



UNITED FOR HOMES

CAMPAIGN FOR THE NATIONAL HOUSING TRUST FUND

How the National Housing Trust Fund Will Operate in Your State and in Your Community

Ed Gramlich

National Low Income Housing Coalition

April 19, 2013

Introduction

National Housing Trust Fund (NHTF)

- Became law on July 30, 2008 as part of HERA (Housing and Economic Recovery Act).
- Program for collecting and distributing “dedicated” funds – money not at risk of Congressional appropriations cuts.
- Will not compete with existing HUD programs funded by Congressional appropriations.
- Block grant to states.



Introduction

(continued)

- No money in NHTF yet.
 - First dedicated funds were to come from Fannie Mae and Freddie Mac.
 - But before funds could get to NHTF, Fannie and Freddie hit by 2008 banking crisis; this source of dedicated money is on hold.
 - Fannie and Freddie are now profitable; we are working to get money for NHTF.
 - Statute says that NHTF can be funded by other dedicated sources of revenue, such as any “appropriations, transfers, or credits that Congress may designate in the future.”
See proposal to reform mortgage interest deduction.



How Will NHTF Block Grant Be Distributed To States?

- NHTF law requires money to be distributed to states by formula.
- Formula based on:
 - Number of ELI and VLI renter households paying more than 50% of their income for rent and utilities (severe cost burden).
 - Shortage of rental properties affordable *and* available to ELI and VLI households.
 - Priority given to ELI households.



ESTIMATED STATE ALLOCATIONS FOR EVERY \$5 BILLION INVESTED IN THE NATIONAL HOUSING TRUST FUND

Updated April 12, 2013

Alabama	\$52,600,000	Nevada	\$43,500,000
Alaska	\$11,800,000	New Hampshire	\$15,400,000
Arizona	\$77,000,000	New Jersey	\$168,900,000
Arkansas	\$33,800,000	New Mexico	\$23,400,000
California	\$886,000,000	New York	\$603,700,000
Colorado	\$74,600,000	North Carolina	\$112,900,000
Connecticut	\$63,100,000	North Dakota	\$6,800,000
Delaware	\$11,200,000	Ohio	\$171,900,000
District of Columbia	\$18,300,000	Oklahoma	\$39,400,000
Florida	\$250,000,000	Oregon	\$73,500,000
Georgia	\$115,100,000	Pennsylvania	\$192,800,000
Hawaii	\$27,300,000	Puerto Rico	\$37,300,000
Idaho	\$14,300,000	Rhode Island	\$21,600,000
Illinois	\$237,500,000	South Carolina	\$48,700,000
Indiana	\$81,300,000	South Dakota	\$7,300,000
Iowa	\$33,300,000	Tennessee	\$68,700,000
Kansas	\$30,300,000	Texas	\$291,500,000
Kentucky	\$51,900,000	Utah	\$20,400,000
Louisiana	\$58,400,000	Vermont	\$7,200,000
Maine	\$16,800,000	Virginia	\$102,100,000
Maryland	\$67,200,000	Washington	\$114,800,000
Massachusetts	\$134,800,000	West Virginia	\$22,200,000
Michigan	\$146,100,000	Wisconsin	\$84,900,000
Minnesota	\$74,500,000	Wyoming	\$3,900,000
Mississippi	\$33,900,000	American Samoa	\$300,000
Missouri	\$79,300,000	Guam	\$2,600,000
Montana	\$10,900,000	Northern Marianas	\$1,400,000
Nebraska	\$19,100,000	Virgin Islands	\$2,800,000
		United States	\$5,000,000,000



HUD's Proposed Regulations

- HUD published proposed regulations to carry out the NHTF on October 29, 2010.
- Final regulations might be issued later in summer.



NHTF Focus on Renters

- Law creating NHTF requires at least 90% of a state's NHTF money be used to produce, preserve, rehabilitate, or operate **rental housing**.
- Up to 10% may be for homeowner activities.



NHTF Focus on Extremely Low Income Renters

- Law also requires at least 75% of a state's NHTF used for rental housing benefit **extremely low income** (ELI) households, or households with income below poverty level (whichever is greater, according to proposed regulations).
- Proposed rule requires 100% ELI benefit, first year.
- Extremely low income (ELI) is less than 30% of area median income, AMI.



NHTF Focus on Extremely Low Income Renters

(continued)

- Law limits to 25%, the amount of a state's NHTF used for rental housing to benefit **very low income households.**
- Generally, very low income (VLI) is between 30% and 50% AMI.
- In rural areas NHTF law also considers households with income below poverty line as very low income.



Will Rent Be Affordable?

- A basic housing policy is the “Brooke rule” which considers housing “affordable” only if households use no more than 30% of their income for rent and utilities.
- Neither NHTF law nor HUD’s proposed rule cap resident rent and utility payments at 30% of their income.



Will Rent Be Affordable?

(continued)

- HUD's proposed rule would set maximum rent (including utilities) a household pays at a **fixed amount** equal to 30% of 30% AMI, or 30% of poverty level, whichever is greater.
- HUD recognizes some residents will pay more than 30% of their income (be rent burdened).
- HUD thinks a fixed rent is necessary so owners and lenders can budget for future revenues from rents.



Will Rent Be Affordable?

(continued)

TIP FOR ADVOCATES

Advocates should convince their state or local government to require “Brooke rule.”

NHTF law:

The extent NHTF rental homes are affordable to ELI households is one factor a state or any local government must consider when awarding NHTF dollars to a proposed project.



How Long Will Rental Homes Be Affordable?

- Proposed regulation would require both rental and homeowner housing be affordable for at least 30 years.
- States and any local governments may have longer affordability periods.



How Long Will Rental Homes Be Affordable?

(continued)

TIP FOR ADVOCATES

Advocates should convince their state or local government to set an affordability period of at least 50 years.

NHTF law:

How long NHTF rental homes will be affordable is one factor a state or any local government must consider when awarding NHTF dollars to a proposed project.



How Will NHTF Be Allocated Within States?

Governor Chooses A State Agency

- States must choose a state agency, such as housing finance agency or housing department to receive NHTF and administer its program.

TIP FOR ADVOCATES

- Learn whether your state has decide which agency will run the NHTF program.
- If an agency is not selected yet, advocate for the agency you think best for ELI households.



How Will NHTF Be Allocated Within States?

(continued)

Subgrants to Local Governments?

- NHTF formula does not distribute money directly to cities and counties.
- Proposed rule would allow states to allocate NHTF to “subgrantees,” which are local governments or other state entities such as state housing trust fund.
- Subgrantees would administer all or part of state’s NHTF program.



How Will NHTF Be Allocated Within States?

(continued)

NHTF Allocation Plan

- NHTF law requires states to prepare an “Allocation Plan” every year.
- Allocation Plan must show how state will distribute NHTF it will receive in the upcoming year.
- Distribution of NHTF must be based on priority housing needs in state’s Consolidated Plan (ConPlan).



How Will NHTF Be Allocated Within States?

(continued)

NHTF Allocation Plan

(continued)

- Proposed rule requires NHTF be distributed “throughout the state.”
- Proposed rule requires state’s NHTF Allocation Plan be integrated into its Consolidated Plan.
- For a subgrantee to get NHTF money from its state, subgrantee must have its own NHTF Allocation Plan in its local ConPlan.



How Will NHTF Be Allocated Within States?

(continued)

Allocation Plan and Public Participation

- When preparing Allocation Plan, law requires states to:
 - Notify the public that Allocation Plan will be drafted.
 - Provide for public comment.
 - Consider public comments.
 - Make final Allocation Plan available.
- NHTF law requires compliance with Consolidated Plan public participation requirements.
- Proposed rule inserts NHTF Allocation Plan requirements into the ConPlan rule.



How Will NHTF Be Allocated Within States?

(continued)

Allocation Plan and Public Participation

(continued)

TIP FOR ADVOCATES

- Action around Allocation Plan begins at state level and will likely flow to local level if state decides to allocate most or all NHTF to local subgrantees.
- Advocates used to ConPlan advocacy only at local level need to learn how to advocate at state ConPlan level.
- State ConPlan agency might be different than the NHTF agency.



Allocation Plan

“Recipients”

Allocation Plan must describe requirements “recipients” must meet when applying for money.

- States and/or subgrantees allocate NHTF to “recipients” to carry out specific projects.
- Recipients may be nonprofit, for-profit, or public entity.
- Recipient must have relevant experience and financial capacity.



Allocation Plan

(continued)

Selecting Applications for NHTF Dollars

- Allocation Plan must describe criteria for selecting applications.
- Allocation Plan must give priority to projects based on:
 1. Geographic diversity, as reflected in ConPlan.
 2. Extent rents are affordable, especially for ELI households.
 3. Length of time apartments will remain affordable.
 4. “Merit” of a project. HUD gives a few examples:
 - a) Serving people with special needs.
 - b) Accessible to transit or employment centers.
 - c) Energy saving and non-polluting features.
 5. Applicant’s ability to obligate money and carry out project in timely way.
 6. Extent project will use non-federal funds.



How Can The Money Be Used?

General

- NHTF must be used to buy, build, rehabilitate, or preserve rental or owner-occupied homes.
 - NHTF may also be used to operate rental housing.
 - NHTF may also be used to help first-time homebuyers with downpayment and closing cost assistance.
- No more than 10% may be used for homeowners.
- 75% of money used for rental homes must benefit extremely low income people (30% of AMI).
- Maximum income limit is 50% of AMI.
- Proposed rule prohibits use for public housing.



How Can The Money Be Used?

(continued)

Forms of Assistance

- NHTF assistance may be:
 - Loans, including no-interest loans and deferred payment loans
 - Grants
 - Interest subsidies
 - Equity investments
 - Other forms
- States and any local subgrantees may decide the terms of assistance.



How Can The Money Be Used?

(continued)

Project Costs

Many eligible “project costs” may be met with NHTF:

- Buying property
- Development “hard costs” associated with construction
- Relocation
- Demolition
- Utility connections
- Site improvements
- Project “soft costs” associated with financing and development
 - Affirmative marketing to prospective tenants and homeowners
 - Builders and developers fees
- Refinancing
- Paying construction loans
- Staff costs directly related to carrying out a project
- Operating assistance



How Can The Money Be Used?

(continued)

Operating Cost Assistance

- NHTF may be used to provide operating cost assistance to NHTF-assisted rental homes.
 - Operating cost assistance covers the gap in rent paid by households and cost of operating rental housing.
 - Operating costs include maintenance, utilities, insurance, property taxes, etc.
- Proposed rule has 20% cap on the amount of state's NHTF annual grant that may be used for operating cost assistance.
- 20% cap based on Administration's pledge of \$1 billion to seed NHTF; once more money in NHTF, rule may change allowing more operating cost assistance.



How Can The Money Be Used?

(continued)

Homeowner Features

- NHTF law limits amount used for homeowner activities to 10% of a state's total NHTF.
- NHTF may be used to:
 - Build, rehabilitate, or preserve housing for homeownership.
 - Help homeowners with downpayment or closing cost assistance, and to make interest rate buy-downs.



How Can The Money Be Used?

(continued)

Homeowner Features

(continued)

- Income Eligibility:
 - NHTF law targets to ELI and VLI households.
 - Proposed rule would require 75% of each grant to state used for homeowner activities to benefit ELI households.
- Other Eligible Household Requirements:
 - Be “first-time homebuyer” (not owned previous 3 years).
 - Have homeownership counseling.
 - Use as principal residence.



How Can The Money Be Used?

(continued)

Homeowner Features

(continued)

- Home must be occupied by an income-eligible household for at least 30 years.
- If home sold before 30 years, then:
 - Next owner must be NHTF-eligible.
 - Sale price must provide original owner “fair return.”
- Proposed rule would allow household to count rent payments toward buying a home within 3 years (“lease-purchase”).



How Can The Money Be Used?

(continued)

Manufactured Homes

- NHTF may be used to:
 - Buy and/or rehabilitate manufactured home.
 - Buy land manufactured home sits on.
- At project completion home must be:
 - Connected to permanent utility hook-ups.
 - Located on land:
 - Owned by the homeowner, or
 - For which homeowner has a lease at least as long as length of time home must remain affordable to an income-eligible household (minimum of 30 years).



How Can The Money Be Used?

(continued)

General Program Administration

(continued)

- Up to 10% of state's annual grant may pay for general program administration and planning.
 - Relates to overall NHTF program management and monitoring.
 - Examples:
 - Preparing reports for HUD and ensuring projects comply with regulations.
 - Providing information to residents participating in planning and carrying out NHTF projects.
 - Carrying out activities to affirmatively further fair housing.



How Can The Money Be Used?

(continued)

General Program Administration

(continued)

- “Project administration” – staff and overhead directly related to a specific housing development – may be considered as either:
 - “general program administration” or
 - “project cost” and not count against 10% cap.



Key Timeframes To Know About

- NHTF law requires money to be “committed” within two years.
- Proposed rule adds NHTF must be spent in five years.
- Proposed rule defines “committed” to mean having a legal agreement with a specific timeframe for starting NHTF-assisted activity, depending on type of activity.
- Proposed rule provides that project may be canceled if NHTF is committed, but none is requested from HUD (drawn down) within a year.



More NHTF Information

- Learn more about the National Housing Trust Fund at www.nhtf.org
 - Frequently Asked Questions:
http://nlihc.org/sites/default/files/NHTF_FAQ_4-12-13.pdf
 - Summary of proposed regulations:
<http://nlihc.org/sites/default/files/NHTF-Annodated-Summary-Proposed-Regs.pdf>



UNITED FOR HOMES

- United for Homes is the campaign to fund the National Housing Trust Fund with revenue raised from modifications to the mortgage interest deduction.
- Learn more about our proposal at www.unitedforhomes.org
- Join thousands of advocates by endorsing the campaign at www.unitedforhomes.org/support



Contact Me

Ed Gramlich

National Low Income Housing Coalition

ed@nlihc.org

www.nhtf.org

202.662.1530 x314

