

Stable Foundation: A Housing Trust Fund for Alabama

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The evening news seems to paint a bleaker picture each day of the nation's housing crisis: increasing foreclosures, declining home values, escalating rents, increasingly stringent requirements for mortgages. But for many Alabamians, the struggle for a decent place to live is nothing new.

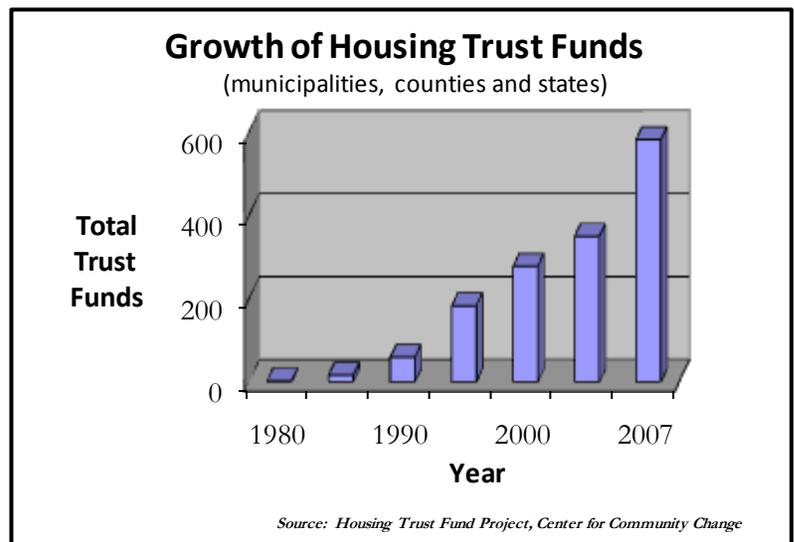
The Department of Housing and Urban Development (HUD) considers housing affordable if it consumes no more than 30 percent of a household's income. In today's economy, fewer than 60 percent of Alabama's renters could find housing within that range. An estimated 48 percent of Alabama's renters lack sufficient income to afford a modest, two-bedroom apartment in our state. Persons with disabilities – who earn, on average, only 70 percent of what workers with no disabilities earn – face unique challenges in securing affordable housing that is adapted to their needs. For too long, our state leaders have failed to adopt strong housing policies, relying primarily on the federal government to define needs and provide the resources to address them.

When the Alabama House of Representatives' Poverty Task Force issued its final report in February 2008, included among the recommendations was creation of an "Affordable Housing Trust Fund Task Force charged with developing a comprehensive recommendation to the Legislature on a housing trust fund prior to its 2009 Session." Housing advocates across the state breathed a sigh of relief when, on the final legislative day of the 2008 Regular Session, House Joint Resolution 183 was approved. HJR 183, sponsored by Rep. Laura Hall (D-Huntsville) and Rep. Patricia Todd (D-Birmingham), established the Interim Alabama Housing Trust Fund Task Force.

The Task Force consists of 20 members representing elected officials, housing advocates, developers, bankers, realtors and governmental agencies. As they begin their efforts, we might ask: What is a housing trust fund, and is that an appropriate tool to address the need for affordable housing in our state?

A housing trust fund is a distinct fund established by a governmental entity that provides sources of revenue to support affordable housing. Although some trust funds depend upon annual appropriations, those that are viewed as most effective have a dedicated

revenue source – one that is available exclusively for the purposes of the trust fund and not subject to a periodic appropriations process. Over the last 30 years, this model has proven to be an effective method of increasing the availability of affordable housing for low-income groups. According to the Center for Community Change, there are now 38 state housing trust funds, and more than 550 city and county housing trust funds.



Recognized as a sustainable and significant model of generating consistent and reliable funds for housing needs, trust funds have spread dramatically in recent years and today provide more than \$1.6 billion to help address critical housing needs each year.

Housing trust funds traditionally support a wide range of activities, including construction, rehabilitation and preservation of low-income housing; independent adaptive housing for people with disabilities; and permanently supportive housing for people with severe challenges. Transitional housing, down payment assistance, emergency rental assistance and weatherization are other commonly funded activities.

Virtually all trust funds define specific income limitations for eligibility to receive public dollars. The requirements range from serving the homeless population to serving households with no more than 30 percent of the area's median income, to a high of households with no more than 140 percent of area median income. A common practice among state trust funds is to set aside a portion of the funds to serve specific low-income populations.

The vast majority of state housing trust funds rely on dedicated sources of public funds, commonly referred to as earmarked revenues. States have used a variety of funding sources to provide revenues to trust funds – the most common source is a *real estate transfer tax*. But states have been creative in defining revenues for trust funds, relying on interest earnings from *escrow accounts*, *unclaimed property funds*, recording fees or general fund revenues.

Many state housing trust funds are administered by a state housing finance agency, comparable to the *Alabama Housing Finance Authority (AHFA)*. Others are administered by state departments that oversee housing, economic and community development activities in the state, as the Alabama Department of Economic and Community Affairs (ADECA) does. Often a broadly representative board oversees the operation of the housing trust fund and advise on its activities. Most states allow trust fund monies to be used for administrative costs but frequently cap those costs to ensure that a significant majority of available revenues go toward the primary mission of providing affordable housing.

The massive housing bill that Congress passed this past summer included the creation of an Affordable Housing Trust Fund. The most important features of the national trust fund are: It's a permanent program with a dedicated source of funding not subject to an annual appropriation; at least 90 percent must be used for rental housing programs; at least 75 percent of the funds for rental housing must go to extremely-low-income households (those with 30 percent or less of the area median income); and all funds must benefit very-low-income households (those with 50 percent or less of the area median income). While earmarked revenues are initially directed toward efforts to resolve the nation's current mortgage crisis, by FY2012 at least \$300 million will be available for distribution to state housing programs.

With the creation of a national trust fund, some may argue that Alabama should follow its normal course and continue to rely on federal funds to address housing needs for low-income residents. The national trust fund is not designed to address all needs for low-income housing within the states but to supplement state funds.

Most states have long recognized the importance of helping to provide safe and affordable housing. Alabama has made only two significant forays into public housing policy in the last 30 years: the creation of the AHFA in 1980 and the enactment of a measure

promoted by Alabama Arise in 1991 that explicitly establishes affordable housing as a matter of public interest and authorizes the expenditure of public funds by counties and municipalities to provide housing for low- and moderate-income people.

The AHFA, a public corporation, has been effective in creating thousands of low-income rental housing units across the state and in providing home ownership opportunities for low- and moderate-income families. The AHFA, however, receives no state funds and is dependent upon program revenues to meet administrative and programmatic costs. The 1991 “public interest” measure similarly provides no state funding for affordable housing programs; rather, it merely provides the authority for counties and municipalities to do so. Many local governmental entities lack the financial resources such efforts require, and the need for state assistance to address this problem is apparent across Alabama.

The Interim Task Force has a challenging responsibility. In the coming months, it will be evaluating trust funds across the country and considering the best model for ensuring safe, affordable and appropriate housing for vulnerable Alabamians. There are many questions to be resolved: How will a trust fund be administered? How will we pay for it? Whom will it serve? Other Southeastern states are moving to create or permanently fund housing trust funds. Louisiana, Mississippi and Arkansas all anticipate legislation on this issue in their 2009 legislative sessions. Advocates hope that the Alabama task force will craft a proposal that works for Alabama, and one that the Legislature will embrace.

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 – in real estate, funds set aside and held in trust by a third party for future payment, as for taxes or insurance or completion of a purchase.

quasi-governmental corporation – an entity created by governmental action but separate from the government.

real estate transfer tax – a tax imposed by states, counties or municipalities on the privilege of selling, granting or transferring real property within the jurisdiction. Alabama's real estate transfer tax is the deed record tax.

unclaimed property funds – assets turned over to the Secretary of State's office by businesses unable to locate the rightful owner.

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