# HTF Basics Webinar Series

# Part 1

# Thursday, May 26, 2022

Les Warner: Thanks, Kate. So let me make myself the presenter. All right, there we go. All right. So welcome, everyone. This is our first of three sessions covering all the basics of the Housing Trust Fund regulations. And if you were to have the regulations open in front of you and follow along, you'd see that we're just going to march right through the regulations in the order that they are written.

So to try to make sure that we familiarize you with those, and of course, are the regs are always the spot where we want to go for reference and to look things up. So I want to talk about a few housekeeping items and then we'll do some introductions. So as I mentioned, this is the first of three sessions.

I think it will be important for folks to attend all three sessions. Know that these sessions are being recorded. So if for some reason you needed to miss one of them, the recordings of the sessions will be posted on the HUD Exchange, can be available for you along with the materials for that.

Materials was -- the link was sent out for the materials prior to this session. So I'm hoping that folks have printed out those handout versions of the slides so you're able to use that to take notes as we go along. I think most folks find that to be useful for them.

If for some reason you didn't get that link for the materials, if you want to use the chat box and communicate with Kate, our host today, and you'll see on the dropdown list for the chat box, the ICF event host, will connect you with Kate. She can try to help you with that. So with that, let's do some introductions. Carrie, you want to introduce yourself?

Carrie Kronberg: Sure. Hi, everyone. I'm Carrie Kronberg with ICF. I worked for a long time in state government in Colorado. Shout out to those of you from Colorado. I've seen at least one of you on the list. But I helped set up and establish our HTF program when we first got our first allocation around 2016. And I'm excited to be here talking about it with you all today and a couple days next week.

Les Warner: Great. Thanks, Carrie. And I'm Les Warner. I've been working with ICF for the last 15 years on training and technical assistance. But prior to that, I worked at the state level. I headed up the state of Ohio's Housing, Community Development programs. So you've got two trainers that have lots of state experience, which hopefully, will help a little bit with this.

And in another minute or so, I'm going to try to gather little bit of information about you to have a feel for the audience since unfortunately we're not in a room together, we don't get the chance to get to know you in the same way. So here's our series agenda.

So as I mentioned, it's divided into three sessions. And we're going to be walking through each of these sessions covering the elements of the Housing Trust Fund regulations, trying to help you understand it -- not only what it says, but what that also means for you in planning for Housing Trust Fund allocation, or the requirements for when you're operating that requirement.

So before we jump in to today's agenda, what we wanted to do is get some poll questions you. Just to try to get a little bit of a feel for folks. So our first question is going to pop up on the screen here. And when it does, we'll ask you to select the answer that is most appropriate for you and then hit the Submit button.

So first we want to know what type of organization you represent, whether you're a state grantee, subgrantee, maybe a development partner. Or if you don't see your category on the list, just click Other and then hit the Submit button.

We should have results in just a minute here. The poll has closed. There we go. So looks like most folks are state grantees. We've got some development partners, maybe a few subgrantees in the group. All right. Our next question, we want to know the type of role that you have in administering the trust funds.

So are you part of the development of the allocation plan that we're going to be talking about? Are you more involved in oversight of the funding itself and compliance? Are you more involved in project implementation, or maybe a mix of the above? If you'll click on your best answer and hit the Submit.

We should have results here in a minute or so. There we go. So it looks like most folks are involved in the implementation of the Housing Trust Fund. Not necessarily involved in the development of the trust fund allocation plan. We're going to be covering all aspects of this.

So it may be very helpful for you, even though you're not involved in the allocation plan to understand what the components are because that controls what your plan of use for those funds and how they're going to be distributed.

And then one final question, we want to get a sense for as you're starting this webinar series, how knowledgeable do you feel about the Housing Trust Fund regulations? And that should pop up in a minute for you here. There we go. So not knowledgeable, somewhat knowledgeable. And so if you'll click the answer that best represents how you feel about this, and hit the Submit button.

All right. And the poll has ended. Here we go. All right. So we've got a mix here. Folks are needing all the basics here, not feeling particularly knowledgeable. Other folks feel pretty good about their level of knowledge. So it's helpful for us as trainers to know the starting point for folks.

And we will try to make sure that everybody at the end of this has bumped up their knowledge level, feeling more confident about that. Let me close out the poll on my screen. We can then move forward.

All right. So what we're trying to do as part of this training series is to provide everybody with some basic training. And that may be useful not only for you, but over time, these are going be resources that will be posted on the HUD Exchange.

And so for staff, for partners who need to understand the basics of Housing Trust Fund, this becomes a resource for folks. As I mentioned, we're going to be walking through in the sequence order of the regulations themselves. So at the end of this, folks will have a familiarity with all of the regulations for the Housing Trust Fund program.

So today we're going to start with an overview of the program, talk about the allocation plan, which is pretty important upfront. And then go through -- begin to go through the program requirements and talk a little bit about eligible activities.

So first thing to know here is that Housing Trust Fund created a new source of funds. So it's non-appropriated funding, meaning it is not coming out of the federal budget. But we're going to be talking about how these funds are being paid in from other sources. And so it added -- at the point we first got the Housing Trust Fund, it added a whole new source of funding, which then is being used in coordination with federal state and local resources that were already available.

And the particular thing about the trust fund is that its target is on increasing and preserving decent, safe, affordable housing, but it's targeted to lower income groups than we tend to see with our sources. So it's targeted for extremely low income, which would be 30 percent and below, and very low income households, 50 percent and below.

So that includes homeless families. And the primary attention on this is to rental housing. And this is really a gap that is underserved by the mix of other funding sources. So it became a really important addition to the sources that were already available to try to address needs, specifically of this lower income target for this.

So really critical addition to those existing resources. And we're going to be talking in a lot more detail about specifically what you can do with it, but having that new addition is really critical. So we're going to introduce some of the program features we will be talking in more detail about, I think, each of these as we go through the training.

But specifically as I mentioned, our focus of the beneficiaries for Housing Trust Fund are primarily for beneficiaries that have incomes less than the greater of the ELI limit 30 percent of very immediate income, or at below the 30 percent AMI in the poverty line.

Now, I want to note here that there's some additional criteria that's included within the regulation. So at 93, 250, there is language that calls out that in any fiscal year where the total amount available for that total allocation of Housing Trust Fund is less than $1 billion, then 100 percent of the Housing Trust Funds must benefit extremely low income families. So that's at 30 percent and below.

And we are currently and have been at that level where we have not yet exceeded the $1 billion level. If we were to have a year where that allocation then grew and went above that $1 billion total for overall Housing Trust Fund, then we would have additional flexibility to also use funding, to benefit very low income families. So that would be at 50 percent and below.

And so for now, and I guess until something changes we are -- all of our Housing Trust Fund dollars are benefiting households at 30 percent and below. But you'll note when we get further into this, and we mentioned the Housing Trust Fund regulations do allow us to do some assistance for home buyers.

Right now most folks are not doing that because of this very low targeting on this. That might change. And how you design your program, your Housing Trust Fund allocation plan might change if we see that total allocation go over that $1billion mark.

Also, things that we're going to be talking about this and sort of program features, you are able to use up to 10 percent of that annual grant to cover your administrative and planning costs. And we will, in later sections of this training, define what admin and planning costs are, talk about what's eligible under each one of those categories.

Also are some more specific targeting. So a minimum of 80 percent of each of the annual awards has to be targeted towards rental housing. So I mentioned earlier, this is primarily towards rental housing. I think right now it's probably 1000 percent towards rental housing, but we have a minimum of 80 percent that must be going towards rental housing.

There is also the ability of up to 10 percent. So we had a minimum of 80 percent for rental. We have a maximum of up to 10 percent of that annual grant could be spent and relationship with home ownership. So that could be direct assistance. It could be rehab or construction on that.

And then something that's completely unique to Housing Trust Fund is that the regulations allow for up to 30 percent of each grant to be utilized to provide operating assistance.

And so because of our very low targeting for rental housing, there is of course, a concern to make sure that these are going to be sustainable units. And so we'll be talking as we go along about the fact that we're doing underwriting to make sure that they're going to be sustainable.

Oftentimes we see our Housing Trust Fund combined with things like project-based subsidies to help with that affordability in the long term. But the regulations do allow a flexibility for up to 30 percent of those funds to be committed to use towards operating assistance. And we'll talk more about the details of that as we get further into this training session. But that's something unique to the Housing Trust Fund regulations.

So when did this all happen? Well, the Housing Trust Fund was authorized under the Housing and Economic Recovery Act, HERA, which was from July of 2008. And this was a housing reform legislation that was really aimed at reforming Government Sponsored Enterprises. And that would be Fannie Mae and Freddie Mac.

And so as part of that legislation, they required that these Government Sponsored Entities then set aside or reserve 4.2 basis points for every dollar of unpaid principle to then go towards the Housing Trust Fund and the Capital Magnet Fund. So this created this new source of funds. I was talking about the fact that these are non-appropriated sources of funds at this point.

And so the source is coming from Fannie Mae and Freddie Mac making these payments at this point. So we'll be talking about the allocation formula that is utilized to determine then from these payments into the Housing Trust Fund, how they will be then distributed amongst the states. And we'll go into some detail about that, I think on the next slide or two on that.

But the target here, then again, the funds are going to states. So this is not going to local communities, it's distributed solely through states. And then it's targeted towards based -- part of that priority is based on where there's a shortage of affordable standard condition units that are available for very low income and extremely low income households. We'll go into the details on that in a minute.

So funds are allocated to the 50 states, but also to the District of Columbia, Puerto Rico. And then we have four insular areas that also are designated as part of that. And so as part of that, then the states can determine how they are going to administer their funds.

The state could be administering those programs directly. So maybe you were using -- as a state, you are using your trust fund in conjunction with some of your other multi-family housing program, maybe it's paired with home or low income housing tax credits. But they also have the ability to subgrant that to units of local government.

So each state as a recipient of the Housing Trust Fund will designate whether they themselves directly are going to be administering this, or in some cases, they are designating that their administrator will be a qualified state designated entity, such as we most commonly see quasi government entity or state housing finance agency is probably the most common on that.

And then our funds are distributed based on our cost allocation methodology, whether directly or in conjunction with our subgrants. And being distributed then to our end recipients, non-profit or for profit owners. And of course, we're going to be vetting those to make sure that they have appropriate capacity and experience and that we have eligible projects. And we'll be talking about that in more detail as we go along.

So I mentioned the trust fund formula, and here's where we're going to talk a little bit more about that. So the statute calls out what those factors are that are going to be used. And those factors include an analysis of the shortage of standard, standard means in condition, the condition of those properties.

So in standard condition rental units that are affordable and available to extremely low and very low income renters in that state. So we're looking at needs, shortage for those units. Also, looking at the number of very low income that are paying more than 50 percent of their income for rent. So households that are rent burdened.

That also includes then looking at the number of units for that state that have been reported as having incomplete kitchen or plumbing, or more than one occupant per room. And that's something that's being collected as part of the census information.

In addition to those factors then, is this comparing the construction cost for that state as compared to other states? So there's a multiplier factor that's used in then determining that final formula amount for each of those states.

So there is a statutory minimum allocation. So all states, District of Columbia, will at a minimum receive $3 million. In the case where we have not enough money to be able to follow the formula as it's laid out, then there would be adjustments that would be made on a pro rata basis for that.

So our processes for our allocations is that after the point that our GSEs have reported and made their contributions into the Housing Trust Fund, then HUD is going to be process and calculating that. And within 60 days after that formula determination, there would be a federal register notification for that year's allocation.

Those are posted on HUD Exchange. There is a Housing Trust Fund landing page, which is what the visual is on the right of this screen, and we'll be talking about that later as one of the key resources where that landing page would be where you would find all of the Housing Trust Fund related resources. So that's probably something you're going to want to save to your favorites on that.

In some cases, we will have states that fail to expend their funds, commit or expend their funds. And so those funds would be paid back in return. And those then go into a pool to be reallocated in the next succeeding year. Those states that had lost those funds, would not be eligible for that additional allocation.

But that's our process if there are funds that are captured because a state has failed to meet its commitment or expenditure requirements. So we're going to be talking about the importance of making sure that the trust fund allocation system is in place, and that you're moving forward on schedule to make sure that you would not have the risk of any funds being recaptured.

So that distribution of assistance is something that's going to be laid out within the allocation process. And it needs to match that state's assessment of your housing needs, much like we do with home and CDBG, where we have our strategic plan and our action plan, where we are looking at those needs and then making our allocation plan, our use of those funds based on those identified needs.

So we mentioned that there are two ways for a state to be able to utilize those funds. They could be utilizing the funds directly, and so operating programs directly where they might be soliciting applications, processing those, and then making funding awards directly. Or they could be providing funds to a subgrantees, a unit of local government who then would be following those requirements.

So when we have a subgrantee who is a unit of local government, they must also have an allocation plan and it would need to align with the state's allocation plan in the use of those funds. So they would need to line up. We wouldn't want any conflicts between the state's allocation and that local plan.

Let's see. And they would be following the guidance at 24 CFR part 91 as part of that. All right. With that, we're going to move into and start talking about the Housing Trust Fund allocation plan. And I'm going to turn things over to Carrie.

Carrie Kronberg: Thank you, Les. And can pass the ball to me.

Les Warner: Just trying to transfer.

Carrie Kronberg: Okay, great.

Les Warner: Yes. Here we go.

Carrie Kronberg: Great. Okay. So let's dig in a little bit on the allocation plan. Like other HUD CPD planning processes, this is developed by each HTF grantee, following the HUD publication of the grantees allocation, and then it's submitted to HUD for approval.

So it's a communication tool largely as well as a planning tool, but it's how you communicate to HUD, stakeholders, and the public at large what your plan is to prioritize activities and award and spend HTF funds. And then of course, HUD approval is required to move forward with that plan.

Oftentimes, the HTF allocation plan is completed as part of the annual action plan process if the timing is right. Because as Les mentioned sometime HTF funds aren't appropriated, they come from this other source. So sometimes the allocations of appropriated funds, home CDBG don't line up with the announcements of the allocations of HTF.

But when they do, when they're around the same time or at the same time, then the HTF allocation plan can be done at the same time as the annual action plan. If not, then it has to be an amendment to the annual action plan, consolidated plan.

So some of the contents to include in the HTF allocation plan include application requirements and selection criteria. So how is the state going to distribute funds? What are the eligible activities and how are those going to address needs? What are recipient and project selection criteria?

And then Les mentioned, and we'll talk a little bit more about this on the next slide, this ability to use a subgrantee if the state grantee wants to award say to an HFA, or maybe to a local government to administer at least part of the allocation, then that needs to be identified in the allocation plan.

Okay. So if using a subgrantee, there's a little more detail on what needs to happen when grantees opt to go this route to administer at least a portion of their HTF program. So the state needs to execute a written agreement with the sub grantee that says how much of the HTF funds will they administer and then the associated terms and conditions.

And as Les mentioned, the subgrantee must submit an allocation plan as well. And so if that's at the state level, it would just be the state's allocation plan because there's only one eCon plan and associated plans for each state. But if it's at the local level, then there would be an additional allocation plan submitted by the local subgrantee.

And then keep in mind that all approvals of both the grantee and the subgrantees allocation plans, if those are different, have to be received from HUD before the subgrantee can commit funds. And then as Les mentioned, because you have two allocation plans in this circumstance, they really need to align. So if a state grantee is opting to use one or more subgrantees, they should ensure coordination on allocation plans and that they don't contradict each other.

The subgrantee's plan, obviously can't be out of compliance with the state's plan, but it could go above and beyond the state requirements and goals. So stricter property standards, for instance, if say maybe the local jurisdiction has stricter property standards than other parts of the state.

And then another area where coordination is needed is to track compliance with commitment and expenditure deadlines. So those are pretty tight for HTF. Les mentioned what happens when great grantees don't or spend their funds on time.

And it has happened where funds have been surrendered back to HUD. And so keep in mind that commitment deadline is two years from the date that HUD signs the grant agreement for HTF, and then the expenditure deadline is five years from that date. So careful planning and coordination is really essential because that time can fly by.

Okay. So similar to other review and approval processes associated with the eCon plan. HUD has 45 days to review the HTF allocation plan and provide feedback. That 45-day clock starts when HUD receives the required SF 424 and certifications, or email notification that the plan has been submitted in IDIS.

In my experience, a HUD rep would sometimes come back with a few questions that may or may not require changes or clarifications. And IDIS they might -- if they wanted us to clarify something, push it back to us. And then we would do that. Once we were all on the same page, then the plan would be approved.

Now's let's talk about what has to go in that allocation plan. As mentioned, first, of course, you have your required certifications. If the timing works out and the allocation plan is submitted with the annual action plan, then all required submissions must be included for HTF as well. So that SF 424 would go with the annual action plan and then as well all other certifications.

But again, when that timing doesn't line up, sometimes HTF allocation plan is submitted after the eCon plan or action plan if funding was announced, say six months later than appropriated funds. And you have deadlines associated with when those funding announcements come out and when you have to submit a plan. So then in that case, the allocation plan would be submitted separately.

And so when that allocation plan is submitted separately, the HTF grantee needs to update the eCon plan with the required certifications for HTF as well. Another example is say, CDBG has that hard deadline of August 16th for submitting your annual action plan to access that year's funds.

So if the HTF allocation didn't align with that, then HUD would permit the annual action plan to be submitted without HTF and then the grant could substantially amend it later once the HTF allocations are announced.

Okay. So HTF allocation planning is done as part of the eCon Planning Suite. So it's been incorporated into that. I think when it first came out, it was a separate attachment. But since then, it's been incorporated into the eCon Planning Suite, but those of us who work on this are familiar with.

So screens that need to account for HTF funds include the executive summary, citizen participation requirements, the strategic plan, and the annual action plan. And we'll go into a little more detail on these over the next few slides.

So the requirements associated with allowing citizens to participate in the planning process, which are here at this citation, 91.115, those also apply to the HTF allocation plan. So grantees must follow their CPP as it's called, Citizen Participation Plan that they've established pursuant to this requirement.

So states need to allow for citizen participation and comment. And keep in mind, especially for citizens of low and moderate income that may benefit from HUD CPD programs. They must also describe actions the state will take to encourage participation of all residents and that specifically calls out minorities, non-English speaking persons and persons with disabilities.

So how are we doing outreaching and ensuring that those groups are able to participate in the process of developing and commenting on this plan? And then as for screens in the eCon Planning Suite where citizen participation requirements are addressed.

That is in the executive summary as well as not surprisingly the citizen participation process. And then just a reminder, if you're using one or more subgrantees, this is somewhere where you need to coordinate.

Okay. So Housing Trust Fund also has to be reflected in the affordable housing section of the strategic plan. And that's where grantees set general priorities for allocating CPD funds among activities and needs. And so you have the needs assessment and market analysis that are done as part of the planning process, and those should support the priorities that are identified in the strategic plan.

Once again, if the HTF allocation plan is being done separate from a full plan, this is done as an amendment. And so the strategic plan screens and the eCon Planning Suite that you'd need to address include geographic priorities. So if there are specific areas targeted for housing HTF investment. Priority needs, which includes housing needed by tenure type, and then the level of income of the eligible beneficiaries.

Any influence of market conditions that would indicate how the existing market influenced priority needs. Other anticipated resources where all anticipated CPD funding, including program income is listed as well as other resources, such as section 8, low income housing tax credits.

Any available match, competitive homeless funds, and then leverage of other funding sources, state, and local, and even private. And then lastly, you want include, or adjust the goals, screens as part of the strategic plan to reflect updated housing production goals that include Housing Trust Fund dollars.

Okay. And then in the annual action plan, your HTF allocation plan could be done as part of that. But if not, you're amending these screens to account for it. So annual goals and objectives, which are specific goals that the grantee initiates action towards or completes during that program year.

And each goal must include one or more of the goal outcome indicators. And that's how you quantify the intended achievement. So how are we making progress towards this goal? What's our indicator?

Allocation priorities, where states provide the reasons for their priorities and how they'll meet the needs and goals of strategic plan with the proposed funding distribution. A method of distribution also described how the state will allocate funds with one or more methodology.

Geographic distribution is where states describe the geographic areas in which they will direct funding and the rationale for investment in any priority areas. The affordable housing screen. Not surprisingly this should be updated to state goals for the types of beneficiaries served, whether those are homeless, special needs, et cetera.

And then the number of housing units by program types. So here you'll account for who will be served with HTF funds and your goal for unit production with that year's dollars. And then homeless and other special needs activities also needs to be addressed for HTF. This is where you enter one-year goals and specific actions to carry out the homeless strategy outlined in that section.
Keep in mind who we're targeting with HTF funds, extremely low-income households. So HTF is an important source of funding for serving those highly vulnerable populations that may be experiencing homelessness.

Additionally, barriers to affordable housing. So you want to talk about actions it can take and how HTF funds can help reduce barriers to affordable housing that you've identified in the market analysis and strategic plan.

And then finally, any other actions where the grantee indicates other activities they will undertake to address other challenges, such as fostering and maintaining affordable housing, coordinating with other government entities or funders. So you want to account for HTF in that section as well.

Okay. So now we'll talk specifically about the HTF allocation plan itself. There are requirements around that in part 91. So as mentioned earlier, if the state will use one or more subgrantees, how many times are we going to say this?

Make sure you address that in the allocation plan. If the state plans to distribute funds through an application process for eligible recipients to carry out activities, then that needs to be addressed too as does if there's a combination.

So maybe we're having a statewide non-profit as a subgrantee administer when we get there a home ownership program, but the state is going to handle through direct -- accepting applications, is going to handle any rental housing assistance. So there you'd want to describe the different funding strategies.

And if the state will accept applications, then the allocation plan needs to describe the selection criteria, including priority funding factors, and we'll talk about those on the next two slides. The program is prescriptive and priority funding factors that need to be considered.

And then additionally, any eligibility requirements for proposed activities and funding recipients. So those are also outlined in the regulations cited here cited here. They include things like a demonstrated ability to carry out the work in compliance with the requirements and in a timely manner. So you want to ensure that when you're making awards of HTF funds to a developer that they have demonstrated financial and management capacity, for instance.

Okay. So as I just promised, we would talk about priority funding factors listed in the regulations. So states need to indicate that in the allocation plan and also indicate the relative priority of each of these. So these are the funding factors that you have to use, but you determine how they are prioritized relative to each other.

So those include geographic diversity. So ensuring there's an equitable distribution of funds, or that if funds are targeted to a specific area of the state, that there's a reason for that. But that should be a consideration in awarding funds.

And then the applicant's ability to commit funds in a timely manner. So we talked about that two-year commitment deadline. You don't want to be up against the wall on that. So you want to ensure that if you're awarding funds to someone that they're able to move quickly once an award is made to get those funds under contract and committed.

And then this is a similar requirement associated with the five-year expenditure deadline. The applicant needs to be ready to undertake eligible activities timely. So you don't want to sign a contract and then not have the project start for a while. You want to ensure that funded projects are, I think, as we say, shovel ready.

And then finally, to ensure HTF beneficiaries can afford to live in their units and that the project can still cash flow. Another priority consideration is the rule -- or in the rule, sorry, is for project-based rental assistance, whether that's available or not, because that can be a really great source to ensure both housing stability and project viability.

Okay. Some additional criteria that needs to be prioritized include the duration of the affordability period. The minimum is 30 years, right? But if a project can demonstrate that they can be feasible and commit to a 50-year affordability period, you might want to prioritize that one over another.

Additionally, you've identified the state's priority housing needs in the consolidated planning process and in your allocation plan. So how are we -- or do you want to incorporate, or you have to incorporate the merits of the application in meeting those priority housing needs. So where does that priority fall?

And then finally one of the most valuable things about HUD's funding is its ability to leverage other private state and local dollars. So you could also prioritize based on leverage that a project can bring to the table.

Okay. So there are certain requirements once we get to the point of accepting applications, there are requirements that are applicable to HTF applications. So make sure that the application includes description of the eligible activities that will be conducted and that the applicant, if they are successful, understands what's eligible and what isn't.

They also do need to certify that HTF assisted units will comply with HTF requirements. And then you can find more information on these HTF specific requirements in the eCon planning Suite desk guide. It's very helpful resource explaining all of these screens sided here. And so you can find more information there about application requirements.

Okay. Additionally, the allocation plan has to include performance goals and benchmarks. So what -- where are you going with your funds and how are you measuring progress along the way? So the associated screens are listed here and the grantee or subgrantee can meet this requirement by including HTF and its housing goals in the housing table on the eCon Planning Suite SP-45 and AP-20 screens.

And then in addition, the grantee or subgrantee can acknowledge compliance with just by saying yes or no compliance or non-compliance to the question on whether subgrantee if there is one established performance goal. So a couple of things specific to HTF that are a little bit different if folks are familiar with the HOME program.

So one big one is that for home, the per unit subsidy limits are determined by HUD. For HTF, those are determined by the grantee. And the allocation plan must identify the per unit subsidy limits, and they need to be reasonable and data informed.

And specifically, they should be based on actual costs of developing non-luxury housing in the geographic area. So each grantee needs to submit their maximum per unit development subsidy amount, and then accompanying justification as part of that annual HTF allocation plan.

So some factors to consider with that include maximum per unit development subsidy amounts. You know, you need to adjust those for the number of bedrooms and for the geographic location. And construction and land costs vary by area.

So grantees may want to establish multiple areas or multiple limits for the state. But if a grantee determines a single limit is appropriate for the entire state, it should submit documentation supporting the determination that there wasn't significant variation in construction or land costs.

And then maximum per unit subsidy amounts should be based on the actual total development costs, including costs that aren't eligible to be paid with HTF funds and costs that are funded from other sources besides HTF. So you want to also take into account the subsidy limit or the cost of meeting applicable codes and standards for rehab or new construction.

So if you have an area that has -- say in Colorado, we had mountain communities. They might have higher codes and standards. If it snows a lot, you might have a different requirement in that area. That's more expensive and it's more expensive to construct.

Okay. Finally, so if HTF funds will be used to rehab existing housing or buildings to convert to housing, the state's HTF allocation plan must include the state's rehab standards. And these need to be pretty detailed, including work methods and materials.

So health and safety standards, major systems, lead-based paint, accessibility, resilience to or mitigation of disasters. Those are all things that should be covered in those standards.

They also have to include the specific uniform physical condition standards, or UPCS. They are inspectable items that HUD specifies and they need to include those. And then HUD have published guidance on rehab standards, and those can be found in the FAQ posted on the HUD Exchange here.

So there's FAQ and then there's an appendix of the FAQ that provides even further guidance. So that's a really helpful resource that if you are working on those rehab standards probably want to check out.

Okay. Now we're not here yet with home ownership. But when we get there, if HTF will be used to assist first time home buyers, then the HTF allocation plan should include the resale and/or recapture provisions. And then just remember it like home, these provisions need to be improved in writing by HUD separately from the allocation plan or annual action plan.

So as mentioned because the size of the fund nationally has not yet exceeded 1 billion, HTF has to serve 100 percent -- has to serve households at or below 30 percent AMI. So we haven't yet seen anyone use HTF for home ownership. So I think every allocation plan I worked on said this section wasn't applicable.

But as the size of the full HTF grows and states are able to serve 50 percent AMI household with a portion of their annual allocation. We may start to see some home ownership activities and these elements will be required in order for that to begin. Okay. So I'm going to pass it to Les to do our next knowledge check. And I think to cover a few more slides before I'm back on.

Les Warner: See if I can move the presenter ball --

Carrie Kronberg: Trying.

Les Warner: -- I think maybe if you can try that.

Carrie Kronberg: Yeah. It's a very small window. Let me move it up here. But it should be popping up, right?

Les Warner: Yeah. You should be able to just drag it and then there would be a popup confirming that you intend to drag it. Yes.

Carrie Kronberg: There you go.

Les Warner: There we go. That worked. All right. Thanks, Carrie. So we're going to pause for a moment and do a couple of knowledge checks before we move on. So we'll get those popping up in a moment. Here we go. Let's see if it gets us to the next question. Here we go. All right.

So our poll question, states using a subgrant for Housing Trust Fund will need to complete which of the following. Execute a written agreement with the subgrantee. Specifying the housing trust fund dollars. Identify subgrantees and the state's allocation plan and require the subgrantee to submit an allocation plan.

Coordinate with the state and subgrantee allocation plans. And work with subgrantees to track commitments expenditure deadline. So select one or all of these and then hit the Submit button. All right. The poll has ended and we'll see our results in a moment.

All right. So it looks like everybody who answered got this correct. So it's really -- it's important, and I know we've stressed this as we were going along, to understand that as part of that housing trust fund allocation plan, you are going to identify, are you going to directly administer the Housing Trust Fund dollars?

Are you going to use a subgrant or multiple subgrantees? That would need to be identified within the state's allocation plan. And then subgrantees will have to include as part of their plan, they will need to have an allocation plan.

Also, we mentioned this issue about making sure that there weren't conflicts between what that subgrantee allocation plan was calling for versus what the state had laid out and identified its process to be for that. And because of that, then we need to -- that coordination needs to be done as part of completing those allocation plans.

And that really continues throughout the implementation to work together to track the commitment and the expenditure deadlines and which we mentioned. So thus essentially we're then depending on the subgrantee to complete identifying eligible projects, get those commitments in place, executing written agreements.

And then making sure that those projects move forward in a timely manner so that we're also able to meet those expenditure deadlines. So it takes some ongoing coordination as part of that.

All right. So we have a next knowledge check question. Here we go. So our maximum per unit development subsidy limits are set by HUD for Housing Trust Fund and updated annually. Is that true or false? Our poll has ended. We should have our results in just a moment here.

All right. So we had a mix on this. So the correct answer here is false. So you're used to with the HOME program having HUD setting those maximum subsidy limits. But trust fund allows the local grantee the state to establish within your allocation plan what your maximum subsidy limits are going to be.

And of course, keep in mind, we are with Housing Trust Fund, we're doing some different projects other than what we might be used to with HOME. And so you've been given the flexibility to be able to set those at the state level. So they need to be based on what you believe are projected actual costs. They would need to be reasonable on that.

So they may be different than what you are using for the HOME program or tax credits or PIH limits that might apply to some of your other projects. The state has the choice. You could choose to align with those other program limits, but you have the ability, the flexibility for the state to be able to establish Housing Trust Fund specific maximum subsidy limits in place. So an important concept on that.

All right. So got the control back. All right. So let's move forward and talk a bit more about some of the trust fund specific requirements. So if we are at a point, and as we have mentioned a couple of times, we're not at the point generally where people are going to do home ownership because of the issue that we are restricted,100 percent of our funds are restricted to benefiting extremely low income. So that's at 30 percent and below.

And for the most part, I think most states in looking at this would say, that's probably not an appropriate target for homeownership. But if we were to get to a point where we exceed that $1 billion limit for the total trust fund allocation, we could have the flexibility to also serve very low income households to 50 percent and below. So that might be a point at which there would be a policy decision by a state to say, let's do some homeownership programs.

If we were to do that, then we would also have to follow a maximum purchase price. And after a rehab value limits, for those are being published by HUD. This is one of the limits that is provided to you for home and trust fund.

So you would have to evaluate projects to make sure that either their purchase price or what the after rehab value was going to be for that unit would still be essentially modest housing. And that's what those limits are in place for.

And so if the state's going to provide trust fund dollars to assist first-time homebuyers, and will not be using the limits provided by HUD, then it needs to -- has the ability to put in place its own limits. They are based on 93.305. And that has to be something that would be in place and approved as part of that housing trust fund allocation plan.

So you do have a little bit of flexibility for first time homebuyers, as we say. Currently, now we don't have anyone, I don't believe doing homeownership projects, but it could potentially be an opportunity in the future. So the state again has quite a bit of flexibility on designing their programs and the targets for how what portion of the population you want to try to assist using these resources.

So the state has the ability to limit beneficiaries to a particular segment of the extremely low income population. Or you could set this so that would mean restricting it that only those folks were eligible. Or you could set up a system where the all ELI population were eligible, but you had a preference in place.

So priority would go to, would go to a certain subset of the ELI population. So keep in mind when we do that, we need to make sure that we're not going to violate non-discrimination requirements. And those are called out at 9.3350. We also -- can't limit this or give preference to students. That's not really the goal of the Housing Trust Fund program.

There is the ability to allow rental housing owners to limit tenants or give preference. And so as part of our designation of how we want to target these specific Housing Trust Fund limits, we could then have tenant selection criteria that would be in place.

To be able to do that, that needs to be included in our state's action plan. So Carrie mentioned earlier, we've got a housing trust fund allocation plan, but we also overall for all of our HCD funding have a strategic plan and an annual action plan, which have done an overall assessment of need and then you know, put in place a strategic plan, how we're going to use the mix of funds available, not just housing trust fund in this.

So the state's action plan itself what's being done with Housing Trust Fund would need to line up with what is described within the state's action plan on this prioritization for rental housing owners. And so I think many states will, as part of their portfolio of funding will target using particular kinds of funding to meeting the needs of particular segments of the population.

That's perfectly appropriate, but it needs to be laid out and clarified within both your Housing Trust Fund allocation plan, but also consistent and included in the action plan. See if we can move that. There we go. All right. So we also have some requirements or -- some policy decision essentially to make about refinancing of existing debt in conjunction with rental housing.

So sometimes when we are looking at a potential Housing Trust Fund project, we also see this in other programs where part of the challenge is the dis-existing debt structure for that project and for this project to be sustainable, to be able to make this project more affordable.

So you can, as part of your consolidated plan layout refinancing guidelines of when you'll be willing to do refinancing, what your terms and conditions would be, what your process would be. And so if you were going to be doing that, that also needs to then be described within your consolidated plan.

This is something that's also required for the Housing Trust Fund allocation plan. And this is where the state is going to use housing trust fund dollars to refinance existing debt. Now, keep in mind that this is a rehabilitation activity. And so the primary use, the majority of the funds in this project, we would expect to see that the primary use is rehab for that unit.

And we would -- expect that there would be a ratio that the majority of those funds were being used for rehab rather than refinancing. And so that would be called out as part of your policy standards under your refinancing guidelines on that.

Now there are certainly some states with trust fund and other programs that have said we're not going to do refinancing. But I think more commonly, we'll see these would be the limits, the terms and conditions under which we would do that. And then there would need to be documentation in that file that you did provide refinancing to be able to show that that was completed.

And that might be that you're using trust fund dollars to pay off existing debt for a project, but it also could be that you are -- and that's probably more common. But it also could be that you were paying the cost related to refinancing existing debt with another private lender which would be more affordable.

But the bottom line is as part of that documentation, you need to be able to show that with that investment of trust fund dollars into this project towards the refinancing part of this that, that resulted in reducing those overall housing costs. So we have to be able to justify that investment of those additional housing trust fund dollars that were used for the refinancing to show that in return we made those units more affordable.

So if we have a -- project that is carrying existing debt then that no longer is part of their ongoing expenses that would allow them to be able to afford and sustain more affordable rents. If we are able to refinance and get a more lower interest rate on that existing financing that would also result in that same sort of reducing the cost for that project, which then needs to result in more affordable housing for that.

Let's shift in and begin to talk about program requirements. So grantees need to make sure that they're going to administer their trust fund program. That's providing housing that's suitable to facilitate and further compliance with the Civil Rights Act, Fair Housing Act and HUD regulations that are related to that.

And -- I mean, this is our normal requirement that we would have for all of our other programs. We're trying to facilitate more choice in housing opportunities. And so we need to think about all aspects of our project. We talked earlier about things like tenant selection criteria.

We're going to be talking in a moment about things like our site and neighborhood standards, trying to make sure that we're expanding the opportunities that we are marketing our programs, so that those least likely to know about the opportunities are going to be aware of that. And so that needs to be part of our policies and procedures and incorporated into the overall operation of our Housing Trust Fund.

So site and neighborhood standards. For those of you that work with the HOME program, this may be something you're familiar with, but a lot of times folks have skipped over this. So site and neighborhood standards is requiring that you have a protocol, have standards in place that you will evaluate when you are proposing, making an investment in new rental housing.

That it's going to be an appropriate site. And the surrounding neighborhood are going to be appropriate for that affordable housing. So that might include things like access to transportation, not placing that new rental housing that you're creating in areas that have high density minority concentrations, crime, other sorts of issues.

We're trying to expand housing opportunities and choices that are available to folks. And so you're required to have site and neighborhood standards that you would adopt. And as part of that, then anytime you had a project which was funding the new construction of rental housing, you would utilize those site and neighborhood standards and include that documentation in your file to that.

As you were making that decision of, is this a project that I want to fund with Housing Trust Fund dollars. You would evaluate, is this an appropriate place to put this new housing. And that would be part of your decision making process. And you might go back to that developer and say, based on our site and neighborhood standard review, we want you to consider a different site, these are our concerns.

And that's working towards making sure that we expand those choices for housing. And also that we're putting them inappropriate. When we have a choice of where are we going to place these new units, but that's been part of our evaluation process.

All right. So let's talk a little bit about income determinations. We talked about the fact that we need to, we have required targets on the beneficiaries for Housing Trust Fund. So as part of that, the grantees are going to need to determine that each of those families are households that are occupying a trust fund assisted unit are actually income eligible.

And so those regulations are found at 93.151. Trust fund provides you the same choice of you have two methodologies for, I guess income definitions for determining if households are -- income eligible, you could use the section 8 part 5 regulations, which probably are the most common. Or you also have the option of choosing to use the IRS 1040 definition of adjusted gross income.

So the section 8 part 5 is probably what most folks are used to using. Keep in mind that if your trust fund dollars are being combined and I think we probably often will see that with things like low income housing tax credits. The low income housing tax credits require the use of the section eight part 5 requirements. So that's probably what we're most commonly going to see.

If you were to choose to use the IRS 1040 adjusted income definition, know that this is not that you are just saying show me your tax form, but this is looking to the 1040 form. And following the adjustments that they are making when that 1040 form is used to determine what a household's adjusted gross income is.

So you're going to have to maintain familiarity with that 1040 form. It changes from year to year, but that's our definition of what are we going to account? What are we not going to account? What adjustments are going to be made? So you need to adopt one program or one definition that you're going to use per program and for each rental housing project.

So we want to make sure that we are not Mrs. Jones who lives on the second floor, we're using 1040 to define her income eligibility, but we're using part 5 for somebody who lives in another part of the project. So we're using consistent methodology on that.

All right. So that's at our initial occupancy, but we also have an ongoing annual income determination to make sure that our households continue to be eligible. So we have more flexibility here. We could use our -- standard of source documentation and collecting at least two months of that source documentation.

So that's things like getting pay stubs or wage statements, bank statements, we might have someone who was unemployed or on a disability income. And so we would collect that documentation for a minimum of two months as part of our collection to then make that calculation on their income eligibility.

You also have the ability to use a written statement certification, so itself certification from that household. Identifying household members, all the income, and then making sure that -- and that would be based on the income definition that you have chosen.

You also will have the opportunity to use a written statement from a government program administrator. So another means tested government program. So for instance, I would presume that many of our households because of being targeted at 30 percent and below may also have section eight project based assistance.

And so we could get a written statement from that program showing that, that household had already been means tested and determined to be income eligible for their program. And so by definition, they will be eligible for the housing trust fund program. So that does give you a little bit of flexibility that might streamline that process a little bit.

If we were doing homebuyer programs, as we mentioned, we currently are not that they would always be required to do using source documents only. So let's talk a little bit about our eligible activities, and I'm going to hand things over to Carrie at this point. Let me see if I can transfer the ball to you.

Carrie Kronberg: Great. Thank you, Les. We are in the home stretch. So let's talk about what you can do with HTF funds. So in general, remember HTF is intended to produce, preserve, and rehab affordable housing for rentals, and eventually first time homebuyers.

And that can be done via acquisition, new construction, reconstruction, rehabilitation of non-luxury housing, including the activities listed here. So when we're doing the acquisition, this first general category of eligible activity. So let's talk about a few more specifics on that.

Acquisition costs can include the cost to purchase vacant land. And then additionally, if there are existing improvements that need to go in order to deliver HTF eligible housing, then demolition costs for those improvements are also eligible.

And then keep in mind we talked about this a little bit before we're looking for shovel ready projects. So land banking isn't allowed. You can't buy a site with sort of a loose plan or idea to develop HTF eligible housing sometime in the next five years.

That's not allowed. It has to be for a real project and you have to expect construction to begin within 12 months of committing funds to the project via that written agreement. Something else to talk a little bit about is manufactured housing unit. You know, this is really an important piece of the affordable housing supply and probably the most commonly found naturally occurring affordable housing, at least in some parts of the country.

So it is eligible with some key caveats. You can use HTF to purchase a manufactured housing unit, rehabilitate a manufactured housing unit, or also to purchase the land on which one or more HTF assisted units will be placed. But the housing unit needs to have some permanent features and there needs to be an expectation that, that owner can live there for a long time.

So it has to be connected to permanent utility hookups. It has to be on land that the unit owner also owns, or it has to sit on land on which the owner has the lease for at least the period of affordability. And that lease should also set the rent amount or account for reasonable increases time.

And that's just to ensure that the homeowner won't be economically displaced if they're renting say a lot on a manufactured in -- manufactured housing community, and this happens here about it more and more. You know, maybe a mom and pap manufactured housing community changes hands to a more profit motivated owner and they plan to dramatically increase the rent.

So it was happening quite a lot where I worked in Colorado, I know the state has taken some steps to try to mitigate that. But we'll talk about ineligibility at the end of this, but if the unit doesn't meet the affordability period, it's ultimately not eligible. So you need to make sure that there's a long term lease so that the owner won't be displaced.

And then you can also just the final thing, you can assist an existing unit on a site that's owned by the homeowner/applicant who needs rehab to bring that unit up to property standards. So that would be more of a preservation activity.

Okay. When we have multi-unit projects which is fairly common, right? Multifamily rental housing is a common use of HTF funds that I've seen. Both in my work at the state level and at ICF. You know, so just keep in mind that only the actual HTF eligible costs to develop may be covered with HTF program funds.

And those are listed in the HTF regulations at 93.201, far too many for me to list now, but they include things like development, hard costs for both new construction and rehab, things like utility connections, acquisition costs and related soft costs are also eligible among many others.

And make sure that your underwriting protocol can differentiate between HTF eligible and ineligible costs. So you want to have someone on your stuff go through and make sure you understand all those eligible costs and apply those to your underwriting tool.

And then when you have units that are either assisted with HTF or not assisted, and those units aren't comparable in terms of size and features, then you need to determine HTF eligible costs through a cost allocation that account for the differences in those units.

But then say, if you're doing a project, that's all one bedroom units that are the same size, have the same features, those would be comparable and you could just prorate costs according to the number of HTF units assisted. So 50 units divide by 50 there's your price per unit cost.

Something else I'll mention just on multifamily housing, rental housing is the ability to use HTF funds to provide operating support. And it can help ensure a rental project will cash flow while it's still serving extremely low income households. And that house -- that flexibility hasn't been used much yet with HTF. I know at least one trailblazing state has started to offer this kind of support and a few others are at least considering it.

But it's a key flexibility within HTF a really important one within Home app, I spend a lot of my time thinking about that program these days. So I think as state PJs start to develop processes for that operating support for home a -- there may be a spillover benefit and we'll see it applied more frequently with HTF.

Okay. A little bit more on multi-unit projects. So typically you're held to the number of HTF units in IDIS at the time of project completion. And that number can only be reduced in accordance with HUD requirements listed in the HTF regulations. The one exception is if a project is 100 percent HTF assisted units, one of those could be converted to an onsite managers unit if the HTF grantee determines and documents that that conversion is reasonable.

And then also in that assessment the grantee would need to ensure that if they're reducing the number of units, they don't then push themselves over the subsidy limit and then established in the allocation plan. So you're reducing the denominator, the number of units you divide by. So just make sure that that doesn't push you over the limit for per unit subsidy.

So forms of assistance. You have several options here related to the form of assistance that can be provided to an HTF project. It could be an equity investment. You could make an interest or non-interest bearing loan or advance. You can also provide interest subsidies, but along with that, you have to make a determination that the interest subsidies consistent with the purpose of the HTF program.

You can make deferred payment loans, grants. And then you also have this flexibility. If you have another creative financing mechanism you want to provide that isn't listed, you can approach HUD, work with HUD to determine whether it's consistent with the purpose of the program and gain their approval to provide it.

And grantees have a fair amount of flexibility in determining in terms of assistance. Of course, subject to HTF requirements. But you have the ability to determine loan terms. You just want to make sure that that assistance is reasonable and it's based on underwriting, right? So don't make a must pay loan if the performer doesn't indicate that there'll be sufficient revenue to make those payments.

Our last slide here, I think is just a little bit about ineligible activities, and these are primarily include projects that don't ultimately meet the requirements of Housing Trust Fund program in critically that pretty long, 30-year affordability period. So this is really demonstrates the importance of careful underwriting and potentially a contingency plan if a project becomes troubled those do happen.

They want to have a policy procedure or way to approach a workout plan. If you do end up funding projects that that struggle in the long term. If you have a project that's terminated before it's complete or before it's even finished being built or occupied, whether that's voluntary or involuntary, that HTF investment becomes ineligible.

Additionally, if the project is complete, but doesn't remain affordable as required for 30 years, also ineligible. And in these instances, repayment will be required and HUD will determine with the grantee where those repayment funds must go. Do they go to the local account or do they have to be paid back to treasury? Okay. So now I think we have our next pause for knowledge checks, and then we'll do some Q&A.

Les Warner: Yeah. I was just going to mention on the last slide where we're talking about ineligible activities and the potential of triggering a repayment for a project that did not complete its affordability period. That's why -- and we'll be talking more about this, but that's why underwriting is going to be so critical.

But also that ongoing oversight to try to make sure that these projects continue to be fully occupied in good standard condition so that you have early indicators when there's any kind of problem and you're able to intercede.

So the hope would be that you're going to avoid any kind of ineligibility and repayment requirements by noticing these things early and being able to work with that project and owner to correct those issues.

All right. So let's do our knowledge check and then we're going to move into the Q&A, we've got some really good questions that have come through. So our first polling question. This is true or false. Housing Trust Fund grantees are required to set aside 30 percent of their annual allocation be utilized as operating assistance. Is that true or false?

So most folks got this right. So it percent false that it is a requirement. It is the regulations do allow for up to 30 percent of the housing trust fund allocation to be used for operating assistance, but that is not a requirement. And I think for the most part, it is not being used for that.

When we look at this, how do we make sure that a project is stable over time and affordable? The operating assistance would be one tool. But we're also seeing, I think probably the majority of our projects combined with other sources so we might have a Housing Trust Fund project that was part of a low income housing tax credit project.

So we had some specific units within that project, which are Housing Trust Funds. So they are more affordable following the Housing Trust Fund targets. And we've done our cost allocation as Carrie talked about just a few minutes ago on trying to -- we need to justify the level of funding that we've put into that based on our subset of that group. That's the Housing Trust Fund assisted units.

So we also see folks with project based vouchers that are going to be part of that rental assistance. So, but operating assistance is one of those options that the regulations do apply. All right. We've got one final knowledge check question. And this is about that annual allocation in the formula that's being used.

So all of these are part of that formula except for one. So we have shortage of affordable rental units in standard condition available to ELI and so extremely low and very low income households, construction costs in the state versus an aggregate cost across all states.

And allocation factor based on total population of the state versus other states. Number of units lacking complete plumbing and kitchens, or number of LMI renters paying more than 50 percent of household income for rent. So one of these is not a factor and does not belong there, which one is it

And if you'll make that selection and hit the Submit button. Our poll has closed, have our results in a moment here. So the one that doesn't belong here is this allocation. It's C, allocation based on overall state population versus other states.

So it's not just about who has the most population and we're going to give them a larger allocation. It's much more focused based on need and specifically looking at extremely low and very low income renters, about condition availability of appropriate units for them. And then also we have this multiplier based on the construction costs for the area.

So recognizing that some states are going to need a larger allocation to do the same project because their costs are going to be higher. All right. So that completes our knowledge checks. And now we're going to go into our question and answer. And I'm actually going to switch my -- I have these sorted for ones that have been answered, but I want to see all of them.

So we have a number of questions here. Let's see if I can get back to all of them. There we go. So a couple of these that have been answered right. But I thought it made sense to -- also go over these because I don't -- I think it's difficult in a Webinar to listen and pay attention to what's happening with the trainer, but then also be watching on the side of the screen.

So there was a question about if we have a project that the way we're making this affordable is that we have project-based rental assistance. But that contract -- that's in place only has a five-year period. So what do we do about the fact that we have a 30-year affordability period for our Housing Trust Fund project?

So the state does have as we talked about this risk, it would be an ineligible project if it did not complete that affordability period. I think for the most part for project-based assistance, there is the assumption that these are going to be renewable for that project. But essentially there would need to be sort of a backup plan on -- if that would not be the case at some point how you would maintain affordability.

So the ones we've been talking about is this ability to provide operating assistance using up to 30 percent of our allocation to be able to support that. So I would think that that might be one of our options if we had a project that -- those project-based assistance were not renewed at the end of that contract period.

I had a question earlier about what do we -- when we talk about the commitment of funds and we have a deadline on that, how do we track. What's considered the commitment for the award of funds? It's going to be the execution of a written agreement for that project meeting the criteria for written agreements.

We're going to be talking about written agreements later within the training series. But that would be at the point that we have a commitment and many of you will have -- you might have a project that you have reviewed and it is waiting for other funds to be committed.

So you might have made a conditional commitment on that, or we found this project to be eligible. But we need that final, that written agreement to have been executed to be able to meet that criteria of -- a commitment of those funds. Carrie, I think you were answering one a minute ago. Do you want to talk folks through that one also? Carrie, if you're speaking, you're on mute.

Carrie Kronberg: I thought I clicked it. Can you hear me now?

Les Warner: I can. Yeah.

Carrie Kronberg: I'm doing a lot in this tiny window. So a couple questions came in one was about cost allocation and folks may be familiar with the cost allocation method and requirements under the HOME program. Are those the same or similar to for HTF.

And it should be a similar process if you look at the regulations side by side home, and HTF where they talk about that practically identical. And so it would be a similar process where you look at what's eligible costs versus total costs, et cetera. I think could follow the guidance and the models that have been provided for home as a way to do that, also that's a resource for folks.

Right. Another question we got was if funds have to be repaid because the affordability period wasn't complete is that done on a pro rata. So if we had made it through 20 years of the 30-year affordability period, could we maybe just have to repay a third of the funding invested?

You'd be working directly with HUD on this. But the regulations don't mention or account for any kind of probation, they indicate that you would have to repay the amount of HTF funds invested in the project.

Les Warner: Yeah. I think that's the definition of having met the eligibility criteria for your investment meant you had to have completed a 30-year period. So I would believe the same as we would have for a home that there's really not a mechanism to say, well, you get partial credit on this. You haven't met the terms on this.

Which is why that underwriting very carefully, keeping an eye on projects throughout that affordability period to make sure that they are financially stable, but will continue to be really important to make sure that does not occur.

I had -- there was a question I had answered earlier where they were asking in relation to some strategic planning. Are there particular criteria that might be used for prioritization on that? And we mentioned things like geographic priorities.

And so -- I think as a state, one of the things that you are trying to do as part of your planning and sometimes using those prioritizations is to try to make sure that based on the need that your funding and review system are going to then distribute those funds in a way that are going to try to best strategically use those funds to meet those needs.

So we oftentimes see where we have geographic priorities that have been put in place. Because we sometimes see -- if we're running let's say we have our trust fund dollars incorporated into our tax credit allocation program. If we don't have some separate criteria for our Housing Trust Fund eligible projects, we may have allocated the other funds that are needed without meeting those the Housing Trust Fund priorities.

But also this issue of I've got need in both rural or, and urban. And if I don't either set aside some funding or give some prioritization, sometimes we see that all of our funds are going to a particular category of need and we're missing meeting some of that.

So this priorities or restrictions are one of the tools that you use based on the need that you have and how to best route match your funds to the needs that you've identified. Let's see. Carrie, we had a couple of these about where the data is coming from for the allocations. I don't have further information on that, but you might/

Carrie Kronberg: Yeah. I'm just going to the rule. The allocation process is something done at HUD. The formula is something closely guarded. We don't see the sausage making that goes on --

Les Warner: It doesn't identify in the regs what that source of that data specifically is.

Carrie Kronberg: Yeah. Well, it says it's the most current data available from the Census Bureau is all that I see in that section. So it's pretty general about where it's coming from. And then the other question about data sources about determining local needs so there is HUD data that you can use.

I know that in working on our con plan, there were prepopulated data that we could pull in. But we also used other sources when we had some concerns about HUD data or felt like we had some more accurate information. So I think it's really going to vary widely by state, just depending on other sources out there.

If you have say a housing interest group, that's doing a study on the shortage of rental housing available to ELI and VLI households you may want to pull that in and do some comparative analysis and see if you can land somewhere in the middle of all of those data sources.

Les Warner: And I know that there are some states that -- and I think as part of their tax credit allocation program have paid for a statewide housing study to try to capture some of that information, which then they used as part of their allocation process in trying to make sure that they were prioritizing the use of their funds in that way.

So I would think that might be something that could be at the state level you could work on collecting state specific data on that as a way to better fine tune how you're identifying that unmet need across the state.

Carrie Kronberg: Great.

Les Warner: There was a question about where to find the trust fund income limits. And we mentioned we'll also have a resource page on the final resources, but there is a Housing Trust Fund landing page on the HUD Exchange. I believe there also is on hud.gov and that's where you'll find pretty much everything that you would need for Housing Trust Fund is going to be posted on those landing pages.

I would also mention for folks for the HUD Exchange as part of registering with the HUD Exchange. You can indicate the programs that you want to receive updates and information on.

And that's a good way if you include Housing Trust Fund on that list that as announcements related to Housing Trust Fund allocations, new limits we're being posted that those notifications would come to you. And that's probably helpful for folks in trying to make sure they stay up to speed on that.

Carrie Kronberg: Yeah. And I did post the link to the income limits page where they're all posted for 2022.

Les Warner: Perfect. And then Carrie, we had this question about the CFDA number and C for reporting. I don't have an answer to that. I don't know if you have had any exposure to that or not.

Carrie Kronberg: I don't have it memorized, but I think it's something that you could probably find pretty easily with a Google. That's usually where I was going when I was working.

Les Warner: When in doubt, Google.

Carrie Kronberg: Yeah. Google. Yeah. So I'm sure it's available. I can't pull it up right now.

Les Warner: That looks like it has handled all of the questions that have come in. We'll be here, we'll keep this open for another minute or so. But I just want to remind folks -- we've got a new question here. I want to remind folks that this is a three-part series, and so our next two deliveries are on June 1st and June 2nd.

You will again get a reminder on that and also get the linkage for the materials. So we have a new question. Do states need to examine all income determinations or is this something that can be done at the development level? We only do file audits, owner certifications. And asking, should they have tenant documents sent to us?

So as part of your oversight and compliance, you need to have a monitoring process to ensure that the requirements are being followed. That wouldn't necessarily normally mean that you would need to look at every income determination, but that your monitoring process would include a sampling to make sure that that was being completed.

In some cases, folks -- I think probably a lot of folks at this point, particularly with the pandemic are asking for or requiring submission of a certain sample of those files. And that might be done initially with the higher sample size until you're kind of confident that things are being done properly. Carrie, anything you want to add to that?

Carrie Kronberg: I was juggling because when I started my career in affordable housing, the HOME program was relatively new, not brand new. And my entire job was long term monitoring about 11 home projects. And I micromanaged, not monitoring. I had duplicate tenant files and I got -- I reviewed every single income certification that was at the local level.

And then when I moved to the state level, I was like, why don't you have duplicate tenant files? And we're like, well, we have 300 home projects. That's just not possible for us to do. So I think you want to have a reasonable risk-based monitoring policy as less said.

And I would say too, if you start to find issues, right, if you're doing a sampling of tenant files and they all have concerns, well, then maybe you want to review the rest of them and uncover the rest of what's going on. But if you do that reasonable sample everything looks great. It's all calculated correctly, then you probably don't need to look any further. So --

Les Warner: We had a question that came through the chat asking about, is there a model monitoring checklist available somewhere? I don't believe there is for Housing Trust Fund and actually I believe HUD is working on their CPD monitoring checklist which they would be following when they are completing monitoring on that.

And that's always very useful in crafting your internal monitoring and what you're going to use with partners with that. And keep in mind thinking about you have additional program design elements that would need to be incorporated into that. So I think you could for now run through the regulations.

Okay. We know we have an affordability period. We know we have income limits. We're going to be talking through things like property standards. So in getting to build that out based on that. And then I think at the point that there is the CPD monitoring checklist that HUD is going to be using.

I would want to then build off of that and double check to make sure that your system has been set up in a way that you're well prepared for when that monitoring occurs. And then we had a question that came in.

We've been talking about the fact that until the Housing Trust Fund dollars go beyond that billion dollar mark that we have this restriction on1000 percent of the funds needing to be utilized for households at 30 percent and below.

So there was a question about, do we see the program opening up to help first time home buyers within the near future? And if so, do we have a guess on the time-frame? I don't have any guess on that at all. That would be -- I would be paid a lot more if I had that kind of insight.

So I think all we can do is a watch that, and then if we see that then thinking about, is that something you want to modify what you as a state are choosing? How you're choosing to use the trust fund dollars? You know, you've got other sources in the mix of home and CDBG funds that also allow you to do, to assist for home buyers.

So I would guess a lot of folks are going to say, you know where I don't have funds that I can necessarily target -- this really deep targeting at 30 percent and below. And that's a real gap in what I'm providing.

I would guess a lot of folks are going to say, I think I'm going to keep my trust fund more targeted and maybe use some of my other resources on that. But that's really a decision that has to be made by each state on what their needs are and their best way of using that mix of funding.

Carrie Kronberg: And I'll just add, we absolutely can't predict what Congress will do. But one avenue there are proposals out there that do really, really increase the funding to HTF and expand and I think ,do start to appropriate some funding, but those haven't been enacted and who know.

Like I said, we can't predict what Congress will do. But that piece is really up to them. The other avenue -- the size of the fund has slowly been creeping up. I think it's 760 million, 770 million this year, like somewhere in there. And so it's getting closer and closer to that billion dollar mark just from the Fannie and Freddie set aside. But as to a time-frame we can't predict because that's also driven by the activity in the private or in the housing market -- homeownership market.

Les Warner: So if we see increases in interest rates, we might see some of Freddie and Fannie's activity levels reduced. So I mean, there's a lot of factors that play into that. So we've got a question about if the affordability is not being assessed and we have a subgrantee that's unwilling to perform that annual analysis of affordability is the project no longer in compliance? And do we need to repay the trust funds that were used to build the project?

So to maintain compliance, we are required to complete an affordability period. And as part of that, you have to be in compliance with the overlay of occupancy on that. So you as the trust fund grantee need to have systems in place to be able to evaluate that now. Whether that's being done by you as the grantee, or whether it's a subgrantee that's performing and then reporting to you, and you are reviewing that.

Ultimately the state as the trust fund grantee has that liability or risk of having the repayment of funds be triggered on that. I mean, it's why very carefully on the front end you are reviewing projects, you are evaluating the capacity of subgrantees and recipients as part of that.

That you have ongoing oversight processes. You've got a written agreement that has clauses that clearly lay out what the roles and responsibilities would be for that subgrantee. And so typically, if they've violated the written agreement requirements, you're going to try to require if there's a repayment for them to be responsible for repaying you on this.

But ultimately as the state being the recipient of the trust fund dollars, it is the state's risk and liability. Carrie, anything you want to add to that?

Carrie Kronberg: I think I would just add. You may want to have, I think in Colorado, in our affordability enforcement documents, we would indicate that not only did the developer have to -- or the project owner have to cooperate with our staff to do monitoring, but also HUD or other government entities that might be designated.

So I think you'd probably want to have that ability for sub grantee to monitor for you as the grantee to monitor, and then also for HUD. So that if the subgrantee did refuse then maybe you would have the ability to monitor and get things back on track, because as Les said the responsibility ultimately lies with the grantee.

Les Warner: And sometimes you're able to actually work with other funders who have money in that same project who are also at risk if there's a compliance issue to kind of push that issue. So we're at the top of the hour, so I want to thank everybody for your participation, really good questions.

And so join us next week on the first and the second and we'll cover the rest of the trust fund regulations and hopefully fill in the gaps for you. Thanks everybody. And we'll see you next week.

Kate Steger: Thank you.

(END)