

## National Housing Trust Fund

Request for Applications

July 2021



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### I. Introduction

The National Housing Trust Fund (HTF) was created by the Housing & Economic Recovery Act of 2008 and was designed to provide additional resources to construct and rehabilitate housing for Extremely Low-Income (ELI) families across the nation. All HTF-assisted rental housing must meet a 30-year affordability period. Additional information about the HTF can be found on <https://www.hudexchange.info/programs/htf/>.

The Wisconsin Housing & Economic Development Authority (WHEDA) is the administrator of the HTF program in Wisconsin.

While the HTF program allows states to use up to 10% of program resources for homeownership-related programs, Wisconsin (and most other states) have opted to use the HTF program to specifically target rental housing development and rehabilitation. Proceeds may not be utilized to refinance existing debt.

At this time, all HTF resources allocated for rental housing development/rehabilitation must be used to assist households at/below 30% of Area Median Income. Specifically, maximum HTF rent plus utilities for units is the greater of 30% of the federal poverty line or 30% of the income of a family whose annual income equals 30% of the area median income (AMI) Applicants will be required to elect to either float or fix 30% Housing Trust Fund units prior to closing. Properties with fixed HTF units have specific units that are designated as HTF units for the duration of the effective period. Owners must maintain these specific units as the HTF units. When an owner conducts the annual income recertification and finds that a household is over-income, the unit will continue to qualify until the household vacates, at which time the unit must be rented to an HTF-qualified household. Those who elect to float the units must maintain the elected number of HTF units throughout the duration of the effective period.

The program requirements and procedures described in this document were included in an allocation plan that was submitted to the U.S. Department of Housing and Urban Development (HUD). HUD approved Wisconsin's Allocation Plans for the 2016-through 2020 allocations to Wisconsin. The Allocation Plans can be found on <https://www.wheda.com/Developers/National-Housing-Trust-Fund/>.

WHEDA expects to be structuring HTF awards as low-interest (target rate of 3%), subordinate debt with principal & interest payments to be made from available cash flow from operations with 19-year term (2 years for construction financing) and 35-year amortization. Interest-only payments may be requested if necessary for project feasibility subject to WHEDA approval. WHEDA will be required to serve as primary lender for all projects utilizing Housing Trust Funds.

## II. July 2021 Competitive Housing Trust Fund Cycle

At this time, WHEDA is requesting applications for approximately \$3 million of HTF for projects applying for 9% credits in the 2021 Innovative Housing Set-Aside (IHSA). Funds will be awarded only to projects that receive a successful award of IHSA credits. WHEDA reserves the right to determine if the project will be able to close prior to deadlines outlined below. The maximum amount of HTF will be \$1,500,000 per application. There is not a minimum amount for a HTF request. The timeline of the program requirements will be as follows:

HTF Award Year	Amount Available	Eligible Projects	HTF Funds Closed Prior To*:	HTF Funds Expended Prior To:
2020	\$3,000,000	2021 9% Innovative Housing Set-Aside Applicants	3/15/2023	3/15/2026

\*If WHEDA determines that all necessary funding sources for the property are not likely to be committed prior to the dates listed, an HTF award may not be made.

## III. Threshold Requirements

The following items are threshold requirements for all HTF applications, and are described in more detail within the HTF Threshold Criteria Attachment.

- a) Applicant & Project Eligibility
- b) Applicant's Ability to Obligate HTF Resources.
- c) Applicant's Ability to Undertake Eligible Activities in a Timely Manner
- d) Financial Necessity of Subsidy

WHEDA will require evidence that the HTF proceeds are required for the proposed property's financial feasibility. The feasibility review will also include a review of the proposed income, operating expenses and structuring of capital sources. Applications that are determined to be financially infeasible will not receive an HTF award.

All units designated as Housing Trust Fund units will be subject to a 30-year Land Use Restriction Agreement (LURA).

WHEDA will allow a three-day cure period for threshold only requirements needing further clarification after the initial review has been completed. There will be no cure period for scoring criteria.

For further threshold information, please refer to the Threshold Checklist.

### **III. Scoring Criteria**

All applications must score a minimum of 25 points in the scoring categories described below.

The following scoring criteria will be used to evaluate all applications passing the threshold requirements noted above. HTF awards will be based on the applications with the highest score within the IHSA 9% competition. HTF Scores will not be taken into account in the IHSA tax credit application review. The scoring criteria are explained in more detail within the HTF Scoring Items attachment available on <https://www.wheda.com/Developers/National-Housing-Trust-Fund/>.

- a) Geographic Diversity (5 points)
- b) Use of Rental assistance (up to 25 points)
- c) Priority housing needs (20 points)
- d) Leveraging use of non-federal funding sources (up to 25 points)
- e) Proportion of units designated as HTF units (up to 25 points)

#### **Tie Breakers:**

If two or more proposals have an equal number of points, the following will be used to determine selection:

1. First tie breaker: Priority will be given to the project with the greater number of units set aside at 30% county median income (CMI); if a tie still remains.
2. Second tie breaker: Priority will be given to a project located in any city, township or Tribal Reservation that has not received tax credits in the last two years.

### **IV. Recipient Application Requirements**

WHEDA will require that all applications include a description of the eligible activities to be conducted with the HTF funds as required in 24 CFR 93.200, and a certification that the housing assisted with HTF funds will comply with all HTF requirements.

WHEDA will complete a background check on any individual with ownership of 20% or more within the managing member/general partner. Individuals with active files on the Wisconsin Department of Revenue's List of Delinquent Taxpayers, or unexpired liens on the Wisconsin Child Support Lien Docket will not be eligible for an HTF award.

### **V. Maximum per-unit subsidy limit for housing assisted with HTF**

For the 2021 IHSA HTF Cycle, WHEDA will establish a maximum subsidy of \$100,000 of HTF per HTF unit created.

## **VI. Housing Trust Fund Rent Limits**

Units assisted with the National Housing Trust Fund program must adhere to rent limits as designated by HUD. 2021 rent limits can be found at this link:

[https://www.huduser.gov/portal/datasets/home-datasets/files/HTF\\_RentLimits\\_State\\_WI\\_2021.pdf](https://www.huduser.gov/portal/datasets/home-datasets/files/HTF_RentLimits_State_WI_2021.pdf)

## **VII. Compliance Requirements for the use of HTF proceeds**

Please refer to the HTF Application Certification document available at:

<https://www.wheda.com/Developers/National-Housing-Trust-Fund>

There are several compliance certifications that must be completed, including:

- Application Certification
- Compliance Certification
- Certificate of Eligible Activities
- Property Standards Certification – New Construction or Rehabilitation
  - A Capital Needs Assessment must be submitted in accordance with all requirements outlined in the certification
  - Include a certification signed by both the applicant and the development’s architect confirming that the items above will be included in the development.

It is very important applicants review these certifications thoroughly – all conditions outlined thereof must be adhered. Under certain circumstances, the certifications will outline additional documentation that must be submitted with a Housing Trust Fund application.

## **IX. Eligible Uses of HTF Proceeds**

Eligible uses of HTF proceeds include:

1. Real property acquisition
2. Site improvements and development hard costs
3. Related soft costs
4. Demolition
5. Financing costs
6. Relocation assistance

Include a certification signed by the applicant confirming the eligible activities to be conducted with the HT funds.

## **X. Cost Certification**

At the completion of the construction or rehabilitation, the applicant will be required to complete a third-party cost certification, which will provide evidence of the costs incurred in completion of the property. This cost certification will be used to confirm compliance with the HTF’s current requirement that all HTF resources be used to assist households at or below 30% of Area Median Income

## **XI. Closing and construction process for HTF**

1. Applications tentatively selected for funding will be presented to WHEDA's Internal Loan Committee, and possibly WHEDA's Members Loan Committee for final approval.
2. If approved, WHEDA will distribute a closing checklist to the applicant prior to closing
3. WHEDA will coordinate a third-party HTF-compliant Environmental Review prior to closing. If HTF resources are being combined with other HUD funds, the property cannot be acquired until the third-party environmental review is completed.
4. A Land Use Restriction Agreement (LURA) will be recorded for the number of HTF units.
5. WHEDA will process requests for HTF proceeds as a construction draw – requiring items such as approval by an architect and lien waivers from contractors.
6. All HTF proceeds must be expended per the table on page two.
7. HTF proceeds may be used during construction, 20% of which will be withheld until construction completion.

## **XII. Recapture**

The Borrower shall guaranty repayment of Housing Trust Funds upon Borrower's noncompliance with Housing Trust Fund requirements, or upon HUD's demand for repayment of Housing Trust Funds monies lent to the Project, due to the Project or Borrower's non-compliance. In the event that an HTF-funded property does not maintain compliance with HTF program guidelines, including but not limited to providing the required number of units for households at/below 30% CMI, WHEDA will make efforts to recapture all HTF proceeds provided to that property.

## **XIII. Application Deadline**

WHEDA will accept HTF applications postmarked or delivered to WHEDA's Madison office no later than 5:00 PM (Central Time) on September 3, 2021.

Applications should be submitted as an addendum to the IHSA Housing Tax Credit application. Electronic submission will be required via Procorem and flash drive. Paper binders are not required.

**Please reach out to WHEDA with any questions:**

**Emily Francis**

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