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Model Approaches to Providing Homes for Extremely Low Income Households




A Report prepared by the Housing Trust Fund Project
from the experiences of State and Local Housing Trust Funds

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Introduction

In 2008 Congress created the National Housing Trust Fund as part of the Housing and Economic Recovery Act. The National Housing Trust Fund is the first new federal housing production program since the HOME program was created in 1990 and the first new production program specifically targeted to extremely low income (ELI)[1] households since the Section 8 program was created in 1974. This legislation identified contributions from Fannie Mae and Freddie Mac as initial funding sources; however, before any contributions could be made, these GSEs were taken into federal conservatorship, and funding has not yet been secured.[2]

In anticipation of the possibility of securing funding, HUD released draft regulations in October 2010 to implement the National Housing Trust Fund; the draft regulations propose that all funding within the first year of implementation be used to serve ELI households. As the potential emerges to develop housing for ELI households using the National Housing Trust Fund, it is critical to address the particular challenges associated with providing ELI housing. Specifically, while developers may be able to amass the capital needed to construct these homes, without sufficient income from the property—collected primarily through the rents that can be charged to residents—operating and maintaining the housing must be balanced on an on-going basis with the goal of keeping the rents low enough to be affordable to ELI households. To help ensure that new resources for ELI housing are used effectively to address the housing needs of the targeted population and efficiently within the complexity of affordable housing development financing, it is useful to explore how jurisdictions have supported the development of housing for ELI households using state and local housing trust funds.

Local and state housing trust funds have been in existence since the late 1970s, providing on-going dedicated sources of public funding to support affordable housing. These funds are universally recognized as the most flexible money available to support critical housing needs. In 2009, the Housing Trust Fund Project of the Center for Community Change provided a cursory look at what our history with state housing trust funds

[1] Extremely low income households are defined as households earning at or below thirty percent (30%) of the area median income (AMI).

[2] In May 2010, the House passed legislation providing $1.065 billion for the National Housing Trust Fund and associated housing vouchers, but the Senate was unable to move this bill. The following September, Senator Max Baucus introduced S. 3793, which among other things would have provided initial funding for the National Housing Trust Fund and associated housing vouchers; however, this "tax extender" bill also failed to pass before the end of the Congressional session.

tells us about model programs for providing housing to ELI households. *"Lessons from State Housing Trust Funds on Providing Housing for Extremely Low Income Households"* highlighted several housing trust funds that target their resources to serving ELI households.

With this report, the Housing Trust Fund Project decided to probe a little deeper with housing trust funds that specifically target programs and/or funding to producing or preserving housing for ELI households. While many housing trust funds across the country serve ELI households through a variety of approaches, including homelessness prevention and assistance, transitional housing, and rent, utility, and home repair assistance, this report focuses on three well-defined strategies that emerged from our review and conversations with housing trust fund advocates and administrators that align with the permissible uses of the National Housing Trust Fund:

1. Cross-subsidization between higher and lower income housing;
2. Funding operating and maintenance expenses, and
3. Providing project or tenant-based rental assistance.

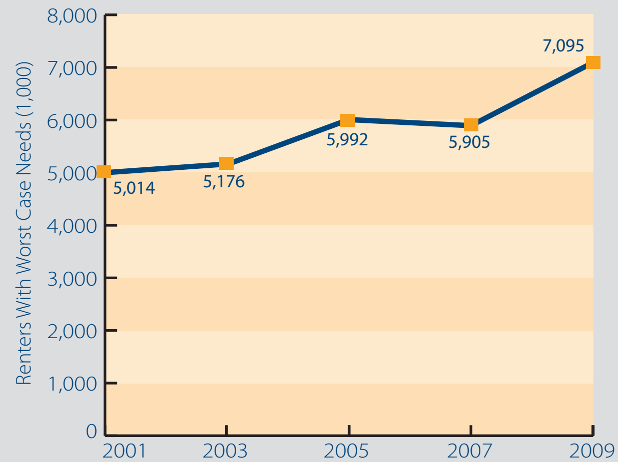
There is no pretense here to suggest these are the only options or that the programs surveyed are the only models. The report primarily surveys state housing trust funds, since the National Housing Trust Fund dollars will be allocated to state entities, but there are numerous examples that could be added from the local housing trust fund experience. Our intention is to document what has been tried and proven effective and to add this to the conversation about how we can ensure the highest success rate in our initial implementation of the National Housing Trust Fund.

We look forward to adding to our collection of success stories!

The National Housing Trust Fund in Context

Even before the Great Recession, many working families, seniors, people with disabilities and other people with low incomes were struggling to afford decent, safe place to call home, no matter where they lived around the country. Now, in the aftermath of the financial crisis and with the challenge of high unemployment that it created, the need for affordable housing is even greater. In its recent report[3] to Congress, which measures the number of very low income renters[4] who do not receive housing assistance and either (1) pay more than one half of their monthly income for rent; or (2) live in severely inadequate conditions, or both, the Department of Housing and Urban Development (HUD) revealed that worst case housing needs have grown by nearly 1.2 million households, a twenty percent (20%) increase from 2007-2009, and a forty-two percent (42%) increase since 2001. The two year increase was the worst in at least twenty years, and because it is based on data only through September 2009, likely understates the impacts of the recession and the ongoing foreclosure crisis on families' housing needs.

EXHIBIT 1-1.
GROWTH IN WORST CASE HOUSING NEEDS, 2001-2009



Source: U.S. Department of Housing and Urban Development, Office of Policy Development and research, tabulations of American Housing Survey data

A stable, secure place to call home gives all people the opportunity to thrive. Home is the place where families gather and grow, where people find comfort, safety and peace. With a decent, affordable place to call home, children do better in schools and have better health outcomes; seniors are able to stay in the communities in which they have lived their lives; people with disabilities are able live with independence and dignity; veterans are able to heal and recuperate. For a true recovery from this Great Recession to begin, we must significantly increase access to the stability and security of a home, especially for those with the least economic means.

Federal assistance to support safe, decent, affordable homes for ELI households is currently insufficient to address this growing segment of America's housing need. The Housing Choice Voucher Program, the Project-based Section 8 Program, and Public Housing each commit a portion of their resources to this population,[5] and states and localities have also used other federal

[3] Barry Steffen, K. Fudge, M. Martin, M. Souza, D. Vandenbroucke, Y. Yao, "Worst Case Housing Needs 2009: A Report to Congress." Office of Policy Development and Research, U.S. Department of Housing and Community Development: Washington, DC. February 1, 2011. http://www.huduser.org/portal/publications/affhsg/wc_HsgNeeds09.html

[4] Very low income households are defined as those with incomes at or below 50% of the Area Median Income, calculated based on local family incomes with adjustments for household size.

[5] In the Housing Choice Voucher Program, 75% of new program participants annually must be households with extremely low incomes. In the Project-based Section 8 Program, 40% of new households admitted annually must be extremely low income. In Public Housing, 40% of new households admitted annually must have incomes below 30% of area median income.

resources, including HOME Investment Partnership (HOME), Community Development Block Grant (CDBG), and federal Low Income Housing Tax Credits (LIHTC), to fund the production and preservation of affordable housing for ELI households. However, since 1995, federal spending on low-income housing assistance has fallen by more than twenty percent (20%) as a share of the Gross Domestic Product,[6] and the FY2011 appropriations deal recently struck by Congressional budget negotiators would further reduce spending on a number of federal programs, including the Public Housing Capital Fund (reduction of $456 million 17%)),[7] HOME (reduction of $215 million (11.7%)), and CDBG ($643 million (28%)).[8]

Like the households they try to serve, state and municipal governments have been hit hard by the Great Recession, and their current fiscal condition presents yet another challenge to meeting the overwhelming need for affordable housing for their residents. According to analysis by the Center on Budget and Policy Priorities, 44 states and the District of Columbia are projecting budget shortfalls totaling $112 billion for fiscal year 2012, and 26 states are already projecting shortfalls totaling $75 billion for FY 2013.[9] These fiscal challenges follow more than $430 billion in shortfalls that states have already addressed for fiscal years 2009, 2010, and 2011. This situation is mirrored at the local level, where nearly nine in ten (87%) city finance officers reported that their cities were less able to meet fiscal needs in FY 2010 than in 2009.[10]

State and local governments have dealt with these shortfalls with a combination of spending cuts, revenue enhancements, and federal assistance over the last three years, and not surprisingly, state and locally funded housing programs, including housing trust funds, have been impacted by budget cuts. With CFED (the Corporation for Enterprise Development), the Housing Trust Fund Project of the Center for Community Change surveyed the forty states and the District of Columbia that have housing trust funds in the Summer of 2010 for CFED's report, "Assets & Opportunity Special Report: Recent Progress on the 12 Scorecard Policy Priorities," a comprehensive look at wealth, poverty and the financial security of households in the fifty states and the District

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6 Rice, Douglas and B. Sard. "Decade of Neglect Has Weakened Federal Low-Income Housing Programs." Center on Budget and Policy Priorities, February 25, 2009. http://www.cbpp.org/files/2-24-09hous.pdf

7 James Horney, Danilo Trisi, Arloc Sherman, "House Bill Means Fewer Children in Head Start, Less Help for Students to Attend College, Less Job Training, and Less Funding for Clean Water." Center on Budget and Policy Priorities, March 1, 2011. http://www.cbpp.org/cms/index.cfm?fa=view&id=3405

8 US Conference of Mayors, "H.R. 1 Fiscal Year 2011 Continuing Resolution Key Provisions Related to Mayoral Priorities." February 22, 2011. http://www.usmayors.org/cdbg/documents/HR1summary.pdf The 2012 Budget submitted by President Obama would reduce CDBG funding by $299 million, or 7.5%.

9 Elizabeth McNichol, P. Oliff, & N. Johnson. "States Continue to Feel Recession's Impact." Center on Budget and Policy Priorities, March 9, 2011. http://www.cbpp.org/cms/index.cfm?fa=view&id=711

10 Christopher Hoene and Michael Pagano. "City Fiscal Conditions in 2010." National League of Cities Research Brief on America's Cities, October 2010. http://www.nlc.org/find-city-solutions/research-innovation

of Columbia.[11] Administrators in twelve states reported cutting funding or failing to continue appropriations to state housing trust funds for FY2010, and nine additional states experienced a decline in revenues for their state housing trust funds because of economic conditions, where the revenue source (typically tied to the real estate market) generated less revenue than in previous years. The combination of these factors resulted in a precipitous drop in revenues for state housing trust funds in FY2010: the total revenues collected by state housing trust funds for FY2010 was $481,137,883, while state housing trust funds had collected in excess of $848 million in FY2009, a decline of more than 43 percent. Among the jurisdictions that have been or will be impacted are some of those profiled in this report, where either legislators have proposed or advocates expect cuts or a diversion of funding from their housing trust funds or related rental assistance programs in the coming year.

In the ten states where funding for housing trust funds increased and the twenty-four percent of states surveyed that saw no change in their housing trust funds, administrators attributed the stability of their funding to the value of having secured a dedicated revenue source, the successful track records of the housing trust funds themselves, and the recognition by policymakers that funding for affordable housing can help create jobs and drive the economic recovery. Advocates in many states that lost funding are optimistic that as the economy improves, revenues will rebound to previous levels. Yet, as we have seen from past recessions, recovery at the state and local levels lags the national economy, even by several years, and the housing hardships of low income households will only worsen in the face of extended joblessness and further budget cuts to critical social supports.

Funding for the National Housing Trust Fund—as a one-year initial capitalization or even long-term permanent dedicated funding— would provide critical support to meeting the housing needs of ELI households. We must work together to secure funding for the National Housing Trust Fund immediately. To find out more about the National Housing Trust Fund Campaign, go to: http://www.nlihc.org/template/page.cfm?id=40.

[11] Jennifer Brooks and LeElaine Comer, "Assets & Opportunity Special Report: Recent Progress on the 12 Scorecard Policy Priorities." CFED, September 2010. http://cfed.org/assets/pdfs/AO_Special_Report_PolicyUpdate.pdf

The Challenge of Providing Housing for Extremely Low Income Households

This report outlines three model approaches for providing housing for extremely low income (ELI) households that illustrate both the creativity of the affordable housing field and the challenges we face as advocates for the National Housing Trust Fund.

Providing affordable housing is fundamentally a financial challenge. Funding must be obtained to acquire the property and construct or rehabilitate the housing. To the extent these funds include loans, repayment of those loans is absorbed into the operating costs of the development. The rents charged produce most of the income generated by the property (small amounts of income may be generated from a laundry room or other facilities). This income must cover repayment of debt and ongoing operating and maintenance costs.

Consequently, in order for the housing development to remain sound and operative, the rents charged must cover these costs. Rents that are reasonably affordable to ELI households (generally viewed as no more than 30% of their income) are typically insufficient to cover the costs necessary to sustain the development in a safe and sanitary manner. This formula applies to the financing of all types of housing—from homeownership to public housing.

To meet the objective of providing housing for ELI households, some additional subsidy is necessary. The issue becomes more complex as a program works to address continued affordability of this housing (that is, maintaining affordability to ELI households over a long term—multi-year—commitment).

Each of the three models selected to profile here add subsidies to the housing development in different ways:

1. Cross-subsidization between higher and lower income housing uses incomes from higher income housing within a development to subsidize the rents charged for the ELI housing;
2. Funding operating and maintenance expenses provides subsidy to the development to sustain an operating and maintenance fund sufficient to adequately support the development; and
3. Providing project or tenant-based rental assistance provides direct subsidies to the rents charged for the ELI housing.

Each model has been successfully implemented in the programs described in this report. Not without their challenges and their learning curves, these programs continue to operate and support housing affordable to ELI households. Despite the differences in these models, in all the programs profiled here, policies have been crafted to help ensure that deeply affordable homes supported by subsidies are integrated to the greatest extent possible into mixed-income developments, and, as much as possible, to maintain deep affordability over the long term.

We believe an examination of these models will underscore the principal that we should provide a safe, decent, affordable home to everyone. Perhaps, more importantly, it shows that we can.

Strategies for Serving Extremely Low Income Households

I. Cross-Subsidization between Higher and Lower Income Housing

OHIO
OREGON

A common strategy used to develop housing affordable across a spectrum of incomes, including housing for extremely low income (ELI) households, is cross-subsidizing lower income housing from rental income generated by higher income housing within the same housing development. Using careful financial modeling, the project developer determines a mix of incomes in which the rental income generated from the higher income housing is sufficient to cover the management and maintenance expenses of the ELI housing over a specified time period (usually 15-30 years); typically, the higher income housing ranges in targeting affordability from 60%-80% of the area median income (AMI), with higher targeting in high demand, high cost real estate markets.

Though many states and localities use cross-subsidization strategies for mixed income developments, Oregon and Ohio both use cross-subsidization as a central tool for creating new housing that serves households at or below 50% AMI. Neither state has a legislated mandate to provide a set number of ELI homes, but the housing trust funds in Oregon and Ohio have clear preferences for projects that serve ELI households that effectively incentivize developers to use cross-subsidization. The preferences have been driven by public policy goals that are often inadequately funded to meet existing needs, including local and state plans to end homelessness, the preservation of existing affordable housing, and special needs initiatives. Since cross-subsidization does not require specific funding in order to serve ELI households, it has been an ideal tool to address underfunded public policy goals with limited existing resources.

Cross-subsidization seems particularly effective when: (1) a competitive process is used to distribute public funding for affordable housing; (2) policy mandates are in place to serve those with the lowest incomes; (3) overall resources are limited to support ELI housing, and (4) affordable housing developers are willing and able to be creative in their vision for and design of housing developments. In a competitive funding environment, jurisdictions often offer bonus points or preferences in evaluating projects that propose to meet public policy goals for housing targeted populations. Cross-subsidization is a strategy that allows developers to viably serve target populations while limiting the overall need for public financing, and thus increase their competitiveness in securing housing trust fund resources. Because cross-subsidization inherently means mixed income developments, it necessarily avoids concentrating large numbers of ELI households in one development.

In Oregon or Ohio, a typical cross-subsidized project with 50 total units might produce five to seven ELI homes, with most of the housing affordable to 80% AMI households. Depending on the strength of the rental market, the number of ELI homes may increase or decrease. Cross-subsidization is often factored into a financing package which includes subsidies from other programs, such as Low Income Housing Tax Credits, HOME and CDBG, and does not in and of itself impose additional programmatic or administrative requirements on the target project other than verifying the income level of the households living in ELI housing.

The Ohio Housing Trust Fund has a set aside for projects serving 50% AMI, but also has strong preferences for projects serving households at 35% AMI. Ohio's Housing Development Assistance Program, a state housing development fund intended to supplement tax credit and other federally funded projects, requires that developments in participating jurisdictions[12] dedicate ten percent (10%) of the housing to ELI households, half of which need to be affordable at the federal poverty level.[13] The Ohio Housing Trust Fund (OHTF), created in 1991, is used for a full range of housing activities, including pre-development costs, rental assistance, housing counseling, homebuyer assistance, handicapped accessibility modifications, rehabilitation, home repair and new construction. In 2003, the Ohio legislature established a document recording fee as a permanent funding source, which is used to fund the following OHTF programs: Community Development Finance Fund, Community Housing Improvement Program, Discretionary Grant Program, Homeless Assistance Grant Program, Housing Assistance Grant Program, Housing Development Assistance Program, Microenterprise Business Development Program, Resident Services Coordinator Program, and Training and Technical Assistance Program. Funds are allocated based on recommendations by fourteen-member Advisory Committee representing various sectors of the housing and lending industry and local governments. In Oregon, the Housing Development Account has a set aside for housing at or below 50% AMI, but relies on preferences related to ending homelessness and serving the hardest to house in its funding process to drive developers to develop ELI housing. In addition to the State preference, the city of Portland has its own public policy goals around homelessness, no net loss of affordable housing in its downtown core, and urban renewal set asides that also encourage developers to utilize cross-subsidization to develop ELI housing. The Oregon Housing Fund consists of five separate revolving accounts: the Housing Development and Guarantee Account, the Emergency Housing Account, the Home Ownership Assistance Account, the Farm worker Housing Development Account, and the General Housing Account. The General Housing Account supports the development of multi-family housing as well as allows for innovative approaches, such as land banking. Funds are allocated competitively through the existing bi-annual Consolidated Funding Cycle of Housing and Community Services. In 2009, the Oregon legislature established a document recording fee as a permanent funding source. The document recording fee legislation requires that seventy-six percent (76%)

[12] The HOME program is implemented through State and local governments called participating jurisdictions. Participating jurisdictions may be States or units of general local government, including consortia and urban counties. HOME grants are awarded each year to participating jurisdictions based on an allocation formula.

[13] The 2011 Federal Poverty Level for all states is $10,890 for an individual and $22,350 for a family of four. Federal Register, Vol. 76, No. 13, January 20, 2011, pp. 3637-3638.

is used to support new construction and rehabilitation of multi-family housing and is dedicated to the General Housing Account; ten percent (10%) is used to end and prevent homelessness and is dedicated to the Emergency Housing Account; and fourteen percent (14%) of the funds support first-time lower income homebuyers and is dedicated to the Home Ownership Assistance Account.

A number of factors have been key to the success of the strategy in Ohio and Oregon. Successful and sustainable cross-subsidization begins with careful financial modeling. In order to sustain ELI housing over the length of the projects, the developer has to identify the right mix of homes so that the rental income of the overall development provides sufficient resources to establish a project reserve capable of handling the inevitable unforeseen expenses. Realistic modeling needs to consider the entire length of affordability, whether that means a 15-year LIHTC obligation or a longer affordability period as required in many states and local jurisdictions. In Oregon, where the State Housing and Community Services Department requires 30-year affordability, some early experiments with cross-subsidization made incorrect projections on future expenses that put entire projects in financial jeopardy, and in most cases resulted in costly project restructure deals.

Given that the sustainability of cross-subsidy projects hinges on accurate financial models, the experience in Ohio and Oregon demonstrates that developments relying on cross-subsidization function better with fixed-debt rather than revolving debt.[14] Modeling for future project expenses has inherent risks because so many maintenance issues are not easily predicted, especially in terms of timing; however, fixed debt is predictable by its nature. According to Oregon Housing and Community Services staff, the proportion of fixed debt is a more important indicator of project viability than the total amount of debt because fixed debt is so helpful for accurate modeling.

Additionally, the extent to which cross-subsidization is viable is usually defined by the local rental market, with demand for rental housing and local area rents determining the workable mix of incomes that a project can sustain. And there must be sufficient demand for the upper income housing needed to produce project revenue sufficient to support the ELI homes. In hot rental markets like in Portland, Oregon, where there is steady demand for 60%-120% AMI rental housing, cross-subsidization to support ELI housing is very common. The cross-subsidization strategy can still work in weaker rental markets, but the percentage of ELI housing that can be sustained is reduced. Another market related factor for the ability of cross-subsidized projects to serve ELI households is the size of the project, with projects that contain more homes more easily supporting a higher percentage of ELI housing, especially when a project includes 200-plus homes.

[14] Fixed debt has a set periodic payment schedule based on the principle owed and the interest charged, amortized over the life of the debt. Revolving debt is debt that does not have a fixed payment amount, although repayment is usually a percentage of the outstanding balance and made at regular intervals.

The influence of the local rental market on the number of viable ELI housing suggests that cross-subsidization is a strategy best suited to vibrant urban markets. Nevertheless, both Ohio and Oregon regularly use cross-subsidization to create one to two ELI homes in smaller rural projects. So, although rental market impacts the volume of ELI housing that can be sustained, cross-subsidization can work even in weaker rental markets.

Since the upper income housing in a cross subsidy project often compete with private market housing with similar rent levels, the reliance of the revenue generated by the higher income housing places a premium on the marketing and management of a cross-subsidized development. NeighborWorks published a study in 2006 entitled *"Seven Strategies for Successfully Marketing and Stabilizing the Occupancy of Mixed-Income/Mixed-Race Properties"*[15] that examined the management and marketing practices of successful mixed-income properties serving ELI households while maintaining positive cash flow for at least five years. While the report addresses the importance of good modeling, its primary focus is management and sales strategies aimed at keeping the property attractive to all potential tenants. The study includes helpful information on aligning the neighborhood and the target market, the importance of curb appeal, leasing practices, amenities and services, and the periodic readjustment of marketing strategies.[16]

Coordination and collaboration between project sponsors and funders is another important factor driving the success of the cross-subsidization strategy. In Oregon, the Department of Housing and Community Service has a Consolidated Funding Cycle, which coordinates the allocation of state funds from the Housing Trust Fund, the document recording fee, preservation funds, and Federal LIHTC, HOME, and Section 8. In Ohio, the Department of Development partners with the Departments of Mental Health, Developmental Disabilities, Corrections, Aging Services and Addiction Services in the awards of housing and service dollars. Though in both states this coordination applies more broadly than projects that utilize cross-subsidization, the coordination positions each state to effectively and efficiently develop cross-subsidization models that utilize available funding.

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[15] Kenneth D. Wade et al., "Seven Strategies for Successfully Marketing and Stabilizing the Occupancy of Mixed-Income/Mixed-Race Properties." NeighborWorks America, 2006. http://neighborworks.issuelab.org/research/listing/seven_strategies_for_successfully_marketing_and_stabilizing_the_occupancy_of_mixed_incomemixed_race_properties_summary_report

[16] The Seven Strategies study also discusses the significant role of asset managers in the ongoing physical and fiscal maintenance of the property. Proactive and attentive asset managers are essential to long term health of a project. Strong coordination between the property management and asset management staff can help control costs in areas as concrete as project maintenance and as amorphous as the behavior of the teenagers living in the housing.

Strategies for Serving Extremely Low Income Households

II. Supporting On-going Operating and Maintenance Costs

WASHINGTON STATE
SEATTLE, WASHINGTON

A primary challenge of developing housing for extremely low income (ELI) households is that the rent they can afford produces insufficient income for the owners/managers of the development to adequately operate and maintain that housing over the long term. Such costs may include heating and other utilities, repairs to the structure itself, or on-going maintenance to ensure the housing meets code requirements and stays attractive within the neighborhood.

Consequently, providing subsidies to cover the operating and maintenance costs of assisted housing developments helps to ensure that affordable housing is made available to ELI households, and a broader range of those households, than would be possible without such subsidy. While other housing trust funds may permit funding for and provide support to cover operating and maintenance costs, the Operating and Maintenance Programs (O&M) of the Washington Housing Trust Fund and the Seattle Housing Levy Program appear distinct in being designed to address the particular needs of developers working to provide homes for ELI households.

In 2002, the Washington State Legislature passed SHB 2060, which requires county auditors to charge a $10 recording fee on all recorded documents with the exception of those previously excluded from any fees. A portion of the revenue from the fees is deposited into the Affordable Housing for All account, to be used to support operating and maintenance costs of housing developments, or housing within those developments, that are affordable to extremely low-income persons with incomes at or below 30% AMI and which require a supplement to rent revenues to cover ongoing operating expenses. The O&M Fund Program is part of the Housing Trust Fund, and program dollars are used to support projects that have received capital funding from the Housing Trust Fund in order to make the affordable housing that will be built affordable to ELI households.

The Seattle Housing Levy, which dedicates funds derived from a property tax surcharge to affordable housing initiatives, has been approved by voters through five ballot initiatives over the last 28 years. Each Housing Levy campaign specifically delineates the programs that will be funded, the funds to be devoted to each program, and anticipated goals should the levy be approved. The first housing levy in 1981 was limited to the provision of new housing for the elderly. The City then made the choice to address the housing needs of special populations, a growing number of large immigrant families, and the loss of downtown housing to new developments. Since the 1986 levy, each campaign has included provisions for an Operating and Maintenance program, in addition to a number of affordable housing programs, including rental production and preservation, rental assistance, homebuyer assistance, and acquisition and opportunity loans.

The Housing Levy programs are administered by the Seattle Office of Housing and are guided by an Administrative & Financial Plan developed through public hearings and approved by City Council. In 2009, voters also approved an Oversight Committee, responsible for monitoring the progress of levy programs and reporting on the same. Thirteen (13) members of the Oversight Committee are confirmed by City Council and represent: one city employee appointed by the Mayor, six non-government employees appointed by the Mayor, and five non-government employees appointed by City Council.

The Types of Operating and Maintenance Costs That Are Supported

Operating and maintenance costs mirror rental subsidies in sharing the objective of subsidizing affordable housing so that the rents can be kept at affordable levels over the long-term. Both the Seattle and Washington Operating and Maintenance Funds provide funding to help fill the gap between rental income and operating expenses in order for these developments to be financially viable over the long term. Supporting these costs over time may enable the developer to secure other needed funding for the construction of the housing and negotiate better financing terms, as well as sustain the affordability of assisted housing and provide a higher quality of homes.

In Seattle, the Operating and Maintenance program provides operating support, or contingent commitments of operating support necessary to secure adequate financing, for Levy-funded housing affordable to households with incomes at or below 30% AMI. Eligible costs include:

- On-site management including costs directly associated with operating the building, such as salaries, benefits and personnel costs; utilities; contracted building services such as elevator, pest control, landscaping, fire safety, security; repair and maintenance expenses such as materials, janitorial supplies, unit turnover costs and other repairs.
- Off-site management involving property management and personnel costs directly associated with operating the building;
- Administration including property taxes, insurance, legal, marketing, and other costs directly associated with administration of the building;
- Replacement and operating reserves are eligible operating expenses to a maximum set by the Office of Housing administrator. Eligible expenses include operating reserve deposits to cover unforeseen operating costs—the annual deposit amount is normally two and one-half percent (2.5%) of total annual operating expenses. The operating reserve account is considered adequate when the balance is equal to fifty percent (50%) of a year's operating budget.

In the Washington program, eligible uses of Operating & Maintenance funds include:

- Grantee-paid utilities that are specific to the project but not specifically metered to an individual home and not the responsibility of the tenant, including water, sewer, garbage, electricity, gas, telephone, and internet.
- Property management and personnel costs directly associated with operating the building, located both off-site and onsite.

- Indirect administrative costs of the not-for-profit, not to exceed five percent (5%) of the current year's total project expense budget, which can include human resources, general administration, and executive management costs, office supplies, rental equipment costs, and banking fees.
- Project administrative costs including: audit, accounting/CPA expenses, legal services, advertising and marketing, insurance, security, collection loss, real estate taxes, compliance fees, comp/manager unit expense, property manager office supplies and rent, and travel related to the project.
- Debt service payable to the Housing Trust Fund.
- On-going maintenance expenses such as janitorial supplies, maintenance contracts, and maintenance of existing landscaping.
- Maintenance and Unit-Turn expenses to include the repair of equipment and property as opposed to replacement or upgrade; any equipment or property that is replaced or upgraded that has a useful life of more than one year is a capital asset and is to be paid for with reserve funds and not Maintenance & Operating funds.
- The cost for a Capital Needs Assessment (CNA) of the project.
- Replacement Reserve additions are funds set aside for the replacement of, or major repair work on, the component systems of a housing facility.

Operating Reserve additions are funds budgeted each year to cover unforeseen operating costs. The amount budgeted is normally equal to three months of all operating expenses, excluding long-term replacement reserve items. Reserves are allowed to accumulate until the amount is equal to fifty percent (50%) of a year's budget for operating costs, at which time O&M funds may no longer be used to fund the operating reserve. Operating reserves can be used to pay for work that cannot be entirely funded by the replacement reserve. Neither the Seattle program nor the one in Washington supports the costs of social services, supplies for individual use, training costs, closing costs, amortized development costs, private debt service, or depreciation.

What Housing is Eligible

In both Seattle and Washington, operating and maintenance program support may only be used to subsidize housing that is affordable to ELI households. In the Seattle program, new rental projects funded with 2009 Levy capital funding are eligible. Private owners and developers as well as all types of not-for-profit agencies, including public development authorities and other public agencies, are eligible to participate in the program. In the most recent 2009 Seattle Housing Levy, priority for Operating and Maintenance Program funds will be given to Levy funded projects for which significant non-City operating or service funds have been secured and that will serve homeless or other special needs populations requiring supportive services to maintain safe, stable living arrangements.

In the Washington program, all organizations with projects receiving or having received Housing Trust Fund funding are eligible. Priority is given to:

- Projects where all housing is restricted to households with incomes at or below 30% AMI (as opposed to mixed income projects);

- Projects that serve persons with special needs including persons with disabilities and homeless persons;
- Projects that provide temporary housing to seasonal farm workers;
- Projects that provide supportive services to persons with special needs;
- Projects with committed local financial support or fundraising dollars applied to the operating and maintenance of the project.
- Projects that do not have any Federal operating subsidies.

For both the Seattle and Washington programs, assisted housing must be occupied by ELI households. Households must be income qualified prior to move in for the home to be eligible for the operating and maintenance subsidy. In the Seattle Operating and Maintenance Program, eligible households are required to pay thirty percent (30%) of adjusted monthly gross income for rent and any tenant-paid utilities associated with a project. Sponsors may request alternate rent schedules to meet unique program objectives. Adjustments are made for such situations as projects receiving McKinney Act funds, unreimbursed medical expenses, and childcare, and other circumstances.

In the Washington Operating and Maintenance Program, projects receiving Section 8, or that have housing occupied by tenants receiving Section 8, are generally not eligible. Exceptions may be made if the project demonstrates a compelling need for O&M Fund Program subsidy.

Making the Funding Work

In the Seattle Operating and Maintenance Program, maximum funding of $2,500 per home per year can be awarded starting in the initial full year of occupancy. Sponsors are generally required to demonstrate evidence of reasonable availability of a one hundred percent (100%) match of project income for the Operating and Maintenance subsidy from sources other than tenant rent payments. Section 8 subsidy and O&M subsidy may be combined for the same project to maximize the number of ELI homes, but subsidies from the two programs may not be combined to support operating costs of the same housing. Projects receiving O&M subsidy will be eligible for annual increase, subject to approval by the Office of Housing and availability of funds. Operating and Maintenance subsidy awards have a maximum contract term of twenty years from the date that the O&M housing is complete and occupied. The O&M commitments are made at the same time as capital commitments. The Office of Housing will determine the subsidy amount on a year to year basis for the term of the contract and conducts annual reviews, including financial, management, operations and maintenance reviews of projects receiving subsidy each year. Subsidies are generally paid to projects on a quarterly basis, with adjustments made where a project is showing a surplus at the end of the year.

In the Washington Operating and Maintenance Program, funding is provided in an amount determined appropriate to the scope of the identified financing gap after review of the project's operating budget. The award amount is based on project need, other available operating subsidy, and is dependent on the number of homes restricted to 30% AMI, but new awards to projects will generally not exceed $50,000 contracted annually. Applicants will first be awarded up to a maximum of $35,000 of their funding request. If the funding request exceeds $35,000 and once the project is placed-in-service, a second review will be conducted and an additional award of up to $15,000 may be made. While other evaluation criteria are applied, the additional $15,000 is only available to projects with committed funds from fundraising or other public operating subsidy equal to a minimum twenty-five percent (25%) of the total operating budget gap.

The Operating and Maintenance Fund Program enters into an annual grant agreement for O&M support after the project is placed in service by the Housing Trust Fund, with subsidies paid on a monthly basis as reimbursement for actual expenses. Funds may be used for long-term budget gap funding for up to a 20-year commitment period and/or one-time reserves—a one-time deposit to the project's Operating or Replacement/ Maintenance reserve account. A grant may be renewable for a period not to exceed the original O&M award commitment period, while funding for operating or replacement reserves can be paid in a lump sum payment.

Performance of the Seattle and Washington Programs

The 2009 Seattle Housing Levy set aside $14,400,000 for the Operating and Maintenance Program, out of a total $145 million housing levy for a seven-year period. It is anticipated that this will serve 220 households for the twenty-year commitment period. Currently, a total of sixty-three (63) projects are under contract with the Operating and Maintenance Program. A total of 749 apartments have received subsidies since 1986. The number of homes receiving subsidies in 2008 were 442 and the average subsidy per home per year was $2,117.

In a May 2010 report to the State Legislature, the Washington Housing Trust Fund Operating and Maintenance Fund program had supported 1,993 homes with a total of more than $16 million.

Evaluation and Prospective Changes

The Seattle Operating and Maintenance programs funds are capitalized over the seven years of the levy and contract commitments are made, factoring in interest earnings and inflation in expenses to assure that there are adequate funds to cover the total twenty-year contract commitments. The financial model has not included payments beyond the twenty year point, and the first cohort of O&M projects was to reach that point by 2010. Options are under consideration, including the use of early levy reserves.

In addition, a fixed annual subsidy schedule is being considered. Since all projects rely on the same fund for twenty years, consideration is being given to provide a consistent level of support for all projects. A fixed limit, not to exceed a 3-5% annual increase, would work to ensure a predictable level of support for all projects and reduce administrative time.

The Seattle Office of Housing continues to see a need for the Operating and Maintenance program. Given the high priority of funding housing for homeless and other households with incomes at 15-30% AMI, an on-going operating subsidy is essential to achieve project feasibility. The current operating subsidy level is working and sponsors have been able to secure other sources such as federal McKinney operating subsidies to supplement this program. The Office of Housing also recommended retaining the program as a capitalized sinking fund, although this presents a renewal challenge when the funding expires. While other operating subsidies, such as Section 8, rely on year-to-year appropriations, the Office of Housing believes the twenty-year term is a significant period to pre-fund the source and should be retained.

Additionally, a major factor in sizing the amount of Operating and Maintenance program funds needed from the levy will be the availability of other operating subsidies; the Housing Choice Voucher Program has been the largest single source of operating subsidy, and the Seattle Housing Authority has made other resources available such as Sound Families and a Committee to End Homelessness program for chronically-homeless individuals. The Authority has made a commitment of project-based Section 8 vouchers over the term of the levy to levy-based projects.

In the past, the Washington O&M Fund Program provided Rent Buy-Down, 5-Year Budget Gap and Operating Cost Savings subsidy types that are currently not available to new applicants. Rent Buy-Down lowered the rent level for targeted housing by covering the difference in rent from the contracted level and the reduced level. Buy-Down contracts executed after December 31, 2006 are calculated the same as Budget Gap Funding contracts. Operating Cost Savings assisted organizations in reducing the operating and maintenance costs of their facility through measures that include, but are not limited to, rehabilitation and weatherization.

Early in 2009, the MacArthur Foundation awarded a $1 million grant to the Seattle Office of Housing and the Washington Department of Community, Trade, and Economic Development (now the Department of Commerce) in recognition of their efforts to preserve affordable housing. The funds are intended to help them work on strategies and the capital needs assessments to sustain the 10,000 homes created through the Levy and even more from the state Housing Trust Fund.

Strategies for Serving Extremely Low Income Households

III. Providing Project or Tenant-based Rental Assistance

- **CHICAGO, ILLINOIS**
- **WASHINGTON, DC**
- **LOUISIANA**
- **NEW JERSEY**
- **NORTH CAROLINA**

States and localities have developed programs to address directly the fundamental problem that extremely low income (ELI) households cannot afford the rent charged for market rate housing and often housing developed to be more affordable. These programs provide some form of rental assistance for housing occupied by ELI households. Some provide rental subsidies directly from their housing trust funds in order to expand the supply of housing affordable to ELI households; others provide housing trust fund resources to subsidize a project's capital costs and pair it with rental subsidies from other funding sources to drive down affordability. And some jurisdictions have designed initiatives specifically to support populations with special needs.

Using Housing Trust Fund Resources for Rental Subsidies

While the inherent flexibility of housing trust funds has traditionally been seen as providing a unique opportunity to finance affordable housing developments that otherwise would not be possible, the flexibility also enables jurisdictions to devote resources to drive down the cost of existing housing to affordable levels.

Since 1990, Chicago has used resources from its Low Income Housing Trust Fund (LIHTF) to support a Rental Subsidy Program (RSP) that provided rental assistance to 2,912 apartments in 2009, reflecting an investment of $14.8 million. Established in 1989 by a City Council ordinance, the Chicago Low Income Housing Trust Fund was incorporated as a not-for-profit organization in February 1990 and receives funding from a spectrum of sources, including discretionary funds from the City of Chicago's Corporate Fund, and, since 2005, a five-year, $5 million commitment from proceeds of the privatization of the Skyway Bridge toll road. That commitment was renewed in 2010 through a $1.3 million allocation of proceeds from the city's sale of parking meters. The Chicago Low Income Housing Trust Fund also receives a designated portion of the revenues collected through the Illinois Rental Housing Support Fund; HUD grants and other federal assistance have also been used periodically to support the LIHTF since its inception. A fifteen (15) member Board of Directors representing not-for-profit organizations, private corporations and City government, appointed by the Mayor, supervises the business of the Trust Fund, and the Chicago Department of Housing provides administrative staff support for Trust Fund activities.

Using these funds, the LIHTF's Rental Subsidy Program provides annual rental subsidies to owners of qualified buildings or developments located in the City of Chicago; the one-year grants are paid on a quarterly basis in advance, and are renewable based on successful performance and the availability of ongoing funding. Rental subsidies may be granted to landlords on a unit or development basis, with the limitation that only up to one-third of the building's total apartments may be subsidized through all programs of the LIHTF. Participating property owners are asked to have a tenant outreach plan to fill any vacancy in a home receiving a Trust Fund rental subsidy, and to develop a resource list for tenants should a need for social services be identified.

Housing subsidized through the Rental Subsidy Program must be occupied by income qualified tenants: the LIHTF is required to use at least half of its resources for households earning less than 15% AMI and the balance of its resources for households earning 16-30% AMI; to determine the level of subsidy provided for each designated apartment, the LIHTF establishes a flat rent rate for the tenant portion based on the two income tiers targeted by the Trust Fund. Households that exceed the income limits and those that receive rental assistance under other programs are not eligible to occupy apartments assisted under the Rental Subsidy Program, and landlords are required to submit annual income verifications documenting residents' eligibility.

Pairing Housing Trust Fund Investments with Separately-Funded Rental Subsidies

While some jurisdictions have chosen to restrict the use of their housing trust fund resources for costs associated with affordable housing acquisition, construction and rehabilitation, they have coordinated their housing trust fund assistance with separately-funded rent subsidies in order to meet required affordable housing targets for ELI households. For example, when the District of Columbia's Housing Production Trust Fund (HPTF) was revitalized in 2002, new statutory requirements were adopted mandating that at least forty percent (40%) of Housing Production Trust Fund resources benefit ELI households, a target that the Department of Housing and Community Development (DHCD) which administers the fund has reported meeting or exceeding each year.[17] From 2006-2009 alone, the District devoted $98.6 million to projects that created or preserved 2,080 units affordable to households with incomes at or below 30% AMI, representing in excess of forty percent (40%) of the more than $244 million in revenue that flowed to the HPTF over that time and forty-three percent (43%) of all housing that the Fund was used to assist.

DHCD has adopted a number of strategies to ensure that it meets the HPTF affordability targets: prioritizing projects for funding that propose to serve households with the lowest incomes, providing grants and loans for up to forty-nine percent (49%) of total development costs, and covering up to a six month operating reserve for new construction projects; affordable housing developers in the city rely on deep subsidies of as much as $100,000 per home and cross-subsidies from mixed income projects to make financing of ELI housing work. However, the District's efforts to serve households with the lowest incomes and those with special needs were also significantly bolstered in 2006 when the District established the Local Rent Supplement Program, administered by the District of Columbia Housing Authority.

Stemming from a recommendation that called for the creation of 14,600 new rental subsidies to be created over fifteen years from a task force charged with developing

[17] At least forty percent (40%) of HPTF funds must also be used to support households with incomes from thirty to fifty percent (30-50%) of AMI, and the remaining funds may be spent on households with incomes less than eighty percent (80%) of AMI.

a Comprehensive Housing Strategy for the District, the Local Rent Supplement Program (LRSP), is designed to increase the stock of permanent affordable housing in the District of Columbia as a complement to the federal Housing Choice Voucher Program (HCVP), which is also administered by the DCHA. The LRSP includes three types of housing assistance: Tenant-based, Project-based, and Sponsor-based; up to forty percent (40%) of appropriations to the program may be allocated to sponsor-based and project-based vouchers, which may be used in conjunction with HPTF assistance (as well as other subsidies) to make the homes affordable to ELI residents. LRSP funding is available for up to one hundred percent (100%) of the eligible rental apartments in any Project-based or Sponsor-based housing, at the discretion of the agency. Households participating in the program or living in housing receiving LRSP assistance contribute thirty percent (30%) of their adjusted annual income toward the cost for housing, and the LRSP pays the difference to meet the established rent.

The coordination of HPTF and LRSP assistance between DHCD and DCHA occurs informally but deliberately to identify the most promising projects and maximize the leveraging of available resources. While each agency publishes a separate Request for Proposals (RFP), they attempt to time the issuance to correspond to the availability of other resources, and agency representatives often participate as members of the other entity's RFP review or advisory committees. Once the agencies have received and reviewed the applications, staff meet informally to flag any issues with respect to a project's underwriting and to distinguish the projects that best meet the goals of both programs. DHCD will then make an award to a project contingent on securing the rent supplement from DCHA.

With an initial appropriation of $11.8 million in FY 2007, and another $7.4 million the following year, the District has funded or committed to roughly 1,900 subsidies under the Local Rent Supplement Program. In addition, DCHA has also allocated federal Housing Choice Vouchers on a project-basis to HPTF-assisted developments.[18] While its subsidies are contingent on the availability of on-going funding and compliance by the housing providers, DCHA enters into Long Term Subsidy contracts for Project-based and Sponsor-based rental apartments that have an initial term of up to fifteen (15) years. Funding for those ongoing obligations, designed to maintain consistency for households receiving the LRSP funding, had been appropriated on a continued basis through 2010, at an annual cost of $19.2 million.

While the District established its own rent subsidy program to help address the needs of ELI residents, Louisiana has taken advantage of existing federally-funded vouchers to meet the affordability requirements of its housing trust fund. The Louisiana Housing Trust Fund (LHTF) was enacted in June 2003 to create affordable housing for very low, low and moderate-income individuals and families by providing financing for eligible

[18] DHCD has established a similar partnership with the District's Department of Mental Health (DMH) to provide a set-aside of vouchers that have been coupled with DMH capital funding to produce units affordable and accessible for DMH's client population.

affordable housing projects for households up to 120% AMI; by statute, thirty percent (30%) of the LHTF is dedicated to serving households with incomes at or below 30% AMI. In 2007, the LHTF, which is administered by the Louisiana Housing Finance Agency (LHFA), received an initial appropriation of $25 million from the Louisiana state legislature, $23.5 million of which was put out in a request for proposals in May 2008.

Before considering applications received in response to its RFP, the LHFA set aside $6.5 million to distribute to projects designed to serve households with incomes at or below 30% AMI. Under the terms of the RFP, funding from the LHTF was made available up to the lesser of the seventy-five percent (75%) of the total project costs, $1,000,000 per project, or $150,000 per unit, to cover development costs to support affordable housing creation, including acquisition, hard costs associated with new construction or rehabilitation, and soft costs associated with the proposed development. Assistance is provided through zero interest loans that mature at the end of the affordability period of fifteen years, and no payments out of cash flow were to be required for projects serving households with incomes at or below 30% AMI; if the LHTF recipient maintains compliance serving the intended population for fifteen (15) years, the LHTF note will be forgiven at the end of the compliance term. Additionally, under the Louisiana Housing Trust Fund statute, affordable housing projects must evidence that the project will leverage at least $1 of other permanent financing sources with every $3 of requested LHTF in order to receive funding; the LHFA provided that matching funds could come from a wide spectrum of resources, including cash, private or government sources of financing, fees being waived by a local government (such as impact fees), donated materials or donated land or buildings, volunteer labor, or the difference between the appraised value of land or buildings being purchased and the actual cost of acquisition, in order to make it as easy as possible for applicants to demonstrate their compliance. Despite these terms, the LHFA found the financing of projects reaching ELI households to be challenging, and all of the nine (9) projects that were selected for funding under the set aside had to secure rental subsidies through voucher commitments to make their financing work. Seventy-eight (78) apartments affordable to those with incomes at or below 30% AMI will be produced, including seventeen (17) permanent supportive housing homes. Unlike in Washington, DC, there is no formal partnership or coordination between the LHFA and the Department of Health and Human Services (DHHS) regarding these rental subsidies; instead, developers approached the DHHS local lead agency in their respective parishes and obtained letters stating that vouchers would be provided once the housing had been created, with the caveat that the letters did not guarantee voucher funding; in effect, both LHFA and DHHS provided commitments based on the prospective support from the other agency, forecasting selected projects' overall viability.

Serving Special Needs Populations

In their efforts to serve households with the lowest incomes, housing trust funds necessarily address the needs of populations facing significant housing challenges, including those who have been homeless, those with disabilities, and victims of domestic violence, among others, typically in conjunction with other state or local agencies designated to serve those populations.

However, some housing trust funds have also developed specific initiatives to meet the challenge of providing affordable housing for those with special needs.

New Jersey created the Special Needs Housing Trust Fund (SNHTF), its second state housing trust fund, in 2005, using fines and tickets collected by the courts from convictions for unsafe driving violations to securitize $200 million in bonds specifically to finance the construction of quality, permanent supportive housing throughout the state over ten years as an alternative to institutionalization or homelessness. The housing is targeted to individuals with mental illness; individuals with physical or developmental disabilities; victims of domestic violence; ex-offenders and youth offenders; youth aging out of foster care; runaway and homeless youth; individuals and families who are homeless; disabled and homeless veterans; and individuals with AIDS/HIV. Priority is given to projects that serve individuals with mental illness, and the goal of the HMFA is to use at least seventy-five percent (75%) of Trust Fund proceeds for the benefit of persons with special needs with incomes at or below 30% AMI, with affordability restricted by deed to the term of the mortgage.

Administered by the New Jersey Housing and Mortgage Finance Agency (NJHMFA), the SNHTF provides capital financing in the form of loans, grants, and other assistance to eligible not-for-profit and for-profit developers, as well as state, county, and municipal entities to construct new housing and/or acquire and rehabilitate existing properties. While the SNHTF will provide up to eighty percent (80%) of the capital funding for a special needs housing project, priority is given to projects that require SNHTF funding of less than fifty percent (50%) of total development costs, and funding for rent and operating subsidies and supportive services is not available. NJHMFA will underwrite very-low and low-income rents at 30% and 47.5% AMI, respectively. Even at these levels, however, almost one hundred percent (100%) of projects funded by the SNHTF have had some form of project-based rental assistance or operating subsidy. A key source of support in the past has been New Jersey's State Project Based Rental Assistance (SRAP), provided through the Department of Community Affairs; from 70-90 project-based vouchers have been provided through the program to SNHTF-assisted homes each year, and subsidies are awarded on a ten year basis. Additional project-based rental assistance has been accessed through local public housing authorities, HUD Shelter Plus Care subsidies, and operating subsidies from the state's Divisions of Mental Health Services and Developmental Disabilities.

Since its inception in early 2006, the New Jersey Special Needs Housing Trust Fund has expended more than $166 million, financing the construction of 1,548 affordable housing beds and units. All of the housing is combined with supportive services and rental assistance so that special needs residents can better achieve long-term success and stability in communities of their choice. To ensure residents' long term success, sponsors proposing a special needs housing project must identify the target population and a service provider agency for the project, and the service provider must provide a Social Services Plan that addresses the needs of the target population.

While New Jersey established a separate housing trust fund to serve those with special needs, North Carolina enhanced its existing fund to address the needs of residents with disabilities. Almost twenty years after its establishment in 1987, North Carolina's Housing Trust Fund was expanded in July 2006 when the North Carolina General Assembly created a new initiative designed to increase the supply of independent and supportive living apartments for persons with disabilities affordable to residents living on a Supplemental Security Income (SSI) level income. Drawing on the Housing Trust Fund's proficiency in affordable housing production and preservation, the Housing 400 Initiative was established with the goal of increasing the supply of housing accessible and affordable to those with disabilities by four hundred (400) homes in its first year; the initiative built on the state's successful Tax Credit Targeting Program (adopted in 2002), which mandated that ten percent (10%) of the housing in properties receiving support from the state's Low Income Housing Tax Credit allocation or from the state housing tax credit program be set aside to serve those with special needs, and which provided rental subsidies from the state-funded Key Program to support the maintenance and operation of the housing as needed on an ongoing basis.

The Housing 400 Initiative was started with appropriations by the General Assembly of $10.9 million in nonrecurring funds to the Housing Trust Fund for FY 2007 to develop the apartments, and $1.2 million in recurring funds to the existing Key Program to support operating subsidies in the form of rental assistance for 400 homes. Since then, an additional $12.3 million from the state's General Fund has been appropriated to the Housing Trust Fund for the program; recurring appropriations for the Key Program, less administration funds for DHHS, total $6.55 million. To date, the Housing 400 Program has supported more than 1,350 homes for persons with disabilities, through either Key Assistance, capital funds from the NCHTF, or a combination of the two.

The Housing 400 Initiative is a partnership of the North Carolina Housing Finance Agency and the North Carolina Department of Health and Human Services, with the NCHFA administering the Housing Trust Fund appropriations and the DHHS providing operating subsidies in the form of rental assistance from the Key Program to persons with disabilities. NC Housing Trust Fund capital funds appropriated to the Initiative are available through three programs, the Supportive Housing Development Program 400, the Preservation Loan Program 400, and the Rental Production Program:

- The Supportive Housing Development Program provides loans of up to $1.2 million for acquisition, acquisition and rehabilitation, or acquisition and new construction of small scale supportive rental housing projects with four to sixteen apartments; up to one hundred percent (100%) of the homes in the project can receive Key subsidies. Over the last three years, more than $16.6 million from the NCHTF has been used to support this program; the average subsidy per apartment is $77,000, with subsidies ranging from just under $8,000 to $140,000 per home.[19]
- The Housing 400 Preservation Loan Program provides loans of up to $1 million for the rehabilitation of rental

[19] Subsidy figures provided are based on the NCHTF and HTF400 funding supporting the project; most projects also had additional funding sources.

properties that already receive some type of state or federal affordable housing subsidy; the greater of ten percent (10%) or five apartments must be available to those with disabilities and are eligible to receive Key funding. $4.7 million from the NCHTF has been used to support the program through FY 2009, with the average subsidy per apartment running $16,020.[HTF SA 400 and HTF SA]

- The Rental Production Program (RPP) provides loans of up to $1.2 million per development (which may be exceeded in some cases) for the production of rental housing, primarily targeting households below 50% AMI. These loans may be for new development, substantial rehabilitation, or acquisition/rehabilitation. Just over $1.44 million in appropriations made to the Housing 400 Initiative have been directed to the program through FY 2009.

Key Program rent assistance is project-based; it is paid directly to property management based on monthly requisitions submitted to NCHFA for apartments occupied by Key-eligible tenants, and cannot be transferred if the tenant moves. The Key Program pays the difference between the tenant rent share and the Key payment standard set by NCHFA and DHHS, with the monthly subsidy per apartment averaging $250. Property managers are separately responsible for collecting the tenant's share of the rent on a monthly basis. The Key Program is intended to be a bridge subsidy: by promoting tenants' transition to permanent, portable federal assistance if and when it becomes available, the program is intended to maximize the number of households that can benefit from Key Program assistance, and tenants must document their status on local Section 8 waitlists. However, the reality of long and closed waiting lists for Section 8 assistance has resulted in a low transition rate of tenants from the Key program to federal assistance. Applicants eligible for residency in apartments assisted through the Key program are households headed by adults with long-term disabilities who are receiving income based on their disability from a state or federal program (SSI, SSDI or VA benefits) or those headed by adults over the age of 65 who have SSI; adults who have a disability benefit decision pending or temporary disability income (such as worker's compensation) are not eligible. Applicants must have a minimum income of $300 per month, and total household income cannot exceed 30% AMI. Waivers of these requirements can be authorized by DHHS in limited circumstances, such as when the household has multiple members with disability income resulting in household income that exceeds 30% AMI, or where the household is headed by a person 65 years or older who receives regular Social Security, and previously received disability income or who has become disabled since turning 65. Finally, applicants must also be referred to the Targeting Program by approved referral agencies through the DHHS managed referral process described more fully below.

Each year, DHHS and NCHFA estimate how many apartments can be supported for a minimum of ten (10) years with the appropriated funds, to fulfill the program's mission to provide permanent housing to residents; participating property owners are given a ten year subsidy commitment. Apartments that receive NCHTF support to produce or preserve homes designated for residents with disabilities are known as "Targeted Units," and, consistent with the goal of providing persons with disabilities decent, safe and affordable community housing that is permanent, independent, and linked to individualized supports and services, the program's success is attributable to the collaboration between Housing Support Coordinators at DHHS who work in local communities to establish housing support committees that are used as a source of referrals for tenants of the assisted rental apartments, staff at NCHFA who process the rental support payments to project owners, and local human service agencies who help maintain the housing support committees and provide critical services to tenants. DHHS is responsible for coordinating implementation of the Targeting Program at the local level with all partners – owners and developers, Local Lead Agencies, property management and participating human service agencies. The process begins with DHHS staff providing technical assistance to owners and developers to develop Targeting Plans, based on a template provided by the NCHFA and DHHS, for outreach and service coordination. The plans must be reviewed and approved by the Department of Health and Human Services, and project owners are also required to sign a "Memorandum of Understanding" with a local social service agency to recruit, identify and refer qualifying residents for assisted apartments, and to provide supportive services.

As with its Rental Support Program, the Chicago Low Income Housing Trust Fund (LIHTF) provides rental assistance to support ELI residents with special needs through the Supportive Housing Program and provides rental assistance and a comprehensive package of supportive services to help homeless individuals and families with disabilities move from shelters and transitional housing into permanent housing. The program is funded through HUD's McKinney-Vento Act Supportive Housing Program and provides a direct subsidy per rental apartment for one to three years, and the LIHTF may also provide funds to the social service provider to cover administrative costs. Consistent with its emphasis on the importance of service delivery to residential stability, social service providers may apply as the lead entity in partnership with owners, landlords or affordable housing developers to participate in the program, and a key component of the initiative is the provision of wraparound supportive services in partnership with fourteen social service providers. In 2009, the program provided rental subsidies for 389 apartments of permanent housing with connections to social services for those who were chronically homeless and those who were homeless with a disability. The Trust Fund intended to transition the administration of the grant to the individual social service providers in 2010.

Jurisdictions that specifically support housing for those with special needs through their housing trust funds are attentive to ensuring that it is integrated in mixed income housing developments. For example, applicants seeking funding for permanent supportive housing projects from the Louisiana Housing Trust Fund must certify that no less than eleven percent (11%) and no more than 50% of the housing development may be reserved for Permanent Supportive Housing, unless the project is no more than eight apartments or the projects are licensed either as Adult Residential Care or as an Adult Residential Care Facility by the respective agency. Additionally, they must supply a comprehensive service plan with their application to provide sustainable supportive services for at least five years that identifies the PSH services to be provided and the service approach (i.e., mobile services, on-site services, etc.); the anticipated sources of funding for such services; the strategy to sustain services for at least five years; the physical site of service provision if other than in the tenant's home; and the experience of the applicant and/or the supportive services provider in providing PSH services to the targeted population.

Conclusion

The examples of the strategies used by housing trust funds that are included here demonstrate that the challenge of providing housing opportunities for those with the lowest incomes can be met, with thoughtful commitment, careful planning, and dedicated funding. States and localities have developed innovative, effective programs targeted to extremely low income (ELI) households, and collectively have invested hundreds of millions of dollars to make them successful.

We know from more than twenty years of achievements at the state and local level that the housing trust fund model can help meet the challenges of preserving and producing affordable housing for ELI households, even during this period of constrained funding resulting from the Great Recession. But in order to make a significant difference in the lives of low income people in need of housing, we need to secure revenue for the National Housing Trust Fund. The promise of opportunity that makes our nation great depends on people having access to the stability and security of a home. On behalf of working families, seniors, people with disabilities and other people with limited economic means, we must restore the promise of opportunity. We must fund the National Housing Trust Fund now.

Appendix: **Websites for Programs**

Chicago, Illinois, Department of Housing
http://www.chicagotrustfund.org/

District of Columbia Housing Authority
http://www.dchousing.org/default.aspx?topid=2

District of Columbia Department of Housing and Community Development
http://www.dhcd.dc.gov/dhcd/site/default.asp

Louisiana Housing Finance Agency
http://www.lhfa.state.la.us/programs/housingtrustfund/housingTrust.php

New Jersey Housing and Mortgage Finance Agency
http://www.nj.gov/dca/hmfa/biz/devel/specneed/trust.html

North Carolina Housing Finance Agency
http://www.nchfa.com/About/financingfrom.aspx#nchousingtrust

Ohio Housing Finance Agency
http://www.development.ohio.gov/Community/ohcp/htf/OhioHousingTrustFundHomePage.htm

Oregon Housing and Community Services
http://www.ohcs.oregon.gov/

Housing Development Center, Portland, Oregon
http://housingdevelopmentcenter.org/

Portland Housing Bureau
http://www.portlandonline.com/phb/

Washington Low Income Housing Alliance
http://www.wliha.org/

Washington State Housing Finance Commission
http://www.wshfc.org/

State of Washington, Department of Commerce
http://www.commerce.wa.gov/site/493/default.aspx

City of Seattle, Washington, Office of Housing
http://www.seattle.gov/housing/

The mission of the Center for Community Change

is to develop the power and capacity of low-income people, especially low-income people of color, to have a significant impact in improving their communities and the policies and institutions that affect their lives.

The Center operates on the assumption that the growing inequity in the United States – and across the globe – is not inevitable, but the result of programs, policies and systems purposely designed to benefit a privileged few at the cost of the many. We seek to help people who are suffering under the status quo find common ground so they can unite to change public policies and attitudes.

The Housing Trust Fund Project of the Center for Community Change

operates as a clearinghouse of information on housing trust funds throughout the country, and provides technical assistance to organizations and agencies working to create or implement these funds.

Since the Project's inception, housing trust funds have become one of the leading vehicles for addressing critical housing needs in this country. Housing trust funds are established with dedicated sources of public funding as distinct funds to support critical affordable housing needs and have demonstrated their flexibility to meet these needs. Jurisdictions increasingly turn to housing trust funds as a key tool to meet their housing needs.

The Housing Trust Fund Project is the nation's only comprehensive source of information and technical assistance on these funds. The Project has developed a popular program to assist housing trust fund campaigns in vastly different political and economic climates, and provide assistance to these multi-year efforts until they succeed.




Housing Trust Fund Project
Center for Community Change
1113 Cougar Court
Frazier Park, CA 93225
www.communitychange.org/our-projects/htf