NHTF: The National Housing Trust Fund

NATIONAL HOUSING TRUST FUND

How Can The Money Be Used?
General Features[*]

At least 90% of the National Housing Trust Fund (NHTF) money must be used to buy, build, rehabilitate, preserve, or operate rental housing.

- At least 75% of the money used for rental housing must benefit extremely low income households or households with incomes below the federal poverty line (whichever is greater). Extremely low income (ELI) is less than 30% of the area median income (AMI).

- No more than 25% of the money for rental housing may benefit very low income (VLI) households, those with income more than 30% of AMI but less than 50% of AMI.

(See separate article, "Focused on Extremely Low Income Renters" for details.)

Up to 10% of NHTF dollars may be used to buy, build, rehabilitate, or preserve housing for first-time homeowners.

- Down payment and closing cost assistance and interest rate buy-downs may also be provided.

- All NHTF homeowner money must benefit very low income or extremely low income households.

(See separate article, "Homeowner Provisions" for details.)

NHTF housing must be permanent or transitional housing; NHTF may not be used for emergency shelters.

Operating Cost Assistance

NHTF may be used to provide operating cost assistance to NHTF-assisted rental homes. However, no more than 20% of a state's NHTF annual grant may be used for operating cost assistance.
(See separate article, "Operating Cost Assistance" for details.)

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[*] For specific eligible activities, see separate articles: "Eligible Project Costs," "Operating Cost Assistance," "Homeowner Features," and "Ineligible Activities."

Forms of Assistance

NHTF assistance may be in the form of equity investments, loans (including no-interest loans and deferred payment loans), interest subsidies, grants, and other forms. States and any local subgrantees may decide the terms of assistance.

General Program Administration and Planning

General program administration and planning relates to the cost of overall NHTF program management, coordination, and monitoring. Examples of general administration include state or any local subgrantee staff salaries and related costs necessary for "program administration" such as preparing reports for HUD and ensuring that projects comply with the regulations. Examples of other eligible program administration and planning costs include equipment, office rental, and third party services such as accounting.

General program administration costs differ from "project administration" costs, which are staff and overhead costs directly related to carrying out a specific housing development project.

Up to 10% of a state's annual NHTF grant may be used to pay for general program administration and planning. In addition, up to 10% of any "program income" may be used for general administration and planning. Program income is money returned to the state or local grantee as a result of the use of NHTF dollars; for example, repayment of a rehabilitation loan.

The proposed rule allows local subgrantees to use NHTF money for administration and planning, but any subgrantee use counts toward the state's 10% cap.

States or local subgrantees may decide whether "project administration" is a "program administration" cost or a "project administration cost" that would not count against the 10% cap.

<u>Some Other Administration and Planning Costs</u>

The proposed regulations specifically list as allowable program administration and planning costs:

- Providing information to residents and community organizations participating in the planning, implementation, or assessment of NHTF projects.

- Carrying out activities to affirmatively further fair housing (AFFH).

- Preparing the Consolidated Plan, including conducting hearings and publishing materials.

- Complying with other federal requirements regarding: non-discrimination, affirmative marketing, lead-based paint, displacement and relocation, conflict of interest, and fund accountability.

Project Costs

Many eligible "project costs" may be met with NHTF money. They include: property acquisition, development hard costs, relocation, demolition, utility connections, site improvements, project soft costs, refinancing, paying construction loans, operating assistance, and staff costs directly related to carrying out a project.
(See separate articles, "Eligible Project Costs" paper and "Operating Cost.")

Manufactured Homes

NHTF money may be used to buy and/or rehabilitate a manufactured home, or to purchase the land on which a manufactured home sits.

The home must, at the time of project completion, be:

- Connected to permanent utility hook-ups; and,
- Located on land:
  - Owned by the homeowner; or,
  - For which the homeowner has a lease for a period that at least equals the length of time the home must remain affordable to an income-eligible household (minimum of 30 years).

Mixed-Unit Projects

NHTF-assisted housing can be in a project that also contains non-NHTF-assisted housing.
After project completion, the number of NHTF-assisted units may not be reduced.

NHTF may be used for housing in a project that also contains public housing units.
However, NHTF money cannot be used for public housing or HOPE VI-assisted public housing units.

Transit Oriented Development

The introduction to the proposed regulations states that HUD wants to encourage the development of housing affordable to extremely low income people in areas within walking distance of public transit so that residents have better access to areas where jobs and services exist. Therefore the proposed regulation has a unique provision regarding the use of NHTF money with "transit oriented development" (TOD) projects.
(See separate article, "Transit Oriented Development.")