



Local, Non-Traditional Housing Development – 101

Moving to Work Conference

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Today's Objectives

- ▶ Define Local, Non-Traditional (LNT) activities in general and housing development activities in particular
- ▶ Describe HUD's requirements for LNT Housing Development

Local, Non-Traditional Activities

General Definition

- ▶ Local, Non-Traditional (LNT) Activities use MTW block grant funds for activities **outside of the Housing Choice Voucher and public housing programs** established in Sections 8 and 9 of the U.S. Housing Act of 1937
 - ▶ Provided they serve the same families eligible for Sections 8/9
- ▶ LNT activities are authorized by the MTW Standard Agreement or the MTW Operations Notice
 - ▶ And governed by PIH Notice 2011-45

Local, Non-Traditional Activities

General Requirements

- ▶ LNT activities must exclusively serve families at or below 80% AMI
- ▶ LNT activities must meet one of three MTW statutory objectives:
 - ▶ Increasing efficiency of federal expenditures
 - ▶ Incentivizing self-sufficiency
 - ▶ Increasing housing choice for low-income families
- ▶ LNT activities must first be proposed and approved in an MTW agency's annual MTW Plan or a MTW Supplement

Local, Non-Traditional Activities

Four General Categories

Rental Subsidy Programs

Homeownership Programs

Housing Development Programs

Services Provision

Local, Non-Traditional Activities

Housing Development Programs

Definition

- Programs that use MTW funds to acquire, renovate and/or build units that are NOT public housing units

Examples

- Gap financing for non-PHA development of affordable housing
- Development of LIHTC units

How Can MTW Funds be Used?

- MTW Funds can be used to **acquire, renovate or develop** units affordable to families earning up to 80% AMI
- Funds can be grants, loans or can pay for costs directly

Who Owns the Project?

- A project can be owned by the housing authority, its instrumentality/affiliate, or another private or public entity

Local, Non-Traditional Housing Development

Approval Process

- ▶ Proposed LNT project must be included in annual MTW plan.
- ▶ MTW agencies **must** comply with all requirements in PIH Notice 2011-45.
 - ▶ If, upon inquiry, MTW agencies cannot demonstrate compliance, MTW funds may be recaptured.
- ▶ **MTW Agencies are NOT required to submit a development proposal to HUD before doing LNT Development.**
- ▶ However, MTW agencies **can choose** to submit a development proposal to HUD so that HUD can review it and state it complies with PIH Notice 2011-45.



HUD Requirements for LNT Development

As included in PIH Notice 2011-45

Local, Non-Traditional Housing Development

HUD Requirements

- ▶ Projects must meet HUD Requirements For:
 - ▶ **Environmental Reviews (24 CFR Part 50 or Part 58)**
 - ▶ **Section 18 Demolition and Disposition Approval**
 - ▶ Site and Neighborhood Standards (24 CFR 905.602D)
 - ▶ Subsidy Layering Reviews for projects with LIHTC
- ▶ All LNT projects must also comply with HUD's fair housing, Davis-Bacon, Section 3 and procurement requirements
- ▶ Units must be inspected to ensure they are decent, safe and in good repair **before** they are occupied

Local, Non-Traditional Housing Development

HUD's Financial Requirements for LNT

- ▶ LNT Housing Development Projects Must:
 - ▶ Pass the PRO RATA test
 - ▶ Comply with HUD's Total Development Cost and Housing Construction Cost limits*
 - ▶ Comply with HUD's Safe Harbor and Cost Control Standards*

PRO RATA TEST

- The percentage of the project funded with MTW funds must be less than or equal to the percentage of the project's units that are LNT units.
 - If only 25% of the project's units are LNT units, then only 25% of the project's funding can be MTW funds.

***MTW Agencies can access these and other helpful materials at www.hud.gov/mixedfinance**

HUD's Affordability Requirements for LNT

- ▶ LNT units must subject to a Use Agreement that guarantees that they will remain affordable for at least 30 years (unless otherwise approved by HUD)
 - ▶ If MTW funds are being lent to a project, the LNT units must remain affordable for the term of the loan or for 30 years, which ever is longer
 - ▶ The Use Agreement must be recorded on the project's title in the first position

Helpful Tools: Development Proposal Calculator

HUD Form 50156

Development Proposal Calculator

U.S. Department of Housing
and Urban Development
Office of Public and Indian

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(exp. 6/30/2015)

Public reporting burden for this collection of information is estimated to average 2 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. This agency may not collect this information, and you are not required to complete this form, unless it displays a currently valid OMB control number.

This collection of information is required for developing a Mixed-Finance rental project pursuant to HUD regulations 24 CFR 941.600. The information will be used to provide HUD with sufficient information to enable a determination that the proposed housing project is

**FOR THOSE FAMILIAR WITH THE INSTRUCTIONS:
START ON THE NEXT TAB AND CONTINUE TO MOVE RIGHT THROUGH THE TABS**

Instructions: TDC & HCC Limit Calculation Worksheets

Tips: Enter information in cells with blue borders, text or numbers on screen.
All other cells are locked, and all calculations are automated.
Print these instructions for easy reference, then begin at Step 1.

Step 1. Select City and State

- > Navigate to the worksheet titled "Select City & State".
- > Make the appropriate selections from the menu lists provided there.
- > Navigate to the worksheet titled "Unit Mix".
- > Continue at Step 2.

Note: To navigate among the worksheets, click the individual worksheet tabs at the bottom of this window. If no worksheet tabs are visible, select "Options..." from the "Tools" menu. In the dialogue box, select the "View" tab. Under "Window options" put a check mark in the "Sheet

Step 2. Enter the PHA Name, Development Name, and Phase Number or Description (on the "Unit Mix" worksheet)

Step 3. Enter the Number of Units of Each Type and Size (on the "Unit Mix" worksheet)

- > Select the appropriate column(s) for the proposed units based on tenure type (Rental or Homeownership, PH or Non-PH), and the development
 - Rent-to-Own units are to be counted initially as Rental Units.
 - Possible development methods are Rehabilitation (of existing public housing only), New Construction, or Acquisition (with or without rehab).
- > Enter the number of units proposed, by Structure Type, in the appropriate row based on the Number of Bedrooms.
 - TDC limit applies to all units on the Annual Contributions Contract (ACC) with HUD, or developed with Public Housing Capital Assistance
 - **Public Housing Capital Assistance (PHCA)** includes the following development sources (and borrowed funds to be repaid from these
 - HOPE VI grant funds;
 - Public housing Capital Fund and Public Housing Development assistance provided under sections 9 and 5 of the 1937 Housing Act; and
 - Public Housing Operating Fund assistance provided under section 9 of the 1937 Housing Act that is used for development.
 - The TDC limit for Modernization of existing public housing is 90% of the published TDC limit for a given structure and unit type.
 - The HCC limit is applicable only to New Construction units (not applicable to Rehabilitation of existing public housing, or to Acquisition units).
 - The "TDC & HCC Limit calculations" worksheet reflects all such applicability as described above.
- **Definitions of Structure Types** specified on the Unit Mix worksheet:
 - Detached: A structure that consists of a single living unit surrounded by permanent open space on all sides.
 - Semi-detached: A structure containing two living units separated by a common vertical wall.
 - Elevator: Any structure of four or more stories above ground in which an elevator is provided.
 - Row House: A structure containing three or more living units separated only by vertical walls.



A MTW Agency can use the Development Proposal Calculator to determine whether its LNT project complies with certain HUD requirements, including:

- ▶ HUD's TDC and HCC Limits
- ▶ HUD's Safe Harbor & Cost Control Standards
- ▶ HUD's Pro Rata Test
- ▶ HUD's Subsidy Layering Requirements

Helpful Tools: HUD Development Proposal Calculator (HUD Form 50157)

MIXED-FINANCE DEVELOPMENT PROPOSAL	U. S. Department of Housing and Urban Development Office of Public and Indian Housing	OMB Approval No. 2577-0275 (exp. 07/31/2026)
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This collection of information is required for developing a Mixed-Finance rental project pursuant to HUD regulations 24 CFR 905. The information will be used to provide HUD with sufficient information to enable a determination that the proposed housing project is demographically and financially feasible and that HUD statutory and regulatory requirements have been met. No assurances of confidentiality are provided for this information collection.

Public Housing Authorities (PHAs) must obtain HUD's approval before developing new public housing or undertaking the major modernization of an existing public housing development. Under 24 CFR 905.606, PHAs must submit this Development Proposal to HUD for all types of housing development that will utilize public housing funds, including capital or operating funds, so that HUD can assess the viability and financial feasibility of a proposed development and assure its compliance with public housing regulations. This Development Proposal must also be submitted for development of any public housing or non-public housing units funded through a Choice Neighborhoods grant. If a PHA does not submit a Development Proposal and secure HUD approval, the PHA may have to repay any public housing funds used in conjunction with the project.

The purpose of this document is to provide a template for the Development Proposal's preparation. Information may be typed directly into this form. This template may be used for all types of public housing development. However, it is required to be used for mixed-finance public housing development and for development funded through a Choice Neighborhoods grant. This document may also be used for projects involving the refinancing of existing projects, projects require a Section 30 approval, and other initiatives as needed.

This document, along with its attachments, generally includes all information required to be included in a Development Proposal, though HUD reserves the right to request additional information, or to require less information, to carry out its review. In addition, for mixed-finance and Choice Neighborhoods projects, this document identifies additional documentation needed for HUD to complete a Subsidy Layering Analysis for the project, as required under section 102(d) of the HUD Reform Act of 1989.

For non-mixed-finance public housing development, the Development Proposal and all attachments must be submitted to the appropriate HUD Field Office.

For mixed-finance projects, Choice Neighborhoods projects, or other types of projects, the Development Proposal and all attachments must be submitted to the Office of Public Housing Investments at HUD Headquarters. PHAs should work with their assigned HUD Project Manager to prepare the Development Proposal. Submissions must be made well in advance of closing to allow adequate time for review and approval.

A MTW agency can use the HUD Development Proposal to describe its proposed project and to document how it complies with the HUD regulatory requirements applicable to Local, Non-Traditional development.

If a MTW Agency **chooses to seek HUD approval** of its LNT project, it would submit this document to HUD.

LNT Housing Development Approval Process

Optional HUD Approval Process Timeline (3 Months*)

- PHA submits required documentation for review (i.e. Demo / Dispo approval, Environmental Review and Site and Neighborhood Standards documentation etc.)
- PHA Submits Development Proposal and TDC Workbook to OPHI Grant Manager
- OPHI Grant Manager reviews the Development Proposal, presents it to the HUD Review Panel, and follows up with the MTW Agency with any questions
- PHA sends OPHI Grant Manager all outstanding project approvals
- HUD OGC signs off on Use Agreement and HUD Field Office Attorney signs off on Survey & Title
- OPHI Grant Manager issues approval letter. Project closes.

*** Securing disposition and/or demolition approval from the SAC may require additional time.**

Any Questions? Please Contact Us

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Appendix

HUD Cost Control and Safe Harbor Standards

- ▶ LNT housing development projects are required to comply with HUD's Safe Harbor and Cost Control Standards.
- ▶ HUD's Safe Harbor and Cost Control Standards address the following and more:
 - ▶ Development Fees and their pay out schedules
 - ▶ Construction Contractor Fees
 - ▶ Allocation of Pre-Development Costs between PHA and Developer
 - ▶ Identity of Interest (i.e financial interest between a developer and general contractor)
 - ▶ Property Management Fees
- ▶ Please review these guidelines before filling out your TDC Workbook
- ▶ HUD's Cost Control and Safe Harbor Standards are available at www.hud.gov/mixedfinance