

Housing Trust Funds

Housing trust funds are one method to provide financing and technical assistance for a variety of affordable housing needs. Currently, at least 34 states and 400 cities have established a housing trust fund, and a national housing trust fund has been proposed. Such funds positively impact a wide range of residents, including older persons and persons with disabilities.

Housing Needs in the U.S.

The nation is currently experiencing a housing crisis. According to AARP Public Policy Institute's *State Housing Profiles*, 25 percent of 65+ owner households and 60 percent of 65+ renter households are experiencing a "housing cost burden."ⁱ Together, this amounts to more than 6.5 million older households. The situation is critical for those at the lowest levels of income, and federal housing programs are unable to keep pace with the need.ⁱⁱ Housing trust funds are one method to help meet affordable housing needs.

State and Local Trust Funds

Housing trust funds are established by state and local governments in order to promote a wide variety of housing activities. While most housing trust funds may be used for a number of activities, including serving as a match for federal block grants (such as the Community Development Block Grant), some housing trust funds are established to serve a specific housing need.ⁱⁱⁱ

In all, the Center for Community Change reports that there are 38 states and more than 400 trust funds established by cities. In addition, many counties also have trust funds. Together, they account for approximately \$1.6 billion in affordable housing investment.^{iv}

Trust funds are funded through a wide variety of mechanisms. The Center for Community Change reports that key revenue sources include real estate transfer

taxes, interest from real estate escrow accounts, document recording fees, developer impact fees, as well as funding from general revenues.^v

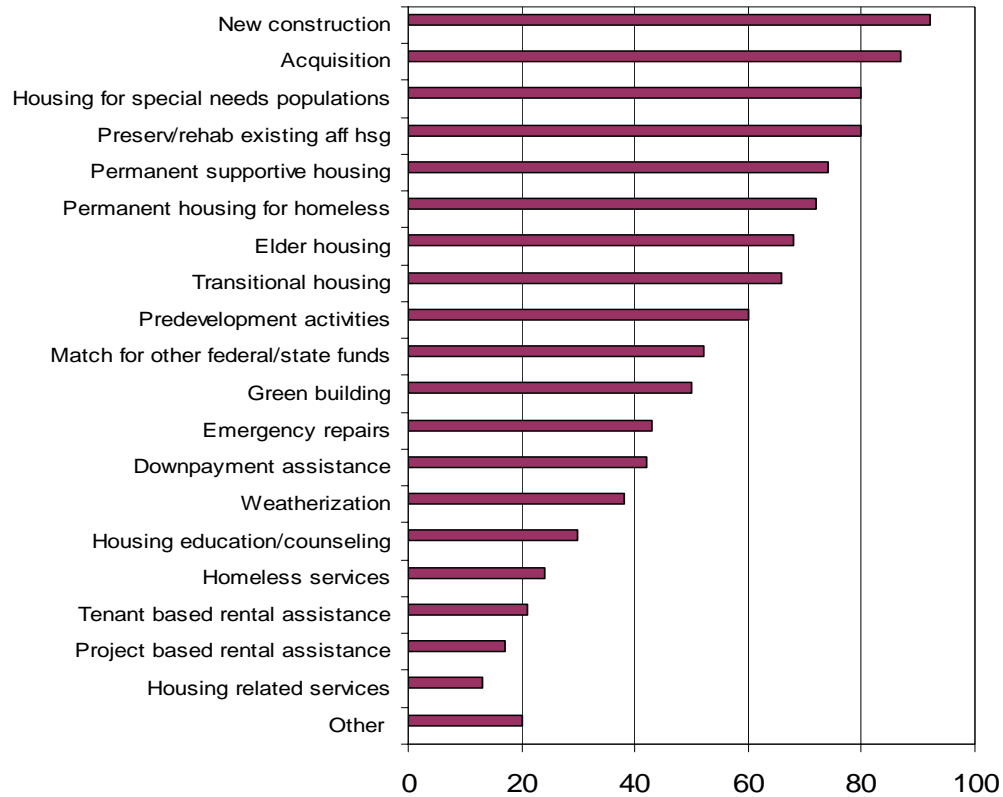
Federal Housing Trust Fund

At the time of this writing, there is no national housing trust fund. However, growing political support could soon lead to a change on this front. In July 2007, the Housing Committee on Financial Services approved the National Affordable Housing Trust Fund Act (HR 2895), which would target low income households, including a special set aside for the poorest of the poor who earn less than 30 percent of the median area income. Eligible activities include construction, rehabilitation, acquisition, and preservation of affordable housing. In addition, the funds may be used to establish project-based rental assistance to reduce rents. For every \$2 from the trust fund, the bill would require \$1 from state or local sources; in all likelihood, this would further raise the profile and mission of state and local trust funds, which have historically been an important source of matching for other federal programs. Funding for the trust fund has been proposed through related legislation, and sources could include Fannie Mae and Freddie Mac activities as well as excess reserves from Federal Housing Administration insurance programs.^{vi}

Use of Trust Funds for Older Residents

In 2006, the AARP Public Policy Institute commissioned the Center for Community

State and Local Housing Trust Fund Eligible Activities



Source: Housing Trust Fund Project, Center for Community Change, commissioned report to AARP Public Policy Institute, 2006.

Change to include a number of special questions in one of the Center’s periodic surveys of trust funds. The purpose was to better understand how state and local trust funds are being used to serve older persons and other special populations. Although the sample was relatively small, with 99 trust funds responding, the findings generally show that trust funds are sensitive to the needs of special populations, including older residents, even though they do not necessarily have special set asides or priority for low-income older residents.

For instance, among 20 identified activities of housing trust funds, “Elder Housing” ranked seventh with 68 percent of responses (see chart above). The top activities were “New Construction” (92 percent), “Acquisition” (87 percent), and

“Preservation/rehabilitation of existing affordable housing” and “Housing for Special Needs Populations” (80 percent each).

Thirty percent of respondents indicated that they had explicit funding goals for specific types of projects (e.g., rural housing, rental assistance), though none indicated that there were set-asides for “Elderly Housing.”

Twelve percent of respondents indicated that they had specific regulations that award extra points, or give special consideration, to projects that serve an elderly population. A quarter of respondents gave points or special consideration to projects serving persons with disabilities. Much more common, though, was broad based targeting to the

“Lowest Income Households” (49 percent).

Finally, two-thirds of respondents somewhat or strongly agreed with the statement that “This Housing Trust Fund meets the needs of Older Persons.”

Conclusion

Currently, the nation’s need for affordable housing solutions is outpacing the ability of the federal, state, and local governments to serve those needs. However, housing trust funds have established themselves as a critical tool to helping alleviate housing problems across the nation. In addition to helping older residents, these funds provide relief for a wide range of housing problems identified by state and local governments.

States with Housing Trust Funds

Arizona	Minnesota
California	Missouri
Connecticut	Montana
Delaware	Nebraska
District of Columbia	Nevada
Florida	New Hampshire
Georgia	New Jersey
Hawaii	New Mexico
Idaho	North Carolina
Illinois	Ohio
Indiana	Oklahoma
Iowa	Oregon
Kansas	Rhode Island
Kentucky	South Carolina
Louisiana	Texas
Maine	Utah
Maryland	Vermont
Massachusetts	Washington
Michigan	West Virginia
	Wisconsin

Source: Housing Trust Fund Project, Center for Community Change

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ⁱ Defined as paying 30 percent or more of income toward housing expenses. Source: AARP Public Policy Institute, *State Housing Profiles: A Special Analysis of the Census Bureau’s American Community Survey*, March 2007, http://www.aarp.org/research/housing-mobility/affordability/d18637_housing.html

ⁱⁱ For instance, another recent report by AARP’s Public Policy Institute found that Section 202 Supportive Housing for the Elderly and Low Income Housing Tax Credit properties have vacancy rates far below the national average for apartments, and on average there are 50 applicants on waiting lists for Section 202 housing and 38 applicants on waiting lists for those Low Income Housing Tax Credit properties that primarily serve older residents. Source: AARP Public Policy Institute, *Developing Appropriate Rental Housing For Low-Income Older Persons: A Survey Of Section 202 And LIHTC Property Managers*, December 2006, http://www.aarp.org/research/housing-mobility/affordability/dd149_lihtc.html.

ⁱⁱⁱ For instance, the state of Nevada has two housing trust funds; one serves a variety of purposes, from loans/grants to technical assistance, and another which serves the specific affordability needs of impoverished manufactured home (aka, mobile home) residents.

^{iv} Brooks, Mary. *Housing Trust Fund Progress Report 2007*, Frazier Park, CA: Housing Trust Fund Project, Center for Community Change, 2007. Available online at <http://www.communitychange.org/>

^v Ibid.

^{vi} See HR 1852 “The Expanding American Homeownership Act of 2007” and HR 1427 “The Federal Housing Financial Reform Act of 2007.”