# National Housing Trust Fund Allocation Plan for Florida

## Florida's FY 2017 HTF Allocation Amount: $7,658,948

## Introduction

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

In years that total NHTF funding exceeds $1 billion nationally, at least 75 percent of each state's allocation must benefit households at or below the federal extremely low income (ELI) level, which is 30 percent of area median income, or households with incomes below federal poverty level, whichever is greater.[1] In Florida, the ELI level is greater than the federal poverty level. Up to 25 percent may be used to benefit very low income households (those at or below 50 percent of area median income). However, in years when total national funding is less than $1 billion, 100 percent of each state's allocation must benefit ELI households. In 2017, the total amount of funds available for the national trust fund is $219.2 million. Thus, it is likely that the program will serve 100 percent ELI households for the foreseeable future.

The Governor has designated Florida Housing Finance Corporation (FHFC) as the entity to administer the NHTF program in Florida.

## State Preference for Use of NHTF - (§ 91.320(k)(5)(vii))

The state may limit the beneficiaries or give preferences to a particular segment of the ELI population. The state may also allow rental housing owners to limit tenants or give a preference in accordance with § 93.303(d)(3). However, these limitations or preferences must be described in this plan and are as follows:

The State of Florida will give a preference to the following segments of the ELI population, which will also be integrated into the written agreements with the recipients of NHTF:

- Persons and households with incomes at or below 22 percent of area median income in order to serve those at or near the Supplemental Security Income (also known as SSI) level[2] and that are:
- Persons with special needs, defined in Florida Statute at 420.0004(13); and/or

[1] In some of its programs, Florida Housing utilizes a different "Florida ELI" level based on the Florida minimum wage. All references to ELI in this plan refer to the federal ELI level of up to 30 percent of area median income.
[2] For context, the SSI income level is currently $8,796 per year for a single occupancy household.

- Homeless persons and households, defined in Florida Statute at 420.621(5); or
- Persons and families at risk of homelessness.

These households have limited access to high quality, affordable housing, and few new units of housing or rental assistance affordable to these residents are being made available. Households that receive SSI as their only income are at median income levels of approximately 22 percent. Using the most recent census data, there are approximately 162,000 cost burdened renter households (i.e., those paying more than 30 percent of one's income for rent and utilities) with incomes up to 20 percent of area median income in Florida. In a June 2016 evaluation of resident incomes served throughout FHFC's rental portfolio, out of 154,000 units reporting, only 63 were targeted to renters with incomes this low, because current programs are not financially structured in such a way to allow rents to be low enough to serve this income group. Targeting households at this level would allow Florida to add a new lower income level to the Florida ELI units already being financed through state housing programs.

Florida will prioritize use of NHTF funds for developments that commit to integrate a small number of NHTF-funded units serving the populations described above into various types of properties, including general occupancy affordable housing properties serving family and elderly households with a range of incomes up to 60 percent of area median income in most cases,[3] properties that serve a range of demographic populations, and properties that are targeted to persons with special needs or who are homeless. NHTF-financed units will comprise only a small portion of total units in any property, but may be in addition to other Florida ELI units provided at the property. NHTF funding will be blended with other program financing, such as Multifamily Mortgage Revenue Bonds and State Apartment Incentive Loan (SAIL) gap funds,[4] to finance general occupancy properties that include these units. Any development that has more than five NHTF-assisted units will be required to submit an Affirmative Marketing procedures in accordance with the requirements at § 93.350, together with the signed written agreement.

## NHTF Funding Priorities - § 91.320(k)(5)(i)

The funding priorities and selection criteria of particular importance to the NHTF program are described in the next two sections. Then the plan provides a broader overview of how these mandatory, threshold criteria will fit into the broader funding selection process implemented by FHFC.

The populations that are prioritized to be served by NHTF are described in the prior section. The State of Florida will distribute NHTF funds by selecting applications submitted by eligible recipients on a

[3] "Family" properties are general occupancy properties that serve households of any size and age. "Elder" properties are general occupancy properties that serve households of any size, but set aside all or most units for elders. At these properties, the head of household must be 55 or older.
[4] SAIL is a state program (section 420.5087, Florida Statutes) that is used to finance rental development, and is used as gap financing with mortgage revenue bonds and 9% Low Income Housing Tax Credits, or on its own when financing very small properties.

competitive basis through FHFC's Request for Applications (RFA) process. Funds will be made available in tandem with other financing to ensure geographic diversity, through an existing process that:

- Proportionally aligns SAIL and Low Income Housing Tax Credit funding with affordable rental needs in the state based on the most recent cost burden data provided through triennial market needs studies carried out by the Shimberg Center for Housing Studies at the University of Florida. Program funding is proportionally distributed across Large, Medium and Small counties based on these findings.[5] Florida is commonly divided into three broad regions: north, central, and south. Three of the seven large counties are located in South Florida, three are located in Central Florida and one is located in North Florida. Medium and small counties are located in all three regions with North Florida having the greatest number of small counties; and
- Within Large, Medium and Small county groupings, Florida regularly uses a "county award tally" to ensure that funding in each RFA is further distributed across as many counties as possible. For example, the tally might specify that once a development is awarded funding in a particular county, that county will not receive another development award unless eligible applications in all other counties have first been awarded.

These RFAs will make financing available directly to recipients submitting applications to develop rental developments that meet the criteria outlined in this allocation plan and criteria required by federal and state statute and rules governing other programs included in the RFA. These RFAs will be part of a comprehensive annual funding plan that is adopted by FHFC's Board of Directors to distribute all competitive FHFC program financing across geographic areas of the state based on the need for rental housing in each area. A total of about 15 RFAs are issued every year.

The Florida Housing Board of Directors will make funding selections based on recommendations from a staff review committee which will score all applications. The following NHTF threshold criteria must be met by all applicants to be considered for funding selection:

- The development must be permanent rental housing – that is, it must provide a permanent home to residents who meet all lease requirements – and each NHTF-designated unit may have no more than two bedrooms;[6]
- The NHTF-designated units must remain affordable to ELI households through a Land Use Restriction Agreement for no less than 30 years. FHFC will not incentivize a longer affordability period for these units at the 22 percent of area median income level, but will require the units to remain affordable at or below 60 percent of area median income after the first 30 years for an additional 20-year period. After 30 years, the property will require rehabilitation, but because of the limitations on operating income even from the 60 percent of area median income units, recapitalization will be difficult without financing from FHFC and/or the private sector, which may require more flexible approach to the income levels served. Any units in the development with affordability restrictions must remain affordable at 60 percent of area

[5] Pursuant to Section 420.5087, Florida Statutes, Large counties are those with a population of 825,000 or more; Medium counties are those with a population of more than 100,000, but less than 825,000; and Small counties are those with a population of 100,000 or less.
[6] Most of the state's 22 percent of area median income, special needs households are made up of 1-2 people.

median income levels for 50 years. FHFC's approach to providing refinancing to older properties is to require additional units to be set aside to serve ELI tenants; thus, while we cannot know the economic and real estate markets and programs in 30 years, under today's approach these properties would be targeted with refinancing to maintain affordability for ELI tenants.

## Recipient Application Requirements - § 91.320(k)(5)(ii)

In addition to applicable rules, statutes and RFA criteria, applications for funding submitted by eligible applicants will be reviewed according to the following NHTF criteria:

- Provision of a description of the eligible activities to be conducted with the NHTF funds;
- The extent to which the application makes use of non-federal funding sources as compared to total units in the proposed development (leveraging factor). This may be measured by different methods, depending on the other funding being blended with NHTF. For example, FHFC can calculate the leveraging factor using any of these types of subsidies below:
  - The amount of any financial contribution from the local government to the development;
  - The amount of SAIL or other state funding in the development; and/or
  - The amount of other non-governmental sources of funding in the development, such as private or nonprofit loans or grants; and
- The extent to which a proposed development has federal, state or local project based rental assistance. Florida will prioritize applications for funding which are able to maintain units affordable to ELI households for at least 30 years without project based rental assistance. Florida's experience indicates that combining capital subsidies for ELI units with project based rental assistance is wasteful and limits the total number of units available to ELI households. Maximizing the number of units affordable to ELI households was a goal of Florida Housing long before Congress created the NHTF. For many years, Florida Housing has worked to finance as many new ELI rental units as possible, because the need for these units is high. The rental programs administered by FHFC are competitive; consequently, the State is able to encourage the inclusion of project based rental assistance in developments without the addition of NHTF. Rather than using both types of funding to finance new ELI units, the State's objective is to create additional units with NHTF. Thus, Florida will not prioritize applications which utilize project based rental assistance. FHFC established the maximum per-unit NHTF subsidy limits in this plan at a level that ensures that properties funded with NHTF will require less debt financing. With less hard-pay debt service, NHTF funded properties will have sufficient cash flow to support the ELI units for 30 years. Where this cross-subsidization is insufficient, FHFC expects applicants to establish an operating deficit reserve to offset projected operating losses from ELI units identified during underwriting. Operating deficit reserves may be funded with NHTF and/or from other sources. No more than one-third of the state's NHTF award will be used to fund operating deficit reserves.

Applicants for NHTF funding must meet minimum qualifications and demonstrate their proficiency as developers and asset managers. In their applications or before preliminary loan awards receive final approval, eligible recipients must meet these threshold requirements related to NHTF. If any of these requirements are not met, the applicant will not be awarded financing:

- Sign a certification that they understand that by receiving NHTF funds, they commit to set aside the required number of units in its property for the priority households specified in this plan; and sign a certification that they will comply with the requirements of the NHTF program and that housing units assisted with the NHTF will comply with NHTF requirements.
- Demonstrate their ability to obligate NHTF funds, their experience and their financial capacity to undertake, comply with and conduct NHTF eligible activities. In addition, show familiarity with the requirements of other federal, state or local housing programs that will be used in conjunction with NHTF funds to ensure compliance with all applicable requirements and regulations of such programs through demonstrated experience with developing, owning and managing affordable multifamily rental housing developments. This will be done through the following:
    - Showing prior developer experience by requiring applicants to list development information for a minimum specified number (depends on the combination of program funding in the RFA) of prior developments financed and built through affordable housing programs. In addition, for developments that will primarily serve special needs tenants, applicants are evaluated on a development experience narrative they submit to explain their experience serving the subpopulation(s) targeted;
    - Showing prior operating/management experience by requiring applicants to list general management company information for a minimum specified number (depends on the combination of program funding in the RFA) of prior affordable rental developments. In addition, for developments that will primarily serve special needs tenants, applicants are evaluated on an operating/managing experience narrative they submit to explain their experience serving the subpopulation(s) targeted;
    - Showing active developments affiliated with applicants that financed through any FHFC programs are in compliance;
    - Showing that applicants have no financial arrearages in any FHFC programs the applicants are currently funded through.
- Showing its ability to undertake eligible activities in a timely manner; that is, there must be a reasonable expectation that the development will be placed in service within 24 months, which is typically outlined in closing agreements. The most critical way this is measured is the experience threshold described above.

**Additional NHTF Threshold Selection Criteria.** With the exception of developments that mainly serve persons with special needs where the provision of supportive services is incorporated into a broader permanent supportive housing strategy, applicants for funding for general occupancy properties that include NHTF units will only be eligible for NHTF funding if they commit to participate in the state's "Link Strategy," which requires applicants awarded financing to work with at least one Special Needs Household Referral Agency working in that county that will refer eligible homeless, at-risk homeless or special needs households for residency in the NHTF-financed units.

In order to be eligible for NHTF funding, applicants also must commit to develop tenant selection plans that include strategies that demonstrate specific tenant selection and application strategies to address barriers to tenancy that the ELI households to be served may have with credit, income, criminal and rental histories.

## Scoring RFA Applications that include NHTF Funds

RFAs issued by FHFC typically have three elements to determine funding selection: threshold criteria that are mandatory to meet to be considered for funding, including the NHTF criteria above and augmented by more general criteria summarized below; scored items that allow applications to be ranked for funding selection, including tiebreakers; and finally, any RFA goals or additional funding selection criteria used to choose applications for funding. These categories are described more below.

**Mandatory Threshold Items.** All applicants must meet specific mandatory items to be eligible for scoring. Not providing these requirements or providing them incorrectly will cause the application to not be eligible for funding. For RFAs that include NHTF funding, applicants must, in summary, meet the following threshold requirements in addition to the NHTF criteria described above:

- Submission requirements, such as meeting the application deadline, submitting all required forms and paying the application fee, if there is one;
- Completion of all required items in the application and submitting all required forms such as those showing local government signatures on availability of appropriate zoning and infrastructure;
- Showing evidence of site control;
- Meeting all funding requirements, such as not requesting funding over limits imposed in the RFA; submitting financing information, public and private funding commitments, and a development cost pro forma and construction/permanent financing analysis;
- Not be in financial arrearage in any existing property;
- Meet minimum scores on any scored items in the RFA, if specified (scoring discussed below); and
- A multi-page certification signed by the applicant that includes the certifications described above in addition to others related to meeting the requirements of the RFA. In partial summary, a certification and/or acknowledgement of the following:
    - Due dates for items to be submitted in credit underwriting if awarded financing;
    - That all building codes, including Fair Housing Act, ADA and other required codes will be met;
    - That the applicant's commitments will be included in a land use restriction agreement and, if applicable, an extended use agreement;
    - That all required construction features, including green building requirements as specified in the RFA, will be addressed;
    - That resident services programs committed to in credit underwriting will be implemented;

- That a memorandum of understanding with a supportive services referral agency under the State's Link strategy will be executed and implemented, and tenant selection plan will be developed and implemented that includes income and credit strategies recognizing that the ELI households to be served may have credit, income, criminal and rental histories that may be a barrier to tenancy at the property;
- That all financial requirements specified in the RFA will be met;
- That the third party information required for the RFA has been reviewed by the applicant and is accurate; and
- Cooperation with all audits.

**Scored Items.** RFAs also include scored items. RFAs providing financing for general occupancy properties that include a few NHTF units will include the following scoring opportunities based on information submitted by applicants:

- A score for a minimum local government financial contribution, as specified in the RFA, based on the size of the local government (higher contributions are required from bigger local governments that have access to more local housing dollars);
- A transit score, measuring the proposed development's proximity to public bus stops, bus rapid transit stops, or rail stops – the closer the proposed development is to transit, the more points received, and the more intense the transit (rail or bus rapid transit compared to a regular bus stop), the higher the score; and
- A proximity score, measuring the proposed development's nearness to such resources as grocery stores, medical facilities, pharmacies and public schools, with a higher score for proposed developments that are closer to these resources.

RFAs offering financing for homeless or special needs populations provide opportunities for applicants to provide narratives describing:

- The population(s) to be served;
- The applicant's experience in developing and managing properties for these populations;
- Access to public or other transit;
- Proximity to shopping, employment, education and recreation;
- Access to community based supportive services; and
- Tenant selection policies and approach.

**Funding Selection.** Only applications that meet mandatory threshold items will be eligible for funding. The FHFC director appoints staff to a review committee. Each committee member independently evaluates and scores their assigned portions of the submitted applications, consulting with non-committee program staff and legal staff as necessary and appropriate.

At the review committee meeting, members read their scores or findings of threshold eligibility into the record. Once the committee knows which applications meet eligibility requirements, funding selection begins with that group of applications. First, eligible applications are ranked from highest to lowest scoring application, with any tied scores separated by tie-breakers. Depending on the funding being offered (programs may have different associated statutory criteria), tiebreakers can include:

- Leveraging of program funds (required in particular for the SAIL program);
- Eligibility for the Florida Job Creation Funding Preference (required by state law); and
- Lottery number.

Then applications are first selected to meet any goals specified in the RFA. To meet the goals, the review committee goes down the list of ranked applications, choosing the highest ranked application that can meet the goals. In RFAs that include NHTF, goals will include requirements to select applications for new construction (since NHTF will not be used for rehabilitation, as discussed below). In addition, a "county award tally," described above, is employed to disperse awards across counties as much as possible.

Once funding is exhausted, the review committee finalizes its recommendations to present to the FHFC board.

**Merits of NHTF Applications in Meeting the State's Priority Housing Needs.** Because of FHFC's exacting RFA requirements, applications which meet all threshold mandatory criteria and any additional scoring criteria will be eligible for selection according to the scoring criteria in the RFA. Any of these eligible applications will be deemed to meet the State's priority housing needs, particularly those relating to serving extremely low income persons with special needs.

## Use of NHTF Funds

Florida will use NHTF project funds to pay for all or some of the following eligible costs: development hard costs, demolition, acquisition of real property, related soft costs and operating deficit reserves (not to exceed one-third of the state's annual allocation). Awards of NHTF funds will be made in the form of 0 percent, 30-year forgivable loans in order to minimize project debt and maximize affordability to ELI households. Funding will be allocated only for new construction, including redevelopment in which a new property is built to replace a demolished property. If demolition of occupied units is required, Tenant Relocation Information is required at the time of application per the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970. Up to 10 percent of the state's NHTF allocation will be used for administration, as allowed by NHTF regulations.

**Rehabilitation Standards - § 91.320(k)(5)(iv) and § 93.301(b)** – NHTF funds will not be used for rehabilitation of housing.

**Resale and/or Recapture Provisions - § 91.320(k)(5)(v) and § 93.304(f) and HTF Affordable Homeownership Limits- § 91.320(k)(5)(vi) and § 93.305** – NHTF funds will not be used to assist first-time homebuyers.

**Refinancing of Existing Debt - § 91.320(k)(5)(viii) and § 93.201(b)** – NHTF funding will not be used for the refinancing of existing debt.

## Maximum Per-Unit Development Subsidy Amount - § 91.320(k)(5) and § 93.300(a)

The maximum per-unit NHTF subsidy limit is provided in the table below for zero, one and two bedrooms, based on three geographic locations as specified. Units with more bedrooms will not be financed with NHTF funds.

**NHTF Maximum Per-Unit Development Subsidy Amounts**

| Maximum Subsidy Limits for 0-1 Bedroom Units – New Construction Only | | | |
|---|---|---|---|
| **Construction Type** | **Miami-Dade, Broward, Palm Beach Counties** | **Monroe County** | **Remainder of Florida** |
| Garden – Wood | N/A | N/A | $185,500 |
| Garden – Concrete | $239,300 | $336,800 | $218,000 |
| Mid-Rise – Wood | N/A | N/A | $218,000 |
| Mid-Rise – Concrete | $260,300 | $367,300 | $237,800 |
| High-Rise | $309,200 | N/A | $284,000 |
| **Maximum Subsidy Limits for 2 Bedroom Units – New Construction Only** | | | |
| **Construction Type** | **Miami-Dade, Broward, Palm Beach Counties** | **Monroe County** | **Remainder of Florida** |
| Garden – Wood | N/A | N/A | $213,800 |
| Garden – Concrete | $275,400 | $389,200 | $252,000 |
| Mid-Rise – Wood | N/A | N/A | $252,000 |
| Mid-Rise – Concrete | $300,000 | $425,100 | $275,300 |
| High-Rise | $357,600 | N/A | $329,700 |
| Add this factor to the all above limits if a development is subject to the requirements of the Davis-Bacon Act | | | $5,000 |

* N/A means the Construction Type is not allowed or is inappropriate for the location.

These limits are based on compilation of data about non-luxury developments and reasonable land costs around the state through years of administering Multifamily Mortgage Revenue Bonds, state gap funding, Low Income Housing Tax Credits and other program funding, combined with information about the current cost environments in these areas. The limits specify different amounts based on three geographic cost regions of the state, as well as five development types, ranging from garden-style wood apartments to high rise concrete buildings. FHFC updates its cost limitations regularly based on current actual contracts that deliver affordable housing units, inclusive of any required green features; industry review; construction trends; and stakeholder feedback.

The limits developed by FHFC are based on historic information and analysis of two components in considering an appropriate maximum: the cost to acquire land and develop a property, and the level and cost of the debt associated with the property, which differs by program.

The typical sources of financing in an affordable rental development in Florida include bonds, state gap financing, housing credit equity, a traditional first mortgage, local government resources and a deferred developer fee.  The housing credit equity does not have any repayment requirements and the local government resources are typically cash flow dependent.  The objective of providing NHTF funding is to lower any loan or other debt on a property to ensure that the development is financially feasible.

All developments receiving NHTF awards will be subject to credit underwriting and undergo a subsidy layering review to ensure that financing awarded is no greater than what is needed to make the development financially feasible.  FHFC may specify lower NHTF maximum limits in specific RFAs.