

National Housing Trust Fund Tennessee

Community Programs Division
Tennessee Housing Development Agency

September, 2017

Highlights

- \$3 MILLION FOR TENNESSEE IN 2016 FUNDS
- THDA WILL RESERVE UP TO 10% OF THE ALLOCATION FOR ADMINISTRATIVE COSTS
- ACQUISITION, NEW CONSTRUCTION OR REHABILITATION OF AFFORDABLE RENTAL HOUSING
- EXTREMELY LOW INCOME; <30% AMI OR POVERTY
- 30 YEAR AFFORDABILITY PERIOD
- MUST BE ORGANIZED OR LICENSED TO OPERATE IN TENNESSEE

Background

HOUSING AND ECONOMIC RECOVERY ACT OF 2008 (HERA)
ESTABLISHED THE NATIONAL HOUSING TRUST FUND (HTF)

- ADMINISTERED BY HUD
- GRANTED TO DESIGNATED STATE ENTITIES
- FUNDED FROM FEES ON FANNIE MAE AND FREDDIE MAC TRANSACTIONS
- 2016 IS THE FIRST ALLOCATION YEAR FUNDS ARE AVAILABLE

2016 Program Description Grant Round

- APPLICATIONS FOR THE NHTF PROGRAM MUST BE RECEIVED BY THDA ON OR BEFORE 4:00 PM CST ON FRIDAY, DECEMBER 15, 2017
- THDA ANTICIPATES NOTIFYING SUCCESSFUL APPLICANTS BY MARCH 31, 2018
- NHTF GRANT AGREEMENTS WILL BEGIN ON MAY 1, 2018 AND WILL END ON APRIL 30, 2021.

General Requirements

- INCOME RESTRICTED AT 30% < OF AMI OR FEDERAL POVERTY GUIDELINE
- RENTS RESTRICTED TO BE AFFORDABLE AT 30% OF AMI (HUD)
- 30 YEAR AFFORDABILITY PERIOD
- ONGOING MONITORING FOR PROPERTY CONDITION AND COMPLIANCE
- NO MATCH REQUIRED
- DAVIS BACON REQUIREMENTS DO NOT APPLY
- ENVIRONMENTAL REVIEW: SIMILAR TO HUD PART 58, BUT A SEPARATE PROCESS
- MAXIMUM PER-UNIT SUBSIDY WILL FOLLOW HOME PROGRAM LIMITS

General Requirements

Cont;

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- UNDERWRITING REQUIRED TO DETERMINE APPROPRIATE LEVEL OF SUBSIDY
 - NEW CONSTRUCTION: MUST BE BUILT TO CODE AND DESIGN STANDARD
 - ENERGY EFFICIENCY: MUST MEET MINIMUM EFFICIENCY STANDARDS
 - ACCESSIBILITY AND VISITABILITY PER PROGRAM DESCRIPTION:
 - LEAD BASED PAINT HAZARD REQUIREMENTS – FOR REHAB BUILT PRIOR TO 1978
 - TENANT PROTECTIONS: LEASE REQUIRED, PROHIBITED LEASE TERMS, TERMINATION ONLY FOR CAUSE
 - FAIR HOUSING, ADA AND OTHER APPLICABLE LAWS APPLY

Eligible Applicants

FOR-PROFIT OR NON-PROFIT DEVELOPERS PUBLIC HOUSING AUTHORITIES

- DEMONSTRATE FINANCIAL CAPACITY FOR THE PROJECT
- MINIMUM 2 YEARS EXPERIENCE WITH AFFORDABLE RENTAL HOUSING DEVELOPMENT
- DEMONSTRATE FINANCIAL VIABILITY THROUGHOUT THE 30 YEAR AFFORDABILITY PERIOD
- CAPACITY TO DEVELOP AND MANAGE RENTAL HOUSING IN COMPLIANCE WITH PROGRAM REQUIREMENTS

Some Likely Applicants

EXPERIENCE AND CAPACITY ARE VITAL QUALIFICATIONS FOR THE NHTF PROGRAM

- PRIVATE DEVELOPERS WITH EXPERIENCE USING THE LOW INCOME HOUSING TAX CREDIT (LIHTC) AND/OR OTHER COMPLEX PROGRAMS
- COMMUNITY HOUSING DEVELOPMENT ORGANIZATIONS (CHDO's) WITH EXPERIENCE USING HOME AND/OR LIHTC PROGRAMS
- NON-PROFIT ORGANIZATIONS WITH EXPERIENCE DEVELOPING 811 OR 202 PROJECTS OR SIMILAR, OR OTHER LOW INCOME RENTAL HOUSING PROJECTS
- PUBLIC HOUSING AUTHORITIES WITH EXPERIENCE USING LIHTC, CHOICE NEIGHBORHOODS OR OTHER COMPLEX PROGRAMS OR ARE IN A RAD CONVERSION.

PHA's

PHA'S CAN USE HTF FOR NEW CONSTRUCTION OR REHABILITATION OF PUBLIC HOUSING ONLY:

- AS PART OF THE CHOICE NEIGHBORHOODS PROGRAM
- WHERE UNITS WILL BE CONVERTED UNDER THE RAD PROGRAM
- **NOTE: A PHA MAY USE HTF FUNDS TO DEVELOP AFFORDABLE HOUSING IN A PROJECT CONTAINING PUBLIC HOUSING UNITS, IF THE HTF FUNDS ARE NOT USED IN THOSE UNITS**

Grant Funding

MINIMUM GRANT: \$250,000

MAXIMUM GRANT: \$750,000

- GRANTS AWARDED THROUGH COMPETITIVE APPLICATION PROCESS
- APPLICATIONS SCORED BY THREE GRAND DIVISIONS
- HIGHEST RANKING QUALIFIED APPLICATION IN EACH DIVISION AWARDED
- IF FUNDS AVAILABLE REMAINING APPLICATIONS RANKED BY SCORE
- THDA RESERVES THE RIGHT TO LIMIT AWARDS TO ONE PER COUNTY

Affordability

UNITS ASSISTED WITH HTF FUNDS MUST REMAIN AFFORDABLE FOR 30 YEARS AFTER COMPLETION

- LONGER THAN MANY PROGRAMS
- REQUIRES CAREFUL EVALUATION OF THE PROJECT'S FINANCIAL VIABILITY
- WILL INCLUDE ANNUAL REPORTING AND REGULAR, PERIODIC INSPECTIONS AND FILE REVIEW (MONITORING)
- REQUIRES SKILLED MANAGEMENT TO SUCCEED
 - CAREFUL TENANT SELECTION
 - STRONG MANAGEMENT TEAM
 - BUDGETING FOR THE LONG HAUL (COMPLETION OF 30 YEAR PROFORMA)

Eligible Activities

PRODUCE OR PRESERVE AFFORDABLE, PERMANENT RENTAL HOUSING TO ADDRESS THE NEEDS OF EXTREMELY LOW-INCOME HOUSEHOLDS

- NEW CONSTRUCTION OF RENTAL HOUSING UNITS.
- ACQUISITION AND/OR REHABILITATION OF EXISTING RENTAL HOUSING UNITS.
- FUNDING OF AN OPERATING COST RESERVE ASSOCIATED WITH THE NEW CONSTRUCTION OR ACQUISITION AND REHABILITATION OF HOUSING ASSISTED WITH NHTF FUNDS

Ineligible Activities

- PROVIDING TENANT-BASED RENTAL ASSISTANCE
- ASSISTING OR DEVELOPING EMERGENCY SHELTERS, NURSING HOMES, HOSPITALS, TREATMENT OR CORRECTIONAL FACILITIES OR DORMS.
- PROVIDING ANY FORM OF HOUSING THAT IS CONSIDERED SHORT TERM OR TRANSITIONAL
- PROVIDING NHTF ASSISTANCE TO RENTAL UNITS THAT REQUIRE RECONSTRUCTION
- USING NHTF FUNDS TO REFINANCE EXISTING DEBT

Ineligible Activities

Cont;

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- PROVIDING NON-FEDERAL MATCHING CONTRIBUTIONS REQUIRED UNDER ANY OTHER FEDERAL PROGRAM
 - USING NHTF FUNDS FOR POLITICAL ACTIVITIES; ADVOCACY; LOBBYING, WHETHER DIRECTLY OR THROUGH OTHER PARTIES; COUNSELING SERVICES; TRAVEL EXPENSES; AND PREPARING OR PROVIDING ADVICE ON TAX RETURNS.
 - PAYING FOR ANY COST THAT IS NOT ELIGIBLE UNDER 24 CFR 92.730 THROUGH 93.200
 - OTHER USES PROHIBITED BY THDA'S PROGRAM DESCRIPTION

Level of Subsidy

THE INVESTMENT OF NHTF FUNDS MUST CONFORM TO THE FOLLOWING MINIMUM AND MAXIMUM STANDARDS PER UNIT:

- MINIMUM NHTF FUNDS: \$1,000 PER UNIT
- MAXIMUM NHTF FUNDS PER UNIT:
 - \$58,378 0-BEDROOM (EFFICIENCY) LIMIT
 - \$66,923 1-BEDROOM LIMIT
 - \$81,377 2-BEDROOM LIMIT
 - \$105,276 3-BEDROOM LIMIT
 - \$115,560 4-BEDROOM LIMIT

Eligible Costs

FUNDS FROM THE NHTF AWARD MAY ONLY BE EXPENDED FOR ELIGIBLE COSTS.

- ACQUISITION OF REAL PROPERTY
- SITE IMPROVEMENTS
- CONVERSION FROM OTHER USES
- DEMOLITION
- NEW CONSTRUCTION
- REHABILITATION
- APPROVED PROJECT SOFT COSTS
- OTHER REASONABLE COSTS AS APPROVED

Layering

LAYERING IS THE COMBINATION OF GOVERNMENT RESOURCES ON A NHTF-ASSISTED PROJECT.

- THDA WILL REVIEW EACH PROJECT TO ENSURE THAT ONLY THE MINIMUM AMOUNT OF NHTF ASSISTANCE NEEDED IS ALLOCATED TO THE PROJECT
- TOTAL NHTF RESOURCES ALLOCATED TO ANY PROJECT CANNOT EXCEED THE CURRENT MAXIMUM PER UNIT SUBSIDY LIMIT

Possible Projects

- MULTI-FAMILY RENTAL DEVELOPMENT (TYPICALLY LIHTC) WITH A SMALL NUMBER OF HTF UNITS RESERVED FOR ELI
 - IF/WHEN INCOME INCREASES, A DIFFERENT UNIT WOULD BE DESIGNATED AS THE HTF UNIT (IF 'FLOATING')
- TARGETED SPECIAL NEEDS HOUSING WHERE SUPPORTIVE SERVICES ARE CRITICAL AND AVAILABLE (BUT NOT REQUIRED)
 - MAY REQUIRE 'INTERNAL' SUBSIDY OR OTHER SOURCES OF OPERATING FUNDS TO BE VIABLE

Possible Projects

Cont;

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- RENTAL (NOT TRANSITIONAL) HOUSING FOR HOMELESS FAMILIES AND INDIVIDUALS
 - COULD BE LIMITED # OF HOMELESS UNITS IN A LARGER PROPERTY (SUCH AS LIHTC)
 - COULD BE STAND-ALONE PROPERTY OR SCATTERED SITES, BUT MIGHT NEED OTHER RESOURCES TO CASH FLOW
 - COULD WORK WELL WITH SUPPORTIVE HOUSING, OR PERHAPS 811/202.
 - PRESERVE AND REVITALIZE OLDER PROPERTIES WITH PROJECT BASED RENTAL ASSISTANCE (PBRA).

Design Standards

ALL RENTAL HOUSING CONSTRUCTED OR REHABILITATED WITH NHTF FUNDS MUST MEET ALL;

- THDA DESIGN STANDARDS
- APPLICABLE LOCAL, COUNTY AND STATE CODES
- REHABILITATION STANDARDS
- UNIFORM PROPERTY CONDITION STANDARDS (UPCS)
- ALL ZONING ORDINANCES

NHTF Only??

FUNDING A DEVELOPMENT WITH ONLY HTF FUNDS WOULD BE POSSIBLE BUT VERY DIFFICULT

- DEEP RENT LIMITS – 30% OF AMI OR POVERTY
- INCREASING OPERATING EXPENSES OVER TIME
- PROPERTY MUST CASH FLOW FOR 30 YEARS
- BEST SCENARIOS WILL INVOLVE LAYERS OF FUNDING WITH DIFFERENT INCOME LIMITS, OR.....
- OTHER SOURCES OF REVENUE TO SUPPORT OPERATIONS

Managing Risk

BIGGEST RISK: 30 YEAR AFFORDABILITY PERIOD FOR ELI

FAILURE TO MANAGE RISK MAY RESULT IN POTENTIAL FOR REPAYMENT OF FUNDS

- CANNOT INVEST MORE HTF AFTER COMPLETION
- AVOIDING AND MANAGING THE RISK
 - **STRONG DEVELOPMENT TEAM WITH EXPERIENCE**
 - **LAYERING OTHER FINANCING TO REDUCE EXPOSURE**
 - **MIX OF INCOME/RENT RESTRICTIONS**
 - **CAREFUL, ACCURATE ASSESSMENT OF MARKET**

Other Requirements

IN ADDITION TO THE GENERAL REQUIREMENTS ALL PROJECTS MUST ALSO MEET OTHER FEDERAL REQUIREMENTS

- UNIFORM RELOCATION ACT
- 2 CFR 200 (UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPALS, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS)
- AFFIRMATIVE FAIR HOUSING MARKETING
- CONFLICT OF INTEREST
- MBE/WBE REPORTING
- FFATA (FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT)
- OTHERS AS IDENTIFIED

Application

THDA WILL EVALUATE EACH APPLICATION TO DETERMINE IF THE PROPOSAL MEETS THRESHOLD CRITERIA.

- SUBMISSION OF AN ELIGIBLE APPLICATION
- UPLOAD OF REQUIRED DOCUMENTS INTO THDA'S PIMS SYSTEM (NON-PROFITS) ONLY
- PROPOSAL OF AN ELIGIBLE ACTIVITY
- SUBMISSION OF A 30 YEAR PROFORMA DEMONSTRATING FINANCIAL FEASIBILITY
- PROPOSALS THAT WILL SET-ASIDE MORE THAN 20% OF THE UNITS FOR INDIVIDUALS WITH DISABILITIES MUST DEMONSTRATE THAT THE PROJECT WILL MEET THE QUALITIES OF SETTINGS THAT ARE ELIGIBLE FOR REIMBURSEMENT UNDER THE MEDICAID HOME AND COMMUNITY-BASED SERVICES

Submission Instructions

APPLICATIONS WILL BE AVAILABLE ONLINE AT:
THDA.ORG/BUSINESS-PARTNERS/NHTF

- APPLICATIONS WILL BE AVAILABLE BY 9/22/2017
- ONE ORIGINAL APPLICATION AND ALL REQUIRED SUPPORTING DOCUMENTS MUST BE PHYSICALLY RECEIVED IN OUR OFFICE NO LATER THAN 4:00PM DECEMBER 15, 2017. APPLICATIONS RECEIVED LATE WILL NOT BE CONSIDERED
- FAXED OR EMAILED APPLICATIONS WILL NOT BE ACCEPTED
- NO COVER PAGES OR BINDERS

PIMS

NON-PROFIT ORGANIZATIONS ONLY!

- NON-PROFIT ORGANIZATIONS WILL BE REQUIRED TO UP LOAD CERTAIN SUPPORTING DOCUMENTATION TO THDA'S PARTICIPANT INFORMATION MANAGEMENT SYSTEM (PIMS)
- PIMS WILL BE USED BY NON-PROFIT APPLICANTS ONLY

Proforma

ALL APPLICATIONS MUST INCLUDE A 30 YEAR CASH FLOW PROFORMA

- A TEMPLATE IS PROVIDED WITH THE APPLICATION PACKAGE FOR THE 30 YEAR PROFORMA
- THE PROFORMA MUST BE COMPLETED AND DEMONSTRATE THAT THE PROJECT WILL BE FINANCIALLY FEASIBLE FOR THE ENTIRE 30 AFFORDABILITY PERIOD

Application Scoring

NHTF RENTAL HOUSING SCORING MATRIX UP TO 100 POINTS

- PROJECT DESIGN - UP TO 30 POINTS
- APPLICANT'S CAPACITY AND EXPERIENCE - UP TO 30 POINTS
- NEED - UP TO 15 POINTS
- AREAS OF OPPORTUNITY SCORE - UP TO 15 POINTS
- LEVERAGE - UP TO 10 POINTS

Project Design

UP TO 30 POINTS AVAILABLE

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- DEMONSTRATES EXCEPTIONAL PLANNING, READINESS AND CAPABILITY – APPLICANT HAS SITE CONTROL
 - FIRM FINANCIAL COMMITMENTS FOR NON-NHTF RESOURCES
 - PROJECTS WITH EXISTING OR COMMITTED PBA PREFERRED
 - DEMONSTRATES SUFFICIENT CASH FLOW WITHOUT USING NHTF OPERATING RESERVES
 - PROJECT MEETS NEEDS OF TARGETED POPULATION
 - PROJECT INTEGRATES NHTF ASSISTED HOUSEHOLDS WITH HIGHER INCOME HOUSEHOLDS
 - UNIVERSAL DESIGN AND VISITABILITY AND ENERGY EFFICIENT

Capacity and Experience

UP TO 30 POINTS AVAILABLE

- MINIMUM 2 YEARS EXPERIENCE DEVELOPING, MANAGING AND OWNING AFFORDABLE RENTAL UNITS/PROJECTS
- CAPACITY OF THE MANAGEMENT AND DEVELOPMENT TEAM
- PAST EXPERIENCE WITH COMPLIANCE OF FEDERAL, STATE AND LOCAL PROGRAM, REQUIREMENTS
- PAST EXPERIENCE IN DEVELOPING AND MANAGING THDA RENTAL PROJECTS
- PAST EXPERIENCE COMPLYING WITH THDA FUNDING REQUIREMENTS AND PROCESSES
- FINANCIAL STATEMENTS AND ANNUAL AUDIT INDICATE SOUND FINANCIAL HEALTH AND DIVERSE FUNDING SOURCES

Need Score

UP TO 15 POINTS AVAILABLE

THDA HAS DETERMINED RENTAL HOUSING NEED FACTORS FOR HOUSEHOLDS WHO ARE EXTREMELY LOW INCOME

- THE COUNTY NEED FACTORS ARE THE PERCENTAGE OF EXTREMELY LOW INCOME TENANT HOUSEHOLDS THAT ARE COST BURDENED
 - PROJECTED 10-YEAR POPULATION GROWTH RATE
 - COUNTY'S PROJECTED 10-YEAR POP. GROWTH AS A % OF TN'S OVERALL GROWTH
 - PRIOR ALLOCATION AMOUNT PER EXTREMELY LOW INCOME HOUSEHOLD
 - PRIOR ALLOCATION
 - RENTAL MARKET (LIHTC) VACANCY RATE, AND THE PIPELINE OF RENTAL HOUSING FINANCED UNDER THE LOW INCOME HOUSING TAX CREDIT PROGRAM UNDER CONSTRUCTION AND IN LEASE-UP

Opportunity Score

UP TO 15 POINTS AVAILABLE

THDA HAS DETERMINED FACTORS WHICH INDICATE CENSUS TRACTS OF HIGH OPPORTUNITY.

- AREAS OF HIGH MEDIAN GROSS RENT
- HIGH COST BURDEN
- PROXIMITY TO EMPLOYMENT
- PRIOR ALLOCATION
- HIGH WORKFORCE PARTICIPATION
- LOW LEVELS OF ABANDONED HOUSING
- RENTAL MARKET (LIHTC) VACANCY RATE
- PIPELINE OF RENTAL HOUSING FINANCED UNDER THE LOW INCOME HOUSING TAX CREDIT PROGRAM UNDER CONSTRUCTION AND IN LEASE-UP

Leverage

UP TO 10 POINTS AVAILABLE

THDA MAY AWARD UP TO 10 POINTS TO APPLICATIONS THAT INCLUDE THE USE OF NON-THDA RESOURCES TOWARDS THE DEVELOPMENT COSTS OF THE PROJECT.

- RENTAL ASSISTANCE AND PERMANENT FINANCING RESOURCES WILL NOT BE CONSIDERED
- PERCENTAGE OF NON-THDA RESOURCES IN THE PROJECT AGAINST THE TOTAL DEVELOPMENT COST
- THERE MUST BE WRITTEN DOCUMENTATION IN THE APPLICATION SUPPORTING THE CONTRIBUTION OF THE NON-THDA LEVERAGED FUNDS TO THE PROJECT

Application Deadline

December 15, 2017

4:00 PM CST

Late applications will not be evaluated



Contact THDA

- Community Programs staff can answer your questions about the NHTF application until the December 15, 2017 submission deadline
 - **Bill Lord: 615-815-2018**
 - **Craig Stevens: 615-815-2035**
 - **Roni Hagy: 615-815-2040**

Call us or schedule a meeting!



Program Guidance

- 2016 PROGRAM DESCRIPTION: [HTTPS://THDA.ORG/BUSINESS-PARTNERS/NHTF](https://thda.org/business-partners/nhtf)
- INTERIM RULE:
[HTTPS://WWW.HUDEXCHANGE.INFO/RESOURCE/4406/HOUSING-TRUST-FUND-INTERIM-RULE/](https://www.hudexchange.info/resource/4406/housing-trust-fund-interim-rule/)
- ADDITIONAL GUIDANCE AND RESOURCES:
[HTTPS://WWW.HUDEXCHANGE.INFO/PROGRAMS/HTF/](https://www.hudexchange.info/programs/htf/)

Questions

