

National Housing Trust Fund

Wisconsin Allocation Plan

October 2016



Governor Scott Walker has designated the Wisconsin Housing & Economic Development Authority (WHEDA) to be the administrator of the National Housing Trust Fund (HTF) program in Wisconsin.

The 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 – specifically, households at or below 30% of county median income. The first funding awards through the HTF will be made later this year – of the \$173.6 million available nationwide, \$3,004,558 has been allocated to the State of Wisconsin. It is expected that each state will receive an allocation of HTF funds annually.

Below is the HTF Allocation Plan for the 2016 funding cycle. WHEDA reserves the right to make modifications to this proposal as new guidance is provided by the U.S Department of Housing and Urban Development (HUD). Additionally, should HUD change the allocation of HTF funds to Wisconsin, the State reserves the right to proportionately modify the plan.

A. HTF Funding Priorities*

- a) *Will the State distribute HTF funds through grants to subgrantees?*
 - i) WHEDA does not intend to distribute HTF funds to subgrantees

- b) *Will the State distribute funds by selecting applications submitted by eligible recipients?*
 - i) WHEDA intends to distribute funds by selecting applications submitted by eligible recipients, including:
 - (a) Nonprofit or for-profit entities
 - (b) Housing Authorities
 - (c) Tribal Housing Authorities

Threshold criteria for eligible recipients – if the following requirements are not met, the HTF application will be denied:

Applicant's ability to obligate HTF funds. Applicants must scoring a minimum of six of the 12 points within the following items:

- 1. Successful completion of multifamily properties (as a lead developer)
 - a. Four or more properties in Wisconsin, or more than 10 properties in all states (2 points)

- b. Two or more properties in Wisconsin, or more than five properties in all states (1 point)
2. Years of multifamily development and ownership experience
 - a. Six years of development experience and four years of affordable housing experience (2 points)
 - b. Four years of development experience and three years of affordable housing experience (1 point)
3. Performance of affordable housing properties (minimum of three properties or 100 units)
 - a. Average physical occupancy above 96% during the past three years (3)
 - b. Average physical occupancy above 94% during the past three years (2)
 - c. Average physical occupancy above 92% during the past three years (1)
4. WHEDA evaluation of capacity, and timely & accurate completion of prior applications and awards (3 points)
5. Development team members (maximum of 2 points)
 - Two points will be awarded for applications that include a Nonprofit organization, acting as Developer and an Owner
 - One point will be awarded for applications that include an organization, acting as lead Developer and an Owner, that has participated in four or fewer multifamily properties as a lead developer or owner

Applicant's ability to undertake eligible activities in a timely manner

1. Applicants must submit a timeline/schedule demonstrating the ability to undertake and complete new construction or rehab within 24 months of the application date

Applicant's ability to undertake eligible activities in a timely manner

1. Applicants will be required to submit a certification indicating that the housing assisted with HTF funds will comply with all HTF requirements

ii) Criteria that will be used to select applications and the relative importance of these criteria

- (a) Geographic Diversity (5 points). Five points will be awarded for properties in the following areas:
 - (i) Properties located in the Transform Milwaukee Area
 - (ii) Properties located in a High Need Area as defined in the WHEDA Qualified Allocation Plan for the Low Income Housing Tax Credit program which can be found at <https://www.wheda.com/LIHTC/Allocating/>.
 - (iii) Properties located in an area meeting the Rural Set-Aside definition for the Low Income Housing Tax Credit program: "a development must be in a location that is rural in character. The following criteria will be used by WHEDA in determining whether a site is rural in character or not: a) Population (20,000 or less, b) Location relative to other communities and the population of those communities, c) Commuting patterns and distances, d) Community economic base, and d) Community land use patterns."
- (b) For rental housing, the extent to which the project has Federal, State or local project-based rental assistance so rents are affordable to extremely low income families (25 points)
 - (i) One point for each one percent of units that have a commitment for Section 8 or Section 515 project-based assistance, project-based vouchers, 811 vouchers, NAHASDA funding for rental assistance, or similar project-based rental assistance or operating subsidy.
- (c) For rental housing, the duration of the units' affordability period (0 points)
 - (i) All properties will be required to have a 30 year affordability period
- (d) The merits of the application in meeting the state's priority housing needs (20 points)
 - (i) 20 points will be awarded to properties designed to serve the homeless and/or veterans requiring supportive services
- (e) The extent to which the application makes use of non-federal funding sources (25 points)
 - (i) One point for each 2% of the total development budget to be paid by non-federal funding sources
- (f) Other selection criteria
 - (i) Properties utilizing the 4% LIHTC program to rehabilitate existing HUD Section 8 or Rural Development Section 515 properties will receive 10 points
 - (ii) Requested HTF resources of less than:
 - 1. \$25,000 to 30,000 per unit (5 points) *
 - 2. \$15,000 to \$24,999 per unit (15 points) *
 - 3. Less than \$15,000 per unit (25 points) *

c) Application Process

- a. Applicants will be required to score a minimum of 50 points in the categories noted above to be eligible for HTF resources

- b. WHEDA intends to make an application packet available for the HTF program. The application will include the scoring criteria, as described but not limited to items on the previous pages, application evaluation process, timeline for commitment and expenditure of funds, etc. It is expected that the WHEDA will not allow recipients of 9% Low Income Tax Credit awards to request HTF resources until it has been determined that an insufficient number of non-9% LIHTC properties have applied for the available HTF resources.
- c. As many applications may utilize 4% LIHTCs, the RFP response requirements may be constructed as an addendum to the 4% LIHTC application for those developments
- d. WHEDA will require evidence that the HTF resources are required for financial feasibility
- e. HTF awards are expected to be structured as subordinate loans to be re-paid from available cash flow. Interest rates on the loans will be at a below-market rate approximating the Applicable Federal Rate for the LIHTC program
- f. All application materials, policy documents, implementation materials will be found online at <https://www.wheda.com/Developers/National-Housing-Trust-Fund/>

B. Recipient Application Requirements

WHEDA will require that all applications include:

- (b) A description of the eligible activities to be conducted with the HTF funds as required in 24 CFR 93.200
- (c) A certification that the housing assisted with HTF funds will comply with all HTF requirements

C. Performance Goals and Benchmarks

In the 2016 cycle, WHEDA intends to provide HTF resources to create or rehabilitate 100 rental units for households at or below 30% of County Median Income. The income determination may be updated at a later date upon further HUD guidance.

WHEDA will perform monitoring or require regular reporting to ensure program compliance

D. Maximum per-unit subsidy limit for housing assisted with HTF

WHEDA will utilize the HOME program per-unit subsidy limits for the HTF program.

Construction costs in urban areas of Wisconsin are higher than construction costs in rural areas of the state. However, lower rent levels in rural parts of the state do not allow rural properties to carry as much debt as a property in urban areas of the state. The HTF resources are intended to be used a gap-filling resource – increased development costs in urban areas are offset by a decreased ability to carry debt in rural areas of the state, resulting in a per-unit subsidy limit that is equitable across the state.

E. Rehabilitation Standards

For those properties using HTF resources for rehabilitation of existing housing, applicants must submit a Capital Needs Assessment (CNA) to document that the proposed rehab meets HUD's Uniform Physical Condition Standards (UPCS) and to bring all systems up to a reasonable useful life.

The request for HTF resources will include a Scope of Work describing the rehabilitation to be completed. If the rehabilitation Scope of Work does not result in a useful life that is commensurate with the project's affordability period, the operating budget must show appropriate replacement reserve deposits for their future replacement when needed.

The CNA must address immediate health and safety issues that must be corrected immediately, the condition of major systems (such as structural support, roofing, and plumbing), and the presence of lead-based paint. WHEDA's Capital Needs Assessment Policy is updated periodically, and include required formats for the assessment, along with the proposed scope or work. The Capital Needs Assessment policy can be found on <https://www.wheda.com/LIHTC/Allocating/>.

Health and safety issues include the following (note – these are listed as Life Threatening Items on the UPCS Comprehensive Listing. This text will be removed):

- Air Quality - Propane/Natural Gas/Methane Gas Detected
- Electrical Hazards - Exposed Wires/Open Panels, Water Leaks on/near Electrical Equipment
- Fire Escapes - Blocked Egress/Ladders, Visibly Missing Components
- Emergency/Fire Exits Blocked/Unusable
- Window Security Bars Preventing Egress
- Misaligned Chimney/Ventilation System
- Electrical System - Missing Breakers/Fuses, Missing Covers
- Missing/Damaged/Expired Fire Extinguishers
- Smoke Detector - Missing/Inoperable

HTF recipients will be required to comply with, but not limited to:

- a) Americans with Disabilities Act
- b) Section 504 of the Rehabilitation Act
 - (1) For newly constructed housing, a minimum of five percent (5%) of the total dwelling units or at least one unit in a multi-family housing project, whichever is greater, shall be made accessible for persons with mobility impairments. An additional two percent (2%) of the units (but not less than one unit) in such a project shall be accessible for persons with hearing or vision impairments.
 - (2) For rehabilitation of existing housing:
 - (a) If alterations are undertaken to a housing facility that has 15 or more units and the cost of the alterations is 75% or more of the replacement cost of the completed facility, then five percent of the total dwelling units or at least one unit, whichever is greater, shall be made accessible for persons with mobility impairments. An additional two percent of the units (but not less than one unit) shall be accessible for persons with hearing or vision impairments
 - (b) Alterations to dwelling units in a multi-family housing project (including public housing) shall, to the maximum extent feasible, be made to be readily accessible to and usable by individuals with handicaps. If alterations of single elements or spaces of a dwelling unit, when considered together, amount to an alteration of a dwelling unit, the entire dwelling unit shall be made accessible
- c) Lead-Based paint provisions noted in 24 CFR part 35
 - (1) For properties originally constructed before 1978:
 - (a) HTF recipients will be required to complete an inspection for the existence of lead-based paint.

- (b) If lead-based paint is discovered, the rehabilitation plan must include the removal of the lead-based paint, or a detailed description of how the proposed renovation will comply with the EPA's Renovation, Repair and Painting Program.
- d) Design and Construction requirements noted in 24 CFR 100.205
- e) Fair Housing Act
- f) Environmental review

In addition to federal requirements noted above, properties receiving HTF resources must comply with the State's Environmental Barriers Act, the Wisconsin Accessibility Code, state statutes, local zoning requirements, and all state and local building codes.

Newly-constructed properties must minimally contain the following features:

- Lever-style handles on all interior doors
- Bath/kitchen faucets being replaced or initially installed must be single-lever type
- Non-skid tub/shower pattern covering 75% of tub/shower floor
- All walls within 36" of toilet and in tub/shower area shall have 3/4" plywood behind drywall to provide sufficient support for grab bars or other assist devices
- Bathtub/shower stalls with offset controls
- Low-profile thresholds – 1/4" maximum vertical height or 1/2" maximum beveled at 1:2 are required between ALL interior common areas and in all dwelling unit openings when floor transition height differs

WHEDA will not permit the permanent displacement of residents in properties receiving HTF resources. Temporary relocation of existing residents must comply with the Uniform Relocation Act.

WHEDA will not permit HTF resources to be used in buildings that are located within a 100-year flood plain. Portions of the site may be located in the 100-year flood plain, but may not include parking areas or the footprint of the residential units or accessory buildings.

F. Resale and Recapture Guidelines for First-Time Homebuyers

WHEDA does not intend to use 2016 funding cycle resources for homebuyer activities

G. HTF Affordable Homeownership Limits

WHEDA does not intend to use 2016 funding cycle resources for homebuyer activities

H. State Limited Beneficiaries and Preferences

WHEDA has created a scoring priority for properties designed to serve the homeless and/or veterans requiring supportive services

I. Requirements and Conditions Under Which Existing Debt May Be Refinanced

WHEDA does not intend to use 2016 funding cycle resources for refinancing

WHEDA and the State reserve the right to suspend all HTF applications and awards until HUD approves the Substantial Amendment and the HTF allocation plan.

*Any process as listed above is subject to change based upon subsequent guidance as identified and provided by HUD.