

## Purpose

The purpose of the National Housing Trust Fund (NHTF) is to provide grants to State governments to increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families, and to increase homeownership for extremely low- and very low-income families.

## Background

- Enacted as part of the Housing and Economic Recovery Act of 2008 (HERA), P.L. 1110-289, (approved July 30, 2008).
- First dedicated funds to come from 0.042% of new business of Fannie Mae and Freddie Mac (Government Sponsored Entities (GSEs)); 65% to NHTF, 35% to the Capital Magnet Fund.
- Fannie and Freddie were hit by the 2008 banking crisis, as a result, this source of dedicated money was placed on hold.

## Regulations

- HUD published its proposed regulations to carry out the NHTF on October 29, 2010.
- On January 30, 2015, HUD published its interim regulations for NHTF. Interim rule is effective and enforceable on March 31, 2015.
- HUD intended to open interim rule for public comment to solicit comments once funding is available and the grantees gain experience administering the NHTF program.

## Investment & Allocation of NHTF Funds

- On December 11, 2014, Federal Housing Finance Agency (FHFA) Director Mel Watt lifted the suspension and he directed Fannie and Freddie to set-aside funds starting on January 1, 2015.
- Funds will become available sixty days after the 2015 calendar, NHTF set-aside funds are to be transferred to HUD.
- HUD estimates funds to be allocated to states by the **summer of 2016**.
- NHTF is set-up to NOT compete with other entitlement programs.

## Fund Formula

- NHTF law requires money to be distributed to states by formula.
- The distribution of NHTF is largely determined by a needs-based formula, which includes four need factors for states, as well as a construction cost adjustment factor:
  1. Relative shortage of rental housing available to ELI families;
  2. Relative shortage of rental housing available to VLI families;
  3. Relative number of ELI renter households living in substandard, overcrowded or unaffordable units in a particular state; and
  4. Relative number of VLI renter households living in substandard, overcrowded, or unaffordable units in particular state.
- Each state and the District of Columbia is to receive a minimum of \$3 million.
- If NHTF does not have sufficient funds to provide \$3 million to each State and D.C., HUD will publish notice in the Federal Register describing an alternative method and seek comments.

## Estimated Fund Amounts as of Today (National)

- Estimates vary since funds are still being invested by the two GSEs
- **\$120 million** proposed for the FY16 President's Budget
- Enterprise estimates that approximately **\$120 million** will be invested in the NHTF in 2016

- The National Low Income Housing Coalition (NLIHC) estimates that between **\$250 million and \$500 million** will become available early next year to be distributed to States.

#### Estimated Fund Amounts as of Today (State)

- Based on the NLIHC, California is estimated to receive:
  - **\$29.9 million** at the \$250 million NHTF investment level
  - **\$82 million** at the \$500 million NHTF investment level
  - **\$120 million** at ~ \$15 million NHTF investment level

#### Program Requirements

- Block grant to states
- *Interim rule* allows States to allocate funds to “**subgrantees**” which can be local governments.
- Each State is a participating jurisdiction in the HOME program, and all State or their designated housing entities can be NHTF grantees. Thus, many of the participation and submission requirements as well as many of the program requirements are modeled on provisions found in the regulations for HOME.
- Regulations require both rental and homeownership to be affordable for a minimum of 30 years, but this can be increased to a longer term.

#### Use of Funds

- At least 90% of a State’s NHTF money to be used to produce, preserve, rehabilitate, or operate rental housing.
- Up to 10% may be used for homeowner activities.
- At least 75% of a State’s NHTF is to be used for rental housing to benefit ELI households (less than 30% of area median income), or households with income below poverty level (whichever is greater, according to regulations).
- No more than 25% of a State’s NHTF is to be used for rental housing to benefit VLI households.
- *\$1 billion threshold*:
  - When the NHTF is less than \$1 billion, 100% must benefit ELI.
  - When there is more than \$1 billion, a minimum of 75% must benefit ELI; may spend 25% for very low-income households.
- NHTF assistance may be used for the following:
  - 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

#### Fund Allocation within States

- States must choose a State agency, such as housing finance agency, or housing department, or tribally-designated housing entity to receive NHTF and administer its program.
- The interim rule allows States to allocate NHTF to “subgrantees,” which are local governments or other State entities.
- The State of California has not selected an agency to receive and administer NHTF funds (see AB90 (Atkins) below).

- NHTF law requires States to prepare an “Allocation Plan” every year.

#### State Allocation Plan

- The State’s distribution of NHTF must be based on priority housing needs in State’s Consolidated Plan (ConPlan).
- An Allocation Plan must show how the State will distribute NHTF it will receive in the upcoming year.
- The Allocation Plan must describe criteria for selecting applications and 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 provides these 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 manner.
  6. Extent project will use non-federal funds.

#### State of California Administration of Funds

- AB 90 was introduced on January 7, 2015 by the Speaker of Assembly Toni G. Atkins.
- AB 90 intends to designate the Department of Housing and Community Development (HCD) as the State agency responsible for administering the NHTF.
- AB90 would require the department to administer the federal funds pursuant to the multifamily housing program, except that up to 10% of the funds may be appropriated by the Legislature to the CalHome Program.
- HCD will submit notifications related to the distribution, awarding, and expenditure of funds.