GOVERNMENT OF THE
DISTRICT OF COLUMBIA
MURIEL BOWSER, MAYOR

Draft National Housing Trust Fund Allocation Plan

Submission as part of the FY2017 Annual Action Plan

Fostering the Development of Strong, Equitable Neighborhoods

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National Housing Trust Fund Allocation Plan for the District of Columbia

Submission to the Department of Housing and Urban Development
as part of the FY2016 Annual Action Plan

Overview

The National Housing Trust Fund (NHTF) is a new federal affordable housing production program that will complement existing District of Columbia efforts to increase the supply of affordable housing for extremely low-income households, including homeless families and individuals, and persons with special needs. Congress established the NHTF through the Housing and Economic Recovery Act of 2008. On January 30, 2015, HUD published an Interim Rule which guides implementation of the NHTF by the states. HUD plans to issue a final rule for the NHTF after states and the District have had experience administering the program and are able to offer comments regarding the initial implementation.

In years when total national funding is less than $1 billion, 100 percent of each state's allocation must benefit households at or below the federal extremely low income (ELI) level, which is 30 percent of area median income, or households with income below federal poverty level, whichever is greater. In the District, the ELI level is greater than the federal poverty level. In 2016, this is the case because HUD estimates the total amount of the trust fund to be approximately $174 million.[1]

Given the requirements of the program and the need for rental housing affordable to ELI households in the District, it will use NHTF program funds to serve ELI households including developments that create Permanent Supportive Housing.

Units financed through this program will be integrated into other housing developments. NHTF-financed units will comprise only a small portion of total units in any property, but may be in addition to other District ELI units provided at the property. NHTF funding will be blended with other federal and local funding resources to finance properties that include these units. The terms of competitive solicitations may specify deeper targeting and lower maximum rents for NHTF units than those in the federal Interim Rule.

Program Administration

The Department of Housing and Community Development (DHCD) will administer the NHTF in the District. The Development Finance Division is well-equipped to obligate funds and undertake eligible activities in a timely manner. In fiscal year 2015 alone, the Development Finance Division closed projects worth $72.8 million. In the July 2015 Request for Proposal (RFP), developers applied for nearly $180 million in federal and local resources; and after initial underwriting, DHCD selected 12 projects totaling $82.2 million for more thorough underwriting.

[1] In years that total NHTF funding exceeds $1 billion nationally up to 25 percent of a state's allocation can be used to benefit very low income (VLI) households (those at or below 50 percent of area median income).

Distribution of Funds

NHTF funds will be distributed city-wide over a five-year period and will be awarded on a competitive basis through DHCD's semiannual RFP process. These RFPs will make financing available directly to recipients submitting applications to develop rental developments that meet the criteria outlined in this allocation plan, more specific criteria described in each RFP and criteria as required by federal and District statutes and rules governing other programs included in the RFP. NHTF funding will be leveraged with federal financing, such as Community Development Block Grant funds, HOME Investments Partnership Program funds, Housing Opportunities for People with AIDS funds, Low-Income Housing Tax Credits, and local funds, including the Housing Production Trust Fund, Department of Behavioral Health Grant Fund, Local Rent Supplement Program funds, Housing Choice Voucher Program funds, Annual Contributions Contract Program funds, and Department of Human Services Supportive Services Funds. These RFPs are and will be part of a comprehensive semiannual funding plan to distribute financing across the District based on the need for rental housing across the city. DHCD will distribute funding from the NHTF in a manner that affirmatively furthers fair housing.

Use of Funds

The District will use NHTF project funds to pay for all or some of the following eligible costs: development hard costs, demolition, acquisition of real property, related soft costs and operating cost reserves. Awards of NHTF funds will be made in the form of 0 percent, 30-year forgivable loans in order to minimize project debt and maximize affordability to ELI households. Funding will be allocated only for housing production and preservation purposes, including redevelopment in which a new property is built to replace a demolished property. All projects funded with NHTF funds will be required to execute a minimum 30-year affordability covenant recorded against the property's deed.

To promote safe, decent, and sanitary housing, rehabilitation projects shall comply with local housing requirements in the *DC Municipal Regulations*, Title 14.

Each project sponsor/owner must provide a written description of eligible activities to be conducted with HTF funds and execute a DHCD NHTF Written Agreement that certifies that housing assisted with NHTF funds will comply with NHTF requirements as required in CFR § 93.200.

Up to 10 percent of the District's NHTF allocation will be used for administration, as allowed by NHTF regulations.

Eligibility Requirements

Applicants for NHTF funding must meet minimum qualifications and demonstrate their proficiency as developers and asset managers. In their applications or before preliminary loan awards receive final approval, eligible recipients must:

- Meet the threshold requirements provide in DHCD's RFP;
- Provide a description of the eligible activities to be conducted with the NHTF funds;

- Demonstrate their financial capacity to undertake, comply with and manage the eligible activity;
- Show familiarity with the requirements of other federal and District housing programs that will be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs through demonstrated experience with experience with developing, owning and managing affordable multifamily rental housing developments; and
- Explain their understanding and management practices related to leasing to homeless households or persons with special needs;

Priority Funding Factors and Preference for Tenant Credit and Income Plans

In addition to the minimum eligibility requirements, DHCD will give prioritization scoring to projects that include one or more of the following factors:

- Permanent Supportive Housing (PSH) and Targeted Affordable Housing (TAH) projects. There exists a 5% PSH set-aside that is a threshold eligibility requirement for all non-preservation projects, but projects may also earn priority points by creating additional PSH or TAH units, as defined in the RFP, beyond the minimum number required;
- Family-Oriented Units, as determined by the answer to the Form 202–Application for Financing;
- Nonprofit participation showing effective project control, as evidenced by project ownership (more than 50% ownership) during project development and throughout affordability compliance period, a limited partnership where the non-profit is a sole general partner, or a limited liability company in which the nonprofit is the sole managing member and secures project financing, oversees project construction and demonstrates capacity to operate the project;
- Transit proximity for projects located within ½ a mile to Metro stations or DC Streetcar stops;
- Leveraging NHTF by minimizing the percentage of the total development cost that is funded by the NHTF and other DHCD resources;
- Income levels served with a preference for projects serving lower incomes;
- Mixed income projects that integrate affordable units with market rate units within the same project. To achieve points, the percent of market rate units must be between 20%-80% of the total units, and the affordable and market rate units must be equitably distributed within the development in order to comply with Fair Housing rules;
- Affirmatively Furthering Fair Housing (AFFH)/Geographic Targeting, where preference points are awarded for projects based on location. DHCD seeks to create more affordable housing in high opportunity neighborhoods, those with characteristics such as low-crime, low-poverty, and access to high quality schools and jobs. Another goal of this preference is to disperse the District's affordable housing supply more equitably across neighborhoods and Wards and to provide a counterbalance to the implicit incentive for developers to build affordable housing in low-cost and high poverty neighborhoods;
- Projects that are part of the redevelopment of a site formerly owned by the District of Columbia and that was awarded to the applicant through a competitive disposition process;

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- Projects proposed by or in partnership with tenant groups that exercised their D.C. statutory Tenant Opportunity to Purchase Act (TOPA) rights to purchase their building with Acquisition Financing from DHCD will receive preference under this criterion;
- Projects that include units designed and reserved for seniors (55+), including assisted living and intergenerational housing units; and
- Net Zero Energy and Living Building Challenge preference.

Anti-Displacement

For existing and occupied buildings/properties, funding applicants must submit a Relocation and Anti-Displacement Strategy for projects that result in the temporary or permanent displacement of current occupants. The Relocation and Anti-Displacement Strategy (due with the application) provides the groundwork for the Relocation and Anti-Displacement Plan (due prior to the issuance of a Letter of Funding Commitment). Instances where a Strategy and Plan are required include the following:

- Tenants will be required to move to facilitate rehabilitation of the building, even if they are moved to other units within the same building or complex;
- Demolition of existing dwelling units or buildings which are occupied at the time of acquisition or site control; or
- Tenants will be displaced because the proposed rents are not affordable.

Geographic Targeting

DHCD has adopted geographic targets within a ½ mile of transit and in neighborhoods that have lower concentrations of subsidized housing. Projects requesting NHTF funds will be scored against DHCD's RFP. Preferred projects are referenced in *Priority Funding Factors and Preference for Tenant Credit and Income Plans.*

Non-Federal Funding Leverage

DHCD awards preference points for use of alternative financing sources that reduce public investment in the project, including tax credit equity, conventional debt, and private grants. In mixed-income buildings, applicants may use surplus cash flow from market rate units to cross subsidize the affordable units and improve their leverage ratio.

The local Housing Production Trust Fund (HPTF) has been administered by DHCD and continues to serve as a key tool for preserving and developing affordable housing. Strong guidelines ensures the program services the city's diverse housing needs and funded units remain affordable for at least 40 years. Due to the high proportion of cost-burdened renters in DC, at least 50% of HPTF must be for rental housing and at least 40% of the funds must target households with incomes under 30% AMI.

Project-Based Rental Assistance

NHTF dollars may be combined with any of the following project-based rental assistance programs:

- Housing Choice Voucher
- Local Rent Supplement Program (LRSP)
- Annual Contributions Contracts Authority (ACC)

These programs are administered by the DC Housing Authority (DCHA) with a preference to fund permanent supportive housing units. Projects that integrate subsidized units into mixed-income housing and experienced owners/operators of DHCA rental subsidies are preferred.

Maximum Per-unit Development Subsidy Amount

Per-unit subsidy requirements will follow the same regulations as the HOME program defined in 24 CFR 92.250. The total amount of funds that a participating jurisdiction may invest on a per-unit basis in affordable housing may not exceed the per-unit dollar limitations established under Section 221(d)(3)(ii) of the National Housing Act. HUD will allow the per-unit subsidy amount to be increased on a program-wide basis to an amount, up to 240 percent of the original per unit limits, to the extent that the costs of multifamily housing construction exceed the section 221(d)(3)(ii) limit. The District of Columbia is currently on the High Cost Percentage Exception list. HUD's Office of Multifamily Housing updates the Section 234 basic mortgage limits annually and publishes them in the Federal Register.

Performance Goals

NHTF currently allocates $3,000,000 per year exclusively for ELI housing, and is estimated to provide $15,000,000 over five years. Given the cost to produce housing restricted to households earning less than 30% AMI, the District could only support between 1 and 3 small projects. However, DHCD expects to leverage funds within the consolidated Notice of Funding Availability to meet and exceed the District's goal to set aside 40% of its local funds towards ELI households. DHCD evaluated past project proposals that leveraged 4% low-income housing tax credits. Average requests from projects with units at 30% AMI averages at $146,000. Most projects funded with 30% AMI units have been new construction as opposed to substantial rehabilitation which drove the weighted average higher. Assuming these construction costs continue and DHCD uses all $300,000 eligible for administrative costs; $2.7 million per year would produce between 18 and 19 units annually that are restricted to 30% of the area median income.

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Citizen Participation in Development of the NHTF Allocation Plan

On Thursday, May 26, 2016, DHCD held a National Housing Trust Fund public hearing. Two representatives from affordable housing development organizations testified. A summary of the event is described in the table below.

Date	Mode of Outreach	Target of Outreach	Summary of Response/ Attendance	Summary of Comments Received	Summary of Comments Not Accepted and Reasons	URL (if applicable)
May 26, 2016	Public Hearing (National Housing Trust Fund (NHTF))	Non-targeted/ broad community	2 testified in person	Given the amount eligible for down payment or homeownership production, funds would be better spent on rental housing	Housing for households at 50-80% AMI and housing counseling services are not eligible expenses under the NHTF program	http://1.usa.gov/1OePssV

The public hearing advertisement was placed 2 weeks prior to the event in the *DC Register*. E-mail blasts were sent to government agencies and interest groups via e-mail. In addition, the Housing Association for Non-Profit Developers and the Coalition for Non-Profit Housing and Economic Development distributed the public hearing notice to their member base.

DHCD encouraged participation from special needs populations and advertised the availability of sign-language interpreters and interpreters for non-English speaking constituents upon request. The hearing was held at the Housing Resource Center located at 1800 Martin Luther King, Jr. Ave, SE.

Citizen Participation before final Submission to HUD

This section will be completed after public review and a final public hearing on Wednesday, July 27, 2016.

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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?

   Yes ☒ No ☐

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

   Yes ☒ No ☐

Performance Goals and Benchmarks- § 91.320(k)(5)(iii)

The plan must include performance goals and benchmarks against which the State will measure its progress, consistent with the State's goals established at § 91.315(b)(2). To comply with this requirement, the State will include HTF housing goals in the housing table on the **SP-45 Goals** and **AP-20 Annual Goals and Objectives** screens in the eCon Planning Suite consolidated plan template in IDIS.

VI. 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.

- ☐ State developed its own maximum per-unit development subsidy limits and the limits are attached.

- ☒ State adopted limits used in other federal programs and the limits are attached.

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). The standards must provide enough details on what work is required, how that work should be performed and what materials should be used. The State's standards may refer to applicable codes or may establish requirements that exceed the minimum requirements of the codes. At a minimum, the rehabilitation standards must address:

- 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 HTF-assisted housing.

Indicate below if the State will use HTF funds for rehabilitation of housing.

☒ The State plans to use HTF funds for the rehabilitation of housing and has attached its rehabilitation standards.

☐ The State will not use HTF funds 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). Approval of the consolidated plan or annual action plan under § 91.500 or the failure to disapprove the consolidated plan or annual action plan does not satisfy the requirement for specific HUD approval for resale or recapture guidelines.

Indicate below if the State intends to use HTF funds for first-time homebuyers.

☐ The State will use HTF funds to assist first-time homebuyers and has attached the applicable resale/recapture provisions.

☒ The State will not use HTF funds to assist first-time homebuyers.

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

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. If the State plans to use HTF funds for homebuyer assistance, and does not use the HTF affordable homeownership limits established by HUD, it must determine 95 percent of the median purchase price for single family housing for designated areas across the State. If the State will determine its own affordable homeownership limits, it must determine the limits using the methodology described in § 93.305(a)(2).

Indicate below if the State will use HTF funds for homeownership housing and what affordable homeownership limits it will use.

- ❑ The State will use HTF funds for homeownership housing and will use the HUD issued limits.

- ❑ The State will use HTF funds for homeownership housing and has determined its own affordable homeownership limits and the limits are attached.

- ☒ The State will not use HTF 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.

Indicate below if the State will limit beneficiaries or give preferences to a particular segment of the extremely low-income population.

- ❑ The State will limit beneficiaries and/or give preferences to the following segments of the extremely low-income population. The groups listed have also been identified in the action plan.

- ☒ 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. At a minimum, the guidelines must demonstrate that rehabilitation is the primary eligible activity and ensure that this requirement is met by establishing a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing. Refinancing of existing debt is only eligible if it is necessary to reduce the overall housing costs and to make the housing more affordable.

Indicate below if the State will permit the refinancing of existing debt.

- ❑ The State will permit the refinancing of existing debt and the conditions under which the State will refinance existing debt are attached.

- ■ The State will not permit the refinancing of existing debt.

VII. GRANTEE CERTIFICATIONS

In addition to submitting an HTF allocation plan, the State must submit all the required certifications identified at § 91.225 (for new action plans). If the State is amending the action plan to include HTF, it must resubmit the following certification to include HTF:

- ☒ 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. Where the HOPWA funds are to be received by a city that is the most populous unit of general local government in an EMSA, it must obtain and keep on file certifications of consistency from the authorized public officials for each other locality in the EMSA in which housing assistance is provided. HTF must be included in this certification.

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.

- Standard form- 424: Application for Federal Assistance (§ 91.320(a))
- Standard form- 1199 A : Direct Deposit Sign up Form