



# Housing Trust Fund Basics - Webinar Series

May 2022

# Trainers

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# HTF Basics Series Agenda



## Session 1

- HTF Overview
- Key program features
- Eligible grantees and recipients
- HTF formula factors
- Allocations
- Distribution of Assistance
- HTF Allocation Plan
- HTF-specific requirements
- Program Requirements
- Eligible Activities

## Session 2

- Eligible Project Costs
- Operating Costs
- Eligible Administrative and Planning Costs
- HTF and Public Housing
- Prohibited Activities and Fees
- Income Targeting
  - 100% ELI (total HTF available for allocation < \$1 billion)
  - VLI up to 25% of grant (total HTF available for allocation > \$1 billion)

## Session 3

- Project Requirements
- Qualification as Affordable Rental Housing
- Tenant Protections and Selection
- Qualification as Affordable Homeownership Housing
- Other Federal Requirements
- HTF Accounts
- Program Disbursement and Information System
- Program Income and Repayments
- Grantee Responsibilities
- Recordkeeping

# Poll Questions



# Learning Objectives

## Session One Topics

- Provide basic training for grantee staff and HTF partners
- A sequential review of the HTF regulations explaining their applicability
- Overview of the Housing Trust Fund Program
- HTF Allocation Plan
- Program Requirements
- Eligible Activities



# Housing Trust Fund (HTF) Overview



- HTF is a non-appropriated source of funding for affordable housing production that complements existing Federal, State, and local housing programs
- Increase and preserve the supply of decent, safe, and affordable housing for extremely low-income (ELI) and very low-income (VLI) households including homeless families, with primary attention to rental housing
- Provides a new source of funds granted to States to address the needs of ELI and VLI households

# Program Features



< 30%

HTF beneficiaries must have incomes less than the greater of the ELI limit – at or below 30% AMI – and the poverty line

< 10%

Up to 10% of each annual grant may be spent on administrative and planning costs

> 80%

At least 80% of each annual grant must be spent on rental housing

< 10%

Up to 10% of each annual grant may be spent for homeownership (direct assistance or rehab/construction)

< 30%

Up to 30% of each annual grant can be utilized to provide operating assistance

# Housing Trust Fund (HTF) Overview



- Authorized by Housing and Economic Recovery Act (HERA) on July 30, 2008
- HERA was major housing legislation enacted to reform and improve the regulation of the government sponsored enterprises (GSEs) – Fannie Mae and Freddie Mac
- GSEs required to reserve 4.2 basis points of each dollar of unpaid principal balance of total new business purchases for HTF and Capital Magnet Fund
- Allocation formula designed to distribute funds primarily where States have a shortage of rental housing affordable to very low and extremely low-income households



# Eligible Grantees/Recipients



Funds are allocated to 50 states, District of Columbia,  
Puerto Rico, and 4 insular areas as well as State-  
Designated Entities



Units of general local government

## **Eligible Recipients:**

Non-profit and for-profit owners  
and developers with  
demonstrated development  
experience and capacity

**State-Designated Entities:** State  
Housing Finance Agencies

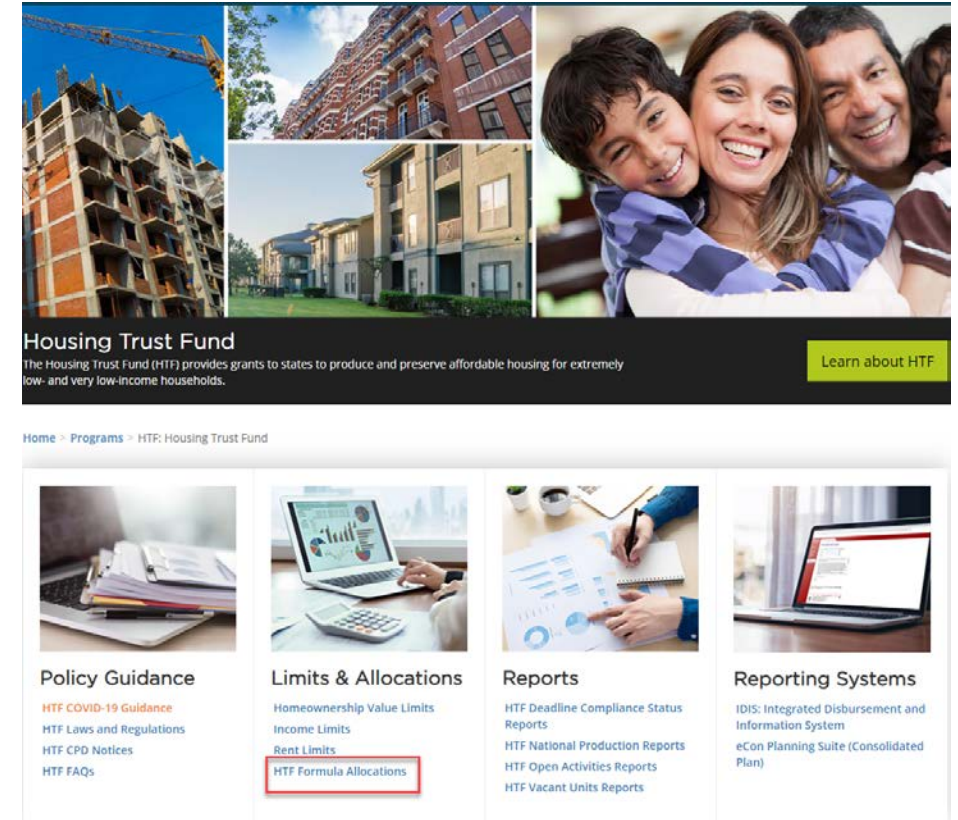
# HTF Formula



- Formula based on statutorily-required need factors and relative construction costs in each State versus the aggregate across all states
- Need factors measure:
  - Shortage of standard rental units affordable and available to ELI and VLI renter households in State
  - Number of very low-income renter households in the State paying more than 50% of income for rent
  - Number of units with incomplete kitchen or plumbing or more than one occupant per room
- Relative construction cost index measure acts as multiplier on formula amounts

# Allocations

- Statutory minimum to States and the District of Columbia is **\$3 million**.
  - Less than \$3 million – adjustments by an equal amount pro rata among States receiving more than minimum
- Federal Register Notification of allocations **60 days** after formula determination
- HTF Allocations are posted on the HUD Exchange HTF landing page  
<https://www.hudexchange.info/programs/htf/>
- Reallocations – failure to commit, expend or comply
  - Added to formula allocations for succeeding year



# Distribution of Assistance



- Grantee distributes HTF funds according to the State's assessment of the priority housing needs
- Grantees can fund projects in two ways:
  1. Directly fund projects (based on the State's HTF allocation plan)
  2. Subgrant funds (must follow HTF allocation plans)
- An HTF subgrantee that is a unit of general local government must include an HTF allocation plan in its consolidated plan





## **HTF Allocation Plan**

# What is an HTF Allocation Plan?



- Developed by each HTF grantee annually and submitted to HUD
  - Part of annual action plan
  - Submitted utilizing eCON Planning Suite
- Contains HTF application requirements and selection criteria
  - Distribution of funds
  - Eligible activities to address needs
  - Recipient and project selection criteria
- Grantee must identify subgrantee in its plan

# Grantees using Subgrantees for HTF



- Grantees using a Subgrant for HTF will need to execute a written agreement with Subgrantee specifying the HTF \$
- Subgrantee must submit an allocation plan
- Subgrantee cannot commit funds until both the Grantee and Subgrantee's allocation plans approved
- Grantee and Subgrantee will need to coordinate the allocation plan specifics to ensure that they have a consistent approach and do not conflict with each other
  - Subgrantee's plan must comply with the State's plan
  - Subgrantee can exceed State's requirements such as higher housing goals or stricter property standards/codes
- Grantee and Subgrantee must work together to track compliance with the commitment and expenditure requirements.

# Allocation Plan Review Process



The 45-day review period begins when:

- HUD receives the SF 424 and certifications or email notification that the consolidated plan has been submitted in IDIS (for new action plans) **or**
- HUD receives the SF 424 and certification or email notification that an **amended** action plan has been submitted in IDIS.





## **Required Contents of Plan**

# Required Certifications



- If HTF allocation plan is submitted with the consolidated plan / annual action plan
  - All required certifications must be submitted
- If HTF allocation plan is submitted after the annual action plan
  - State must update “Consistency with Plan” certification to include HTF

# eCon Planning Suite Screens



The State must use / revise eCon Planning Suite to include / reflect HTF funds



Executive Summary



Citizen Participation



Strategic Plan



Annual Action Plan

# Citizen Participation



- State must comply with citizen participation requirements at § 91.115
  - Must follow its citizen participation plan
- HTF funding must be reflected in eCon Planning Suite screens:
  - ES-05 / AP-05 *Executive Summary*
  - PR-15 *Citizen Participation*



# Strategic Plan



- HTF must be included as applicable in the affordable housing section of the State's strategic plan (§ 91.315(b)(2))
- If not submitting a full con plan this will require an amendment
- Must be reflected in eCon Planning Suite screens:
  - SP-10 *Geographic Priorities*
  - SP-25 *Priority Needs*
  - SP-30 *Influence of Market Conditions*
  - SP-35 *Anticipated Resources*
  - SP-45 *Goals*

# Annual Action Plan



- Grantees must include HTF in annual action plan or **amend** plan to include HTF
- Must be reflected in eCon Planning Suite screens:
  - AP-20 *Annual Goals and Objectives*
  - AP-25 *Allocation Priorities*
  - AP-30 *Method of Distribution*
  - AP-50 *Geographic Distribution*
  - AP-55 *Affordable Housing*
  - AP-65 *Homeless and Other Special Needs Activities*
  - AP-75 *Barriers to Affordable Housing*
  - AP-85 *Other Actions*

# HTF Allocation Plan Requirements



- The allocation plan must describe if the State will distribute HTF funds through grants to subgrantees or select applications submitted by eligible recipients or both? (§ 91.320(k)(5))
- If selecting applications submitted by eligible recipients, the HTF allocation plan must include:
  - Application selection criteria including required priority funding factors (§ 91.320(k)(5)(i))
  - Eligibility requirements for recipients (as defined at § 93.2) (§ 91.320(k)(5)(ii))
- Note: if using subgrantee – State must indicate that in the AP-90 screen



# Application Selection Criteria



There are several required priority funding factors (§ 91.320(k)(5(i)):

- Geographic diversity
- Applicant's ability to enter into a commitment of HTF funds in a timely manner
- 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



# Application Selection Criteria



Additional required priority funding factors (§ 91.320(k)(5(i)):

- For rental housing, the duration of the units' affordability period
  - Minimum 30 years
- The merits of the application in meeting the State's priority housing needs
- The extent to which application makes use of non-federal funding sources (i.e., leverage)

# HTF-Specific Requirements



- Under § 91.320(k)(5)(ii), the State must require each application to include:
  - A description of eligible activities (as provided in § 93.200) to be conducted with HTF funds
  - A certification by each eligible recipient that HTF-assisted units will comply with HTF requirements
  - Grantees should refer to AP-90 State and local government template and the AP-91 State agency questions for additional guidance

# HTF-Specific Requirements



- Under § 91.320(k)(5)(iii), the HTF allocation plan must include:
  - Performance goals and benchmarks
  - Grantees/subgrantees can include HTF
- The State must enter these on the SP-45 *Goals* and AP-20 *Annual Goals and Objectives* screens in the eCon Planning Suite
- Systems requires acknowledgement of whether subgrantees have established performance goals

# HTF-Specific Requirements



Under § 91.320(k)(5) the HTF allocation plan must include the State's maximum per-unit development subsidy limits as described in § 93.300(a)

- State must establish limits annually that are:
  - Reasonable
  - Based on actual costs of developing non-luxury housing in the area
  - Adjusted for number of bedrooms
  - Adjusted for geographic location of project and include them in the HTF allocation plan
- State can establish HTF specific limits or adopt limits utilized by other federal housing programs such as HOME, LIHTC, or PIH
- See FAQ on HUD Exchange <https://www.hudexchange.info/faqs/2766/how-should-states-establish-maximum-per-unit-development-subsidy-amounts/>

# HTF-Specific Requirements



If HTF funds will be used for the rehabilitation of housing, the State's HTF allocation plan must include its rehabilitation standards as required by § 93.301(b)(1) (§ 91.320(k)(5)(iv))

- State must establish standards in sufficient detail to determine required work, methods, and materials
- Must include standards for health and safety, major systems, LBP, accessibility and disaster mitigation
- Must include specific UPCS inspectable items specified by HUD
- See FAQ on HUD Exchange <https://www.hudexchange.info/faqs/2790/what-are-the-required-elements-of-rehabilitation-standards-established-by/>

# HTF-Specific Requirements



- Resale / recapture provisions as described in § 93.305(b)
- Must be included in the HTF allocation plan if the State will use HTF funds to assist first-time homebuyers (§ 91.320(k)(5)(v))
  - Like with HOME, State must receive HUD's specific, written approval separate from the HTF allocation plan or annual action plan
  - Checklist included in the review checklist

# Knowledge Check



# HTF-Specific Requirements



## Affordable Homeownership Limits:

- Maximum purchase price/after rehab value limits
- HUD posts these limits annually for HOME & HTF
- If the State will provide HTF funds to assist first- time homebuyers and will not use the limits provided by HUD, it must determine its own limits in accordance with § 93.305(a)(2)
  - State must include limits it determines in its HTF allocation plan (§ 91.320(k)(5)(vi))



# HTF-Specific Requirements



- State may limit beneficiaries or give preference to a particular segment of its ELI population under § 91.320(k)(5)(vii)
  - Must not violate non-discrimination requirements at § 93.350
  - Must not limit or give preference to students
  - May allow rental housing owners to limit tenants or give preference in accordance with § 93.303(d)(3) if described in the State's action plan

# HTF-Specific Requirements



- State may use HTF funds to refinance existing debt secured by rental housing units that are being rehabilitated with HTF funds under § 93.201(b)(1):
  - Consolidated plan must include its refinancing guidelines
  - Must describe the conditions under which the State will refinance existing debt (required for HTF allocation plan)
  - Rehabilitation must be primary eligible activity
    - Minimum level of rehab per unit or
    - Required ratio between rehab and refinancing
  - Must reduce overall housing costs and make the housing more affordable



# **Program Requirements**

# General



- A Grantee must administer its HTF program in a manner that provides housing that is **suitable to facilitate and further compliance** with Title VI of the Civil Rights Act of 1964, the Fair Housing Act and HUD regulations issued pursuant to such Acts
- HTF program must also be administered in a manner that **promotes greater choice of housing opportunities**

# Site and Neighborhood Standards



- New Rental Housing – Determine that proposed sites for new construction meet site and neighborhood standards at 24 CFR 983.57(e)(2)

# Income Determinations



- Grantee must determine that each family occupying an HTF-assisted unit is income-eligible by determining the family's annual income per 24 CFR 93.151
- Annual income definition – For eligibility determination grantee must use:
  - Annual income as defined at 24 CFR 5.609; or
  - Adjusted gross income as defined for purposes of reporting under the IRS Form 1040
- One definition per program and rental housing project

# Income Determinations – cont'd



- Subsequent Annual Income Determinations, 24 CFR 93.151(d)
  - Examine at least 2 months of source documents (e.g., wage statement, interest statement, unemployment compensation statement); or
  - Written Statement and Certification from family; or
  - Written Statement from government program administrator

\* Homebuyers – Only Source Documents





## **Eligible Activities**



# Eligible Activities: General



Production, preservation, and rehabilitation of affordable rental housing and affordable housing for first-time homebuyers through:

- Acquisition
- New construction
- Reconstruction
- Rehabilitation of nonluxury housing, including site improvements, conversion, demolition



# Acquisition



- Vacant land
- Demolition
- Both the acquisition of land and demolition are only eligible as a part of a specific housing project that is expected to start within 12 months of the date of the written agreement

# Manufactured Housing

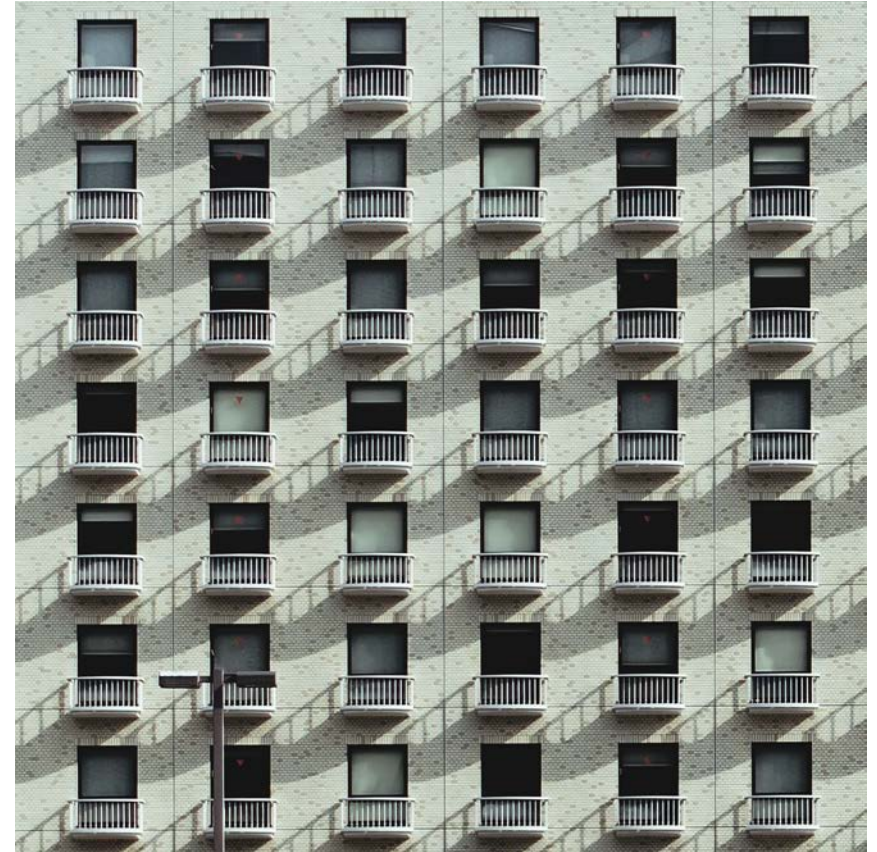


- Manufactured Housing Unit
  - Purchase
  - Rehabilitation
  - Activity can also include the purchase of the land on which the assisted unit sits
- Land
- At project completion
  - Connected to permanent utility hook-ups
  - Located on land owned by the manufactured housing unit owner; or
  - Land for which the manufactured housing owner has a lease for a period at least equal to the applicable period of affordability.

# Multi-Unit Projects



- Only actual HTF eligible development costs of the assisted units may be paid with HTF program funds
- Non-comparable assisted and non-assisted units
  - Actual costs determined by cost allocation
- Comparable assisted and non-assisted units
  - Actual cost of the HTF-assisted units determined by proration





# Multi-Unit Projects – cont'd



- After project completion, the number of units designated as HTF-assisted may be reduced only in accordance with §93.203
- Except that in a project consisting of all HTF-assisted units:
  - One unit may be converted to an onsite manager's unit if the grantee determines the conversion is reasonable and
  - Based on one fewer HTF-assisted unit, the costs charged to the HTF program do not exceed the actual costs of the HTF-assisted units and do not exceed the subsidy limit established pursuant to §93.300(a)

# Forms of Assistance



- Equity investments
- Interest-bearing loans or advances
- Non-interest-bearing loans or advances
- Interest subsidies consistent with the purposes of the HTF program
- Deferred payment loans, or grants
- Other forms of assistance that HUD determines to be consistent with the purposes of the HTF program
- Grantee establishes the terms of assistance, subject to HTF requirements



# Ineligible Activities



- HTF-assisted project terminated before completion
  - Voluntarily or involuntarily
- HTF-assisted project that does not meet the requirements for affordable housing for the duration of the affordability period
- Grantee must repay HTF funds invested
- HUD will instruct the grantee to either repay the funds to the HTF Treasury account or the local account



# Knowledge Check



**Questions?**

