



# MHP Capitol Update

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## State Update

In order to focus on some extremely important federal housing legislation, this issue we are going to forgo our State Update space for a National Update. In the next issue we will return to our standard format.

## National Update

### **National Housing Trust Fund Legislation Review**

It's been over three weeks since President Bush signed the largest housing bill enacted in over three decades, and advocates are still working to interpret the various pieces of the new law. In the last issue of **The Capitol Update** we reviewed the bill from 10,000 feet. This issue we will take a closer look at one initiative within the legislation, the National Housing Trust Fund (NHTF).

#### *A Milestone Met*

The advancement of Trust Fund legislation has been a top priority for the National Low Income Housing Coalition and many other federal housing program advocates for years. This is due to the fact that for decades the federal government has failed to invest a sizable amount of resources in the *creation* of affordable rental homes. In fact, the [National Low Income Housing Coalition reports](#) that the NHTF is the first new federally-subsidized housing production program targeting extremely low income people implemented since the introduction of the Section 8 program in 1974.

In addition to federal disinvestment in affordable rental creation, the number of existing rental homes available to very low and extremely low income families has dwindled over the past thirty years. This is for a variety of reasons, such as landlords opting out of housing subsidy programs, condo conversions, and the loss of aging buildings to demolition, among other issues. The Trust Fund was advanced as a way to address this lack of investment, property owner attrition, and resulting shortage of affordable rental homes.

#### *Ensuring Main Objects are Met*

Between when the bill was conceived and its signing by the president, the Trust Fund legislation experienced many changes. Through hard work and perseverance, advocates were able to ensure that the final bill retained certain core objectives: creation of a dedicated source of revenue, a focus on rental housing, and income targeting for extremely low income households.

Of the three core objects, perhaps the trickiest and most important to retain in the final bill was the dedicated source of revenue. This provision ensures that the funding is permanent (i.e. the law will not “sunset”), mandatory, and not subject to annual appropriations. This last point is important because it eliminates the possibility of the Trust Fund competing with other HUD programs for precious federal dollars.

The final bill also maintained its focus on rental housing. A minimum of 90 percent of the Trust Fund’s resources must be spent on the creation of rental homes. A maximum of 10 percent of the funds may be spent on the creation of affordable home ownership opportunities.

Lastly, 75 percent of all rental homes created from this initiative must be affordable to extremely low income households (those at, or below, 30 percent of area median income). All of the funds must, at minimum, be affordable to very low income households (those at, or below, 50 percent area median income).

Many initiatives that were introduced in the various iterations of the bill were not included in the final law. Some of these failed proposals include fund-matching requirements, mixed-income requirements, and grant allocations to municipalities as well as states and territories.

#### *Implementation*

Although we reached a very large milestone by passing the National Housing Trust Fund into law, advocates still have more work to do. Over the next few weeks and months, meetings will be held and decisions will be made on how to implement the program, and it is important that advocates make their voices heard.

Overall administration of Trust Fund dollars will be the responsibility of HUD. In turn, HUD will provide grants to the 50 states and 7 U.S. territories. Each state or territory will designate one agency to administer the grant. That agency must annually submit a grant administration plan to HUD after the plan receives public comment. Advocates should use this opportunity to shape the program they intend to use.

#### *Funding Formula*

Another opportunity for advocate engagement will come during the creation of the new National Housing Trust Fund distribution formula, which must be ready for use on July 30, 2009. Each state or territory will receive its program dollars based on this distribution formula, with a guaranteed minimum grant of \$3 million per year per state. The exact formula is to be determined, but the formula will be based on the following five factors:

- the ratio of the shortage of affordable and available rental units to **extremely low income** renter households in the state to the aggregate shortage of affordable and available rental units to extremely low income renter households in all the states (this factor is to be given “priority emphasis”);
- the ratio of the shortage of affordable and available rental units to **very low income** renter households in the state to the aggregate shortage of affordable and available rental units to very low income renter households in all the states;

- the ratio of extremely low income **renter households in the state living with either incomplete kitchens or plumbing facilities, more than one person per room, or paying more than 50 percent of their income for housing costs** to the aggregate number of extremely low income renter households living with either incomplete kitchens or plumbing facilities, more than one person per room, or paying more than 50 percent of income for housing costs in all the states;
- the ratio **of very low income renter households in the state paying more than 50 percent of income on rent** compared to the aggregate number of very low income renter households paying more than 50 percent of income on rent in all the states; and
- the sum of those factors will be multiplied by the **approximate cost of construction** in the state to determine the final amount of funding allocated to each state.

[This list was taken from [NLIHC's Web site](#). *Emphasis added by MHP.*]

The National Low Income Housing Coalition has created some approximations on distribution amounts to various states. You can check them out [here](#), but please note that these numbers are guesstimates! According to NLIHC's estimates, Minnesota would receive about \$4.1 million annually.

#### *Administration Requirements and Regulations*

State agencies that administer Trust Fund dollars will be subject to as-yet-to-be determined HUD regulations. One rule is certain, though: grant-administering agencies may not spend more than 10 percent of the state's dollars on program management. Other areas that will be regulated include auditing requirements and funding priorities. Program funding priorities include

- geographic diversity (i.e. rural & urban balance);
- ability to obligate money (capacity);
- extent to which project rent is affordable to extremely low income households;
- time period during which project rent is affordable to extremely low income households;
- merit of proposal itself; and the
- development of project performance goals, benchmarks, and timetables.

#### *Eligible Organizations and Prohibited Uses*

Any organization, public or private, nonprofit or for-profit, may utilize National Housing Trust Fund dollars as long as it can demonstrate experience in developing affordable housing, the financial and internal capacity to develop such housing, and familiarity with federal affordable housing programs and regulation. Trust Fund dollars may not be used by developers for administrative purposes (only grant-administering agencies may use Trust Fund dollars for administration) or political activities and awarded dollars must be spent within two years of allocation.

MHP is working with local and national partners to make sure that Minnesota has the information it needs to utilize this new resource. Stay tuned for more information on trainings and opportunities for comment. In the meantime, don't miss out on the National

Low Income Housing Coalition's conference call in September, on the intricacies of the Trust Fund. Here is the call information if you would like to participate:

**Date: Monday, September 15**  
**Time: 2:00 (CDT)**  
**Call-in Number: 1.877.486.3171**  
**Code: 967187**

### **RNC Participants Move Housing Discussion from Reactive to Proactive**

Although housing is currently a hot topic in the media, most recent discussions have focused on the immediate crisis rather than long-term solutions. On September 3, join Minnesota Housing Partnership's Chip Halbach, national housing expert Bruce Katz, the National League of Cities, and more as they discuss innovative, sustainable, and successful housing strategies that will help stabilize communities for generations to come. Click [here](#) for more information. Click [here](#) to RSVP.

### **Tenant Association Successfully Lobbies Congressman Kline to Assist With Preservation Effort**

Over the summer, tenants of the Park Street Apartments in Cannon Falls Minnesota launched a campaign to save their homes and won the support of their U.S. Representative, Congressman John Kline. The project-based Section 8 complex was in jeopardy of opting out of the subsidy program and the property owner was refusing to accept enhanced vouchers beyond a one-year term.

Faced with the possibility of losing their homes, the building's tenant association, called "Park Street Apartments Home Sweet Home," took matters into their own hands. They approached their city council, met with representatives of Senator Klobuchar's and Congressman Kline's offices, and canvassed their city during the July 4 festivities, to name just a few of their efforts.

Their hard work paid off on August 5<sup>th</sup> when Congressman Kline sent a letter on the tenants' behalf to Minnesota Housing Commissioner Tim Marx. The letter requests that the agency look into possible compliance issues on the part of the property owner and asks the agency to urge the property owner to continue discussions with three proposed preservation purchasers. Kline writes that "[i]t would be a tremendous loss for this community to have the project-based Section 8 contract at Park Street Apartments end. Every healthy community needs a variety of housing options available to its citizens, especially those whom are low-income families, seniors and disabled."

Notably, the tenants reported that Congressman Kline's office, which at times is difficult to access, was flexible and open to listening to the tenants' concerns. Lesson learned: determined constituents can move congressional mountains.

Congratulations and continued good luck to the Park Street Apartments Home Sweet Home! Well done!

published by Minnesota Housing Partnership. To share ideas for future issues, to ask questions, or to unsubscribe, please contact Barb Jacobs at [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org) or 651-649-1710 ext. 117.

Minnesota Housing Partnership also publishes **The MHP Bulletin**. **The Bulletin** is distributed monthly, and includes affordable housing news and trend information, new research, publications, and upcoming events. Please contact Barb Jacobs at (651) 649-1710 ext. 117, email [bjacobs@mhponline.org](mailto:bjacobs@mhponline.org), to subscribe to **The Bulletin**.

Minnesota Housing Partnership's mission is to promote homes for all Minnesotans and to assist Minnesota communities in the creation and preservation of housing affordable to low- and moderate-income people.