

# DRAFT



Program Year 2018

# NATIONAL HOUSING TRUST FUND ALLOCATION PLAN

Office of Planning, Preservation and Development | **DRAFT** February 1, 2018

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# 1. Introduction

## 1.1. NHTF Overview

The National Housing Trust Fund (NHTF) was established by Title I of the Housing and Economic Recovery Act of 2008 (HERA), Section 1131 (Public Law 110-289) to increase and preserve rental housing as well as increase homeownership for very low- and extremely low-income families, including those experiencing homelessness, through formula grants to states. HERA authorized Fannie Mae and Freddie Mac (the GSE's) to set aside 4.2 basis points of unpaid principal purchases. 65 percent of those set asides are dedicated to the National Housing Trust Fund while the remaining 35 percent is reserved for the Capital Magnet Fund. Contributions to the NHTF were originally scheduled to begin in FY2010 but suspended following the GSE's conservatorship. In December 2014, the GSEs were instructed to set aside NHTF funds beginning in FY2015.

HERA did not make the labor standards of Davis-Bacon applicable to the NHTF and the U.S. Department of Housing and Urban Development (HUD) did not require Davis-Bacon labor standards in the NHTF Final Rule. The Affirmatively Furthering Fair Housing requirements applicable to HUD funding recipients and all fair housing laws do apply to NHTF activities, including HUD's April 4, 2016, guidance regarding the Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions.

On February 8, 2016, Governor Kasich sent a designation letter to HUD Secretary Julian Castro identifying the Ohio Development Services Agency (ODSA) as Ohio's NHTF administrator and the Ohio Housing Finance Agency (OHFA) as the allocating entity. HUD interpreted this designation to name ODSA as the Grantee and OHFA as the Subgrantee. OHFA will not subgrant any NHTF funds.

The State is required to submit an annual National Housing Trust Fund Allocation Plan; this document serves that purpose. HUD has not yet published the program year 2018 Housing Trust Fund Allocation Notice.

## 1.2. Ohio's NHTF Planning Process

**Original Allocation Plan:** OHFA hosted a NHTF Public Forum on February 25, 2016, to discuss implementing Ohio's expected allocation. The forum was attended by federal, state, and local agencies; advocacy organizations; and members of the development community. Following the Public Forum, OHFA posted an online, open invitation encouraging interested parties to attend three Advisory Group Work Sessions. Held between March and May 2016, these sessions identified and refined the following public objectives for the NHTF: achieving lower rents in Housing Tax Credit properties, allocating dollars to support non-Housing Tax Credit multifamily developments, and preserving existing affordable housing through the leveraging of 4 percent Housing Tax Credits. The Advisory Group did not recommend preferences or limitations to a particular segment of extremely- or very-low income households; accordingly, Ohio does not intend

to limit beneficiaries or give preferences to a particular segment of the extremely low income population in its NHTF program.

With this information, OHFA submitted a draft Allocation Plan for posting to ODSA's website commencing the formal comment period on June 24, 2016. A public forum on the draft Allocation Plan was held on June 21, 2016, and a public hearing was held on June 26, 2016. In response to the feedback received through these public comment opportunities, a final Allocation Plan was completed, revised to incorporate HUD suggestions, and received HUD approval on December 30, 2016.

**Program Year 2018 (PY18) Updates:** This PY18 Allocation Plan builds upon the original allocation plan to implement best practices identified in operations of the NHTF program and to incorporate changes and revisions necessary to comply with the Interim Rule or HUD approval requirements. This PY18 Allocation Plan was released for public comment on February 1, 2018, and was the subject of a Public Hearing on February 20, 2018. The final draft was submitted to HUD for approval on or around April 23, 2018.

Note that all NHTF activities must adhere to the requirements of 24 CFR Part 93; to any extent this Allocation Plan conflicts with that Interim Rule, the Rule shall govern. These guidelines may be subject to change pending developments in federal and state legislative requirements and/or OHFA policy. All awards are contingent upon the availability of funds to OHFA.

Questions concerning the NHTF should be directed to:

Ohio Housing Finance Agency  
Office of Planning, Preservation & Development, 4<sup>th</sup> Floor  
57 East Main Street  
Columbus, Ohio 43215  
[NHTFAllocation@ohiohome.org](mailto:NHTFAllocation@ohiohome.org)  
<http://ohiohome.org/ppd/housingtrust.aspx>

Also See: §93.303(d)(3)

### 1.3. Ohio Consolidated Plan Housing Needs

As a formula block grant, NHTF allocations must be made in accordance with Ohio's Consolidated Plan (ConPlan). ODSA, through a public input process, develops the five-year ConPlan to identify affordable housing and community development needs and implements a framework to address those needs.

As articulated in the ConPlan, the goal of OHFA's Housing Development Assistance Program (HDAP) is "to support the capacity of housing development organizations and to provide financing for eligible housing developments to expand the supply of decent, safe, affordable housing for very low-income to moderate-income persons and

households in the state of Ohio.” HDAP and, through it, NHTF complement and advance the following policy objectives identified in the Program Year 2015-2019 ConPlan:

1. **Homeless and Supportive Housing.** Provide a continuum of housing/services to prevent persons from becoming homeless and rapidly re-housing persons when homelessness does occur.
2. **Housing Preservation and Accessibility.** Provide funding for a flexible, community-wide approach to preserving and making accessible affordable owner and rental housing for low- and moderate-income households by bring the housing unit up to program standards and codes, eliminating hazards and deficiencies in major systems, and reducing maintenance cost.
3. **Creating New Affordable Housing Opportunities.** Provide funding for a flexible, community-wide approach to creating new affordable housing opportunities for low- and moderate-income persons.
4. **Supportive Housing/Fair Housing.** Provide supportive housing services to assist lower-income households with acquiring or maintaining housing.

Also See: 24 CFR §91.101

## 2. Distribution of Funds

### 2.1. Description of Distribution of Funds

As permitted by the Interim Rule, up to 10 percent of the to-be-announced PY18 allocation will be used to offset administrative costs. All programmatic funds will be distributed through OHFA’s existing Housing Development Assistance Program. Subject to applicant demand and qualification, OHFA anticipates the following subcategories of NHTF assistance will be issued through HDAP:

- 60 percent to Bond Gap Financing (BGF).
- 40 percent to Housing Development Gap Financing (HDGF).

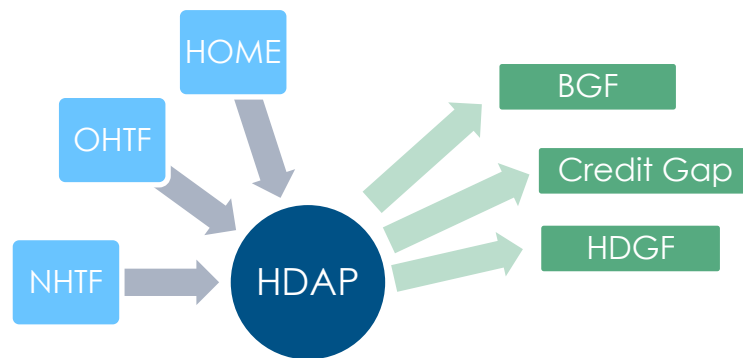
Applicants must meet all eligibility criteria for an HDAP award through the Ohio Housing Trust Fund (OHTF) or HOME program; however, applicants are not required to obtain OHTF or HOME funding in order to qualify for a NHTF award. OHTF/HOME HDAP sections of the application will be scored before NHTF.

HDAP funds are awarded on a competitive basis. Final awards are based upon project need. It is OHFA’s intention that NHTF funds will be used to expand the overall number of housing units available to the Extremely Low Income (ELI) population and to prevent supplantation of existing resources that are already creating ELI units. Therefore, OHFA reserves the right to reject any application that does not appear to contribute to increasing the number of ELI units.

Due to the limited availability of funds, NHTF will be limited to one award per developer and one award per county in Program Year 2018, unless no feasible alternatives exist. Applicants may apply for the following maximum NHTF award amounts:

Program	HOME/OHTF	NHTF Max	Total HDAP Award
<b>BGF</b>	\$1 - \$1,000,000	\$500,000	\$1,500,000
<b>BGF</b>	\$0	\$750,000	\$750,000
<b>HDGF</b>	\$500,000	\$750,000	\$1,250,000

Awarded funds are structured as a deferred loan with payment due on sale. The mandatory rental affordability period and the loan term are 30 years. The interest rate is 0.00%.



If there are insufficient qualifying applications to commit the full NHTF award through BGF or HDGF, any remaining funds will be distributed through the Housing Credit Gap Financing program.

All HDAP funds, including those utilizing NHTF, must receive approval from the OHFA Board.

Also See: §91.220(5)(B), §93.200

## 2.2. Eligible Activities

NHTF funds may be used for the production, preservation, and rehabilitation of affordable rental housing. This specifically includes but may not be limited to new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, financing costs, and relocation expenses of any displaced persons. NHTF funds may only be used for public housing in limited circumstances. See 24 CFR §93.203 for further information.

Due to the limited amount of funding available in the 2018 funding cycle, Ohio’s NHTF funds are not available for operating subsidies or to refinance existing debt secured to rental housing units.

All NHTF activities must meet minimum standards as set forth in the current [HDAP](#)

[Consolidated Program Guidelines](#), the [Multifamily Underwriting and Implementation Guidelines](#), and all other [multifamily program guides](#). Awardees must adhere to the standards set forth in OHFA’s [Uniform Relocation Documents](#) to minimize displacement of residents during rehabilitation activities.

Minimum rehabilitation standards are governed by the [Housing Rehabilitation Handbook Part II](#) as issued by ODSA. This guide includes standards for:

- Health and safety;
- Major systems;
- Lead-Based Paint;
- Accessibility;
- Disaster Mitigation;
- State and local Codes, Ordinances, and Zoning Requirements; and
- Inspectable Areas and Observable Deficiencies from HUD’s Uniform Physical Condition Standards identified by HUD as applicable to NHTF-assisted housing.

NHTF funded housing must meet the accessibility requirements in 24 CFR part 8, which implements section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), and Titles II and III of the Americans with Disabilities Act (42 U.S.C. 12131-12189) implemented at 28 CFR parts 35 and 36, as applicable. For "Covered multifamily dwellings," as defined at 24 CFR 100.201, the housing must meet the design and construction requirements at 24 CFR 100.205, which implements the Fair Housing Act (42 U.S.C. 3601-3619). Note that NHTF funds may be used for improvements that permit use by a person with disabilities, even if they are not required by statute or regulation.

If the remaining useful life of one or more major system is less than the affordability period, NHTF recipients will be required to establish a replacement reserve and make monthly payments to the reserve that are adequate to repair or replace the systems as needed.

Rental housing owners may limit tenants or give a preference in accordance with 24 CFR §93.303(d)(3) only to the extent such a preference complies with all fair housing requirements and is described in the ConPlan.

Also See: §91.220(5)(B-H), §93.200, §93.320(k)(5), §91.301, §93.301(b)(1)(ii)

### 2.3. Maximum Per-Unit Development Subsidy

NHTF may not be used in connection with luxury housing. NHTF expenditures must be reasonable and based on actual costs. The maximum per unit development subsidy shall be the same as the HOME maximum per unit subsidy limit as determined by HUD. See §221(d)3 – 234 for further information. These limits vary by bedroom and, in some program years, geographic location. The current HOME Program limits are specifically incorporated herein and set forth below:

Efficiency	1br	2br	3br	4br
<b>\$137,361.60</b>	\$157,466.40	\$184,276.80	\$247,708.80	\$271,908.00

The designation of HOME maximum per-unit subsidy limits is justified, reasonable, and appropriate under the NHTF Interim Rule. The decision to use the HOME subsidy limits is reinforced by internal analysis of the total development costs of affordable multifamily rental housing properties in Ohio from 2010-2015. Despite significant differences between individual projects, the data showed relatively little geographic variation. There was only an 11 percent difference in average development costs amongst our three largest counties; similarly, there was only a 13 percent difference between the average of the three largest counties and the balance of our smaller areas. Accordingly, the data do not support consistently higher development costs in some geographic areas over others.

Setting the NHTF maximum per-unit subsidy limits at the existing HOME limits is allowed by HUD and cost data indicate the use of the HOME limits is appropriate as the initial baseline cap for the amount of NHTF investment that may be put into any NHTF-assisted unit. However, it is important to note that the cap is not the only mechanism OHFA will use to allocate no more NHTF funds than allowable and necessary for project quality and affordability. Each application for NHTF funding will be reviewed and analyzed in accordance with OHFA's Multifamily Underwriting & Implementation Guidelines. Further, OHFA staff has extensive experience in this area, including through its allocation and administration of the HOME Program. The review includes an examination of sources and uses (including any operating or project based rental assistance) and a determination that all costs are reasonable. Through its underwriting process, OHFA will ensure that the level of NHTF subsidy provided: 1) does not exceed the actual NHTF eligible development cost of the unit, 2) that the costs are reasonable and in line with similar projects across the state, 3) the developer is not receiving excessive profit, and 4) NHTF funding does not exceed the amount necessary for the project to be successful for the affordability period.

Also See: §91.300, §93.320(k)(5)

## 2.4. First Time Homebuyer

Ohio does not intend to use any NHTF funds for homebuyer activities in the 2018 funding cycle. As such, there are no applicable resale, recapture, or affordability provisions related to homebuyer activities.

§91.220(5)(E-F), §93.320(5)(v-vi), §93.304(f), §93.305

## 2.5. Eligible Applicants

Eligible applicants include private for-profit housing developers, not-for-profit 501(c)(3) and 501(c)(4) organizations, and public housing authorities. Additional eligibility criteria are set forth in the [HDAP Consolidated Program Guidelines](#) and incorporated herein. Applicants must qualify meet all HDAP eligibility criteria to qualify for HDAP funding through NHTF.

Applicants must demonstrate sufficient experience and capacity to:

- Own, construct, rehabilitate, manage, and operate affordable multifamily rental housing;



- Undertake, comply, and manage eligible NHTF activity; and
- Manage other programs that may be used in conjunction with NHTF funds including, but not limited to, HDAP.

Applicants must make acceptable assurances that it will comply with the requirements of the NHTF program during the entire program period.

## 3. Application Requirements

### 3.1. HDGF Application Fee

For applicants seeking NHTF funding in concert with a HDGF proposal, a \$3,000.00 NHTF Final Application fee will be assessed in addition to all other fees set forth in the HDAP Consolidated Program Guidelines

### 3.2. Threshold Requirements

Applicants must submit a qualifying HDAP application and meet all requirements of that program. Refer to the HDAP Consolidated Program Guidelines for further information.

Applicants must complete a NHTF Supplemental Application. The Supplemental Application will collect the following mandatory information; failure to respond to or satisfy these threshold requirements will result in removal from NHTF consideration.

- Experience and Capacity
- Project Feasibility
- Description of eligible activities to be conducted with NHTF funds
- Statement describing how the application meets the priority housing needs of the State
- Statement describing developer's ability to obligate and implement in a timely manner
- Statement describing how the project meets state housing needs
- Statement describing if/how NHTF units will be integrated with higher income units
- Statement describing potential for resident success
- Statement describing method for achieving affordability
- Statement describing tenant recruitment and selection process
- Certification of Compliance with all NHTF requirements

In no case shall rent plus utilities on any NHTF-assisted unit(s) exceed 30 percent of Area Median Income (AMI). In addition to other HDAP affordability requirements<sup>1</sup>, NHTF funded projects must also commit to providing affordable rents to extremely low income households. Above OHTF/HOME requirements, the greater of the following must also be provided to qualify for a NHTF award:

- 10 percent of affordable units will be rent restricted at 30 percent of 30 percent AMI
- 5 units will be rent restricted at 30 percent of 30 percent AMI

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<sup>1</sup> All HDAP developments must commit to one of the following selections, based on the location of the proposed project: (A) HUD Participating Jurisdiction: A minimum of 40 percent of the affordable units must be affordable to households with incomes at or below 50 percent of AMI (B) Non-HUD Participating Jurisdiction: A minimum of 35 percent of the affordable units must be affordable to households with incomes at or below 50 percent of AMI

All NHTF rent restrictions must be reflected in the Gap Financing Application. OHFA encourages all attempts to reduce rents below the 30 percent of AMI minimum requirements. If an applicant does not qualify, or is not selected for NHTF funding, OHFA will reevaluate the budget for HDAP funding through OHTF/HOME with or without the additional NHTF rent restrictions and applicants may amend the budget accordingly at the final application.

To promote inclusionary screening practices, recipients of NHTF funds shall consider mitigating criteria in deciding whether to select any tenant-applicant, including but not limited to in the following circumstances:

1. Tenant-applicants lacking proof of employment and/or income at three or more times the monthly cost of rent;
2. Tenant-applicants with no credit history; and
3. Tenant-applicants with an eviction history.

NHTF Recipients must adhere to all guidance contained in HUD’s [Use of Criminal Records by Providers of Housing and Real Estate-Related Transactions](#) including but not limited to prohibitions on exclusionary policies based on arrests without convictions and requirements to consider mitigating circumstances for conviction records.

Also See: §91.220(5)(B), §93.250, §93.302(b)(1)(i), §93.320(5), §91.320(k)(5)(ii)

### 3.3. Competitive Requirements

In addition to threshold criteria, the NHTF Supplemental Application will collect the following competitive scoring information. Points for each criterion will be awarded at the discretion of OHFA. Applications with the highest scores will be selected for funding. For applications including multiple or scattered sites, all sites must meet competitive criteria to earn points.

Each of the following competitive criteria are designed to provide priority funding for rental projects based on the merits of the application meeting the priority housing needs identified in the ConPlan including the presence of substandard housing, severe overcrowding, and cost burdened residents.

Category	Points	Point Breakdown
Rent Affordability in Addition to Minimum Requirements	30	30 Pts – Additional 10% units affordable at or below 15% AMI 20 Pts – Additional 10% units affordable at or below 30% AMI 10 Pts – Additional 5% units affordable at or below 30% AMI
Geographic Diversity <sup>2</sup>	30	30 Pts – USR Opportunity Index Rating “Very High” 20 Pts – USR Opportunity Index Rating “High” 10 Pts – USR Opportunity Index Rating “Moderate”

<sup>2</sup> This geographic distribution priority is consistent with Ohio’s ConPlan and the certification that Ohio will affirmatively further fair housing. The Opportunity Mapping Tool and additional information is available on OHFA’s website at <https://ohiohome.org/ppd/opportunitymap.aspx>.

Affordability Leveraging	20	<p>20 Pts – Commitment of one or more of the following subsidies on 100% of NHTF-assisted units:</p> <ul style="list-style-type: none"> <li>▪ Section 8 or Rural Development Rent Subsidy</li> <li>▪ New Units with 811 Rent Subsidy</li> <li>▪ Other local, state, or federal subsidy as determined by OHFA that limits tenant rental contribution to 30% of gross household income</li> </ul> <p>15 Pts – Commitment of one of the above subsidies on at least 50% of total units in the development  10 Pts – Commitment of one of the above subsidies on at least 25% of total units in the development</p>
Local Leveraging	10	<p>5 Pts – &gt;50% Financing is from non-federal<sup>3</sup> sources  5 Pts – Project does not request OHTF/HOME HDAP</p>
Duration of Affordability Period	5	5 Pts – Budget demonstrates positive or breakeven cash flow through year 30
Meeting Priority Housing Needs	5	5 Pts – Proposal “Preserves Affordable Housing” or “Creates New Affordable Housing Opportunities” (defined ConPlan goals to meet priority housing needs of the State)

Also See: §91.220(5)(A), §93.320(5)(i), §91.320(k)(5)(i)

**3.4. Priority Funding Based on Merits in Meeting Housing Need**

In the event of a tie score, the following waterfall of creative and innovative elements or increased affordability standards, each designed to meet priority housing needs identified in the ConPlan, will determine funding priority:

1. Developments seeking Ohio 811 Project Rental Assistance Program rental subsidy
2. Developments that receive the most points under the Geographic Diversity category
3. Developments with other funding requiring affordability restrictions beyond 30 years
4. Developments with the most units affordable at or below 30 percent AMI
5. Developments offering units with 3+ bedrooms that are affordable at or below 30 percent AMI

Also See: §91.220(5)(A), §93.320(5)(i), §91.320(k)(5)(i)

**3.4.1. Submission Instructions**

Submissions will flow through the HDAP program. All applicants must submit a complete HDAP application and a NHTF Supplemental Application. Please see the HDAP Consolidated Program Guidelines for full application instructions.

<sup>3</sup> Non-Federal Funding Sources include but are not limited to equity, OHTF, private debt, Federal Home Loan Bank’s Affordable Housing Program, foundations, in-kind donations, tax abatements, and other state and local resources.

### 3.4.2. Contract Execution & Draws

All recipients of NHTF must execute an agreement, as drafted by OHFA, that meets the requirements of 24 CFR §93.404. A [Guide to Drawing the HDAP](#) was created to assist applicants as they work with OHFA staff during the construction phase.

## 4. Performance Goals & Benchmarks

OHFA expects that in Program Year 2018, NHTF will support at least six new or preserved housing developments and will create at least 100 units with rents that do not exceed 30 percent of 30 percent AMI and are therefore affordable to extremely low income families. Recipients of NHTF funds will be responsible for compliance with applicable reporting, file and physical inspections, and record keeping requirements described in guidance published on the [OHFA Office of Program Compliance](#) website.

Also See: §93.320(k)(5)(iii), §91.220(5)(C)