

***Frequently Asked Questions
For 2023 NAHTF Application Cycle***

[Recommend using CTRL F to search topic.]

FAQ's below added on March 30, 2023

Q: Is an EIN notification letter enough to prove our Non-profit status?

A: No, an Employer Identification Number letter is not sufficient documentation of an organization's tax-exempt number and does not verify non-profit status.

Q: How does the Department determine if an organization is an eligible 501c(3) or 501c(4) non-profit?

A: When reviewing the Pre-Application and the Full Application the Department consults GuideStar.org to verify an applicant is listed in their database as an active non-profit. Non-profits are flagged for further review if the entity is not found on the database or if the entity's information is flagged due to possible status revocation. Applicants with a status of 501c(3) or 501c(4) are required to upload their IRS Letter of Determination as verification of non-profit status.

Consult the IRS website if you need a copy of your IRS tax-exempt determination letter.

Note: In addition, eligible Applicants must be registered with the State of Nebraska as a non-profit.

Q: Where can we find average utility rates to use for Rental ProForma?

A: NDED recommends using the Housing Authority for the area the project is located in to obtain utility allowance (UA) averages. Experienced developers/builders may also have a solid idea of what to expect for the type of units being created in a certain location/region or area.

Q: Does the \$40,000 cap for Rehabilitation Activity apply to Rental Conversion Projects?

A: Rental Conversion projects involve a building, having a non-residential use, or one that has been deemed uninhabitable and, will require substantial renovation that alters an existing building's value by 50% or more for the purpose of creating affordable housing units. The

\$40,000 per unit maximum for NAHTF Rehabilitation does not apply to Rental Conversion projects. Plans and specs will need to be approved by the Nebraska Department of Environment and Energy (NDEE) as explained in Section 3.2, page 8 of the Application Guidelines (Amended 3/31/23; originally posted on 2/27/23).

Note: This is an edit to a previous FAQ regarding Rental Conversion Projects.

FAQ's below added on March 23, 2023

Q: How do I figure out the amount of rehabilitation allowed in the Rental Rehab project?

A: NAHTF assistance for Rental Rehabilitation of a unit has a cap of \$40,000 per unit up to \$750,000. For example, a project of a multi-family complex with 4 units may request \$160,000 in the Rehabilitation category. A unit that requires more than \$40,000 in NAHTF may need, and can use additional funding sources to bring it up to DED minimum rehabilitation standards.

Q: Can a Rental Rehabilitation project request a Developer Fee.

A: A NAHTF funded Developer Fee is not an eligible activity for Rental Rehabilitation or Rental Conversion projects.

Note: The NAHTF funded Developer Fee is a separate line item in the NAHTF budget in projects where the Applicant is also the Developer and is taking on the risk of ownership while the units are either being constructed or rehabbed (Purchase Rehab/Resale projects are an example).

Note: See page 10 of the Application Guidelines for more information on the Developer Fee.

Q: How do I figure the amount allowed for Housing Management in a Rental project that is creating a 12-unit complex and 6 will remain affordable (NAHTF-assisted) throughout the affordability period.

A: If the project will be completing 12 new Rental units using NAHTF funding and if all 12 will be completed during the open contract period, (6 are Market rate and 6 will be claimed as NAHTF-Assisted units); the Applicant may request up to \$60,000 in Housing Management. (12 X \$5,000 = \$60,000). The Housing Management request may not exceed \$75,000 regardless of the number of units being completed.

Q: Is Acquisition allowed for Rental Projects that have a private developer/owner who will acquire the site and own the completed units?

A: Acquisition is allowed for rental projects when a for-profit entity is working in conjunction with an eligible applicant organization. The For-profit entity must submit the closing statement to the DED Recipient. The DED Recipient will reimburse the for-profit entity for amount of NAHTF acquisition budgeted and will use the closing statement as the source documentation and the DED Recipient's canceled check as the proof of payment to request reimbursement from DED.

Q: Are Rental Reserves an eligible activity for projects with private developer/owners of Rental Projects? How are they documented for reimbursement?

A: If requesting NAHTF to fund Rental Reserves, the Applicant is stating that they will use NAHTF to fund Rental Reserves for the project even if the Applicant is not the property owner of the Rental units. Applicant will have to show proof of deposit/payment into a Rental Reserve account that is accessible only to the NAHTF funded rental project.

Q: Is lead based paint testing necessary for Rental Conversion projects?

A: Conversion projects usually involve extensive rehabilitation and the creation of new units. It is the applicant's responsibility to be aware and follow the Nebraska Lead-Based Paint Regulations, Nebraska Lead Statutes, the EPA Renovation, Repair and Painting (RRP) Rule, and the Lead-Based Paint Disclosure Rule. For more information refer to the Lead-Based Paint Q&A found on the NAHTF webpage under Application Guidelines and Grant Administration. Applicants may contact Nebraska Department of Health and Human Services if they still have questions regarding Lead-Based Paint requirements and the Nebraska laws.

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Office of Environmental Health Hazards & Indoor Air

Email: DHHS.HealthHazardsIndoorAir@nebraska.gov

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Q: Do Rental Conversion projects have to abide by the maximum subsidy per unit amounts?

A: Yes – Rental Conversions must abide by the NAHTF/HOME Maximum Per Unit Subsidy Limits available on the Department’s website at <https://opportunity.nebraska.gov/programs/housing/nahtf/>. For example, if a project is doing a 4-unit Rental Conversion Project, then the conversion costs of each of the 4 units must be at or below the current NAHTF/HOME Maximum Per Unit Subsidy Limit.

Q: Is there a best practice for what funding is “too much” to ask for?

A: Every project and the areas they serve are different. The key is to request the amount of funding needed to make the project successful and sustainable and to build the applicant’s case for that. Work closely with your project team, i.e. owner, lender, realtors, etc. as their expertise can assist with finding the right numbers to make the project work. Consider how to infuse sources of leverage such as owner equity, line of credit, and other financial resources. NAHTF is not intended to be the sole funder of projects, but to encourage private developers, housing organizations and others to partner with private and/or public funders to leverage resources in order to bring creative projects that are needed in a particular service area.

Q: Without significant outside funding, projects in smaller communities may only be able to commit to one or two units for a project. This is also due to the shortage of contractors who can work within a committed timeframe. Are smaller projects less likely to get funding?

A: It is not possible to predict how any given project might score based on the amount being requested in any given application cycle. Every year is a different mix of projects. Applicants should demonstrate that the project is addressing a legitimate need, it is financially solid and able to be completed in the allowed timeframe, as well as show how it can impact the area based on the number of housing units currently existing, and how the project will impact that base number. A project may be smaller in scope than others but have a large impact based on the location and housing stock in the area it is proposed in.

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1. DED recommends applicants work with a knowledgeable contractor to discuss estimating costs. A project with both residential and commercial space needs to clearly articulate the amount of square footage that is commercial vs the amount of space that is residential in order to split those costs. NAHTF will only support the residential costs. As invoices come in for the project that have both commercial and residential related expense, the project will need to define the portion of each invoice that is housing related in order to get reimbursement.

Q: Is Tenant Education a requirement for Rental Projects?

A: Yes, NDED does require tenant education to be provided and validated with a certificate of completion in order to stay in compliance with NAHTF guidelines. This is stated in the program guidelines checklist. Rentwise is a common resource. Other educational programs may be submitted to DED for approval and use in a project. Applicants who are awarded NAHTF funding should work with the project partners/developers in the early stages of project to plan for tenant education. It is recommended that Tenant Applications include an agreement to complete tenant education and provide proof of completion. Property Management/Owners may provide incentive to attend. Typically, NAHTF-assisted units have lower rents than market-rate which provides a degree of incentive for new tenants.

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Q: What are the Rental Rate Limits?

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However, if the Fair Market Rent (FMR) limit shown on the HUD table is lower than the 65% rent limit, project should consider using the FMR as the limit.

Ultimately, the project needs to be able to support the decision for rent amount set on the income restricted NAHTF-assisted units. The rents need to make sense for the project and the area that the project is located in. The units need to be affordable to the targeted AMI population also.

Note: The HUD table assumes landlord/owner is paying utilities, therefore the amount must be adjusted when tenant pays utilities. Rent Limits are updated yearly and, if awarded, Recipients will need to refer to the most recent table on the NAHTF web page to be sure the units remain in compliance.

Q: What is the radon requirement for a project having only one primary activity of Homebuyer Assistance?

A: A Homebuyer project including only the primary activity of Homebuyer Assistance (typically provided as down payment assistance) must include in the program guidelines a policy of informing homebuyers of radon risk including the provision of educational material and providing a test kit to the homebuyer. Applicants should refer to the Homebuyer Program Guidelines Checklist on the NAHTF web page for more details.

More on radon...

When designing a program, NAHTF applicants are encouraged to consider the safety and well-being of their potential beneficiaries in drafting their radon policy. Applicants will outline their policy within the narrative question of the application and if the policy exceeds the minimum standard, the narrative is an opportunity to share their decision to do so. Radon is a growing concern and likely present across all of Nebraska. NDED encourages applicants to be informed. View the State Agency Training given by DHHS (Part 2) found on NAHTF webpage under Training and Workshops.

Q: Do 2023 projects need to follow the National Environmental Protection Act requirements?

A: 2023 projects are not required to follow the National Environmental Protection Act (NEPA) Federal regulations. If funded, the DED Recipient's contract will reference provisions of the Revised Statutes of the State of Nebraska and all federal and local laws, that may be applicable to the project. It is the responsibility of the Recipient to understand what the laws are that govern their type of project and to rely on their legal counsel for questions regarding such.

FAQ's below added on March 8, 2023

Q: Do Rental Conversion projects need to abide by the Per Unit Subsidy Maximum?

A: Yes, Rental Conversion projects will use the NAHTF/HOME Maximum Per Unit Subsidy Table found at the bottom of the NAHTF web page. Use the line identified as All Nebraska and Iowa PJs/Counties. Rental Conversion projects are not subject to the \$40,000 per unit Rehabilitation Activity cap.

Q: What is the difference between Match and Leverage?

A: Cash Match is a type of Leverage. However, it is in a different category as it is cash on hand at time of application that is being committed to the project by the Applicant in order to fund a portion of the (non-administrative) project costs. Match is recorded on Payment Requests and supported by source documentation and proof of payment.

Leverage is ALL other sources not being used as cash match, but are used during the open contract period. Examples are a Line of credit, other grants, private investment, owner equity, etc. Leverage sources paying costs within the contract period are not recorded on Payment Requests. For purposes of the NAHTF application, Leverage Sources do NOT include those sources funding pre-development costs or any costs that take place outside the contract period. Sources spent outside the contract period are still an important part of your project story and can be described within the application questions but should not be included in the Leverage Table.

Q: The Application Guidelines state that NAHTF is not intended to fund 100% of a project. Is there a best practice for deciding how much funding to request?

A: It is correct that the NAHTF resources are not intended to fund entire projects. However, Applicants showing NAHTF as the sole funding source may still apply. They should articulate why there are no additional funding sources being included in their particular project. Perhaps an Applicant has directly funded Pre-Development costs from other sources and NAHTF is being requested for a phase of the project where other sources are not available. Every project and the areas they plan to serve are different. The key is to request the amount of funding needed to make the project successful and sustainable. The application should build your case for the amount of need being requested. Work closely with your project team which may include developers, lenders, realtors, etc. as their expertise can assist with figuring out the numbers needed to make the project work.

FAQ's below added on March 2, 2023

Q: Can a 501(c)(6) organization apply for NAHTF?

A: For the purposes of the Nebraska Affordable Housing Trust fund an applicant that is a community-based neighborhood-based or reservation-based nonprofit must be a 501(c)(3) or 501(c)(4) organization. The Department's Qualified Allocation Plan and program guidelines do not allow a 501(c)(6) as an eligible applicant.

Q: Is housing specific to seniors (55+) something that NAHTF funds can be used for exclusively?

A: Applicants can limit their project to elderly households age 55 and older. If they identify this in their application it will be carried over into the contract if funded. This is typically included in "Table of Project Requirements" on page 2 of the contract.

Q: Are there limits for amount of NAHTF subsidy allowed per unit on Projects?

A: The maximum per unit subsidy for NAHTF Homebuyer New Construction and Rental New Construction and Rental Conversion projects is found on the current HUD HOME Maximum Per

Unit Subsidy table on the NAHTF webpage under section titled “Data for Applicants and Grantees”. The NAHTF cap for the Rehabilitation Activity (Homebuyer and Rental) is \$40,000 per unit (excluding Rental Conversion projects). Applicants should also be consulting the Program Guidelines Checklist for their project type which is located on the NAHTF webpage under section titled Application Guidelines & Administration.

Note: By understanding the affordability of the AMI being targeted in the project’s service area, knowing the cost to build the unit, as-built appraisal amount and any other funding sources to be applied, an Applicant organization will need to determine whether the units they are planning to build is “affordable” to the AMI within the subsidy limit requirements of the NAHTF program. Reach out to your Housing Program Representative for discussion if the Subsidy Limit is a barrier to the success of the project.

Q: How does an applicant predict the cost of building a new single-family home within NAHTF limits?

A: Applicants are encouraged to work closely with their Project team which typically includes a developer, contractor, lender, etc. These project team members can provide expertise as to the market conditions and the cost of building a single-family home. NAHTF uses the HOME Subsidy Limit Table which is based on # of Bedrooms. The current table is found on the NAHTF webpage under section titled “Data for Applicants and Grantees.”

Q: How is a home’s sale price determined?

A: The most typical method is to price the unit in line with the As-Built Appraisal or Fair Market Value. However, the sale price of the unit does not always mean it is the amount a homebuyer will take on as their mortgage at closing. New Construction projects funded with NAHTF should be providing a minimum of \$1000 in NAHTF-funded Homebuyer Assistance per unit, not to exceed 20% of the Sale Price. Projects consider the AMI they are targeting and determine the amount of Homebuyer Assistance (down payment) to budget for based on the AMI they are targeting. [Pg. 9 Application Guidelines]. There are also programs that find it necessary to apply an Affordability Subsidy by reducing the Sale Price below Fair Market Value in order to make it affordable to the Homebuyer. [Section 16 Application Guidelines]. It is a good idea to describe

the method used for determining Sale Price of the units in the project's Program Guidelines and in the application. The sale price per unit will have an effect on the Pro-Forma. See Application Guidelines, Section 16.2 for definitions of these different subsidies.

Q: How do we determine the amount of Homebuyer Assistance to provide and budget for?

A: Typically, Projects determine the maximum amounts of NAHTF Homebuyer Assistance based on a number of factors that include the Average Median Income (AMI) the project will be targeting, the housing market, cost of the unit to build, etc. Each project will come up with their own program guidelines and shall include a maximum amount of Homebuyer Assistance per unit based on need. The Department only allows up to 20% of the Home's Sale Price to be funded with NAHTF Homebuyer Assistance and recommends estimating the NAHTF budget for the Homebuyer Assistance category based on the maximum the project will provide. Some projects have put in place a method for determining amount based on ratios. For example, a project may wish to provide down payment amounts that keep an applicant from spending over 30% of their household income on housing costs and also requires that applicants have a personal debt to income ratio (DTI) of 40% (as example) or less. The amount provided may be based on what is needed to satisfy the lender's requirements for providing the mortgage. For purposes of creating the budget, we recommend deciding on a maximum per unit and building the budget to fit that. The method for determining amount per Homebuyer to be allowed should be described in the application and in the Program Guidelines.

FAQ's below added on Feb. 27, 2023

Q: What types of units may be involved in Rental Rehab Projects?

A: The Pre-Application Workshop provided a list of Eligible Rental Activities on Slide 10 and only mentions multi-family units. However, a rental rehabilitation project with sites identified, whether the units are single-family, duplex, tri-plex or multi-family, may be submitted for consideration. Rental Rehabilitation projects that are speculative in nature (those that do not have sites identified at time of application) will not be eligible. It is recommended that Applicants

complete a Pre-Application for their Rental project and review the project with their Program Housing Representative prior to Full Application.

Q: Are Purchase/Rehab/Resale projects allowed to have a Lease to Own component?

A: Yes, an applicant may purchase a property, rehabilitate the project with NAHTF funding, and enter into a Lease to Own contract with a tenant who will have option to purchase after a set number of years. This does not require a known site at time of application. However, the DED Applicant has to be the purchaser of the housing unit and responsible for the rehabilitation of the unit prior to entering a contract for Lease to Own. The amount of NAHTF funded rehabilitation is \$40,000 per unit. Applicants should discuss the project with their Housing Program Representative prior to submitting application for additional guidance. Describe the unique aspects of the project in the Project Description of the application and Program Guidelines will need to clearly articulate the Lease to Own process.

Q: Do Purchase/Rehab/Resale projects have a \$40,000 cap?

A: Homebuyer Purchase/Rehab/Resale projects are ones that the Applicant is the owner (the entity that purchases and rehabs the project for resale to eligible homebuyer). The owner/developer of PRR projects must be the eligible DED applicant. The amount of NAHTF funded rehabilitation is \$40,000 per unit. The proceeds from sale of a unit is expected to be used in the acquisition and rehabilitation of subsequent units until the DED contract has ended.

Q: Can TIF be used in a NAHTF project?

A: TIF is short for Tax Increment Financing. If a project is using TIF this should be mentioned in the Leverage or Project Description narrative. It demonstrates that the Community is supporting the project by providing TIF financing as a way to fund infrastructure needed for the project. TIF is a source of leverage, but does not fit the definition of cash match.

Q: Can you explain Section 14.1 of the Application Guidelines, 'Determining Income Eligibility of NAHTF Beneficiaries'?

A: The NAHTF program may serve up to 120% average median income (AMI) for the area the

project units are located in. Recipients of NAHTF awards will use the same method as the HUD HOME Programs use for determining income eligibility except that the income maximum that NAHTF programs can serve is up to 120% AMI and/or is in agreement with the amount stated in the award contract. [See Section 14.1]

Q: Does the \$40,000 cap for Rehabilitation Activity apply to Rental Conversion Projects?

A: Rental Conversion projects involve a building that has never been used as residential and turning it into residential units. The \$40,000 per unit maximum for NAHTF Rehabilitation does not apply to Rental Conversion projects.

Q: Can Rent Income or Mortgage Payments be considered Cash Match for the project?

A: Rent Income or Mortgage payments generated from the NAHTF project that is being applied for can not be listed as Cash Match or as a Source of Financing for the project and should not be included in the Pro-Forma.

Q: Can funds already expended be used as cash match?

A: No. Cash match is Applicant's unrestricted cash on hand at time of application. Applicants providing match as part of their application are joining DED in the investment of resources and risk, therefore they are awarded points for taking on such. The Applicant is responsible for incurring the project costs paid for with their match and will provide proof of payment on Payment Request forms. Applicant must fill out the Match Documentation Form and upload it to their application in order to receive points. [Refer to Section 7 of Application Guidelines or slide 11 of Pre-Application Workshop.]

Q: Does Total Project Cost include Match amount?

A: NAHTF is a source of funding. The maximum amount that can be requested from NAHTF is \$750,000 for project costs. Match is a source of funding also. If an Applicant chooses to provide match of \$750,000, this will bring the total project budget to \$1,500,000. Match is not a requirement for funding. Projects with match will require source documentation and proof of payment on payment requests. (Some projects will have additional sources of funding, but the

budget created in the Application will only include NAHTF requested amounts plus Match. The Pro-Forma will show all sources of funding.)

Q: Can Private Developer provide the cash match?

A: Cash match is an Applicant's unrestricted cash on hand at time of application. A private developer does not meet the definition of an eligible applicant. Applicants providing match as part of their application are joining DED in the investment of resources and risk, therefore they are awarded points for taking on such. [Refer to Section 7 of Application Guidelines or slide 11 of Pre-Application Workshop.]

Q: Once the PreApp is submitted does it get evaluated for approval before moving to Full App?

A: DED Housing Staff will review the Pre-Application. Your Housing Program Representative will notify you once the Pre-application has been reviewed. However, Applicants may wish to begin work on their full application prior to hearing from their Housing Program Representative and are encouraged to do so.

Q: Is there a maximum NAHTF amount allowed for Demolition activity?

A: There is not a maximum NAHTF funded amount for Demolition. However, Demolition is a Support Activity and must be done in conjunction with a Primary Activity. The maximum allowed for Primary plus Support Activities is \$750,000 for the 2023 funding cycle. [See Section 3.1 and 3.3 of Application Guidelines for more details.]

Q: What limits do we use for determining income limits?

A: Find the table for income limits on the NAHTF web page. Scroll to the bottom of webpage to find section labeled "Data for Applicants and Grantees."

Contact your Housing Program Representative if you have questions regarding the table.

Q: If the conversion involves commercial property renovation on the main level and apartments upstairs – how are construction costs divided?

A: NAHTF will only fund the housing portion of mixed-use projects. The Rental Pro-Forma has a Development Cost Schedule Sheet. Enter the estimated expenses related to the Housing units only on the Development Cost Schedule. This may mean coming up with the ratio of housing square footage versus the commercial square footage and figuring amounts of construction expenses to attribute to each. At the very bottom is a space for entering the amount attributed to the Commercial Space. We encourage Applicants to work closely with their developer, contractor, and other project team members to complete the Pro-Forma estimates.

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Note: The HUD table assumes landlord/owner is paying utilities, therefore the amount must be adjusted when tenant pays utilities. Rent Limits are updated yearly and, if awarded, Recipients will need to refer to the most recent table on the NAHTF web page to be sure the units remain in compliance.

Q: What is the radon requirement for a project having only one primary activity of Homebuyer Assistance?

A: A Homebuyer project including only the primary activity of Homebuyer Assistance (typically provided as down payment assistance) must include in the program guidelines a policy of informing homebuyers of radon risk including the provision of educational material and providing a test kit to the homebuyer. Applicants should refer to the Homebuyer Program Guidelines Checklist on the NAHTF web page for more details.

More on radon...

When designing a program, NAHTF applicants are encouraged to consider the safety and well-being of their potential beneficiaries in drafting their radon policy. Applicants will outline their policy within the narrative question of the application and if the policy exceeds the minimum standard, the narrative is an opportunity to share their decision to do so. Radon is a growing concern and likely present across all of Nebraska. NDED encourages applicants to be informed. View the State Agency Training given by DHHS (Part 2) found on NAHTF webpage under Training and Workshops.

Q: Do 2023 projects need to follow the National Environmental Protection Act requirements?

A: 2023 projects are not required to follow the National Environmental Protection Act (NEPA) Federal regulations. If funded, the DED Recipient's contract will reference provisions of the Revised Statutes of the State of Nebraska and all federal and local laws, that may be applicable to the project. It is the responsibility of the Recipient to understand what the laws are that govern their type of project and to rely on their legal counsel for questions regarding such.