

Date: February 15, 2005

From: Lara Huskey, Nebraska Department of Economic Development Housing Manager

RE: Amendments to the 2004 and 2005 Nebraska Affordable Housing Trust Fund Allocation Plan

If you have any questions about the content of this memo and specifically how it applies to a project that you are developing please contact me at lhuskey@neded.org, (800) 426-6505, (402) 471-3759 or (402) 326-1027.

Background

A total of \$4 million has not yet been included as part of the 2004 or 2005 allocation plan for the Nebraska Affordable Housing Trust Fund. The purpose of this memorandum is to serve as the amendment to both the 2004 and 2005 Annual Action Plans regarding NAHTF resources.

A proposed amendment was reviewed by the Nebraska Commission on Housing and Homelessness Executive Committee and NIFA staff. This amendment was approved by Gary Hamer, Community and Rural Development Division Director.

Amendment to the 2005 NAHTF qualified allocation plan

Funding source – The amount of NAHTF that can be awarded in the 2005 application round is \$5.5 million as opposed to the \$3.5 million used for the proposed annual action plan in October 2004. This change is made due to the fact that the trend of NAHTF revenues and expenditures has been tracked for a sufficient period of time to more accurately estimate the amount of NAHTF that can be awarded in the 2005 application round.

2005 Program Year allocation - \$2 million The additional \$2 million of NAHTF will be included in the application cycle beginning March 28, 2005, the specific distribution will be consistent with the formula found on page 3-21 of the proposed plan, to result in regional distribution of the resources.

2005 Program year – addition of eligible activity to the March 28, 2005 application round - The non-LIHTC rental project application will be opened to projects that have a 2005 LIHTC round 1 conditional reservation. NDED completed the Annual Action Plan public comment period in January 2005, which was after the first round LIHTC applications were due. Therefore, 2005 LIHTC round 1 applicants did not have in time for application, the finalized NDED decision to not have additional NDED funds available for 2005 LIHTC applications. This is not a guarantee NDED will award the 2005 LIHTC round 1 with conditional reservations. Applicants must submit proposals that are HOME eligible. The funding source for funded projects may be either HOME or NAHTF.

Amendment to the 2004 NAHTF qualified allocation plan

Funding source - NAHTF was budgeted for the 2004 program year (04-05 State Fiscal year) to provide \$2 million in rental assistance for Adults with Serious Mental Illness. The funds for rental assistance for Adults with Serious Mental Illness are now to be expended beginning in FY05-06. The 2005 proposed and final Annual Action Plans do include this activity.

2004 Flexible Investment Targeting (FIT) Application - \$1 million Through the 2005 Annual Action Plan public review process some gaps in resource needs that will not be addressed solely by the 2005 allocation plan have come to the attention of the NDED Housing Team. NDED will accept pre-applications beginning March 28, 2005 for NAHTF eligible projects with financing needs that cannot be accessed through the 2005 Program Year March 28, 2005 application process, program set-asides or zone set-asides. **Applicants interested in the Flexible Investment Targeting application contact Paula Rhian, NDED Housing Specialist at prhian@neded.org, (800) 426-6505, or (402) 471-3760 or Lara Huskey at lhiskey@neded.org, (800) 426-6505, (402) 471-3759 or (402) 326-1027.**

NDED does not have an inclusive list of all possibilities for projects under this category. The purpose is to encourage innovative ideas and approaches to providing affordable housing that are not currently addressed in the Nebraska Affordable Housing Program, but are (1) eligible within the NAHTF statute and NAHTF rules and regulations (excluding rental assistance for adults with serious mental illness) and (2) quality investment opportunities for NDED with the Nebraska Affordable Housing Program. Applicants who are proposing a project that is eligible in the March 28, 2005 application round, but are seeking technical assistance for the 2006 program year, are encouraged to submit a pre-application in order to begin discussions with an NDED representative.

2004 Flexible Investment Targeting (FIT) Application Review Process and Criteria

A pre-application form will be posted on the NDED website no later than February 28, 2005. Pre-applications will be accepted on March 28, 2005 and until it is determined that there are no longer sufficient funds to accept pre-applications. The priority (not requirement) is for development projects that are innovative in the physical design, financial packaging, and program delivery of the project; highly leveraged; and can serve as models to be replicated in other areas of the state.

- (1) Eligible applicant submits a FIT pre-application
- (2) NDED determines if pre-application is eligible under the FIT as
 - a. not able to access 2005 program funds,
 - b. eligible applicant, and
 - c. the proposed use of NAHTF is eligible (Examples: homebuyer programs and subdivisions that do not meet the standard NDED financial packaging thresholds in the March 28, 2005 application round, rental projects in the Northeast Investment Zone, statewide programs, etc.). Eligible NAHTF uses include;
 - i. New construction, rehabilitation or acquisition of housing to assist low-income and very low-income families;
 - ii. Matching funds for new construction, rehabilitation, or acquisition of housing units to assist low-income and very low-income families;
 - iii. Technical assistance, design and finance services, and consultation for eligible nonprofit community or neighborhood-based organizations involved in the creation of affordable housing;
 - iv. Matching funds for operating costs for housing assistance groups or organizations when such grant or loan will substantially increase the recipient's ability to produce affordable housing;
 - v. Mortgage insurance guarantees for eligible projects;
 - vi. Acquisition of housing units for the purpose of preservation of housing to assist low-income and very low-income families;
 - vii. Projects making affordable housing more accessible to families with elderly members or members who have disabilities;
 - viii. Projects providing housing in areas determined by the Department of Economic Development to be of critical importance for the continued economic development and

economic well-being of the community and where, as determined by the department, a shortage of affordable housing exists;

- ix. Infrastructure projects necessary for the development of affordable housing;
 - x. Downpayment and closing cost assistance;
 - xi. Housing education programs developed in conjunction with affordable housing projects. The education programs must be directed toward: a) preparing potential home buyers to purchase affordable housing and post purchase education; b) target audiences eligible to utilize the services of housing assistance groups or organizations; and c) developers interested in the rehabilitation, acquisition, or construction of affordable housing;
- (3) The NDED representative meets with the applicant to discuss the project,
 - (4) The NDED representative provides an application format that is customized for the project;
 - (5) The applicant submits a full application;
 - (6) The NDED representative reviews the proposal, asks follow-up questions;
 - (7) Awards are made on a first ready first serve basis as proposals include sufficient information, demonstrate meeting program requirements and NDED NAHP goals, readiness to proceed and addressing the 6 scoring criteria of the Nebraska Affordable Housing Program; and
 - (8) The NDED representative, other project investors and the applicant negotiate additional contract specifics, if necessary.

There is no specific timeline for the process, NDED will make every effort to expedite the steps in the process that are NDED responsibilities and award the NAHTF resources.

If more proposal requests are under review than there are funds available at the time of funding commitment then the following scoring will be used.

Characteristic	Criteria	Points
Demonstrates Desired Results	Project is innovative, highly leveraged and can be replicated	0-15-37-50
Demonstrates Desired Results	Reasonableness: the project will meet a demonstrated need of the community and the market.	0-15-37-50
Demonstrates Desired Results	Project is consistent with community and economic development planning efforts	0-15-37-50
Demonstrates Desired Results	Possible Points	150
Probability	Level of Readiness	0-15-37-50
Probability	Demonstrated Capacity of the applicant and the development team	0-15-37-50
Probability	The project is cost-effective and appropriate.	0-15-37-50
Probability	Possible Points	150
	Total Possible Points	300

2004 LIHTC CRANE set-aside for special needs projects - \$1 million The purpose is to use the NAHTF as a flexible leveraging resource for LIHTC CRANE projects that are designated for a special needs group. Priority will be placed on projects that serve adults with mental illness and/or the homeless. The reason that LIHTC CRANE was specifically designated as leveraging is due to the large subsidy financing required for projects that must have rents that are affordable to extremely low-income tenants. Other special needs housing projects that do not include LIHTC equity may apply in the 2005 application or the FIT process as is necessary. **Applicants interested in the LIHTC CRANE set-aside application contact Pat Compton, NDED Special Needs Housing Representative at pcompton@neded.org, (308) 865-6511 or (308) 440-5960.**

2004 LIHTC CRANE Application Review Process and Criteria The proposed process is to review the projects in CRANE and for the NDED representative to be closely involved in the formation of the site selection, development budget, service package and project financing prior to full application for LIHTC funds to ensure NAHTF program compliance and quality investments for NDED. Selection of projects will be made after LIHTC conditional reservation and on an as ready basis. There is no specific timeline for the process other than the NIFA CRANE process. NDED will make every effort to expedite the steps in the process that are NDED responsibilities and award the NAHTF resources. In the case where more proposal requests that have LIHTC conditional reservation are under review than there are funds available the following will be used for scoring criteria.

Characteristic	Criteria	Points
Demonstrates Desired Results	Project serves adults with serious mental illness and/or the homeless. The project is innovative, highly leveraged and can be replicated.	0-15-37-50
Demonstrates Desired Results	Reasonableness: the project will meet a demonstrated need of the community and the market.	0-15-37-50
Demonstrates Desired Results	Project is consistent with community and economic development planning efforts	0-15-37-50
Demonstrates Desired Results	Possible Points	150
Probability	Level of Readiness	0-15-37-50
Probability	Demonstrated Capacity of the applicant and the development team	0-15-37-50
Probability	The project is cost-effective and appropriate.	0-15-37-50
Probability	Possible Points	150
	Total Possible Points	300