



## **NATIONAL HOUSING TRUST FUND**

### ***Operating Cost Assistance***

National Housing Trust Fund (NHTF) money may be used to provide operating cost assistance to NHTF-assisted rental housing.

- Operating cost assistance covers the gap in the amount a household pays in rent and the cost to operate the housing.
- Operating costs include insurance, utilities, real property taxes, maintenance, and scheduled payments to a reserve to replace major systems such as roofs and furnaces.

HUD's proposed regulations limit to 20%, the amount of a state's NHTF annual grant that may be used for operating cost assistance.

- In the introduction to the proposed rule, HUD views the NHTF as primarily a production program meant to add to the supply of affordable housing.
- HUD also anticipates that the NHTF will be used with other resources, mostly in mixed-income projects.
- HUD indicated in informal conversations that the 20% cap is based on an assumption that approximately \$1 billion would be available during the first few years of the NHTF. HUD indicated that should much more money become available (such as through modification of the mortgage interest deduction and using some of that revenue generated for the NHTF) the operating subsidy cap would be reconsidered.

States and any local subgrantees may provide operating cost assistance to a project for up to two years from the same fiscal year NHTF grant. Operating cost assistance can be renewed during the entire time the housing must be occupied by an income-eligible household, a minimum of 30 years (See separate article, "Focused on Extremely Low Income Renters" for details).

An operating cost assistance reserve can be created to cover up to a five-year period of inadequate rent income in order to ensure a project's financial feasibility.

NHTF-assisted housing may not receive public housing operating assistance.