

Home at Last: The Alabama Housing Trust Fund

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A home is more than just somewhere to sleep at night. It's a stable foundation from which people can work to build better lives for themselves and their families. It's a place where people can put down roots and team with their neighbors to create and maintain a supportive, thriving community. It's a sanctuary that gives children a better chance to succeed in school, confident that they won't be uprooted before they can develop and sustain relationships with teachers and friends. A home, in short, is somewhere that allows people to feel that they belong.

For tens of thousands of low-income Alabamians, a home is also an unaffordable, inaccessible dream.

Decades of stagnant earnings, combined with the rising costs of food, medicine, clothing and other essentials, have left safe, affordable housing out of financial reach for many low-income families, seniors, veterans, and people with disabilities. Despite these growing housing needs, Alabama historically has relied primarily on the federal government to define those needs and provide the resources to address them.

A state law passed in 2012 provides Alabama with greater ability and flexibility to satisfy many of its unmet housing needs. The law created a statewide **Housing Trust Fund (HTF)**, which can expand rental and homeownership opportunities for thousands of low-income Alabamians. The 2012 law, however, did not provide the funding needed for the HTF to achieve its potential. This fact sheet explores how the HTF could improve tens of thousands of lives in Alabama and how the Legislature could develop a dedicated funding stream to support those efforts.

What is the Housing Trust Fund?

The HTF supports construction, renovation and maintenance of affordable housing for Alabamians with incomes at or below 60 percent of their geographic area's median family income. (Income adjustments are made for smaller or larger families.) Nonprofit developers, cities, counties and public housing authorities can receive HTF funds through a competitive process managed by the Alabama Department of Economic and Community Affairs (ADECA). A single entity may receive no more than 15 percent of the HTF's annual allocations, and the HTF is not authorized to enter contracts with for-profit

Keywords

Alabama Housing Finance Authority (AHFA) – a public corporation created in 1980 to help low- and moderate-income Alabamians rent or buy housing.
escrow account – funds set aside and held in trust by a third party for future payment, such as for taxes or insurance or completion of a real estate purchase.
Housing Trust Fund (HTF) – a state trust fund created in 2012 to collect and distribute funds to support the construction, repair and maintenance of affordable housing for Alabamians with incomes at or below 60 percent of their area's median family income.
real estate transfer tax – a tax imposed by states, counties or municipalities on the privilege of selling, granting or transferring real estate in the jurisdiction. Alabama's primary real estate transfer tax is known as the mortgage record tax. The tax rate – 15 cents per every \$100 of the cost of the house – has not changed since 1935.

entities. An HTF advisory committee with members appointed by lawmakers, business groups and housing advocates makes recommendations to ADECA regarding the HTF.

At least half of the HTF's resources must be used to serve people with household incomes with "extremely low incomes," at or below 30 percent of the median income in their geographic area. At least 40 percent of the funds must go toward housing assistance in small cities and rural areas.

The HTF also is charged with alleviating housing shortages among seniors, veterans, homeless people, victims of domestic violence, people with disabilities or mental illnesses, and people living with HIV or AIDS. The law's other stated goals include revitalization of neighborhoods and economic growth through higher construction employment and additional tax revenues. The HTF is required to track its progress with annual performance reports and a statewide housing needs assessment every five years.

Housing supported by the HTF must meet certain requirements. All housing units must satisfy HUD's minimum housing standards and comply with design standards of the Americans with Disabilities Act. Applicants for homeownership must fulfill certain

“sweat equity” obligations and meet other requirements of Alabama Habitat for Humanity’s homeownership program. The law also requires ADECA to assess the extent to which potential HTF units are energy efficient and environmentally sustainable before funding them. Other evaluation criteria include the number of years for which rental or sales units will be kept at affordable prices, the degree to which the housing units are part of a mixed-income development, and the degree to which the housing is located near public transit, shopping, community services and other amenities.

How will the HTF fit with existing efforts?

The HTF will allow Alabama to increase housing opportunities for low-income people, but it won’t compete with existing efforts. The **Alabama Housing Finance Authority (AHFA)** has helped create thousands of rental units for low-income Alabamians by harnessing the federal Low Income Housing Tax Credit and federal HOME Investment Partnerships Program funds. The HTF does not transfer resources or responsibilities from the AHFA.

Greater flexibility will allow the HTF to meet rural housing needs that the AHFA does not. The AHFA requires projects receiving HOME funds to have a minimum of 12 units, and the authority’s practice of linking HOME funds with federal tax credits effectively means developments need to have at least 40 units to be feasible. The HTF will allow Alabama to offer housing opportunities in rural counties with smaller populations, where developments with 40 units might not be feasible but ones with four or six units would.

The HTF also will expand housing access for Alabamians with extremely low incomes. Unlike the AHFA, the HTF is required to use at least half of its funds to serve people earning 30 percent of median area family income or less. Many people at these income levels live with disabilities or serious illnesses and depend on an SSI check as their sole income. The HTF will give the state more flexibility to serve those populations by seeking funding not just for housing but also for support services like foreclosure prevention, repairs and emergency assistance.

How could the HTF help the state economy?

The HTF’s total economic impact in the first 10 years would equal \$1.1 billion, according to a study conducted at Auburn University Montgomery. The HTF also would create or rehabilitate more than 7,100

homes and create the equivalent of 6,500 full-time jobs across Alabama.

New job creation is particularly critical in Alabama’s construction industry. Since the Great Recession began, Alabama has lost nearly 30,000 construction jobs. That is a 10 percent greater loss rate than that suffered by the nation as a whole. The new construction jobs created by the HTF could help erase the recession’s lingering effects in Alabama.

How could the HTF obtain funding?

Nearly 700 housing trust funds exist in 47 states, and they rely on a wide range of funding sources. The National Housing Trust Fund, created in 2008, could support numerous state-level housing activities if Congress appropriates funding for it. Most states also fund their own HTFs. Some state trust funds depend on annual legislative appropriations, but many of the most effective ones have a dedicated revenue source, according to the Center for Community Change. In many states, that source is the **real estate transfer tax**. The primary real estate transfer tax in Alabama is known as the mortgage record tax.

Alabama has not increased its mortgage record tax since 1935. Legislation introduced in 2015 would have increased the mortgage record tax from 15 cents per \$100 of the cost of the house to 30 cents per \$100 of the cost. Some of the additional money raised would have been dedicated to the HTF. The bill did not pass but is expected to return in the future.

Other funding options are possible as well. Some states fund housing activities through unclaimed property funds or with interest earnings on **escrow accounts**. The HTF law does not specify a particular revenue source, so state lawmakers have wide discretion on future funding sources.

Alabama has plenty of unmet needs for the HTF to address. The state lacks almost 90,000 affordable and available homes for residents with extremely low incomes, the National Low Income Housing Coalition estimates. The HTF stands to play a crucial role in coming years in reducing the state’s housing shortfall and helping thousands of Alabamians feel like they’re home at last.

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