeownership housing for extremely low-income and very low-income families
- Is funded outside the congressional appropriations process (known as a mandatory program)

HTF History

- Created by Housing and Economic Recovery Act (HERA) in July 2008
- Fannie Mae and Freddie Mac (GSEs) contribute portion of unpaid principal balance of total new business purchases to HTF
- Federal Housing Finance Agency suspended contributions due to financial condition of GSEs
 - Suspension lifted for 2015 proceeds
 - HUD made first grants in FY 2016

Program Rules

- HUD published an Interim Program Rule (FR-5246-I-03) on January 30, 2015
- Rule provides guidelines for State implementation of the HTF
- HUD plans to commence final rulemaking process with a formal solicitation of public comment in 2020

Program Participants

- Grantees: 50 States, District of Columbia, Commonwealth of Puerto Rico, 4 insular areas
 - May authorize State-Designated Entity (e.g., state housing finance agency) act as grantee
- Subgrantees: Grantee may subgrant funds to local government to administer program
- Recipients: Owners or developers with demonstrated capacity and experience to undertake projects are eligible to apply for/receive HTF \$

Formula Factors

- Statutory factors measure:
 - Shortage of rental housing affordable to VLI and ELI households
 - ELI renters living in substandard housing
 - VLI renters with severe rent burden
- Construction costs relative to national average acts as multiplier
- Insular areas – this data is not available, so an alternate method determining their relative need is used

FY 2019 Funding & Allocations

- Total made available by GSEs based on their 2018 business originations was \$247,666,778.80
 - Allocated as FY 2019 grants
- 50 States & D.C. guaranteed \$3 million minimum grant
 - Commonwealth of Puerto Rico and & insular areas not guaranteed a minimum grant amount

HTF Allocation Plan

- Submitted as part of the annual action plan in the eCon Planning Suite
- Distribution of HTF funds
 - Subgrantees and/or recipients
- Application requirements & selection criteria for HTF funds
- Field office reviews HTF allocation plan based on review checklist

HOME/HTF Similarities

- Rental and Homebuyer
- Income Targeting
- Affordability
- Property Standards
- Resale/Recapture
- Maximum Rents
- Affirmative Marketing

HOME/HTF Differences

- Deeper income targeting
- No TBRA
- No Homeowner Rehabilitation
- First-time homebuyers only
- No CHDOs/CHDO set-aside
- No Match Requirement
- Operating Cost Subsidies Allowed
- Commitment & Expenditure Deadlines

Other HOME/HTF Differences

- Different Environmental Requirements
 - Environmental review under Part 58 not statutorily permitted for HTF
 - Environmental laws included in property standards
- Fewer Federal cross-cutting requirements for HTF
 - Davis-Bacon
 - Section 104(d)

HTF Structure

Four Eligible Activities

Acquisition
New Construction
Reconstruction
Rehabilitation

Two Tenure Types

Homeownership
Rental

Two Program Types

Homebuyer
Rental

Required Use of Funds

- Rental Housing: At least 80% of each grant must be used for rental housing
- Homebuyer Housing: Up to 10% may be used for first-time homebuyers
- Administration: Up to 10% may be used for administrative and planning costs

Eligible Costs

- HTF funds may be used to pay:
 - Development hard costs
 - Refinancing costs
 - Acquisition costs
 - Project-related soft costs
 - Relocation costs
 - Operating cost assistance and operating cost reserves

Income Targeting

- Depends on amount of HTF funds made available by GSEs
- HTF Funds < \$1 billion:
 - 100% for households at or below greater of:
 - ELI Income Limit ($\leq 30\%$ of AMI)
 - Federal Poverty Line
- HTF Funds > \$1 billion:
 - At least 75% for households at or below greater of ELI income limit or Federal Poverty Line
 - Up to 25% of grant for VLI households (< 50% of AMI)

Affordability

- 30-year period of affordability for all projects irrespective of HTF investment
 - Projects must meet affordability for required period or funds must be repaid
- HUD posts maximum rent and income limits annually
- Homebuyer projects require resale or recapture

Property Standards

All HTF-assisted properties must meet established property standards at project completion and must be maintained for the period of affordability.

Rehabilitation Standards

- If a State intends to use HTF funds for housing rehabilitation, the allocation plan must include rehabilitation standards
- Standards must contain adequate detail to determine the required scope of work
- Standards need to include method and materials standards

Rehabilitation Standards (cont.)

- Standards must include:
 - Health and Safety
 - Major systems
 - Lead Based Paint
 - Accessibility
 - Disaster Mitigation
 - Include State and Local Codes, Ordinances, and Zoning
 - UPCS Inspectable items

Useful Life of Major Systems

- Rental
 - Standards are required to estimate the remaining useful life of all major systems
 - Capital Needs Assessment required if 26 or more units for multifamily
 - Replacement reserves must be established to cover projected repairs or replacements during the period of affordability
- Homebuyer
 - Standards must require a minimum remaining useful life of 5 years for major systems or they must be repaired or replaced

HTF Maximum per-unit Subsidy

- HTF grantees must establish maximum per unit subsidies – most States use the HOME limits
- Must be reasonable and based on actual costs for non-luxury housing
- Per-unit subsidy limits are submitted annually as part of the HTF Allocation Plan
- Subsidy limits must be adjusted based on number of bedrooms and geographic location
- Limit based on total development cost including non-HTF sources and include costs to meet all HTF program requirements

Rental Housing Requirements

- **Income targeting** – Currently households at or below greater of: ELI Limit ($\leq 30\%$ of AMI) or Federal Poverty Line
- **Affordability** – HTF rent limitations apply for 30-year period
- **Property standards** – at completion & ongoing

Rental Housing Requirements

- Tenant selection requirements
 - Waiting lists
- Can be targeted to specific populations
 - Must be included in written agreement and HTF Allocation Plan/Con Plan
 - Preferences cannot violate nondiscrimination requirements
- Prohibited lease terms

Assistance for Operating Costs

- Up to 1/3 of HTF grant may be used for operating cost assistance or reserve
- Only to HTF units in a project
- Operating Costs include insurance, utilities, real property taxes, and maintenance and scheduled payments to replacement reserves for major systems (based on useful life)
 - Do not include debt service and property management costs
- Only for HTF projects that do not receive project-based rental subsidy
- Can be in addition to initial operating deficit reserve

Homebuyer Assistance

- Projects include new construction, acquisition/rehab, or direct assistance to homebuyers
- Limited to first-time homebuyers
 - Must use as principal residence
 - Housing counseling is required before purchase
- Resale/recapture requirements apply
- No grantees are currently undertaking homebuyer activities with HTF

HTF Timeliness Requirements

- 24-month commitment requirement- statutory
 - Funds must be committed through binding written agreement
- 5-year expenditure requirement - regulatory
- These are “grant-specific” requirements
- HUD must deobligate funds not committed/expended timely and reallocate by formula
- Grant fund do not expire - non-appropriated funds
- Deadline tracking reports are available in IDIS and monthly reports are posted online by HUD

Resources

- HTF Interim Rule

<https://www.hudexchange.info/resource/4406/housing-trust-fund-interim-rule/>

- HUD Exchange HTF Landing page

<https://www.hudexchange.info/programs/htf/>

- Notice CPD-19-01: Guidance on Submitting Consolidated Plans and Annual Action Plans for FY 2019

<https://www.hudexchange.info/resource/5797/notice-cpd-1901-guidance-on-submitting-consolidated-plans-and-annual-action-plans-for-fy-2019/>

- HTF FAQs

<https://www.hudexchange.info/htf/faqs/>