

# DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

## Office of Community Planning and Development

### Housing Trust Fund

#### SUMMARY OF RESOURCES

(Dollars in Thousands)

	Enacted/ Requested	Carry over	Supplemental/ Rescission	Total Resources	Obligations	Net Outlays
2023 Appropriation	354,303	359,064	21,974	735,341	688,097	341,306
2024 Annualized CR	218,000	47,244	7,769	273,013	221,620	518,604
2025 President's Budget	255,000	51,393	(2,109)	304,284	244,168	590,963
Change from 2024	37,000	4,149	(9,878)	31,271	22,548	72,359

a/ 2023 Total Resources include sequestered funds (6% of budget authority, or \$20.2 million) made temporarily unavailable per the *OMB Report to the Joint Congress on the Joint Reductions for Fiscal Year 2023*, partially offset by \$42.2 million sequestered in 2022 that became available in 2023.

b/ 2024 Total Resources include sequestered funds (6% of budget authority, or \$12.4 million) made temporarily unavailable per the *OMB Report to the Joint Congress on the Joint Reductions for Fiscal Year 2024*, partially offset by \$20.2 million sequestered in 2023 that became available in 2024.

c/ 2025 Total Resources include sequestered funds 6% of estimated 2025 budget authority, or \$14.5 million) partially offset by \$12.4 million previously sequestered in 2024 that become available in 2025.

#### 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 2025 President's Budget estimates \$255 million will be provided to this account from assessments from Freddie Mac and Fannie Mae.

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.

This program aligns to HUD 2022-2026 Strategic Objective 2A: *Increase the Supply of Housing*.

#### JUSTIFICATION

The Housing Trust Fund program provides critically needed funding for affordable housing. As documented by HUD's survey results in the *Worst-Case Housing Needs: 2023 Report to Congress*, "Households with worst case housing needs are very low-income renters—households with incomes at or below 50 percent of area median income—who do not receive government housing assistance and who pay more than one-half of their income toward rent, live in severely inadequate conditions, or both."<sup>1</sup> The 2023 report finds that in 2021, during the COVID-19 pandemic, 8.5 million

<sup>1</sup> <https://www.huduser.gov/portal/portal/sites/default/files/pdf/Worst-Case-Housing-Needs-2023.pdf>.

households had worst case housing needs. This is an increase in worst case needs from the record high of 8.5 million households in 2011 and 70 percent greater than the five million households with worst case housing needs in 2001.

The report also states: “The increase in renters with worst case housing needs since the last biennial report was published (using data from 2019, when 7.77 million renters had worst case housing needs) reflected the declining supply of units affordable and available to very low-income renters at a time when demand was rising. There is an urgent need to expand the supply of both homes affordable for very low-income renters and for sale homes for renters locked out of the sales market.”

The Housing Trust Fund program addresses Administration priorities by supporting underserved communities and ensuring access to and increasing production of affordable housing. Through grantee discretion, the type and location of affordable housing is strategically determined to best 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 the greater of extremely low-income families or families with incomes at or below the poverty line.
- **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**

The recent economic effects of the COVID-19 pandemic have not been evenly distributed across the population. Households that were already experiencing housing affordability or stability issues were 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 continue to lessen the pandemic’s impact on these existing impediments. 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.

Grantees frequently leverage HTF funds to develop permanent supportive housing. HTF pairs well with project-based and tenant-based vouchers, along with other Federal, State and local programs, which enhances the overall effectiveness of housing initiatives. Notably, low-income HTF beneficiaries frequently require supportive services, a need fulfilled by the same nonprofit organizations that commonly lead the development and ownership of HTF projects. These organizations often specialize in serving special needs and/or homeless populations. 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 funding level of \$255 million, 100 percent of funds must be used for

## HOUSING TRUST FUND

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extremely low-income families or families with incomes at or below the poverty line (whichever is greater). This deep targeting ensures the priority of this program is helping those with the greatest needs.

### Funding Impact and Outcomes

Housing Trust Fund program funding of \$255 million will result in the production of an estimated 2,082 units of affordable rental housing for extremely low-income households over time and will preserve or create approximately 4,557 jobs. This investment will also leverage approximately \$2.5 billion of other private and public funds.

### Performance Indicators and Other Evidence

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

- Complete 5,000 units of affordable rental housing, and
- Leverage over \$5.2 billion of other funds for affordable housing with a leveraging ratio of \$9.6 of private or other public dollars for each Housing Trust Fund dollar invested in rental projects.

### Key Assumptions

Housing Trust Fund production estimates are based on the historical cost per unit data for completed projects since the program's inception in 2016 with average cost per unit of \$110,235.

### Stakeholders

The Housing Trust Fund is a formula-based program for States and Insular Areas to direct funds based on their specific needs to increase the supply of affordable housing for very low- and extremely low-income families.

### Operational Improvements

See the Legislative Proposals and General Provisions section below, which describes the operational improvements facilitated by several proposals requested by HUD.

### SUMMARY OF RESOURCES BY PROGRAM

(Dollars in Thousands)

Budget Activity	2023 Budget Authority	2022 Carry over Into 2023	2023 Total Resources	2023 Obligations	2024 Annualized CR	2023 Carry over Into 2024	2024 Total Resources	2025 President's Budget
Formula Grants	354,303	359,064	735,341	688,097	218,000	47,244	273,013	255,000
<b>Total</b>	<b>354,303</b>	<b>359,064</b>	<b>735,341</b>	<b>688,097</b>	<b>218,000</b>	<b>47,244</b>	<b>273,013</b>	<b>255,000</b>

a/ The 2022 Carryover into 2023 includes \$1.5 million in funds recaptured in 2023.

b/ The 2023 and 2024 Total Resources reflect net sequestration activity.

## LEGISLATIVE PROPOSALS AND GENERAL PROVISIONS

### Legislative Proposals

The 2025 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, while other projects are 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.
- Eliminate the two-year commitment requirement: A statutory provision and program regulation requires 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 a similar commitment requirement that has been suspended by Congress in annual appropriations laws beginning in 2017. The Department is requesting similar treatment with HTF. The HOME suspension results in funds being committed to projects that are ready to move forward instead of rushed projects that are just trying to meet a commitment requirement deadline. Over time this has led to fewer failed projects requiring repayment, as the grantee is able to perform due diligence in ensuring the project is ready to move forward before committing HOME funds. It also allows the funds to 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 that HTF stakeholders will be receptive to this proposal.

### General Provisions

The 2025 President's Budget re-proposes the following general provision:

Formula Grant Allocation Adjustments: This provision allows the Department to correct any past formula allocation errors as part of the next applicable formula allocation cycle. (Sec. 226)

## APPROPRIATIONS LANGUAGE

None.