

Meeting Notes

NEBRASKA CDBG-DR FOCUS GROUP 1 HOUSING PROGRAMS

January 20, 10:00 a.m. – 11:30 a.m. CST

Purpose of Meeting	Outreach to Applicants and other Nebraska residents about the CDBG-DR programs
Facilitators	DED: Christina Zink, Jenny B. Mason, Mackenzie Waldron, Hagerty: Stephen Lathom
Participants	Names and organizations omitted for privacy.

Questions and answers have been lightly edited for clarity.

Q&A NOTES: HAP BREAKOUT SESSION 1

The following table presents questions asked by participants during the first breakout session related to the Homeowner Assistance Program (HAP).

Question	Answer
Are these funds for the potential homebuyers eligible to go into any units that were built or funded with an HTF or other DED funds?	They could be. The Homeowner Assistance Program is geared towards individuals who are ready to purchase a home already on the market.
Do the homebuyers need to have been individuals who were completely impacted by the floods (i.e., lost their home, lost their unit), or do they just have to meet the LMI requirements?	Ideally, the goal would be a one-for-one replacement. We know that a lot of people have found other housing options or moved out of the area, so the next best option would be the LMI persons being served.

Question	Answer
<p>So, the way this program generally works is that a non-profit or housing agency would apply and set up a down-payment assistance program that would then work with whatever housing is available on the market? Is that how this is structured?</p>	<p>Yes, it would be either a program through a local government or a non-profit that would provide that down payment assistance to the beneficiary who would apply for them through the HAP program.</p>
<p>None of the funding would go towards helping to build new housing; it has to go towards down payments to buy existing dwellings?</p>	<p>For the HAP, yes, it is down payment assistance with housing counseling. In the construction program that we will go over, there is funding for construction.</p>
<p>If not all the funds are allocated in this first round and if there was an applicant in the extended MID area, would that applicant possibly get funded or for that first round are they only looking at that MID area to get funded?</p>	<p>We are still working through that. The idea is that we go through all the applications for the Tier 1 and Tier 2 applications and go from there. If there's additional funds, then we may go through another round of applications and/or reassess the unmet needs.</p>
<p>Are there limitations to the home price or size of the down payment assistance?</p>	<p>There is some underwriting on that and property standards that go with it. We don't want an LMI person to purchase a home that they can't afford later. Based on estimates, this appears to work out to \$50,000 per homebuyer for the down payment and closing costs. The maximum, however, is \$150,000/homebuyer subject to cost principles and a maximum debt to income ratio – again, to ensure the homebuyer is not over-leveraged.</p> <p>We are working on the program guide now and that will be sent out once we have HUD's approval on it. The program guide will include further detail.</p>
<p>Is there a maximum award amount for the applicant?</p>	<p>Maximum award amount for a Subrecipient will be \$2,000,000.</p>

Question	Answer
How do we get more people to the county? In Sarpy County, housing was lost and is ineligible for reconstruction in an area that has a housing shortage. There is also a gap with construction costs.	They should pair together, where applicable, and these dollars will be used to supplement the gap in long-term recovery.
Can you apply to various programs (Construction and HAP)? Can both be used at the same time?	Yes, that is the idea.
In reference to Dakota County; Additional costs, such as lead abatement, add to project costs and are extremely high, making it nearly impossible to complete projects and thus creating a Lead Report without completion and creating issues for homeowners who want to sell. There has been a lack of Federal financial funding in recent years to heighten these concerns.	This is something DED is aware of and will be kept in the conversation for potential solutions through the DR program and other available resources.
Is there a max cost purchase price?	No, there is no cap; however, it does have to go through cost analysis. Costs must be reasonable.
Are there any other costs or issues (lead base paint, ownership, etc.) that would lead to issues in executing the program? Instead of awarding a lump sum, would you consider doing an application to a pre-established ready pool of applicants?	That is the current structure rather than awarding lump sums, Subrecipients are allowed to come to the program; however, the MID and LMI stipulations must be maintained.

Q&A NOTES: HAP BREAKOUT SESSION 2

The following table presents questions asked by participants during the second breakout session related to the Homeowner Assistance Program (HAP).

Question	Answer
For the dates on these funds, are they aligned with NIFA's application for 2022 and 2023 rounds for this year?	Since NIFA's applications have already launched, we anticipate the launch of the other housing programs to be in Spring 2022. We are working to get those finalized and sent for HUD's approval. We definitely don't want to delay funds getting to communities any longer if we can avoid it, so the goal is to get these funds out as soon as possible.
Is there any room for pilot programs or non-traditional housing (tiny homes, dome homes etc.)	That could be proposed through the Affordable Housing Construction Program (Non-LIHTC application) a pilot program has not been established through DR funding. DED is open to having the conversation about alternative housing solutions.
Would like to know about the pilot program in Iowa and if those project types might be applicable	The State of Iowa did a historic restoration pilot program which brought everything up to historical standards; however, as I recall, they subsequently reported it to be not the most cost-effective approach – at least in the first go-around. Other types of non-traditional housing (e.g., tiny homes, ADCs) could be an avenue to address the current housing market situation.
Do you anticipate additional training needs to administer a DR program (e.g., CDBG Certified Administrator Training)?	Participation in DED's CDBG Certified Administrator Training program is strongly encouraged but will not be required because our 2019 DR allocation is tied a specific disaster (and not a reoccurring or annual allocation). Our thinking here is to not unduly limit or hinder a subrecipient's ability to implement activities funded with DR, if they have other demonstrated capacity (e.g., HUD entitlement community).
Are organizations able to provide down payment assistance without providing additional long-term requirements on what the buyer can and cannot do with the home?	This is helpful insight. We will need to further clarify requirements, including long-term oversight for these types of projects.

Question	Answer
Looking at the tiers for how you're providing funding. Tier 2 says in the MID or LMI, so if I'm providing down payment assistance in the MID can I do that not limiting incomes to 80% LMI?	Regardless of whether they qualify for Tier 2 they would still need to follow requirements set forth in the policies and procedures, which would impact 80% LMI requirements.

Q&A NOTES: AHCP BREAKOUT SESSION 1

The following table presents questions asked by participants during the first breakout session related to the Affordable Housing Construction Program (AHCP).

Question	Answer
So, all of this continues to follow Davis-Bacon requirements and other environmental requirements across these programs?	Yes. DR is subject to federal cross-cutting requirements, including DBRA and NEPA.
Are the environmental requirements published yet? Or is there any guidance on what those requirements would look like?	The NIFA/joint application includes regarding environmental reviews. More information is coming. We did publish in the toolbox the Green Building Standards. That information is on DED's website.
There is no application process for affordable housing outside of the LIHTC process. Is that correct? Will that have a \$2M maximum award amount as well?	Correct. Those program guides are under review right now and then we are working through the application and other materials you will need to apply. Yes. \$2,000,000 maximum award amount and not to exceed \$150,000 per unit.

Question	Answer
<p>I am an affordable housing developer that works with the Low-Income Housing Tax Credit (LIHTC) here in Nebraska.</p> <p>Can you expand on the difference between the United States Department of Housing and Urban Development (HUD) Most Impacted and Distressed (MID) area and the expanded MID in the joint application with the Nebraska Investment Finance Authority (NIFA)? Is there a preference to projects in the MID or the expanded MID?</p>	<p>HUD identified a smaller MID area in the original CDBG-DR allocation. Based on updated data, DED requested the MID be expanded to include all of Dodge, Douglas, and Sarpy counties. The “expanded MID” now represents the MID for the purposes of program implementation.</p> <p>Given the overall goals for spending the CDBG-DR funding by DED, it is likely that most of the funding for these programs will fund projects in the MID. This will allow for DED to have greater flexibility for how infrastructure projects are funded.</p>
<p>In the introduction of the presentation there was a map that had like a darker color that went along all of Sarpy and just a western part of Douglas County and basically around Fremont in Dodge County. This is the MID. Does the map accurately apply or is anything in those counties is considered the MID?</p>	<p>Yes, any area in the three counties – Sarpy, Douglas, Dodge – are considered HUD MID areas.</p>
<p>Is there a maximum funding amount allowed for all three projects? Or are they different for all three?</p>	<p>Yes, there is a maximum. There is a maximum on a per unit basis of no more than \$150,000 and a maximum on a project basis of no more than \$2,000,000 as outlined in the Action Plan. It is feasible for DED to modify these amounts, but this is a burdensome administrative process. If the situation warrants a review of these details, DED will review and initiate that process, as appropriate. Stakeholders are always welcome to bring forward program implementation issues and concerns.</p>

Question	Answer
<p>In the main presentation, the non-LIHTC program referenced public housing authorities and nonprofits but it also just said developers. Can for profit developers act as the developer for a public housing agency and qualify underneath that bucket?</p>	<p>Yes, DED will be publishing program guides to clarify that for-profit developers are eligible for the program. Based on the precedence set by other programs, DED anticipates for-profit developers being involved in relatively smaller projects (less than 30 units) or “urban pioneer” developments (adaptive reuse).</p> <p>It is anticipated that most partners will be developers, either for profit, nonprofit, or a joint venture. All eligible entities are welcome to apply and will compete equally under the eligibility outlined in the Action Plan and program guides.</p>
<p>Can you just confirm that this funding would require Davis-Bacon wages for eight or more units? Is that the standard?</p>	<p>Generally, yes; that is the standard. With CDBG there is an opportunity to use the funding not for construction, but for acquisition of the property. This is a case where Davis-Bacon may not be triggered.</p>
<p>Are there criteria for the funding to have a storm safe room in housing or is it up to the local permitting authority?</p>	<p>This is still discussion around this topic at DED. For now, the plan is to require safe rooms in any single-family homes that are built through the program. Further discussion is required for multi-family. That all said, if it is required by the local code, then it is required for the project.</p>
<p>Is there a rural set-aside or will there be another type of categorization?</p>	<p>It is unclear how it will break down; however, the priority for the DR dollars fits within the MID rules. Specific to DR, there is no “rural set-aside”.</p>
<p>With NIFA’s change in the QAP are the funds going to go to non-MID areas and is it a waste of time to try and use it in rural areas that are not in the MID?</p> <p>If 100% of Applicants are eligible and in the MID areas will the ratios of 80% - 20% be maintained or will the entire program be filled with Applicants located within the MID?</p>	<p>Keeping in line with the Federal rule of serving the LMI and MID area targets, there may be funding after these are addressed and it could be funded.</p> <p>It is unclear how the percentage may shift.</p>

Question	Answer
What determines LMI? Do you mean the community itself or the specific beneficiary?	For housing programs, it's the specific beneficiaries (LMI Housing). For infrastructure, it's the area (LMI Area Benefit).

Q&A NOTES: AHCP BREAKOUT SESSION 2

The following table presents questions asked by participants during the second breakout session related to the Affordable Housing Construction Program (AHCP).

Question	Answer
And just to clarify the funding for the joint LIHTC NIFA application is both for the 9% and the 4% rounds. Correct. It's for everything.	Yes. We've not made a distinction that it can only be used for 9% or only be used for 4%. And, in some ways that may actually make good sense. It wouldn't be surprising if a fair amount of that ended up going into the 4% area because 4% deals obviously are more apt to need the gap financing – it's easier to make a 9% deal “pencil” to begin with. And, the 4% deals are often bigger in order to cover the cost of bond issuance and if any other thing, and so there's a good chance that that may end up being a place that gets a fair amount of funding just because of the nature of those projects and the ability of this specific (effectively new) resource within the state to be able to come in and make more of those deals tensile.
Are we going to be allowed to do environmental reviews in-house or will we have to go through PROs?	This was not answered. Will need to follow up.
HEROES system was a stumbling block. Using that system will be a major barrier for the local level organizations.	Yes. The HEROES system will be used for DR. There is additional training coming out through HUD. This is noted and will be re-evaluated.
Will the funding come in as a forgivable loan similar to other DED programs, or how will it be administered?	We foresee it being a forgivable loan, which would be reimbursement driven.

Question	Answer
Do you have an expected timeline for when the first disbursement of funds would be?	Unfortunately, no. LIHTC is open now for applications. Then these “DED-only” programs will open in the Spring. The grant with HUD has a 6-year original term. The goal, of course, is to be as efficient and quick as possible.
A direct application would be held to an 80% LMI standard, correct?	Yes. We align the NIFA/LIHTC application with the 60% LMI standard – using the more restrictive.
Would that just be the normal 80%? Is there a reference with how that 80% is calculated?	It is based off HUD’s income standards.
For programs such as these, 80% of that contract cost is provided and then 20% is held as a retainer. Does that play any factor in this?	This has not been fully resolved by DED. DED will consider factors to protect against risk while supporting the needs of applicants. Details will be included in the program guides.
The joint application for the NIFA and DED program specifies \$26M going to the tax credit piece. Is that still an accurate number?	<p>The \$26,000,000 really is the aggregate across the three “sub-programs” of the Affordable Housing Construction Program, which includes the joint application process with NIFA. DED has not established specific allocations within that total for the sub-programs.</p> <p>There will be a couple of rounds of funding prior to the total number being reached, so the total for each program at this moment does not matter. DED will however have to be more specific to hold back a certain amount.</p>
I work primarily exclusively with LIHTCs and the 4% round is before the 9% round. So, I think you will find you have quite a few people in the 4% round using the full \$2,000,000. From my experience I’d expect that a good chunk of money goes out the door right away to those 4% deals immediately.	Thank you, that is useful input.
Is it possible there may be some funds left over?	Yes, and there is a possibility that the Federal government may have an additional allocation. If funding is not exhausted in the first rounds of funding (for all DR programs), DED will conduct an assessment, reviewing unmet needs to determine how to reallocate funds. This is one of the objectives behind these ongoing outreach sessions.

Question	Answer
Are there any tools you have used or heard about that you need for submitting an application? In some other States the FAQs and answers were published.	The slides and Q&A from the November 29, 2021 session was sent out to everyone for transparency and that will be done again for this program. DED has also published FAQs and program summaries for each of the DR programs. These are available in the respective project toolbox on the DR webpage.
Can anyone speak to multifamily and what that might look like (financing layer, grant, etc.)?	The program guides will include these sorts of details. Once those program guides are published, you are encouraged to reach out if more clarification is needed and/or you have specific questions.
Is there a cap on the number of units?	We haven't arrived at a cap.

FINAL Q&A MEETING NOTES

The following table presents questions asked by participants during the final Question & Answer (Q&A) session at the end of the meeting. Questions and answers are lightly edited for clarity.

Question	Answer
Do the HUD requirements provide a limitation on a per unit subsidy for housing or a per project subsidy?	Unlike the HOME program, CDBG-DR doesn't explicitly have that. HUD encourages establishing those per unit or per project baselines.
It seems as though funds should be used to leverage housing to get as many units in the designated counties as possible to replace what was lost and create more housing.	Yes, we agree. That is the emphasis and primary objective for the Affordable Housing Construction Program.
What is compliance with Davis-Bacon regarding CDBG-DR going to look like? It also looks like in some circumstances, Davis-Bacon may not be triggered in the award phase. Can this all be clarified?	This will most likely be a project-by-project decision. The monitoring for Davis-Bacon is a HUD-wide standard.