The National Housing Trust Fund

Yes, we have a National Housing Trust Fund! It was created by the passage of the federal Housing and Economic Recovery Act of 2008. This is the first new federal housing production program since the HOME program was created in 1990 and the first new production program specifically targeted to extremely low income households since the Section 8 program was created in 1974.

The Funding

The National Housing Trust Fund is a distinct fund that will receive dedicated funds from a percentage of the value of new business within Fannie Mae and Freddie Mac (Government Sponsored Enterprises—GSEs). These revenues are not based on GSE profits nor on their existing portfolios. The amount dedicated is equal to 4.2 basis points for each dollar of the unpaid principal balance of total new business purchases (a basis point is 1/100th of 1%, that is, 0.01% = 1 basis point). In 2007 this would have generated about $550 million.

Of the total revenues generated by the formula, 25% are directed to a reserve fund in the Treasury. The remaining 75% of the total funds will be divided, with 65% of these revenues going to the National Housing Trust Fund and 35% going to a new Capital Magnet Fund. However, for the first year all of these funds will be diverted to a reserve fund to cover losses that the Federal Housing Administration might incur refinancing troubled mortgages through the new HOPE for Homeowners program. In the second year, half of the funds are so diverted and in the third year, one-fourth will be. Under this scenario, the first funds available from the National Housing Trust Fund will be in 2010, with full-funding anticipated in 2012. In calendar year 2008, approximately $300 million would have been available for the national housing trust fund had it been in place with no diversions for the HOPE for Homeowners program.

Any penalties incurred in connection with a failure by a GSE to comply continued on page 2
with certain reporting or housing goal requirements could also be used as dedicated funding. In addition, other dedicated sources of revenue may be added in the future.

**Distribution of Funds**

All of the National Housing Trust Fund dollars will go directly to states, the District of Columbia and the territories. It will be administered by the U.S. Department of Housing and Urban Development (HUD). The Secretary of HUD must develop a formula for distribution within one year of the date the bill was enacted, that is, by July 30, 2009.

Five factors must be incorporated in this formula. They are:

- The ratio of the shortage of affordable and available rental units for extremely low income renter households in the state to the aggregate shortage in all the states.
- The ratio of the shortage of affordable and available rental units to very low income renter households in the state to the aggregate shortage in all the states.
- The ratio of extremely low income renter households in the state living with either incomplete kitchens or plumbing facilities, more than one person per room, or paying more than half of their income for housing costs to the aggregate number in all the states.
- The ratio of very low income renter households in the state paying more than half of their income on rent compared to the aggregate number in all the states.
- The cost of construction or building rehabilitation in the state relative to other states.

The first factor is to be weighted more heavily in the formula, and the sum of the first four factors is to be multiplied by the fifth factor. It is not known how HUD will make this adjustment.

HUD will release initial estimates of how much the formula it develops will allocate to each state, the District of Columbia and the territories using current available data. At this time, it is not known what database will be used, but the final allocations may be based on a special tabulation of the American Community Survey housing file that the Census Bureau will provide.

The law states that no state, nor the District of Columbia, will receive less than $3 million. The formula will determine how much above the minimum will be allocated. There is currently no requirement for matching funds in order to receive funds from the National Housing Trust Fund.

**How the Funds Can Be Used**

At least 90% of the funds must be used for the production, preservation, rehabilitation, or operation of rental housing. Up to 10% can be used for homeownership activities for first-time homebuyers, including: production, preservation, and rehabilitation or down payment and closing cost assistance, or assistance for interest rate buy-downs.

At least 75% of the funds for rental housing must benefit extremely low income households (those with
incomes at or below 30% of area median income) or households with incomes below the federal poverty line. All funds must benefit very low income households (50% of area median income or less).

What States Must Do

The governor of each state or territory and the Mayor of the District of Columbia must designate an agency to administer the program. Eligible options include: the state housing authority or state housing finance agency, housing or community development offices, and tribally designated housing entities, among others.

The administering agency must develop, make public, and seek public comment on a state allocation plan. The allocation plan is to reflect priority housing needs in the states based on these factors:

- Geographic diversity,
- The applicant’s ability to obligate amounts and undertake funded activities in a timely manner,
- The extent to which rents are affordable in the proposed project,
- The duration of the affordable rents in the proposed project,
- The use of other funding sources in the proposed project, and
- The merits of an applicant’s proposed eligible activity.

Each state must set performance goals, benchmarks, and timetables for carrying out the purposes of the National Housing Trust Fund. Each state, territory and the District of Columbia may use up to 10% of its grant for costs related to administering the program. Each state has two years to either commit or spend its funds, or the funds are returned to HUD and redistributed to other states.

Eligible recipients from the states, territories and the District of Columbia are organizations and agencies (nonprofit or for-profit) that demonstrate:

- The experience and capacity to produce the housing proposed;
- The financial capacity to undertake, comply, and manage the housing; and
- Familiarity with federal, state and local housing programs that will be used in conjunction with the federal funds.

Housing advocates are focused now on three goals:

1. Working with states to make sure they take the necessary steps to receive available funds.
2. Working with HUD in developing appropriate and efficient implementing regulations.
3. Exploring additional dedicated sources of public revenue that can add to the monies contained in the National Housing Trust Fund.

The National Low Income Housing Coalition and its allies have formed a field working group to oversee these next steps.
In May 2008, Lexington-Fayette Urban County Mayor Jim Newberry appointed a Commission to put together a plan for an affordable housing trust fund. That plan has just been released by the 47-member Commission.

The creation of the Affordable Housing Trust Fund Commission was largely the result of a campaign by BUILD (Building a United Interfaith Lexington through Direct Action), a local faith-based DART (Direct Action and Research Training Center) group. Through its advocacy, Mayor Newberry pledged that he would create an affordable housing trust fund, with the goal of having it operational by the summer of 2009.

BUILD learned during its research that more than 45% of Fayette County’s renters pay more than 30% of their household income for rent. Nearly 15% of the County’s renters pay more than half of their income for decent housing. In addition, mobile home parks offer affordable housing to at least 1,000 households and many are in danger of being redeveloped.

The Executive Order charged the Commission with reviewing laws that would govern the creation of an Affordable Housing Trust Fund and analyzing data, other trust funds, and other information relevant to the creation of a housing trust fund. The 47 members included representatives of government agencies, state and local elected officials, quasi-governmental agencies, nonprofit and for-profit developers, realtors, the financial community, neighborhood associations, advocacy organizations, social service providers and the faith community.

The Commission report recommends that the Affordable Housing Trust Fund be administered by an independent Governing Board, appointed by the Mayor and approved by Council. The Board would have broad representation and expertise within the housing community. The Board would have responsibility for selecting an administering agency. In addition, a Technical Assistance Advisory Group would be established for the purpose of providing assistance to the Board, the Administrative Agent and eligible applicants in developing and evaluating feasible project proposals.

The Fund would support a broad range of eligible applicants to initiate projects that provide affordable permanent housing, assistance for long-term sustainability of permanent housing, rental assistance, and emergency/transitional housing assistance leading to permanent housing. Funds would be targeted to those with the greatest housing need, but the Fund will provide resources across the spectrum of need in the Lexington-Fayette County community, from homeless services to assistance for first-time homebuyers.

The Commission recommends funding the Affordable Housing Trust Fund by adding 1% to the existing insurance premium tax in Fayette County. This
revenue source would generate approximately $4 million a year. This tax is levied on most insurance premiums (except health insurance). A one percent increase would, for example, represent a $7.60 annual increase in the average cost for homeowners insurance in Lexington. It would increase by $7.42 the annual insurance premium for automobile insurance.

Once the Affordable Housing Trust Fund is operational and successfully funding affordable housing, other sources of funding were recommended for increasing revenues to the trust fund. Among these were: increased property tax levies on blighted properties, a portion of surplus funds, and an increase in the real estate transfer tax.

The Commission estimates that the $4 million fund, with additional leveraged funds, could produce 336 units of new affordable housing each year or rehabilitate some 1,400 units to prevent dilapidated homes from falling out of the market. In addition, the economic impact of investing in affordable housing is estimated to generate 448 jobs in the first year and 176 jobs each year thereafter—on an ongoing basis.

The Commission was co-chaired by Central Kentucky Housing and Homeless Initiative and the City’s Division of Community Development.

Contacts: David Christiansen, Central Kentucky Housing and Homeless Initiative, 130 W. New Circle Road, Suite # 110, Lexington, KY 40505 (859-281-9402) dchristiansen@ckhhi.org or Benjamin Van Dyne, BUILD, P. O. Box 21874, Lexington, KY 40522 (859-367-0152) build_organizer@yahoo.com.

“Ultimately, this fund will facilitate the construction of safe, affordable housing in Lexington, a real need in our community.

We know there’s a lot more work to do to improve both the supply of affordable housing and the condition of existing housing.”

– Mayor Jim Newberry
Lexington Fayette Urban County, Kentucky
The Ashland City Council voted this October to create an affordable housing trust fund. It approved placing all loan repayments for rehabilitation activities, funded through the Community Development Block Grant program, into the fund.

The Fund came about through the work of the city’s Housing Commission. The exploration of a housing trust fund began with the approval of the Affordable Housing Action Plan in May of 2003, which called for the establishment of a housing trust fund as a key strategy for the City to support the development of affordable housing. And some community groups, such as Oregon Action, helped introduce the idea and convince the city to devote staff time to the effort.

In addition to learning about housing trust funds, studying other existing housing trust funds, and exploring potential revenue sources, in March of 2007, the City of Ashland conducted a web survey of Ashland residents to help determine what uses for a housing trust fund best addressed community needs and which revenue sources were supported by the community.

Even though responses represent a small proportion of the overall community, of potential dedicated sources of funding, the sale of surplus property, real estate transfer fees, and development fees received the most support, with local tax and property tax lagging.

While the potential for loan repayments from the CDBG rehabilitation program could amount to nearly $100,000, the consensus seems to be that additional funds are needed to adequately address the affordable housing needs of Ashland.

The purpose of the Affordable Housing Trust Fund is to support the creation or preservation of housing that is affordable to people with incomes that do not exceed 120% of the area median income. The Fund will support housing activities within the Ashland Urban Growth Boundary and may also be used for permanent or transitional housing for homeless households and for the modernization, rehabilitation and repair of public housing.

Eligible applicants include governmental subdivisions, community development corporations, local housing authorities, community action agencies, community-based or neighborhood-based nonprofit housing organizations, other nonprofit organizations, for profit entities, and private employers.

A request for proposals will be issued on an annual basis to announce the availability of funds. The intent is to have the RFP concurrent with the Community Development Block Grant Program award process. In addition, the City may issue a notice of funding availability for no more than 10% of available funds for eligible activities that may be of a more urgent or special nature.

The Ashland Housing Commission and staff from the Community Development Department will administer the Fund.

Contact: Brandon Goldman, City of Ashland Planning Department, 20 East Main St., Ashland, OR 97520 (541-552-2076) Goldmanb@ashland.or.us.

Ashland, Oregon Creates an Affordable Housing Trust Fund
Kansas Sees Demand for New Housing Dollars Exceed Available Funds

In an effort to kick start redevelopment in disaster-affected communities, the Kansas Housing Resources Corporation announced $8 million in Housing Development Grant Awards—new funds recently added to the state’s housing trust fund.

The Corporation, however, received applications requesting more than $21 million. “The housing grants announced today are a great start, but there’s much more to be done,” said KHRC Executive Director, Gary Allsup. “The communities reeling from last year’s disasters face a long road towards recovery. They will need ongoing support from both the state and the private sector for years to come.”

The Kansas Legislature approved the housing program as one part of a comprehensive, long-term recovery effort to help storm-ravaged communities; eligibility for the funds will expand in 2010. Four million a year has been approved for the program.

Because the legislature approved funding late this past session and close to the 2009 fiscal year appropriation date, $8 million was available for grants this year. This $8 million was awarded for infrastructure and housing activities in ten communities throughout Kansas.

The Kansas State Policy Network has established a goal of bringing housing and community development issues to the forefront during the 2009 legislative session.

To advance this goal, the Network is conducting a survey of all current and prospective Kansas legislators. Go to: http://www.lisc.org/kansas-city/documents/KansasHousingPolicyNetwork to see the results of the survey.

Some 130 individuals, organizations, agencies and others are part of the State Policy Network. The survey will both help shape legislative priorities for next year, but also serves to keep affordable housing issues in front of current and prospective legislators.

Contact: Ashley Jones, Greater Kansas City LISC, 3535 Broadway, Suite 200, Kansas City, MO 64111 (816-753-0055 x20) ajones@lisc.org.

I n 2007, Kansas suffered numerous natural disasters that resulted in a severe shortage of housing in the disaster areas. However, numerous local leaders have remarked that they had experienced major housing shortages prior to the natural disasters. Do you think a shortage of adequate housing is a priority public policy issue?

2. As energy prices have skyrocketed over the last few years, an increasing number of Kansas citizens are struggling to pay their utility bills. When individuals make energy efficiency improvements to their homes, they can significantly reduce their monthly utility bills and decrease their energy usage. Do you think that the state should promote energy efficiency by encouraging individuals to make energy efficiency improvements to their homes?

3. If you believe that the state should encourage individuals to make energy efficiency improvements to their homes, what initiatives would you consider supporting on this issue?

4. In 1990, Kansas established the Kansas Housing Trust Fund to provide funding for affordable and special needs housing across the state. However, the Kansas Legislature did not provide a permanent source of funding for the Housing Trust Fund at that time. Do you believe the Housing Trust Fund should have a dedicated/permanent source of funding?

5. If you believe that the Housing Trust Fund should have a dedicated/permanent source of funding, what funding sources would you consider supporting?
Los Angeles Sets Its Affordable Housing Policy for the Future

Housing LA members gathered on the steps of City Hall to celebrate the Los Angeles City Council’s unanimous approval of the Housing Element. Among many measures, it supports funding the city’s Housing Trust Fund. The Housing Element is a blueprint for guiding the City’s housing policies over the next six years.

The Housing Element sets a target of having $100 million a year in new revenues for the Affordable Housing Trust Fund by 2013. The Affordable Housing Trust Fund was established in June 2000 and has reached its funding goal since Mayor Antonio Villaraigosa took office.

Housing LA launched their three-point housing plan in March 2008. The launch began with a press conference at City Hall, followed by delegations of community members and allies visiting council offices. The three-point plan includes supporting a citywide mixed-income housing program, identifying dedicated sources of funding for the Housing Trust Fund, and working together to preserve Los Angeles’ current affordable housing stock.

In late September of 2008, Mayor Antonio Villaraigosa unveiled the City’s first strategic multi-year plan for reversing the city’s housing crisis, “Housing That Works: A 5-Year, $3 Billion Housing Plan for LA’s Families.” The plan sets goals and strategies for the five city agencies that play a major role in building and preserving affordable housing.

The new plan builds on where the City has been successful and pledges to invest $5 billion in affordable housing projects over the next five years. The Mayor’s Housing Finance Team identified more than $1 billion in dedicated resources for the development, financing, and construction of homes for the city’s homeless and low to middle income households.

This includes some $820 million in county, state, federal and private sources. But it also counts more than $200 million from public sources, including the Affordable Housing Trust Fund. This $1 billion in funding is expected to leverage another $4 billion from non-City sources.

The plan is organized into four parts: raising the capital to carry out the plan, building and preserving homes for working people, shifting from managing homelessness to move people out of it, and protecting homes and neighborhoods. The plan also calls for a new mixed-income housing ordinance, creating sustainable transit communities and streamlining development by centralizing permit approvals, as well as additional counseling for those hit by foreclosures, programs to turn around blighted properties, maintaining the affordability of 14,000 apartments nearing the end of their subsidy terms, and increasing awareness of rent control rules.

Contact: Francesca de la Rosa, Southern California Association of NonProfit Housing, 3345 Wilshire Boulevard, Suite 1005, Los Angeles, CA 90010 (213-480-1249).
Oregon Housing Alliance Looks to Win in 2009

In Oregon, one in five people cannot afford the cost of their housing. The Oregon Housing Alliance is ramping up its campaign to change that by substantially increasing funding for affordable housing programs of the state. The goal is $100 million per biennium.

To reach this goal, the Alliance has outlined exactly how it could be done:

- Increase the document recording fee = $19.6 million;
- Devote lottery proceeds to fund housing programs = $28.2 million; and
- Allocate General Funds = $52.2 million.

Current expenditures in the state for affordable housing are approximately $20 million per biennium. The Housing Alliance believes that the State Housing and Community Services has effective programs in place that maximize the impact of state dollars and support community efforts to meet priority housing needs.

Since 2003, the Housing Alliance has brought together the many voices and constituencies concerned with the lack of affordable housing and the devastating impact that shortage has on Oregon families and individuals. Increased resources for affordable housing is the primary item on the Alliance agenda.

The Housing Opportunity Agenda for 2009 is seeking endorsements for the permanent source campaign. The proposal narrowly lost last legislative session, by only three votes. The Housing Alliance believes that by demonstrating the force of support for the proposal, they can win next legislative session.

The proposal would increase the total state imposed document recording fee to $26 per document. There are additional locally imposed and per page fees that are not affected.

Of the revenues generated, 76% would go to the General Housing Account for multi-family rental housing development. This would include: housing for special needs populations; resident purchase of manufactured home parks; rehabilitation and preservation of existing housing; new multi-family housing for working people, mixed use housing, and downtown revitalization; and strategic land and property acquisition. The additional 6% will be used to build the capacity of community based agencies to develop, manage, and preserve affordable housing.

Ten percent of the funds would go to the Emergency Housing Account to help end homelessness. It is distributed by formula to agencies in every county. The remaining 14% will be used to create homeownership opportunities.

Contact: Janet Byrd, Housing Alliance c/o The Neighborhood Partnership Fund, 1020 SW Taylor, Suite 680, Portland, OR 97205 (503-226-3001 x103) jbyrd@tnpf.org.
Visit Our New Housing Trust Fund Website!

The Housing Trust Fund Project website provides information about existing housing trust funds and strategies to help you craft a proposal for a housing trust fund and develop a campaign to advance it. The website includes examples, advice, references, and summary charts. We have designed it consistent with the kind of technical assistance we provide, so you can find the information you need and learn the steps to take to win a housing trust fund campaign. We’re not finished ... more to come!

1. HOUSING TRUST FUND PROJECT HOME PAGE

The Housing Trust Fund Project
Who We Are
How to Get Technical Assistance
Our Publications

2. IN THE NEWS

The National Housing Trust Fund
News Items--Updates from the Housing Trust Fund world

3. INTRODUCTION TO HOUSING TRUST FUNDS

Overview
City Housing Trust Funds
County Housing Trust Funds
State Housing Trust Funds

4. HOUSING TRUST FUND ELEMENTS

The Basics
Administration of a Housing Trust Fund
Distribution of Funds
Oversight and Reporting
Eligible Uses and Applicants
Income Targeting
Length of Affordability
Homeless Trust Funds
Housing Trust Fund Programs
Revenue Sources
State Enabling Legislation

5. CAMPAIGNS

The Basics
Identifying the Need
Building a Coalition
Making Your Case

6. RESOURCES

Send us your feedback--let us know what works, what doesn’t, and what else you’d like.

Learn about the HTFund Project
Sign up for the Newsletter
Find out about Technical Assistance
Download our Publications

The National Housing Trust Fund
The Basics and What’s Next
News from the HTFund World

The Basics about HTFunds--Start Here!
Learn about City, County and State
Housing Trust Funds--Get Info
About Existing HTFunds

When you’re developing a proposal for a housing trust fund: check this out. This section takes you through each element in designing an effective htfund.

It takes a campaign to win a housing trust fund. Here we share the experience and lessons from successful campaigns.

All the references we provide as useful examples and helpful resources.

http://www.communitychange.org/our-projects/htf