

# *NORTH CAROLINA'S 2018*

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# National Housing Trust Fund Allocation Plan

DRAFT

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## I. GENERAL INFORMATION

The National Housing Trust Fund (“HTF”) is an affordable housing production program administered by the United States Department of Housing and Urban Development (“HUD”) that provides resources to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low- and very low-income households, in complement to existing Federal, state and local efforts. The HTF was established under Title I of the Housing and Economic Recovery Act of 2008, Section 1131.

The State of North Carolina (“the State”) will receive HTF funds from HUD for Federal Fiscal Year 2018, which runs from October 1, 2018 through September 30, 2019. The consolidated plan regulations at 24 CFR 91 are applicable to HTF per Interim Rule 24 CFR 93. As such, the State must include HTF in its citizen participation plan (§91.115), strategic plan (§91.315) and annual action plan (§91.320). As required in §91.10, the HTF program will be administered by the State on the same program year established for all grant programs covered by the consolidated plan. The North Carolina Housing Finance Agency (“NCHFA”) is the State Designated Entity that will administer the program in accordance with 24 CFR 93.100.

The State must create a HTF allocation plan, which describes:

- (1) how the State will distribute the HTF funds and select recipients,
- (2) what activity may be undertaken with HTF funds,
- (3) performance goals and benchmarks,
- (4) maximum per-unit development subsidy amounts, and
- (5) policy requirements not applicable to this HTF allocation plan.

The State must also update the 2016-2020 Consolidated Plan (“Con Plan”) and 2018 Annual Action Plan to reflect the 2018 HTF allocation (§91.320(k)(5)). This document constitutes the HTF allocation plan and will be submitted by email to both the local HUD CPD Field Office in Greensboro, North Carolina and to HUD’s Office of Affordable Housing Programs. Updates to the Con Plan and Annual Action Plan will be submitted through HUD’s online eCon Planning Suite.

Once HUD receives the State’s submissions, a 45-day review period will begin. The HTF allocation plan will be deemed approved 45 days after HUD receives the plan, unless HUD notifies the State that the plan is disapproved before expiration of the review period.

For more information on the HTF program, please visit [www.hudexchange.info/htf](http://www.hudexchange.info/htf).

## II. GRANTEE INFORMATION

State:

NORTH CAROLINA

FY 2018 HTF Allocation Amount:

\$5,874,191

Ten percent (\$587,419) will be used for fund administration and 90 percent (\$5,286,771) will be used to develop rental units affordable to households earning 30 percent or less of county area median income (AMI).

## III. ALLOCATION PLAN

The State is responsible for distributing HTF funds throughout North Carolina according to its housing priority needs. The State’s plan for distributing funds, performance goals and benchmarks and maximum per-unit development subsidy amounts are detailed below. Consolidated planning requirements that do not apply to HTF based on the State’s planned use for its funds are noted as well.

**(1) Distribution of HTF Funds - §91.320(k)(5)(i)**

The State will distribute its HTF funds to eligible applicants through NCHFA’s Rental Production Program (RPP), which provides long-term financing for Low Income Housing Tax Credit projects. The State will not distribute any HTF funds through subgrantees. The State will require that all recipient applications contain a description of the eligible activities to be conducted with HTF funds and that each eligible recipient certify that housing assisted with HTF funds will comply with HTF requirements.

**(a) Eligibility and Application Requirements**

NCHFA will use the application process and eligibility requirements described in North Carolina's Qualified Allocation Plan (QAP) in awarding HTF funds (available online at [www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2018-qualified-allocation-plan-qap](http://www.nchfa.com/rental-housing-partners/rental-developers/qualified-allocation-plan/2018-qualified-allocation-plan-qap)). The QAP details applicant eligibility, eligible activities, what applications must include, when and where applications are to be submitted, the criteria by which applications will be evaluated, who will review applications, and when awards are to be made.

We will award HTF funds based on the selection criteria described in Section IV of the QAP, summarized below:

Section IV Reference	Selection Criteria and Threshold Requirements	Max Points or Threshold (T)
A	Site and Market Evaluation	
1	Site Evaluation	
(a)	General Site Requirements	T
(b)	Criteria for Site Score Evaluation	
(i)	Neighborhood Characteristics	10
(ii)	Amenities	38
(iii)	Site Suitability	12
2	Market Analysis	T
B	Rent Affordability	
1	Federal Rental Assistance	T
2	Tenant Rent Levels and RPP	2
C	Project Development Costs, RPP Limitations, and WHLP	
1	Maximum Project Development Costs	-10
2	Restrictions on RPP Awards	T
3	Workforce Housing Loan Program (WHLP)	T
D	Capability of the Project Team	
1	Development Experience	T
2	Management Experience	T
3	Project Team Disqualifications	T
E	Unit Mix and Project Size	-10
F	Special Criteria and Tiebreakers	
1	Energy Star	T
2	Credits per Unit Average	2
3	Applicant Bonus Point	1
4	Units for the Mobility Impaired	T
5	Targeting	T
6	<i>Olmstead</i> Settlement Initiative	
(a)	Projects Proposing 1 Bedroom Units	3
(b)	Projects Proposed in DHHS Priority Counties	1
7	Section 1602 Exchange Projects	-40
8	Tiebreaker Criteria	
(a)	First Tiebreaker: Census Tract with the Lowest Percentage of Families below Poverty Rate	
(b)	Second Tiebreaker: Project with the Lowest Average Income Targeting	
(c)	Third Tiebreaker: Project Requesting the Least Amount of Federal Tax Credits per Unit	
(d)	Fourth Tiebreaker: Projects that Serve Tenant Populations with Children	
(e)	Fifth Tiebreaker: Tenant Ownership	
G	Design Standards	
1	Threshold Requirements	T

2	Criteria for Score Evaluation	
(a)	Site Layout	5
(b)	Quality of Design and Construction	25
(c)	Adaptive Reuse	25

## (b) Selection Criteria

The selection criteria are designed to identify the best applications based on site, market, rent affordability, development costs, project team, design and construction, energy efficiency, efficient use of tax credits, units for mobility-impaired individuals and ability to achieve community integration pursuant to North Carolina's 2012 *Olmstead* settlement agreement with the U.S. Department of Justice. Appendix J of the QAP outlines the additional criteria for those tax credit applications requesting HTF funds (available online at [www.nchfa.com/sites/default/files/page\\_attachments/18-QAPFinalAppendixJ.pdf](http://www.nchfa.com/sites/default/files/page_attachments/18-QAPFinalAppendixJ.pdf)).

In summary, the State will distribute HTF funds by selecting applications judged on the following criteria:

- i. **Geographic Diversity:** HTF will be made available to eligible applicants in high-income counties in North Carolina as defined in the QAP. Doing so will allow the units to be made affordable to people earning 30 percent or less of AMI. Many of North Carolina's high-income counties are also counties that have the highest demand for people transitioning out of adult care homes to achieve community integration pursuant to North Carolina's 2012 *Olmstead* settlement agreement with the U.S. Department of Justice.
- ii. **Applicant Capacity:** Grantees (i.e., the State) must "commit" their HTF within two years, and expend within five years. All tax credit projects have a strict window for completion and must be placed in service by December 31 two years after the award of credits. For example, applications awarded tax credits in 2016 must be placed in service no later than December 31, 2018. There is also a requirement for projects to expend ten percent of the costs within 12 months of allocation. Using HTF with tax credits ensures that all projects will adhere to the requirement to obligate the funds and undertake eligible activities within 12 months. Appendix J of the QAP further states the ability to obligate funds and undertake activities in a timely manner will be a threshold requirement for HTF approval. NCHFA will request a timeline as part of the application for projects requesting HTF funds to verify the applicant's ability to meet all deadlines.
- iii. **Project-based Rental Assistance:** Affordable to extremely low-income families is defined as families not paying more than 30 percent of their household income for housing costs, including utilities. Project-based rental assistance includes, but is not limited to, unit-based rental assistance, operating subsidies and cross-subsidization of rents within the project. All tax credit applicants must set-aside a minimum of ten percent of the total units for persons with disabilities and all of these units (referred to as "Targeted Units") are eligible for state-funded project-based rental assistance known as Key Rental Assistance. Therefore, all projects eligible for HTF will be eligible for project-based rental assistance. Applicants who have other types of project-based rental assistance also provide the source and number of units receiving project-based rental assistance as part of their applications. Project-based rental assistance is stated as a priority in QAP Appendix J. In the event of a tie in QAP scoring among projects seeking HTF funding, the percentage of units receiving project-based rental assistance will be used as the first tie breaker.
- iv. **Duration of Affordability Period:** Minimum affordability period is 30 years. A statement is included in QAP Appendix J to indicate that it is a threshold requirement for projects requesting HTF to have a minimum 30-year affordability period.
- v. **Priority Housing Needs of the State:** The QAP indicates what the State has determined to be the priority housing need(s) it intends to address based on the outcome of its HTF citizen participation process and priority needs indicated in its current Con Plan. The State's Con Plan defines households earning 30 percent or less of the AMI to be a high-priority population. The QAP requires that at least 25 percent of the qualified low-income units in a proposed tax credit project be affordable to and occupied by households with incomes at or below 30 percent of AMI in order to be eligible to receive HTF funds.
- vi. **Leveraging:** All tax credit projects require leveraging of sources, public and private, to fully fund the cost of each housing development. The QAP does not provide points for leveraging, but it does award points

for the efficient use of tax credits in section IV(F)(2) and provides state funding through the state Housing Trust Fund and the Workforce Housing Loan Program to encourage leveraging. In the event of tie scores, the third tiebreaker is the project requesting the least amount of credits per unit (see QAP section IV(F)(7)(c)). Appendix J further states priority will be given to projects based on leveraging of non-federal funds. In the event there is a tie in QAP scoring among projects seeking HTF funding, the project with the lowest percentage of federal funding to total sources will be used as the second tie breaker.

**(2) Eligible Activities and Certification - §91.320(k)(5)(ii)**

New construction of rental housing projects is the only eligible activity for HTF funding. RPP projects undertaking rehabilitation will be funded through sources other than HTF. For projects receiving 9% Low Income Housing Tax Credits, new construction may include adaptive re-use projects, development of entirely vacant residential buildings, and redevelopments that increase and/or substantially re-configure existing residential units. NCHFA will require that HTF-funded RPP recipients certify that HTF-assisted housing units will comply with all HTF requirements.

**(3) Performance Goals and Benchmarks - §91.320(k)(5)(iii)**

The State has met the requirement to provide for performance goals and benchmarks against which it will measure its progress, consistent with the State's goals established under 24 CFR 91.315(b)(2), by including HTF in its housing goals in the housing table on the SP-45 Goals and AP-20 Annual Goals and Objectives of the Con Plan. HTF will be used fund the development of more rental units that are affordable to households earning 30 percent or less of AMI.

The Con Plan states that 523 multifamily rental units will be constructed in 2017 and 1,943 units by the year 2020 (the original goals of 356 units in 2016 and 1,776 units by 2020 were increased by 80 units during the 2016 HTF allocation process and an additional 87 units in the 2017 HTF Allocation Plan). The State's \$5.29 million in HTF is expected to fund 116 units that will be affordable at 30 percent or less AMI, further increasing these goals to 639 units in 2018 and 2,059 units by 2020.

**(4) Maximum Per-unit Development Subsidy Amount - §91.320(k)(5) and §93.300(a)**

The State will use HOME maximum per unit development subsidy limits:

[www.hudexchange.info/resources/documents/Notice-CPD-15-003-Interim-Policy-on-Maximum-Per-Unit-Subsidy-Limits-for-the-Home-Program.pdf](http://www.hudexchange.info/resources/documents/Notice-CPD-15-003-Interim-Policy-on-Maximum-Per-Unit-Subsidy-Limits-for-the-Home-Program.pdf).

The HOME maximum per-unit subsidy limits were chosen for consistency as we also use HOME funds with tax credits. Given that NHTF rules closely follow other established rules in the HOME program, it is appropriate to rely upon this limit. Currently, there is only one published limit for the entire state. Based on our experience with rental housing development, there are no significant differences in costs that would require any geographic adjustment from the statewide limit. Below are the current subsidy limits (available online at

[www.hudexchange.info/resource/2315/home-per-unit-subsidy/](http://www.hudexchange.info/resource/2315/home-per-unit-subsidy/)).

Section 234 Elevator-type Basic Limit (by BR size) x High Cost Percentage (HCP) = HOME Maximum Per-Unit Subsidy Limit\*

Bedrooms	Elevator-type Basic Limit	HCP**	HOME Maximum Per-Unit Subsidy Limit
0	\$61,281	240%	\$147,074
1	\$70,250	240%	\$168,600
2	\$85,424	240%	\$205,018
3	\$110,512	240%	\$265,229
4+	\$121,307	240%	\$291,137

\* Effective 6/4/18

\*\* Greensboro, NC has HCP of 245 percent but per CPD-15-003, HOME maximum per-unit subsidy limits cannot exceed 240 percent of the Section 234 basic mortgage limit

## (5) Non-Applicable Policies

The following policy requirements are not applicable to North Carolina, as the State does not intend to use HTF for the associated purposes:

- **Rehabilitation Standards - §91.320(k)(5)(iv) and §93.301(b):** The State will not use HTF for rehabilitation of housing.
- **Resale and Recapture Guidelines - §91.320(k)(5)(v) and §93.304(f):** The State will not use HTF to assist first-time homebuyers.
- **HTF Affordable Homeownership Limits - §91.320(k)(5)(vi) and §93.305:** The State will not use HTF funds for home ownership housing.
- **State Limited Beneficiaries or Preferences - §91.320(k)(5)(vii):** The State will not limit beneficiaries and/or give preferences to any segments of the extremely low-income population.
- **Refinancing of Existing Debt - §91.320(k)(5)(viii) and §93.201(b):** The State will not use HTF funds for refinancing of existing debt.

## VII. GRANTEE CERTIFICATIONS

The State will submit all the required certifications identified at §91.225, including a certification that the housing activities to be undertaken with HTF funds are consistent with the Strategic Plan section of the current Con Plan.

## VIII. REQUIRED FORMS

The State has completed *Standard Form 424: Application for Federal Assistance (§91.320(a))* for its HTF program.