



Department of Commerce

National Housing Trust Fund 2016 Draft Allocation Plan

September 1, 2016, Update

Department of Commerce (Commerce) opened a public comment period (August 15-September 14, 2016), seeking comments regarding its National Housing Trust Fund (NHTF) 2016 Allocation Plan, as integrated in the “Draft Amended 5-Year Consolidated Plan” and the “Draft Amended 2016 Action Plan,” which were posted at <http://www.commerce.wa.gov/serving-communities/current-opportunities/community-development-block-grants/cdbg-consolidated-plan-action-plan/>.

Commerce received comments during the public comment period that information pertaining to the NHTF plan was difficult to locate within the “Draft Amended 5-Year Consolidated Plan” and the “Draft Amended 2016 Action Plan.”

Since the U.S. Department of Housing and Urban Development (HUD) IDIS system is not yet upgraded to allow the submittal of an NHTF Allocation Plan, Commerce submitted the draft Allocation Plan (attached) to HUD on August 11, 2016. Most of this information is already included in the “Draft Amended 5-Year Consolidated Plan” and the “Draft Amended 2016 Action Plan” that were posted for public comment.

HUD is in the process of reviewing the draft Allocation Plan and will provide comments to Commerce within 45 days from the submittal date. Based on HUD’s comments and recommendations, as well as comments received from the public during the public comment period, Commerce will update the Allocation Plan and submit it to HUD for their final review and approval. Depending on the nature of the updates or revisions, Commerce may decide to extend or hold an additional public comment period. Please visit our [website](#) regularly for updates.

For questions, please contact Nathan Peppin at Nathan.Peppin@commerce.wa.gov or (360) 725-2983.



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Submitted to U.S.
Department of Housing
and Urban Development
on August 11, 2016

Washington State 2016 Housing Trust Fund Allocation Plan

Overview

The National Housing Trust Fund (NHTF) is a new federal affordable housing production program that will complement existing federal, state, and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low- and very low-income households, including homeless families and individuals. The NHTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131 (Public Law 110-289). On December 4, 2009, the U.S. Department of Housing and Urban Development (HUD) published a proposed rule (FR-5246-P-01) for public comment on the formula to be used to allocate NHTF funds. The proposed NHTF program rule (FR-5246-P-02) was published on October 29, 2010, for public comment on the regulations that will govern the NHTF. On January 30, 2015, HUD published an interim rule (FR-5246-I-03 and at 24 CFR Parts 91 and 93), which provides the guidelines for states to implement the NHTF.

The State of Washington has selected its Washington State Department of Commerce (Commerce) as the State Designated Entity (SDE) to administer the NHTF program.

Funding for the NHTF comes from an assessment on loans made by Freddie Mac and Fannie Mae. Total funding for the first year (2016) of NHTF is \$173,591,160. The State of Washington will receive \$3,243,721.

Program Requirements

HUD plans to issue a final rule for the NHTF after states have had experience administering the program and are able to offer comments regarding the initial implementation. The first year of the program is crucial in demonstrating states' ability to effectively use this new funding source. HUD expects to issue their NHTF program guidance in the spring of 2016.

The interim NHTF regulations are modeled on the HOME Program, but there are several key differences. Most importantly, NHTF has deeper income targeting, lower rent requirements, and a longer minimum affordability period. For years when total NHTF funding exceeds \$1 billion, at least 75% of states' allocations must benefit extremely low income households (ELI <30% AMI) or households with incomes below federal poverty level (whichever is greater), and the remaining 25% must benefit very low income households (VLI <50% AMI); for years when total funding is less than \$1 billion, 100% of states' allocations must benefit ELI households. The



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rents for NHTF designated units in an assisted project are capped at 30% of 30% AMI or 30% of poverty level, whichever is greater, for units occupied by ELI households, and 30% of 50% AMI for VLI households. The minimum required NHTF affordability period is 30 years for units in all assisted projects, compared with 5-20 years for HOME.

HTF Funding Priorities-§ 91.320(k)(5)(i)

The State is responsible for distributing HTF funds throughout the State according to its housing priority needs. In addition to revising the **AP- 30 Method of Distribution** screen in IDIS, the State must respond to the following questions.

1. Will the State distribute HTF funds through grants to subgrantees? If yes, describe the method for distributing HTF funds through grants to subgrantees and how the State will make those funds available to units of general local governments. If no, state N/A.

Response: N/A

2. Will the State distribute HTF funds by selecting applications submitted by eligible recipients? If yes, describe the eligibility requirements for applicants as defined in §93.2- definition of recipient. If no, state N/A.

Response: NHTF funds will be utilized for new construction of rental housing and awarded annually through a competitive application process simultaneous with the State's Housing Trust Fund (HTF). The Notice of Funds Available (NOFA) and application instructions will be broadly distributed via email and posted on the HTF website at:

<http://www.commerce.wa.gov/building-infrastructure/housing/housing-trust-fund/applying-to-the-housing-trust-fund/>.

A variety of criteria are applied in selecting projects for funding. Criteria are applied collectively and are not individually weighted. Evaluation criteria include, but are not limited to:

- Soundness of concept - overall design, location, demonstrated need, target population, and availability of appropriate services if applicable
- Financial feasibility - reasonableness of cost, leverage of other funds, availability of project-based rental assistance.
- Long term viability - ability to support ongoing operations and maintenance costs for the duration of the affordability period (minimum 30 years)
- Organizational capacity - experience with type of project and target population, performance of existing projects in portfolio, financial capacity
- Readiness to proceed - commitment of funds, site control, land use/permitting issues, local support
- Geographic distribution - equitable distribution to rural and other underserved areas

Only eligible NHTF applicants can apply for NHTF resources within the HTF application cycles. Eligible applicants include local governments, local housing authorities; nonprofit



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community or neighborhood based organizations; CHDO's, federally recognized Indian tribes in Washington State; regional support networks established under RCW Chapter 71.24, and regional or statewide nonprofit housing assistance organizations.

A number of thresholds are required during the application process that include: architectural plans; an affirmative marketing plan; evidence of site control; project schedule; construction cost estimates, project development budget; operating pro forma; financing documentation; development capacity information; and other information (all of which is noted within the HTF application as mentioned above).

The maximum award per project is \$3 million. A waiver of the per project limit may be requested.

NHTF resources, combined with HTF, LIHTCs, and other funding sources will create additional affordable rental housing throughout the state. These additional units will serve extremely low income persons at or below 30% of the Area Median Income.

3. Will the State distribute HTF funds by selecting application submitted by eligible recipients? If yes, describe all the criteria that will be used to select applications and the relative importance of these criteria. At a minimum, as required in §91.320(k)(5)(i), the selection criteria must include:
 - Priority based upon geographic diversity
 - Applicant's ability to obligate HTF funds
 - Applicant's ability to undertake eligible activities in a timely manner
 - For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low-income families
 - For rental housing, the duration of the units' affordability period
 - The merits of the application in meeting the State's priority housing needs (please describe)
 - The extent to which application makes use of non-federal funding sources
 - Other (please describe). Please attach response if you need additional space.

Response: Yes, please see criteria set forth in question 2 above.

Recipient Application Requirements- § 91.320(k)(5)(ii)

1. Will the State require that all recipient applications contain a description of the eligible activities to be conducted with HTF funds as required in § 93.200- Eligible activities?



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Response: Yes.

2. Will the State require that each eligible recipient certify that housing assisted with HTF funds will comply with HTF requirements?

Response: Yes, the state will require each eligible recipient certify in our written agreement that housing assisted with NHTF funds comply with the NHTF requirements.

OTHER REQUIREMENTS

Maximum Per-unit Development Subsidy Amount- § 91.320(k)(5) and § 93.300(a)

The State must establish its own maximum limitations on the total amount of HTF funds that can be invested per-unit for development of non-luxury housing. The limits must be reasonable, based on actual costs, and adjusted for the number of bedrooms and geographic location of the project. The State may choose to develop its own limits or adopt limits used in other federal programs such as HOME or Low-Income Housing Tax Credit and must submit them with its HTF allocation plan. The State must submit a description of how the HTF maximum per-unit development subsidy amounts were established or a description of how existing limits developed for another program and being adopted for HTF meet the HTF requirements.

Indicate below what maximum per-unit development subsidy limits the State will use for its FY 2016 HTF program.

Response: The State will use HOME maximum per unit development subsidy limits located at: <https://www.hudexchange.info/resources/documents/Notice-CPD-15-003-Interim-Policy-on-Maximum-Per-Unit-Subsidy-Limits-for-the-Home-Program.pdf>

For consistency the State will utilize the HOME maximum per-unit development subsidy limits for NHTF to mirror Commerce's HOME rental development program.

Rehabilitation Standards - § 91.320(k)(5)(iv) and § 93.301(b)

If the State intends to use its HTF funds for housing being rehabilitated, it must establish rehabilitation standards that all HTF-assisted housing undergoing rehabilitation must meet at the time of project completion in accordance with § 93.301(b).

Response: The State does not intend to use HTF for rehabilitation of housing.

Resale and/or Recapture Provisions- § 91.320(k)(5)(v) and § 93.304(f)

If the State intends to use HTF funds to assist first-time homebuyers, it must set forth the guidelines for resale or recapture and obtain HUD specific, written approval, as required in §93.304(f).

Response: The State will not use NHTF funds to assist first-time homebuyers

HTF Affordable Homeownership Limits- § 91.320(k)(5)(vi) and § 93.305



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HTF funds may only be invested for the provision of modest housing for homeownership. This means the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the median purchase price for the area for newly constructed or standard housing.

Response: The State does not intend to use NHTF funds for homeownership housing.

State Limited Beneficiaries or Preferences- § 91.320(k)(5)(vii)

The State may limit the beneficiaries or give preferences to a particular segment of the extremely low-income population only if described in the action plan. Any limitation or preference must not violate non-discrimination requirements at § 93.350 and the State must not limit or give preferences to students. The State may also allow rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3), only if such limitation or preference is described in the action plan.

Response: The State will not limit beneficiaries and/or give preferences to any segments of the extremely low-income population.

Refinancing of Existing Debt- § 91.320(k)(5)(viii) and § 93.201(b)

If the State will use HTF funds for refinancing of existing debt, it must establish refinancing guidelines and include them in its consolidated plan. The State's refinancing guidelines must describe the conditions under which it will refinance existing debt.

Response: The State will not permit the refinancing of existing debt.

VII. GRANTEE CERTIFICATIONS

Consistency with plan- The jurisdiction must submit a certification that the housing activities to be undertaken with CDBG, HOME, ESG, and HOPWA funds are consistent with the strategic plan.

NHTF has been included in the Certification please see attached.

VIII. REQUIRED FORMS

In addition to submitting an HTF allocation plan, the State must submit and/or complete the following standard forms for its HTF program.

Please see attached Standard form – 424 and 1199 A.