

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Office of Community Planning and Development

Housing Trust Fund

SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carryover	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2021 Appropriation	710,818	113,882	(21,253)	803,447	697,595	213,006
2022 Annualized CR	739,808	105,852	(1,653)	844,007	634,579	244,496
2023 President's Budget	393,000	209,428	19,768	622,196	510,809	360,994
Change from 2022	(346,808)	103,576	21,421	(221,811)	(123,770)	116,498

a/ 2021 Total Resources include sequestered funds (5.7% of budget authority, or \$40.516 million) made temporarily unavailable per the *OMB Report to the Joint Congress on the Joint Reductions for Fiscal Year 2021*, partially offset by \$19.263 million sequestered in 2020 that became available in 2021.

b/ 2022 Total Resources include sequestered funds (5.7% of budget authority, or \$42.169 million) made temporarily unavailable per the *OMB Report to the Joint Congress on the Joint Reductions for Fiscal Year 2022*, partially offset by \$40.516 million sequestered in 2021 that became available in 2022.

c/ 2023 Total Resources include \$42.169 million previously sequestered in 2022, partially offset by \$22.401 million (or 5.7% of estimated 2023 budget authority).

PROGRAM PURPOSE

The Housing Trust Fund (HTF) is a mandatory program authorized by the Housing and Economic Recovery Act of 2008. This Act directed the account to be funded from assessments from the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). This account is a formula-based program for the States and U.S. Territories that finances the development, rehabilitation, and preservation of affordable housing for extremely low-income and very low-income families.

BUDGET OVERVIEW

The 2023 President's Budget estimates that \$393 million will be provided to this account from assessments from Fannie Mae and Freddie Mac. It also supports legislative proposals that would authorize an environmental review process for Housing Trust Fund projects, align the program with Davis Bacon wage requirements required in other programs, and eliminate the two-year statutory commitment requirement.

JUSTIFICATION

Housing Trust Fund program funding of \$393 million will leverage approximately \$3.6 billion of other private and public funds needed to pay for the production of an estimated 3,593 units of affordable rental housing for extremely low-income households over time. It would also preserve or create approximately 7,000 jobs.

The Housing Trust Fund program is critically needed funding for affordable housing as documented by HUD's survey results in the *Worst Case Housing Needs: 2021 Report to Congress*, which states that in 2019, 7.7 million households had worst case needs.¹ Most of these households had extremely low incomes (74 percent or 5.7 million) and 97.5 percent had severe housing cost burdens. These are households that do not receive government housing assistance and pay more than one-half of their incomes toward rent, and/or those that live in severely inadequate conditions.

¹ <https://www.huduser.gov/portal/publications/Worst-Case-Housing-Needs-2021.html>.

The ratio of affordable and available units to very low-income renters followed a downward path from 2009 to 2017. After 2017, there was some improvement, with the ratio increasing from 59 units per 100 renter households in 2017 to 62 units per 100 renter households in 2019. For extremely low-income households – the target population of this program – the ratio of affordable and available units did not change: there were only 40 affordable and available units for every 100 extremely low-income renter households in both 2017 and 2019.

The Housing Trust Fund program addresses Administration priorities through its support of underserved communities and by ensuring access to and increasing production of affordable housing through grantee discretion to determine the type and location of affordable housing to fill the need of the most vulnerable populations within their communities. Key features of the program are:

- **Income Targeting:** At least 75 percent of the funds must be used for extremely low-income families, or families with incomes at or below the poverty line (whichever is greater), unless the amount available for allocation is below \$1 billion, at which point 100 percent of the funds must be used for extremely low-income families.
- **Period of Affordability:** Housing Trust Fund projects have a 30-year period of affordability.
- **Eligible and Prohibited Activities:** Eligible activities include: production, preservation, and rehabilitation of affordable rental housing and affordable housing for homeownership through the acquisition, new construction, reconstruction, or rehabilitation of non-luxury housing with suitable amenities, including real property acquisition, site improvements, conversion, demolition, financing costs, relocation expenses, operating costs of program-assisted rental housing, and reasonable administrative and planning costs.

Equity

Public policies and disparities in application of laws have contributed to inequality in opportunities, healthcare, and prosperity for many Americans and their communities.

The recent economic effects of the COVID-19 pandemic are not evenly distributed across the population. Households that were already experiencing housing affordability or stability issues are more likely than other households to hold jobs affected by public health and social distancing measures. The pandemic exacerbated these affordability and stability issues for these households. Federal, State, and local eviction moratoria and appropriation of substantial resources for rental assistance has lessened the pandemic's impact on existing affordability and stability issues. In the intermediate and long-term, however, the Nation must prioritize expansion of the quality housing stock available and affordable for households with worst-case housing needs. Through its deep income targeting and 30-year minimum affordability requirements, this program is an effective vehicle for delivering that investment.

The Housing Trust Fund helps to strengthen and broaden the Federal housing safety net for people in need by increasing production of, and access to, affordable housing for the nation's most vulnerable populations. At the estimated 2023 funding level, 100 percent of funds must be used for extremely low-income families. This targeting ensures the priority of this program is helping those with the greatest needs.

Evaluating the effectiveness of the program

Since the program started in 2016, the Housing Trust Fund program has:

- Completed 2,164 units of affordable housing, with an average cost per assisted unit of \$98,444; and
- Leveraged \$1.97 billion of other funds for affordable housing with a leveraging ratio of \$9.25:1 (i.e., \$9.25 of private or other public dollars for each Housing Trust Fund dollar invested in rental projects).

HUD has developed a range of tools to provide oversight and to assist grantees to better manage their programs. These tools help to track program funds, track program deadlines, and to identify and lower risk in the program. Most of these tools are publicly available on the program website. For example, the Open Activities Report identifies the development progress of individual Housing Trust Fund projects until the projects are completed.²

SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2021 Budget Authority	2020 Carryover Into 2021	2021 Total Resources	2021 Obligations	2022 Annualized CR	2021 Carryover Into 2022	2022 Total Resources	2023 President's Budget
Formula Grants	710,818	113,882	803,447	697,595	739,808	105,852	844,007	393,000
Total	710,818	113,882	803,447	697,595	739,808	105,852	844,007	393,000

a/ 2020 Carryover Into 2021 includes \$5.699 million of funds recaptured in 2021.

b/ 2021 and 2022 Total Resources reflect net sequestration activity.

LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

The 2023 Budget supports the following legislative proposals and will seek changes through the authorization process:

- **Authorize an environmental review process for HTF projects:** Under current law, HTF-funded projects cannot satisfy Federal environmental requirements through the environmental review process in 24 CFR Part 58. HUD proposes to authorize a Part 58 review process for HTF.

The inability to employ environmental mitigation measures through the Part 58 process has caused many potential HTF project sites to be excluded from the program and some projects to be deemed ineligible after HTF grantees have already expended funds on the project.

This legislative proposal would align this program with other HUD grant programs by authorizing the Part 58 process for HTF projects, permitting HTF units to be included in projects being developed with other HUD funding sources and increasing the number of sites that can be considered for development with HTF funds.

- **Align HTF with Davis-Bacon wage requirements required in other HUD programs:** Under current law, Davis-Bacon wage rate requirements do not apply to HTF-assisted development projects. HUD is proposing an amendment to apply Davis Bacon requirements to HTF, which will align with program requirements of other HUD programs including the HOME Investment Partnerships Program. This amendment will result in workers of HTF-assisted development projects receiving a fair wage for their labor.

² For example, see [HTF Open Activities Reports - HUD Exchange](#). Note that HUD considers these reports to be estimates since grantees are not required to report until completion.

- **Eliminate the two-year commitment requirement:** A statutory provision and program regulation require funds to be used or committed to a project within two years of grant execution. To date, several grantees have missed the deadlines, resulting in the required deobligation of these funds from these grantees. The HOME Investment Partnerships Program has similar commitment requirements that have been suspended by the Congress in annual appropriations laws beginning in 2017 and the Department is requesting similar treatment with HTF. The HOME suspension resulted in funds being committed to projects that are ready to move forward instead of projects that were just trying to meet a commitment requirement deadline, which over time has led to fewer failed projects requiring repayment because the grantee is able to perform due diligence to ensure the project will move forward before committing HOME funds. The funds remain with the grantee for use on viable projects. HUD anticipates that eliminating the HTF two-year commitment requirement deadline will produce similar results and the stakeholders will be receptive to this proposal.

APPROPRIATIONS LANGUAGE

None.