



Housing Trust Fund Basics - Webinar Series

Day Two

Using WebEx: Q&A Features & Breakout Rooms



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



Eligible Project Costs



Eligible Project Costs §93.201



- Development hard costs
- Refinancing costs
- Acquisition costs
- Related soft costs
- Operating costs – rental housing
- Relocation expenses
- Loan repayment Costs
- Eligible pre-commitment costs

New Construction/Rehabilitation Development Hard Costs



- New Construction
 - Eligible costs to meet Grantees' new construction property standards (§93.301)
- Rehabilitation
 - Eligible costs to meet the property standards for rehabilitation projects (§93.301(b))

New Construction/Rehabilitation Development Hard Costs – cont'd



- Eligible costs
 - Demolition of existing structures
 - Utility connections
 - Including off-site connections from the property line to the adjacent street
 - Project site improvements
 - Keeping with improvements of surrounding, standard projects
 - Onsite roads
 - Sewer
 - Water lines necessary to the development of the project

New Construction/Rehabilitation Development Hard Costs – cont'd



- Costs to construct or rehabilitate
 - laundry facilities
 - community facilities
- Must be located within the same building as the housing
- Must be for the use of the project residents and their guests.



Refinancing Costs



- Cost to refinance existing debt
 - Must be secured by rental housing units that are being rehabilitated with HTF funds
 - Only if the refinancing is necessary to reduce the overall housing costs
 - Must make the housing more affordable
 - Must be proportional to the number of HTF-assisted units in the rental project
 - Proportional rehabilitation cost must be greater than the proportional amount of debt that is refinanced.

Refinancing Costs– cont'd



- Grantee must establish Refinancing Guidelines
 - Must be in consolidated plan
 - Must describe the conditions under which the grantee will refinance existing debt
 - Must demonstrate that rehabilitation is the primary eligible activity
 - Must establish a minimum level of rehabilitation per unit or a required ratio between rehabilitation and refinancing.

Acquisition Costs



Costs of acquiring improved or unimproved real property, including acquisition by homebuyer.

Related Soft Costs



- Related soft costs defined as costs incurred by the owner or grantee related to HTF assisted housing assisted
- Costs include, but are not limited to:
 - Architectural
 - Engineering
 - Related professional services
 - Costs to prepare plans, drawings, specifications, or work write-ups
- Incurred not more than 24 months before commitment
- Cost specifically permitted in the written agreement

Related Soft Costs – cont'd



- Costs to process and settle financing for a project
 - Private lender origination fees
 - Credit reports
 - Fees for title evidence
 - Fees for recordation and filing of legal documents
 - Building permits
 - Attorneys' fees
 - Private appraisal fees
 - Fees for an independent cost estimate
 - Builders' or developers' fees.

Related Soft Costs – cont'd



- Project audit
 - Certification of costs performed by a certified public accountant when required by the grantee with respect to the development of the project
- Information services
 - Affirmative marketing
 - Fair housing information to prospective homeowners and tenants as required by §93.350

Related Soft Costs – cont'd



- Cost of funding an initial operating deficit reserve
 - New Construction and Rehabilitation Only
 - Purpose - to meet any shortfall in project income during the period of project rent-up
 - Not to exceed 18 months
 - Eligible payments
 - project operating expenses
 - scheduled payments to a replacement reserve
 - debt service

Related Soft Costs – cont'd



- Grantee staff and overhead costs directly related to carrying out the project
 - Work specifications preparation
 - Loan processing
 - Inspections
 - Cannot be charged to or paid by the assisted families
- Multi-unit projects - costs must be allocated among HTF-assisted units
- Cost of Impact Fees eligible if charged for all projects within a jurisdiction

Relocation Costs



- Cost of relocation payments
- Eligible costs include:
 - replacement housing payments
 - payments for moving expenses
 - payments for reasonable out-of-pocket costs incurred in the temporary relocation of persons.

Relocation Costs – cont'd



- Cost of other relocation assistance to persons displaced by the project
 - Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by the project, including:
 - Timely written notices to occupant
 - Referrals to comparable and suitable replacement property
 - Property inspections
 - Counseling
 - Other assistance necessary to minimize hardship

Costs Relating to Payment of Loans



- HTF funds may be used to pay principal and interest of:
 - Construction loan
 - Bridge financing loan
 - Guaranteed loan
- Only eligible if:
 - Loan was used for HTF eligible costs
 - HTF assistance is part of the original financing for the project
 - Project meets HTF requirements

Construction undertaken before the HTF funds are Committed



- HTF funds cannot be used for development hard costs or for acquisition undertaken before the HTF funds are committed to the project
- Exceptions
 - architectural and engineering costs and other related professional services
- Must be in written agreement



Knowledge Check



Operating Cost Assistance



- Eligible operating costs
 - Insurance
 - Utilities
 - Real property taxes
 - Maintenance (includes security)
 - Scheduled payments to a reserve for replacement of major systems (payments must be based on the useful life of each major system and expected replacement cost)

Operating Cost Assistance – cont'd



Level of HTF assistance per unit for operating cost assistance is determined based on shortfall based on the following calculation

Monthly Projected Cash Flow
- Minus Monthly Operating Costs

Operating Deficit= Monthly Cost
Assistance

Operating Cost Assistance – cont'd



Operating cost assistance

- Based on the underwriting of the project
- Specified in written agreement between the grantee and recipient.
 - May commit, from a fiscal year HTF grant, funds for operating cost assistance for a multiyear period
 - Expenditure deadline must still be met
- Renewals
 - Future fiscal year HTF grants during the affordability period
 - Amount based on the need for the operating cost assistance at the time the assistance is renewed

Operating Cost Assistance Reserve



- Grantee may fund operating cost assistance reserve if:
 - Underwriting indicates reserve is necessary to ensure the project's financial feasibility
- If funded with appropriated HTF funds:
 - Funded for maximum of 5 years
 - Based on an analysis of potential deficits remaining after the expected rent payments for the HTF-assisted unit are applied to the HTF-assisted unit's expected share of operating costs.
- If funded with non-appropriated HTF funds:
 - May be funded for the period of affordability

Operating Cost Assistance – cont'd



- Written Agreement may commit from a fiscal year to provide operating costs for a multiyear period
 - Grantee would need to be able to meet their expenditure deadline per §93.400(d)
- Renewal
 - May be renewed with future fiscal year HTF grants during the affordability period
 - Amount must be based on the need for the operating cost assistance reserve at the time of renewal

Operating Cost Assistance Reserve

§93.201 (e)(2)



- Operating Cost assistance can be provided through the funding of a reserve for HTF units
- Level of required reserves would be determined by underwriting to ensure long term sustainability
- If operating reserve funded with HTF appropriation the amount is limited to the amount needed for a maximum of five years
- Grantees can renew operating cost assistance reserves from future HTF grants during the affordability period based on the same underwriting criteria
- If the operating cost assistance reserve is funded with non-appropriated funds the reserve can be funded for the period of affordability

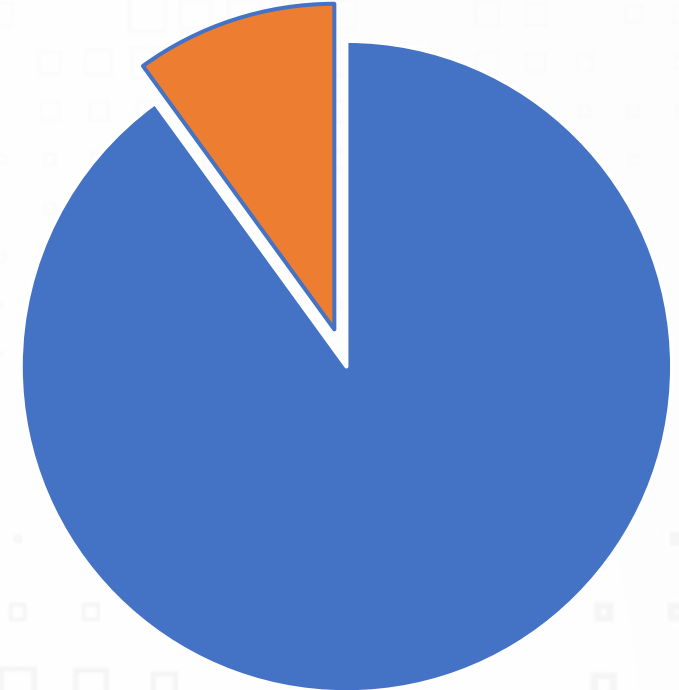
Eligible Administrative and Planning Costs



Administrative and Planning Costs



- Maximum - 10 percent of the sum of each fiscal year HTF grant and of program income deposited into its local account or received and reported by its subgrantees during the program year
- HTF grantee may expend the funds directly or may authorize its subgrantees, if any, to expend all or a portion of such funds
- Total expenditures for planning and administrative costs of both Grantee and Subgrantee may not exceed the maximum allowable amount



Administrative and Planning Costs

Reasonable Costs



- Reasonable costs of overall program management, coordination, monitoring, and evaluation
 - Salaries, wages, and related costs of the grantee's staff
 - Travel costs incurred for official business in carrying out the program
 - Administrative services performed under third party contracts or agreements
 - General legal services
 - Accounting services
 - Audit services

Administrative and Planning Costs

Reasonable Costs



- Public information
- Activities to affirmatively further fair housing in accordance with the grantee's certification under 24 CFR part 91
- Indirect costs
 - may be charged to the HTF program in accordance with 2 CFR part 200, subpart E
- Preparation of the consolidated plan
 - costs of public hearings, consultations, and publication

Administrative and Planning Costs

Reasonable Costs



- Other Federal requirements listed at subpart H of HTF regulation as set forth in 24 CFR part 5, subpart A
 - Costs of complying with the Federal requirements in
 - Affirmative Marketing
 - Uniform Relocation Act compliance, 49 CFR part 24
 - 2 CFR Part 200 compliance
 - Environmental Review
 - Section 3 compliance, 24 CFR Part 75
 - Lead Safe Housing Rule compliance, 24 CFR part 35

Administrative and Planning Costs

Program Administration



- Program administration includes the following types of costs:
 - Developing systems and schedules for ensuring compliance with program requirements
 - Developing interagency agreements and agreements with entities receiving HTF funds
 - Monitoring HTF-assisted housing for progress and compliance with program requirements
 - Preparing reports and other documents related to the program for submission to HUD

Administrative and Planning Costs



- Program administration includes the following types of costs:
 - Coordinating the resolution of audit and monitoring findings
 - Evaluating program results against stated objectives
 - Managing or supervising persons whose primary responsibilities include types of assignments described above

Administrative and Planning Costs

Project Costs



- Staff and overhead costs directly related to carrying out the project including:
 - Work specifications preparation
 - Loan processing
 - Inspections
 - Lead-based paint evaluations (visual assessments, inspections, and risk assessments)
 - Other services related to assisting potential owners, tenants and homebuyers (e.g., housing counseling);

Administrative and Planning Costs

Project Costs- cont'd



- Staff and overhead costs directly related to providing advisory and other relocation services to persons displaced by an HTF project
 - timely written notices to occupants
 - referrals to comparable and suitable replacement property
 - property inspections
 - counseling, and other assistance necessary to minimize hardship
- May be charged as administrative costs or as project costs under at the discretion of the grantee
- Costs, other than homeownership counseling, cannot be charged to or paid by the low-income families

HTF and Public Housing



- HTF funds may be used for new construction or rehabilitation of public housing units including:
 - Choice Neighborhoods
 - New or rehabilitated public housing units in combination with LIHTC
 - Rehabilitation of existing public housing units converted and used under the Rental Assistance Demonstration (RAD)
- HTF funds may be invested in project with public housing units but not used for the public housing units
- HTF funds only for eligible costs

HTF and Public Housing– cont'd



- Public housing units constructed using HTF funds must replace units that were removed from a public housing agency's public housing inventory as part of:
 - Choice Neighborhood program
 - Mixed-financed development under section 35 of the 1937 Act
- Number of replacement units cannot exceed number of units removed
- The public housing units constructed or rehabilitated using HTF funds are not eligible to receive HTF operating costs assistance or operating cost assistance reserves

Prohibited Activities §93.204



- HTF funds may not be provided to a project previously assisted with HTF funds and still within the period of affordability
- Exceptions to this limitation:
 - Assistance to a homebuyer to acquire housing previously assisted with HTF funds
 - Renewal of operating cost assistance or renewal of operating cost assistance reserve
 - Additional HTF funds may be committed to a project up to one year after project completion, but total HTF funds may not exceed the maximum per-unit development subsidy amount

Prohibited Activities – cont'd



- HTF funds may not be used to:
 - Pay for the acquisition of property owned by the grantee
 - Exceptions:
 - property acquired by the grantee with HTF funds
 - property acquired in anticipation of carrying out an HTF project.
 - Pay delinquent taxes, fees, or charges on properties to be assisted with HTF funds

Prohibited Activities – cont'd



- HTF funds may not be used to:
 - Pay for political activities
 - Advocacy, lobbying (whether directly or through other parties)
 - Influencing the selection, nomination, election, or appointment of one or more candidates to any Federal, State, or local office as codified in section 501 of the Internal Revenue Code of 1986 (26 U.S.C. 501)
 - Counseling services (except for housing counseling)

Prohibited Activities – cont'd



- HTF funds may not be used for:
 - Travel expenses (other than those eligible under §93.202(b))
 - Preparing or providing advice on tax returns
- HTF funds may not be used to:
 - Pay for administrative, outreach, or other costs to manage and operate the grantee of HTF funds

*** Exception: Administrative costs necessary to carry out the HTF program in §93.202, including housing counseling are allowable**

Fees



- Grantee may not charge
 - Servicing fees
 - Origination fees
 - Other fees for the costs of administering the HTF program
- Grantee may charge rental project owners annual fees for monitoring compliance
 - Based upon the average actual cost of performing the monitoring of HTF-assisted rental projects
 - Grantee must document the basis for determining monitoring fee
 - Monitoring expense must be included as projected costs in project underwriting

Fees – cont'd



Grantees may charge nominal application fees to eligible recipients

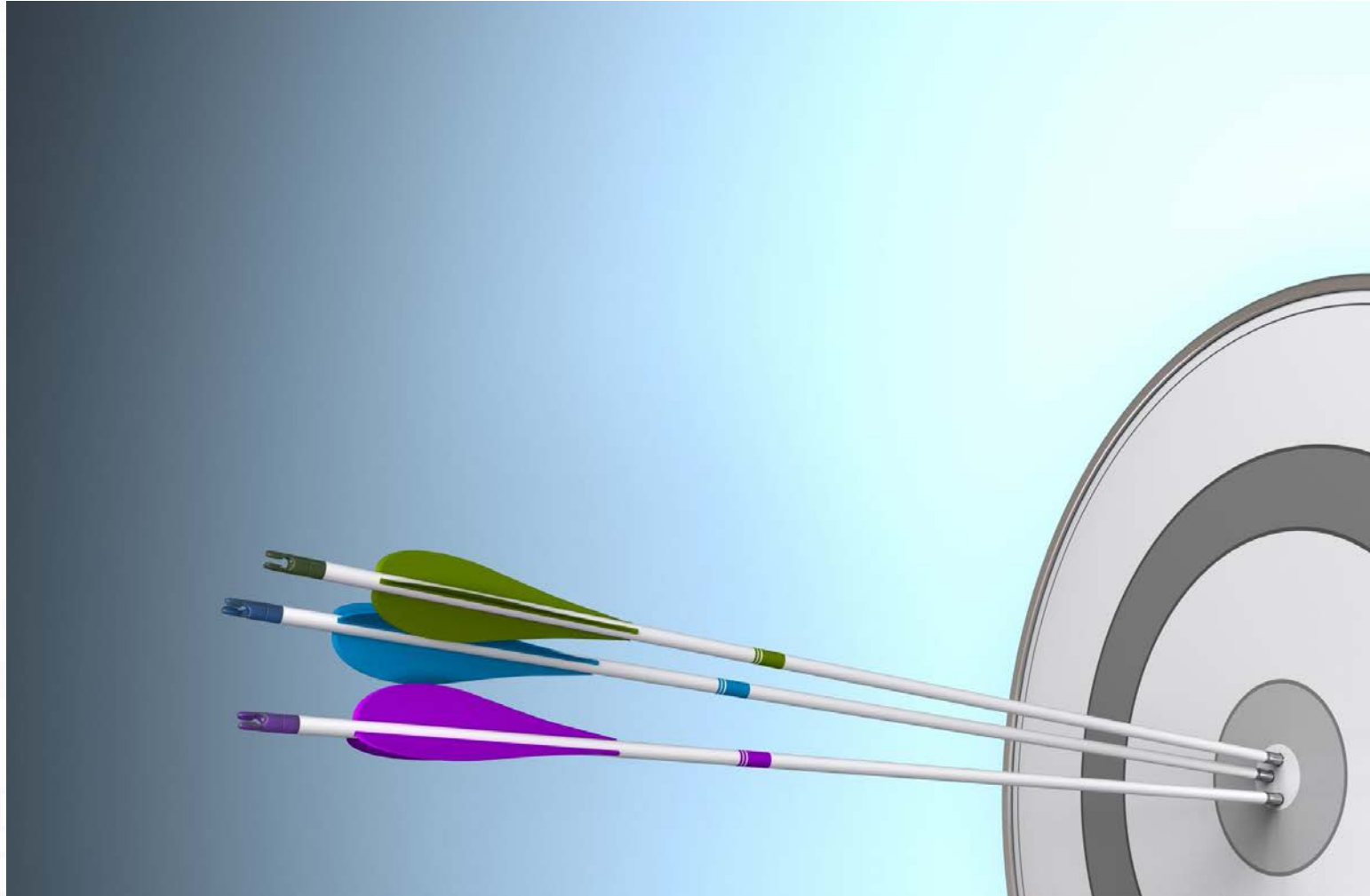
- Purpose to discourage frivolous applications
- Not an eligible HTF cost
- Amount of application fees must be:
 - appropriate to the type of application
 - may not create an undue impediment to an extremely low-income family to be able to participate in the grantee's program

Fees – cont'd



- All fees are applicable credits under 2 CFR part 200, subpart E.
- Grantees must prohibit project owners from charging fees that are not customarily charged in rental housing
- Rental project owners may charge:
 - Reasonable application fees to prospective tenants
 - Parking fees to tenants only if such fees are customary for rental housing projects in the neighborhood;
 - Fees for services such as bus transportation or meals
 - Must be voluntary and fees are charged for services provided.

Income Targeting



Income Targeting – Extremely Low Income



- Less than \$1 billion available for HTF allocation
 - 100 percent of HTF grant must be used for the benefit of extremely low-income families or families with incomes at or below the poverty line (whichever is greater).
- Greater than \$1 billion available for HTF allocation
 - At least 75 percent of grant for the benefit of extremely low-income families or families with incomes at or below the poverty line
 - Remainder must be used for the benefit of very low-income families

Knowledge Check



Q&A

