

Housing Trust Funds

Housing trust funds provide financing and technical assistance to support affordable housing. Currently, at least 43 states and 600 cities have housing trust funds. In July 2008, the National Housing Trust Fund was enacted into law. This is the first federal housing production program created in 35 years to serve the housing needs of extremely low-income families. These funds will benefit a wide range of residents, including older adults and individuals with disabilities.

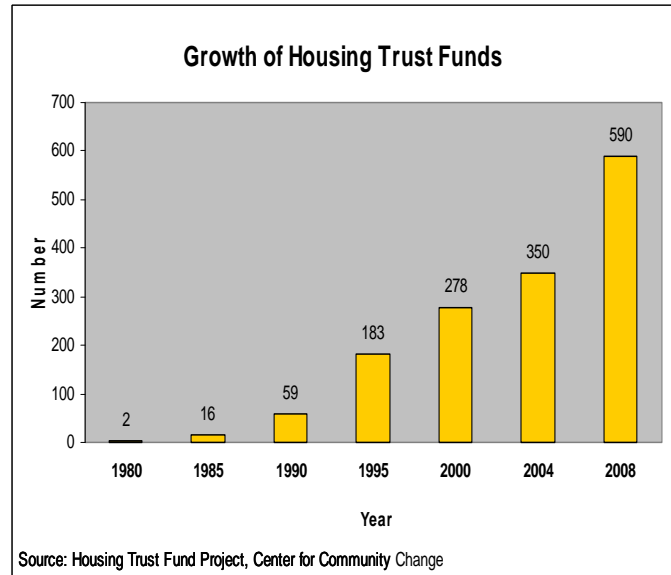
Introduction

The demand for affordable housing far exceeds supply—with three million fewer affordable housing units available than needed to meet the housing needs of low-income people.¹ According to the 2007 American Housing Survey (AHS), 31 percent of 65+ owner households and 70 percent of 65+ renter households experience a “housing cost burden.”² Housing cost burden affects more than 8.5 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.³ Housing trust funds are one method to help address this problem.

Housing Trust Funds: What Are They?

Housing trust funds are publicly funded instruments designed to expand or preserve affordable housing options and address critical housing needs for low-income people. They are funded through a wide variety of mechanisms, such as real estate transfer taxes, interest from real estate escrow accounts, document recording fees, and developer impact fees, as well as funding from general revenues.⁴ Potential beneficiaries of these funds include older adults on fixed incomes, people with disabilities, homeless people,

and families at or below the federal poverty level.



State, County, and Local Trust Funds

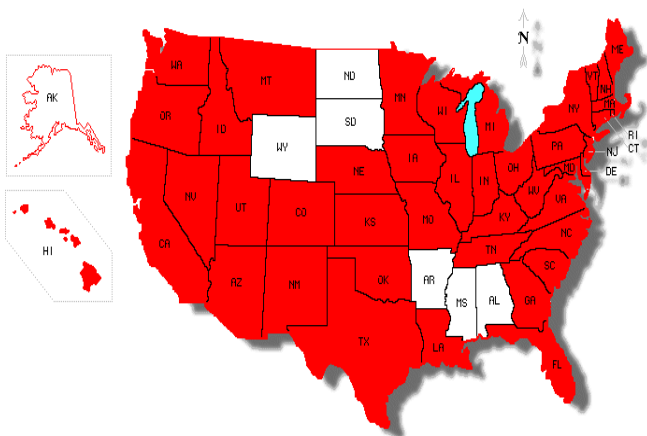
State, county, and local governments establish housing trust funds to promote a wide variety of housing initiatives. While most housing trust funds may be used for a number of activities, including serving as a match for federal block grants (such as the Community Development Block Grant), some housing trust funds are established to serve a specific housing need.⁵

Housing Trust Funds

This flexibility allows states to focus on local needs. It also provides states with an opportunity to create livable communities by integrating housing, transportation, and land use planning more effectively. This will ensure that low-income individuals reside in areas that meet their needs, particularly areas that are near transit and have other important community features.

In all, the Center for Community Change reports that 43 states and nearly 600 cities have established housing trust funds (see map). Together, they account for more than \$1.6 billion in affordable housing investment.⁶

States with Housing Trust Funds



Source: The National Housing Trust Fund Campaign

Landmark Legislation: The Creation of the National Housing Trust Fund

The National Housing Trust Fund (NHTF) was enacted in 2008. It is the first federal housing production program created in 35 years to serve the housing needs of low-income families. The goals of the NHTF are to increase the supply of rental housing and homeownership for low-income households.

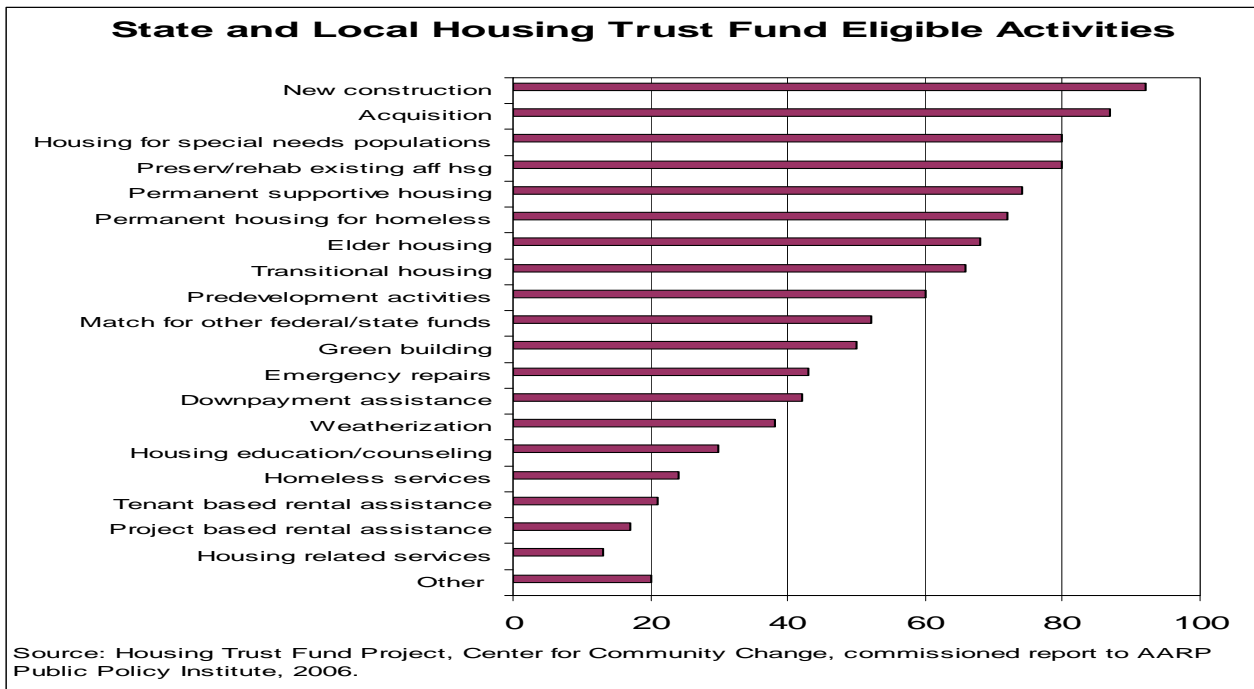
The NHTF targets low-income households, including a special set-aside for the poorest, defined as those that earn less than 30 percent of the median area

income, or for households with incomes below the federal poverty line. The Department of Housing and Urban Development (HUD) will administer the NHTF and provide block grants to the states, the District of Columbia, and the territories. While the Secretary of HUD will distribute the funds based on a formula that incorporates five factors, the law requires that each state receive a minimum grant of \$3 million annually.⁷

The law also mandates that at least 90 percent of the funds be allocated toward construction, rehabilitation, acquisition, and preservation of rental housing and no more than 10 percent be allocated toward assistance for first-time home buyers. Funding for the trust fund is based on a certain portion of new business for the government-sponsored enterprises, Fannie Mae and Freddie Mac. However, owing to the financial troubles facing these two institutions, the regulator of these entities suspended funding of the NHTF indefinitely. As a result, President Obama proposed \$1 billion in his FY 2010 budget for initial financing of the NHTF.⁸

Use of Trust Funds for Older Residents

In 2006, the AARP Public Policy Institute commissioned the Center for Community Change to include a number of special questions in one of its periodic surveys of trust funds. The purpose was to understand how state and local trust funds 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).

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, “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 that need. However, housing trust funds have established themselves as a critical tool to help 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. The recent creation of the National Housing Trust Fund will provide states with \$3 million per year to increase the affordability of housing. However, to ensure its effectiveness in expanding and promoting affordable housing, this new program requires ongoing funding that does not compete with other housing programs.

Housing Trust Funds

Fact Sheet 139R, September, 2009

Written by Jean Accius
AARP Public Policy Institute,
601 E Street, NW, Washington, DC 20049
www.aarp.org/ppi
202-434-3892, ppi@aarp.org
© 2009, AARP.
Reprinting with permission only.

¹ U.S. Department of Housing and Urban Development (HUD), *Affordable Housing Needs 2005: Report to Congress* (Washington, DC: HUD, 2007).

² Defined as paying 30 percent or more of income toward housing expenses.

³ For instance, another report by AARP's Public Policy Institute titled, "*Developing Appropriate Rental Housing For Low-Income Older Persons: A Survey Of Section 202 And LIHTC Property Managers*" 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 Low Income Housing Tax Credit properties that primarily serve older residents.

⁴ Mary Brooks, *Housing Trust Fund Progress Report 2007* (Frazier Park, CA: Housing Trust Fund Project, Center for Community Change, 2007). Available at www.communitychange.org/.

⁵ For instance, Nevada has two housing trust funds; one serves a variety of purposes, from loans and grants to technical assistance, and the serves the specific affordability needs of impoverished manufactured home (mobile home) residents.

⁶ Brooks, op. cit.

⁷ According to a presentation from Mary Brooks at the Center for Community Change titled, "State Housing Trust and the National Housing Trust Fund", the five factors must include the shortage of rental units affordable and available to very low and extremely low-income renter households, substandard housing, households paying more than 50 percent of their income for housing, and the cost of construction.

⁸ Office of Management and Budget, *Department of Housing and Urban Development FY 2010 Fact Sheet*. Available at www.whitehouse.gov/omb/fy2010_department_housing/.