NATIONAL LOW INCOME
HOUSING COALITION

NLIHC's Summary of Indiana's Draft HTF Allocation Plan Summary
State Designated Entity: Indiana Housing and Community Development Authority (IHCDA)
$3,000,000 HTF Allocation for 2016

Quality of Draft Allocation Plan

IHCDA's draft HTF Allocation Plan is not really an Allocation Plan; rather it is a 23-page set of instructions for organizations considering applying for HTF dollars. Consequently, it is not written in a fashion that informs the public and housing and homeless advocates about the specific nature of the new and unique national Housing Trust Fund. However, the first page does provide information that clearly indicates the program's purpose and the target population IHCDA intends to serve with the HTF.

Affordability

The statute and regulations require the draft HTF Allocation Plan to give priority in awarding funds to proposed projects based on six factors, one of which is "the extent to which rents are affordable, especially to extremely low income families".

IHCDA's draft HTF Allocation Plan:

"All households occupying HTF-assisted rental units must be income-qualified based at or below 30% of area median income and all units must be rent restricted at the 30% rent limit." (page 16)

"**5.3 Rent Restrictions** (page 16)
HTF-assisted rental units will be rent-restricted at the 30% rent restriction throughout the affordability period to ensure that the units are affordable to extremely low-income households. Please refer to the most recent HOME rent limits, which can be found on IHCDA's website."

NLIHC: A reader has to wade through 15 pages to learn that HTF-assisted units must be occupied by ELI households.

HUD's interim rule sets the maximum rent that may be charged at the greater of 30% of 30% AMI or 30% of the federal poverty line. There is no basis in statute for the 30% of poverty line provision. It appears that IHCDA will use as a maximum rent, 30% of 30% AMI, rather than 30% of the federal poverty level. This is good because if IHCDA used 30% of the federal poverty level, then a three-person ELI household would be cost-burdened in every Indiana county.

In all but four counties, 3-person households with income at 20% AMI (about the income of a household receiving Supplemental Security Income, SSI) would be severely cost-burdened, paying more than 50% of income for rent and utilities, with many paying 59%. Cost burden in the four counties range from 47% to 49%.

Affordability, *continues next page*

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Affordability, *continued*

For one-person households the HUD maximum rent would be based on 30% of 30% AMI because it is greater than 30% of the poverty line. This would not result in cost burden in any county. One-person households with income at 20% AMI would have a cost-burdened of 45% in every county, except for one – which would be a 50% severe cost burden.

It is not clear that IHCDA will use 30% of 30% AMI because it refers to "the most recent HOME rent limits." IHCDA wrote this before HUD posted maximum HTF rent limits. IHCDA should choose to use the lower rents of 30% of 30% AMI in order to minimize cost burden.

Ideally, NLIHC suggests that Allocation Plans set rents at no greater than 30% of household income for households at 30% AMI, 20% AMI, and 10% AMI.

Length of Affordability

The statute and regulations require the draft HTF Allocation Plan to give priority in awarding funds to proposed projects based on six factors, one of which is "the extent of the duration for which rents will remain affordable".

IHCDA's draft HTF Allocation Plan:

"The affordability period for all HTF developments is 30 years." (page 11)

"All rental projects are subject to a 30-year affordability period as defined in Part 3.4 of this document." (page 17)

> NLIHC: In order to ensure that this federal investment remains available to ELI households, longer affordability periods should be required – or at least priority or extra competitive points should be awarded to projects that exceed the regulatory minimum of 30 years.

Merit of Project

The statute and regulations require the draft HTF Allocation Plan give priority in awarding funds to proposed projects based on six factors, one of which is "the merit of the project". Examples of merit in the regulations are housing serving special needs populations, accessible to transit or employment opportunities, and environmental features.

IHCDA doesn't directly discuss merit, however, it is very clear from the outset that IHCDA will target HTF to supportive housing for homeless people (see **Preference or Limits to Population Served** next page).

IHCDA does mention (page 1) that projects must meet seven goals, four of which are:

- Projects that serve populations that are extremely low-income and experiencing homelessness. The target population served by the development must be the target population that was identified based on community need and relevant data through the Supportive Housing Institute process;
- Projects that are energy-efficient;
- Projects using state certified Minority Business Enterprise (MBE), Women Business Enterprise (WBE), Federal Disadvantaged Business Enterprise (DBE) Participation, Veteran-Owned Small Business (VOSB), and/or Service Disabled Veteran Owned Small Business (SDVOSB) contractors;
- Projects linked to revitalizing existing neighborhoods.

Preference or Limits to Population Served

IHCDA clearly intends to limit the use of HTF dollars to projects that will provide supportive housing for homeless people. There are many citations.

IHCDA's draft HTF Allocation Plan, page 1:
"**1.1 Overview and Funding Priorities:**
The purpose of this Housing Trust Fund (HTF) application is to provide subsidies in the form of grants to selected applicants for the acquisition, rehabilitation and/or new construction of **supportive housing** for persons with extremely low-income (at or below 30% of area median income)."

"This program is designed to allocate HTF funds as gap financing in conjunction with Rental Housing Tax Credits (RHTC) to be used for the rehabilitation and/or new construction of **supportive housing** among selected applicants having projects that meet the requirements of the program and IHCDA's goals for the program."

One of the seven goals is to: "Serve populations that are extremely low-income and experiencing **homelessness**. The target population served by the development must be the target population that was identified based on community need and relevant data through the **Supportive Housing Institute** process."

"**1.3 Permanent Supportive Housing Institute in the QAP**
The HTF will be **offered exclusively** to developments that are eligible under **Housing First** set aside or for the **integrated supportive housing** scoring category under the 2016/2017 Qualified Allocation Plan (QAP) for the Rental Housing Tax Credit Program (RHTC). To be eligible to submit an HTF supplemental application, a proposed project must meet all threshold requirements of the QAP, including the specific threshold requirements applicable to **supportive housing** developments…All HTF funds will be awarded as gap/supplemental financing for RHTC **supportive housing** developments."

"Per the QAP, **10% of available annual RHTCs will be set aside for supportive housing** developments that further the creation of community-based housing that targets the extremely low income (less than 30% AMI) **with intensive service programs** that have a direct impact on **reducing homelessness** through the **Housing First** model.

On page 2:
"Developments that compete under the **Housing First set-aside** or that compete for integrated supportive housing points in the QAP must demonstrate meaningful and successful participation in the 2015 or 2016 Indiana **Supportive Housing Institute**. The Indiana Supportive Housing Institute provides training and support to organizations that plan to create supportive housing."

On page 7:
"3.1 Eligible Activities
…The program is intended for the rehabilitation and/or new construction of **supportive housing** in conjunction with RHTC developments that have completed the Indiana **Supportive Housing Institute** and are eligible under the **Housing First** set-aside or the integrated **supportive housing** scoring category of the QAP.

> The Indiana Association for Community Economic Development (IACED) recommended that future HTF allocations be broadened beyond permanent supportive housing to include the housing needs of domestic violence victims and single parents.

Renter/Homeowner

"3.2 Ineligible Activities (page 7)

- Development of housing for **homebuyer** programs;
- Performing **owner-occupied** rehabilitation;"

New Construction/Rehabilitation/Preservation

"3.2 Ineligible Activities (page 7)

- **Preservation** of existing affordable housing. HTF must be used to **create new** affordable housing units;"

IHCDA's draft HTF Allocation Plan, page 1:
"**1.1 Overview and Funding Priorities:**
The purpose of this Housing Trust Fund (HTF) application is to provide subsidies in the form of grants to selected applicants for the acquisition, **rehabilitation and/or new construction** of supportive housing for persons with extremely low-income (at or below 30% of area median income)."

"This program is designed to allocate HTF funds as gap financing in conjunction with Rental Housing Tax Credits (RHTC) to be used for the **rehabilitation and/or new construction** of supportive housing among selected applicants having projects that meet the requirements of the program and IHCDA's goals for the program."

On page 7:
"3.1 Eligible Activities
…The program is intended for the **rehabilitation and/or new construction** of supportive housing in conjunction with RHTC developments that have completed the Indiana Supportive Housing Institute and are eligible under the Housing First set-aside or the integrated supportive housing scoring category of the QAP.

Plan to Use HTF for Operating Cost Assistance

"**4.1 Subsidy & Budget Limitations** (page 13)
Budget Limitations
HTF funds cannot be used for reserve accounts for replacement or operating costs, but may be used as a Rent-Up Reserve."

"4.4 Ineligible Activity Costs (page 14)
General operating expenses or operating subsidies"

> NLIHC: Use of HTF funds for operating cost assistance is potentially a very important component if ELI units are to serve special needs populations without causing cost burden over a minimum of 30 years. IHCDA should work with nonprofit developers to create a program or guidelines for using HTF for operating cost assistance in future years.

Grant or Loan

"**1.1 Overview and Funding Priorities:**
The purpose of this Housing Trust Fund (HTF) application is to provide subsidies in the form of **grants** to selected applicants for the acquisition, rehabilitation and/or new construction of supportive housing for persons with extremely low-income (at or below 30% of area median income)." (page 1)

"Applicant may be a non-profit or for-profit developer. The HTF award will be structured as a **grant** from IHCDA to the entity with the expectation that the entity will then **loan** the HTF funds **to the Limited Partnership** to allow the funds to remain in tax credit eligible basis (in accordance with Section 42 rules regarding the exclusion of federal grants from eligible basis)." (Page 4)

"4.2 Form of Assistance
HTF funds will be awarded to the recipient in the form of a **grant**…

The applicant may then provide the HTF award as **a forgivable, amortized, or deferred loan** to as many other entities as it chooses, known as subgrantees. However, subgrantees must be identified in the application and approved by IHCDA." (page 13)

> NLIHC: It appears that IHCDA proposes to make HTF available in a manner that helps to minimize a project's debt in order to help meet the ELI targeting requirement. However, it is not clear that an amortized loan would be a zero-interest or forgivable loan, and a deferred loan could impose an undue debt burden later. In the future, IHCDA should consider a term other than "subgrantee" because that term has an entirely different regulatory meaning in the HTF program.

Geographic Distribution

IHCDA supports geographic diversity, but does not elaborate. However, it is not important for 2016 because there is only $3 million available for the state. In the future when there is far more available through the HTF, IHCDA and advocates will want to pay close attention to a fair distribution throughout the state based on the relative shortage of rental units available and affordable to ELI households.

Affirmatively Furthering Fair Housing

IHCDA does not mention. Advocates will want to ensure HTF-assisted projects meet the rule as well as the spirit of AFFH.

Eligible Recipients

"2.2 Eligible Applicants
Applicant may be a **non-profit or for-profit** developer. The HTF award will be structured as a grant from IHCDA to the entity with the expectation that the entity will then loan the HTF funds to the Limited Partnership to allow the funds to remain in tax credit eligible basis (in accordance with Section 42 rules regarding the exclusion of federal grants from eligible basis)." (Page 4)

Maximum Per-Unit Subsidy

"4.1 Subsidy & Budget Limitations (page 13)
HTF funds used for acquisition, rehabilitation, new construction and new construction combined cannot exceed: $60,000 per unit for 0 bedroom, $68,000 per unit for 1 bedroom, $83,000 per unit for 2 bedroom, $106,000 per unit for 3 bedroom, and $116,000 per unit for 4 or more bedrooms.

Minimum amount of HTF funds to be used for rehabilitation or new construction is $1,001 per unit."

> NLIHC: Advocates should assess whether these per-unit maximums are reasonable. Because HTF must target ELI households, HTF-assisted units might warrant more HTF capital investment than HOME or basic LIHTC units. HUD published an HTF-specific FAQ addressing maximum per-unit subsidies, https://www.hudexchange.info/faqs/2766/how-should-states-establish-maximum-per-unit-development-subsidy-amounts. The FAQ is very flexible and much less restrictive than the HOME maximum per-unit subsidy figures.

Maximum HTF Per Project

"The maximum request amount per application is $900,000 for eligible rental projects." (page 13)

Leveraging

IHCDA does not directly discuss

Mixed Income/Close Ties to LIHTC Program

IHCDA has tied the HTF directly to the Low Income Housing Tax Credit (LIHTC) program.

Page 1:
"**1.1 Overview and Funding Priorities:**

This program is designed to allocate HTF funds as **gap financing** in **conjunction with Rental Housing Tax Credits (RHTC)** to be used for the rehabilitation and/or new construction of supportive housing among selected applicants having projects that meet the requirements of the program and IHCDA's goals for the program."

"**1.3 Permanent Supportive Housing Institute in the QAP**
The HTF will be offered **exclusively** to developments that are **eligible under** Housing First **set aside** or for the integrated supportive housing scoring category under **the 2016/2017 Qualified Allocation Plan (QAP) for the Rental Housing Tax Credit Program (RHTC)**. To be eligible to submit an HTF supplemental application, **a proposed project must meet all threshold requirements of the QAP**, including the specific threshold requirements applicable to supportive housing developments. All HTF funds will be awarded as **gap/supplemental financing for RHTC** supportive housing developments.
Per the QAP, **10% of available annual RHTCs** will be set aside for supportive housing developments that further the creation of community-based housing that targets the extremely low income (less than 30% AMI) with intensive service programs that have a direct impact on reducing homelessness through the Housing First model."

Close Ties to LIHTC Program, *continues next page*

On the RHTC requirement
Requiring that applicants for HTF funding be recipients of its statewide RHTC can constitute an institutional barrier for mission-driven developers. IHCDA's requirement may discourage developers – especially smaller nonprofit developers that nonetheless have capacity – who are not already in the pipeline as past or present recipients of RHTC funding.

On frequent reference to QAP
IHCDA's draft Allocation Plan includes frequent references to Indiana's QAP and other documents. This can be a hindrance to advocates who are seeking to understand Indiana's implementation of HTF because it either requires familiarity with the QAP and its contents or the need to locate and digest the QAP before the draft HTF Allocation Plan can be fully understood. The general public and advocates should be able to read the draft HTF Allocation Plan and fully comprehend a state's intent and priorities without needing to turn to other resources for full context.