



August 5, 2016

Bernadette Hillman
Kentucky Housing Corporation
1231 Louisville Rd.
Frankfort, KY 40601
VIA EMAIL TO: bhillman@kyhousing.org

Dear Ms. Hillman:

Thank you for your consideration of my comments on the National Housing Trust Fund (NHTF) allocation during the Public Hearing on June 30. I ask that you also please consider the following comments in response to the Consolidated Plan and Action Plan Draft Amendment and the draft NHTF Allocation Plan.

The National Housing Trust Fund is a truly transformative housing development tool that will enable states to develop or rehabilitate rental housing to serve our lowest income renters. As you and your colleagues at Kentucky Housing Corporation (KHC) are well aware, this population is extremely cost burdened and at risk of homelessness. The National Low Income Housing Coalition (NLIHC) 2016 State Housing Profile for Kentucky (based on US Census data), finds that 72% of extremely low-income (ELI) households (111,267) are extremely cost burdened (paying more than 50% of their monthly income on rent) and that the Commonwealth has a shortage of 95,405 safe and affordable units just to meet the needs of our ELI renter population. While Kentucky's initial allocation of \$3 million in NHTF funds is nowhere near enough to address this great need, it is imperative that in the first allocation plan Kentucky set policy precedent to maximize the impact of this new funding source. Sadly, KCH's initial allocation plan as proposed in the draft falls short of this goal.

The most glaring failure is not allowing NHTF funds to be used to provide operating support. NHTF regulations [24 CFR part 93 Section 200(a)(1)] allow up to 33% of a state's NHTF allocation to be used for operating cost assistance and/or an operating cost assistance reserves be provided only to rental housing acquired, rehabilitated, reconstructed, or newly constructed with NHTF funds. This is a vital resource that can ensure the ongoing financial stability of rental units targeting ELI residents. We hear from HHCK members who are housing developers that multi-family rental developments in many of our small cities and rural areas are financially infeasible, event at full free market rents in there service areas, much less for units affordable to ELI households. Providing NHTF operating assistance to developments could make the responsible development of much needed rental housing in these areas a reality. We strongly encourage KHC to maximize the use of NHTF funds for operating funding at the 33% level. Potential models for disbursing funds include yearly renewable contracts or capitalized operating reserves of up to five years that are also renewable. We also encourage KHC to review the NLIHC's Housing Trust Fund Developer Advisory Group's *Options and Considerations Related to the HTF Operating Assistance and Operating Assistance Reserves* (available at http://nlihc.org/sites/default/files/HTF-Operating-Assistance-Options-and-Considerations_051716.pdf) for a range of ideas about utilization and management of operating assistance funds.

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The NHTF can also be a great tool to increase the Commonwealth's supply of Permanent Supportive Housing (PSH) units serving households experiencing homelessness with disabilities, as well as a resource to create more units that can serve other special needs households. We encourage KHC to prioritize NHTF resources for projects that will provide housing to special needs individuals and families such as people experiencing homelessness, people with physical and behavioral health disabilities, people experiencing domestic violence, people cycling in and out of public crisis systems like jails, emergency rooms, and substance abuse treatment, or families and individuals with long histories of housing instability and child welfare involvement.

KHC can use NHTF funds to support successful and sustainable PSH units by prioritize projects that have commitments of services funding from sources such as Continuum of Care, VASH and MCOs as well as from housing providers that receive Medicaid. Partner with other organizations and state agencies that serve supportive housing populations such as state Medicaid, disability and mental health departments, and other housing providers to ensure that the supportive services required to maintain housing stability are provided to residents.

I am also concerned about the strategy to limit NHTF funding to developments that have commitments for Project Based Section 8 vouchers that was stated during the Public Hearing on June 30 and is alluded to on page 43 of the draft Action Plan amendment, which reads: "KHC's NHTF program includes a requirement that assisted units also include rental subsidy. The exception may be if funds remain unallocated after the issuance of a NOFA for NHTF funds. A second funding round to allocate remaining funds may not include this provision." This limitation very short sighted as it will greatly restrict the impact of the NHTF to increase the affordable housing supply by drawing on already limited PHA Section 8 funding. It is important that KHC recognizes the need for ongoing subsidy for rental developments serving ELI households to ensure their financial stability, but the strategy to achieve this via project-based vouchers unnecessarily restricts the application of NHTF moneys to those projects. This ongoing subsidy could be supplied by other sources, including allowable NHTF operating funding.

HHCK greatly appreciates KHC's vital leadership in bringing more affordable housing resources to Kentucky. I strongly encourage KHC to "think big" in designing its allocation plan for NHTF, despite the small initial allocation, so we can have a strong policy framework in place for the funds going forward. Please feel free to contact me at cstauffer@hhck.org or 502-223-1834 x.1114 should you have any questions about my comments or require further information.

Sincerely,



Curtis A. Stauffer
Executive Director