

**DRAFT**

## **ARKANSAS DEVELOPMENT FINANCE AUTHORITY NATIONAL HOUSING TRUST FUND 2016 ALLOCATION PLAN**

### **A. The National Housing Trust Fund**

The National Housing Trust Fund (“NHTF”) is a new affordable housing production program that will complement existing federal, State and local efforts to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low-income (“ELI”) and very low-income households (“VLI”). ELI households are at or below 30% of area median income (AMI) and VLI households are at or below 50% AMI.

NHTF funds will be distributed by formula. As specified in its enabling legislation, Grantees, like the Arkansas Development Finance Authority (“ADFA”) in its role as the designated administrator of NHTF funds for the State of Arkansas (“State”), is required to use at least eighty (80) percent of each annual grant for rental housing; may use up to ten (10) percent for homeownership housing and up to ten (10) percent for the grantee’s reasonable administrative and planning costs.

NHTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of non-luxury housing with suitable amenities. All NHTF-assisted rental housing must meet a minimum affordability period of thirty (30) years. All NHTF-assisted homeownership housing must meet the minimum affordability period of 10, 20 or 30 years based on the amount of NHTF invested in the unit.

### **B. Development of ADFA’s Use and Allocation of Housing Trust Funds**

ADFA has been responsible for preparing housing needs assessment and strategy for the State since the inception of the HOME Investment Partnerships Program (“HOME”). In 1995, HUD created the Consolidated Plan in an effort to blend the four Community Planning Development (“CPD”) programs – Community Development Block Grant (“CDBG”), HOME Program, Emergency Shelter Grants (“ESG”) and Housing Opportunities for Persons with AIDS (“HOPWA”) – into a single submission process for the purposes of the Consolidated Plan.

ADFA, as administrator of the HOME program, was deemed responsible for writing the housing portion of the new document. The Consolidated Plan provided a detailed overview of how the State planned to utilize its annual CPD funding to meet economic development objectives, provide affordable housing and address other special needs. As a contributor, ADFA offered a detailed analysis of the current status of housing in Arkansas with special attention devoted to the condition of housing and housing affordability.



Thousands of Arkansas families and households need a safe and affordable place to live. A great many unmet needs still exist, and ADFA will use the limited resources available to address as many unmet needs as feasible across the State.

In addition to providing an overall assessment of housing needs for the State, the Consolidated Plan identifies the housing needs associated with special needs groups (minorities, single-parent families, elderly people with disabilities, mental illness or AIDS/HIV and homeless persons). A demographic analysis performed for the first Consolidated Plan, which holds still true today, concluded that a significant number of individuals in all parts of the State are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe.

A component of the Consolidated Plan, the Analysis of Impediments (“AI”) to Fair Housing (“AI”), was updated in 2014, and submitted for HUD’s review and approval with the Consolidated Plan in 2015. The purpose of developing the AI is to identify impediments to fair housing choice existing within Arkansas’s non-entitlement communities so as to determine courses of action designed to address those impediments. The AI identified ten (10) primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for eight (8) of the identified impediments. To that end, ADFA will encourage and offer Fair Housing training efforts to measurably overcome the identified impediments. Arkansas’s Consolidated Plan and the Analysis of Impediments to Fair Housing are available at <http://adfa.arkansas.gov>.

The NHTF program will be administered by ADFA and will be utilized to provide funds to develop new construction of decent, safe and sanitary rental housing, primarily targeting a specific underserved the Veteran population (VLI and ELI) in Arkansas.

### **C. General Housing Trust Funds Requirements**

This NHTF Plan seeks to ensure that, where economically feasible, applicants will have an opportunity to compete for funding to address their unmet rental housing needs. ADFA has established certain threshold housing requirements to be used in the allocation of NHTFs.

- 1) Geographic Diversity – ADFA anticipates allocating available NHTF to expand the Veteran (both VLI and ELI) overall rental housing supply located throughout Arkansas in areas near VA Medical Facilities/Hospitals, VA Support Services, and urban areas where employers are more concentrated, and more likely to offer jobs to Veterans first.
- 2) Applicant Capacity – Great consideration will be given to ability of the applicant to undertake and complete the construction of the proposed type of housing **in a** timely manner. The applicant must have the financial capacity to complete the



proposed development and must provide a list of experienced development team members such as a general contractor, architect, property manager and legal counsel.

- 3) Rental Assistance – Due to the targeted population of VLI and ELI, the ability to secure rental assistance so that rents are affordable to ELI families will be a major factor in the success of any proposed development.
- 4) Duration of Affordability Period – All NHTF rental units must have affordability requirements for a minimum of thirty (30) years. The Development Team must demonstrate strength to enforce the affordability period.
- 5) Housing Needs of the State – ADFA has identified a housing need for VLI and ELI households for Veterans. Per the Veterans Data Central ([www.veteransdata.info](http://www.veteransdata.info)) there are 229,261 Veterans in Arkansas, representing 10.3% of the Arkansas population. Of those 7.3% are unemployed, 8.8% live in poverty, 19.8% have a service connected disability rating, and 456 are homeless.
- 6) Leveraging – The applicant should provide additional sources of funds such as other soft funds for construction, permanent financing and/or operating expenses.
- 7) Limitation on Beneficiaries or Preferences – The ADFA 2016 \$3,000,000 Allotment from NHTF will give a preference to ELI and VLI Veterans who are homeless (or at risk of homelessness) or suffer from mental illness. Per discussions with our local HUD office, a substantial amendment to our Consolidated Plan is underway to include this verbiage.

#### **D. Eligible Activities**

The eligible activities for NHTF under this plan will be for the development of new construction of single-family rental homes, assisted living units, and multifamily residential rental units for occupancy by VLI and ELI Veterans and Veterans and their families. All projects are required to meet ADFA's Minimum Design Standards ("MDS").

[http://adfa.arkansas.gov/Websites/adfa/images/LIHTC\\_Docuemnts/LIHTC\\_2016/Multi-Family\\_Housing\\_Minimum\\_Design\\_Standards\\_Final.pdf](http://adfa.arkansas.gov/Websites/adfa/images/LIHTC_Docuemnts/LIHTC_2016/Multi-Family_Housing_Minimum_Design_Standards_Final.pdf)

ADFA permits and encourages applicants to **exceed** these MDS project standards. Each applicant may construct the proposed project in a manner that reflects applicant goals and/or that exceeds the local building codes. Also, most related softs costs are eligible



expenses. See attached MDS Checklist and Multi-Family Housing Minimum Design Standards.

### **E. Eligible Recipients**

ADFA will distribute NHTF by directly selecting applications submitted from eligible recipients and will not use sub-grantees in the 2016 allocation cycle. ADFA will accept applications from for-profit and non-profit organizations meeting the applicant capacity criteria as outlined herein. No NHTF application will be processed for any applicant or related entity which is not in good standing with ADFA and any other State housing finance authority, The Arkansas Economic Development Commission (“AEDC”), HUD and USDA Rural Development. An applicant can be denied consideration of the NHTF funds under Arkansas’s NHTF Program if the applicant or its related parties have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or lawful.

“Eligible Applicant” consists of the “Development Team” who will construct new rental housing (single family, assisted living units, or multi-family units) solely for Veterans, and Veterans and their families, in conjunction with a Non-Profit which specializes in support services for Veterans. “Development Team” means the applicant, Development Team, consultant, contractor, architect, accountant, property manager, and attorney. The Veterans must meet HUD Income Limit Guidelines of ELI and VLI. Title 38 of the Code of Federal Regulations defines a veteran as “a person who served full time (active-duty service) in the military, naval, or air service and who was discharged or released under conditions other than dishonorable.”

The limitation of Beneficiaries to Veterans and Veterans and their families is in compliance with **§93.350**. Each application package to ADFA will include the HUD- Form 935.2A (ADFA Exhibit I which outlines the Development Team’s Affirmative Fair Housing Marketing Plan and their staff’s Fair Housing training accomplishments).

[http://adfa.arkansas.gov/Websites/adfa/images/LIHTC Docuemnts/MF Housing Application/Affirmative Fair Housing Marketing Plan \(AFHMP\) Exp. 2016 HUD Form 935-2a.pdf](http://adfa.arkansas.gov/Websites/adfa/images/LIHTC_Docuemnts/MF_Housing_Application/Affirmative_Fair_Housing_Marketing_Plan_(AFHMP)_Exp._2016_HUD_Form_935-2a.pdf)

The requirements of **§93.303(d)(3)**, would be fulfilled by the Development Team’s property manager, whereas tenant selection would be based upon ELI and VLI Veteran households.

### **F. Maximum Allocation of HTF**



ADFA will receive \$3,000,000.00 in 2016 NHTF funds. ADFA will allocate funds based on the eligible activities and funding priorities outlined in ADFA’s Housing Trust Fund Allocation Plan (“AHTF Plan”). ADFA will award NHTF funds as forgivable grants to applicants whose proposed developments are approved for funding. The NHTF will remain a forgivable grant, as long as the development remains in compliance with NHTF and ADFA requirements for the entire affordability period of thirty (30) years. ADFA estimates the following use of NHTF funds for the State:

<b>2016 HTF Funds Received:</b>	<b>\$3,000,000.00</b>
<b>USES:</b>	
Grant	\$2,700,000.00
Administration Fee	\$300,000.00

**G. Maximum Per Unit Development Subsidy Limits**

The administrator of the Low-Income Housing Tax Credit and HOME funds, ADFA determines the “Reasonableness of Project Costs” annually. Reasonable project costs are determined by comparing aggregate cost data based on all applications received compared to historical cost certification cost data of completed projects and current cost data provided by ADFA third-party construction consultant reports. After evaluating all the data, reasonable standard project hard construction costs and soft costs are established. ADFA has used the same methodology in determining the maximum per-unit development subsidy limit for housing assisted with NHTF funds for all areas of State.

No single applicant/recipient may receive more than \$450,000.00. Based upon ADFA’s current guidelines, the maximum cost-per-unit is limited to:

- \$151,000 per unit on general rental projects;
- \$162,000 per unit on Single Family Dwelling (SFD) homes; and
- \$179,000 per unit on assisted living projects.

Per Unit Costs is calculated by dividing the total development costs by the total number of units. The maximum Per Unit Development Subsidy Limit is adjusted every two years through ADFA’s Administrative Procedures Act, Arkansas Code Annotated Sections 25-15-201 et seq., also known as the “APA” process. This process involves community input to our policies, based upon public meetings. These are attended by widely by stakeholders, developers, property managers, non-profits and the general public. ADFA’s maximum costs



limits are deemed reasonable, based on actual costs, and adjusted at time of staff underwriting for the number of bedrooms and geographic location of the project.

### Minimum Unit Area Requirements

Unit Type	# of Bathrooms	Minimum Unit Net Area	Minimum Bedroom Net Area
1 bedroom	1	750 sq ft	120 sq ft
2 bedroom	1.5	950 sq ft	120 sq ft
2 bedroom SFD	2	1,000 sq ft	120 sq ft
3 bedroom	2	1,150 sq ft	120 sq ft
4 bedroom	2	1,300 sq ft	120 sq ft

Unit areas do not include outside storage, covered porches, patios, balconies, etc.

Single Family Detached Units (SFD) Must: (a) be at least 3 bedroom units with 2 bathrooms; however, up to 20 percent of the units in the development may be 2 bedroom with 2 full bathrooms, if supported by market need; b) have washer and dryer connections in the living area; and (c) have at least a single car garage attached.

Construction costs do not vary much in Arkansas for different areas of the State. Some regions do require a soils report and more foundation work. At time of ADFA underwriting of each application, the costs are thoroughly reviewed and adjusted for underestimates or excessive costs. ADFA uses discretion to determine reasonableness of all costs stated in the proposed development budget regardless of whether the costs per-unit comply with the maximum costs per-unit limitation set forth above. ADFA may, within its discretion, deny Applications based upon the unreasonableness of costs, regardless of whether the costs per-unit complies with the maximum costs per-unit limitation set forth above. Upon request by ADFA staff, applicants may provide justification and supporting documentation of costs. ADFA will review the items submitted and make a final determination. ADFA's determination will be set forth in writing as to whether the Application will be further considered or rejected.

Each application submitted will vary as to the number of units, and cost per unit. Based on the example below, approximately 17 units could be developed:

<b>Example:</b> 3 units for assisted living units (3 X \$179,000)	\$537,000
4 Single Family Dwelling Homes (4 X \$162,000)	\$648,000



2 Five unit Projects ( <b>10</b> general rented units) (10 X \$151,000)	<u>\$1,510,000</u>
<b>Estimated Total Units 17 for a cost of approximately</b>	<b>\$2,695,000</b>

## H. Minimum Number of Proposed Units

A single proposed multi-family development may not contain less than four (4) units designated and reserved for ELI or VLI Veterans' households.

## I. Application Process

ADFA will evaluate each application to determine which projects should receive an award of NHTF funds. All applicants must submit an application, with supporting documentation, including evidence sufficient to ADFA that the applicants proposed project at minimum meets all of the housing priority factors in order to be considered for funding. Link for application is at: <http://adfa.arkansas.gov/lihtc-application>

ADFA may conduct a site visit(s) to inspect the proposed project site(s) and/or consult with a third party for professional services in evaluating each application requesting NHTF funds. To facilitate the evaluation process, all applicants must complete the following basic steps

All required ADFA-provided forms may be found at <http://adfa.arkansas.gov/lihtc-application>. All ADFA-provided forms should be submitted with original signatures, legible and all applicable spaces fully completed. All required third-party documents. ADFA will post the NHTF application checklist and instructions for the complete list of required documents as provided at [www.ADFA.arkansas.gov](http://www.ADFA.arkansas.gov) prior to the beginning of the application cycle. All applicants must comply in all respects with ASTM E1527-13 (the "ASTM Standards") as to content and adhere to ADFA's Environmental Policy Requirements for purposes for determining whether the property is environmentally suitable for construction of residential housing.

After the initial review, each applicant will be contacted via e-mail regarding any missing or incomplete items or documents. Upon notice, applicants must submit all missing and/or incomplete items or documents in order to be considered for funding.

The application must demonstrate that the project is an eligible activity under this NHTF plan and meets basic occupancy and rent restrictions required of NHTF regulations. The rental housing units must be under common ownership, deed, financing and property management.

The application must also demonstrate that the project is financially feasible and is sustainable for the thirty (30) year affordability period with ADFA's requirements and the NHTF Regulations.

## **J. ADFA Housing Priorities and Scoring Criteria**

Funds will be awarded based on the application (at a minimum) meeting the general NHTF requirements listed above and the total score of the application. Once ADFA has determined that the application meets or exceeds all requirements, ADFA will award funds to highest-scoring project until all NHTF funds have been allocation.

- 1) In the event of a tie between two or more applications**, the projects will be ranked in the following order to determine which applicant will receive priority:
  - a. The application with the greatest amount of additional subsidy per unit; and
  - b. The application with a proposed project which is closest to the nearest Veterans Administration Facility; and
  - c. The application with the fewest missing documents and/incomplete forms as determined by ADFA during the completeness review.

ADFA reserves the right to deny a NHTF allocation to any applicant or project, regardless of that applicant's point ranking if, in ADFA's sole determination, the applicant's proposed project is not financially feasible or viable. Regardless of strict numerical ranking, the scoring does not operate to vest in an applicant or project any right of allocation in NHTF funds in any amount. ADFA will in all instances reserve and allocate NHTF funds consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

### **2) Points Gained (See Scoring Matrix for Comprehensive list of points)**

- a. *Applicant Capacity* – A funding priority (**10 points**) will be given to the applicant's ability to provide evidence of serving the Veterans homeless and/or ELI populations. The applicants must describe their strategy for addressing homeless and/or ELI population housing problems. They will provide specific data quantifying the types of assistance or services provided to homeless Veterans or ELI individuals and families. Applicants must describe their staff capacity. Provide specific details to direct or related experience with service provision to Veterans and homeless individuals and families or those at-risk of homelessness. Applicants will

provide their plan to coordinate and integrate NHTF built housing with other programs targeted to serving Veterans.

- b. Rental Assistancess – A funding priority **(10 points)** will be given to applicants with projects that have secured federal, State or local project-based and/or voucher(s) for rental assistance so that rents are affordable to VLI and ELI Veterans.
- c. Duration of Affordability Period – A funding priority of **(10 points)** will be given for projects that demonstrate the ability to remain financially feasible five (5) years beyond the required thirty (30) year period.
- d. Leveraging – A funding priority **(10 points)** will be given to applicants that have a commitment from other non-federal sources. To qualify for points for receiving additional subsidies, the funds may be loaned (required repayment) or granted during construction and/or as a permanent source of funds.

10 points - Greater than 75% per unit

7 points - 50% to 75% per unit

5 points - Greater than 25% to per unit

- e. Limitation on Beneficiaries or Preferences – A funding priority **(10 points)** for targeting the rental housing need for ELI Veterans who are homeless (or at risk of homeless) or suffer from mental illness. The applicants must identify the veteran homeless and ELI population needing assistance in their service area. Applicants should specifically address the needs (housing and services) of the Veterans homeless and/or ELI persons in their service area. They should use quantifiable data, specific to their service area, to the maximum extent possible. Data should include the number of individuals and families actually served during the last calendar year as well as specific services provided.

### 3) Points Lost

Points will be deducted from applications that contain sites with the following negative neighborhood characteristics:

Two (2) points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater Treatment facility	Industrial
Distribution facilities	Airports
Electrical utility substations	Prison or Jail
Adult video/theater/live entertainment	Solid waste disposal

One (1) point each will be deducted if any of the following incompatible uses are within .5 mile of the site. The list is not all inclusive:

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater Treatment facility	Airports
Prison or Jail	Solid waste disposal

*Points will not be deducted for a prison, jail or detainment facility if it is co-located with a law enforcement office.*

#### **K. Barriers to Addressing the ELI and Veteran ELI Population**

Various obstacles to addressing the targeted VLI and ELI Veterans population exist across Arkansas. In the rural counties, transportation is a major issue. Nonexistent public transportation limits access to mainstream resources and required services specifically for the ELI Veterans that may have a physical and/or other impairment(s). Insufficient funding for resources and servicers at various levels of government entities or government supported entities negatively impacts the targeted population’s needs. The shortage of affordable permanent housing, job loss, unemployment, lack of education, and the lack of affordable healthcare are all barriers to the ELI population to access affordable housing.

It will be very challenging for developments to be successful in reaching specific ELI populations and areas of extremely high ELI households and remain economically feasible for thirty (30) years. It will require every respective stakeholder (mental health and physical health service providers, Veterans advocates and groups, non-profits and local governments) to be proactive toward providing additional funding sources and incentives as available; helping to remove regulatory and discriminatory barriers; and seeking experienced development partners to assist in creating housing solutions for Arkansas Veterans.

#### **L. Compliance with NHTF Regulations**



Each eligible recipient must certify that housing units assisted with NHTF funds will comply with all NHTF requirements. The certification must include:

- 1) The number of units in a NHTF-assisted project by income group: ELI, VLI, moderate income and above moderate income; and
- 2) A Statement declaring that all tenants of a NHTF-assisted development meet the income limits as required by relevant program guidelines; and
- 3) A Statement declaring that recipient will comply with rent limits, determined to be no more than thirty percent (30%) of the area median income.

ADFA staff will monitor each NHTF project on-site at least once prior to the completion of the project and at least once every three years through the entire affordability period. ADFA will review for compliance with the NHTF Plan, eligibility requirements, housing construction standards (24 CFR 93.301), rent reasonableness, affirmative outreach (24 CFR 93.350), tenant protections and selection (24 CFR 93.303), fair housing and financial management. ADFA Project Compliance Guidelines may be found at:

[http://adfa.publishpath.com/Websites/adfa/images/Compliance\\_Monitoring/2014 - 2015 Compliance Monitoring Policies and Procedures Manual for the LIHTC Program .pdf](http://adfa.publishpath.com/Websites/adfa/images/Compliance_Monitoring/2014_-_2015_Compliance_Monitoring_Policies_and_Procedures_Manual_for_the_LIHTC_Program.pdf) and <http://adfa.publishpath.com/compliance-and-monitoring-forms>

After each monitoring visit, written correspondence will be sent to the NHTF recipient describing the results of the review in sufficient detail to clearly describe the areas that were covered and the basis for any conclusions reached. Monitoring determinations will range from “acceptable” to “findings” with appropriate corrective measures imposed. Corrective measures may include certifications that inadequacies will be resolved, documentary evidence that corrective actions have been instituted or reimbursement of disallowed costs.

## **M. Performance Goals**

As of 2015, Arkansas had 229,261 Veterans ([www.veteransdata.info](http://www.veteransdata.info)) living in the State. Many of these Veterans in Arkansas fall into the ELI category. These ELI Veterans are severely cost burdened. They are at risk of becoming homeless and some suffer mental illness. This number will most likely continue to increase.

Reaching out to Veterans and ELI population (especially unsheltered persons and homeless) and assessing their individual needs can be difficult. ADFA has established the following goals in meeting the needs of the Veterans in the State through NHTF funds:



- 1) Decrease the number of Veterans by approximately seventeen (17) who are unsheltered and/or homeless by providing affordable housing units and to increase the provision of services to them.
- 2) Provide seventeen (17) affordable housing units to Veterans that fall into the ELI category.
- 3) Assist Veterans (especially chronically homeless individuals, families, and families with children) to transition into permanent housing and independent living.
- 4) Facilitate access for ELI Veterans to affordable housing units and prevent individuals who were recently homeless from becoming homeless again.
- 5) Increase awareness of permanent housing and services for ELI Veterans.

ADFA will monitor developments receiving NHTF for the following specific goals:

- 6) Impact of NHTF-funded projects that reached Veterans unsheltered and/or homeless.
- 7) Number of Veteran ELI households served by NHTF-funded projects.
- 8) Number of Veteran ELI households with mental illness which were served by NHTF-funded projects.
- 9) Number of ELI households served by NHTF-funded projects.
- 10) The extent to which the development met the overall goal established by the NHTF Plan and ADFA.

Recipients will develop performance goals that best quantify the NHTF developments' impact for their local areas' ELI Veterans. Performance goals specific to the specific geographic area will be evaluated to determine if the NHTF goals have been achieved.

**ATTACHMENTS:**

ADFA Request for Proposals ("RFP")

ADFA's Scoring Matrix for NHTF 2016 Allotment

ADFA Multi-Family Housing Minimum Design Standards ("MDS")

ADFA Multi-Family Housing Minimum Design Standards ("MDS") Checksheet

