

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. The deadly tornadoes that swept across the state in April 2011 displaced thousands more from their homes. But 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 new state law will provide Alabama with greater ability and flexibility to satisfy many of its unmet housing needs. Gov. Robert Bentley in May 2012 signed legislation to create a statewide **Housing Trust Fund (HTF)**, which is set to expand rental and home-ownership opportunities for thousands of low-income Alabamians. Bentley's signature came on the heels of overwhelming support in both the House (82-0) and Senate (24-2). The measure – HB 110, sponsored by Rep. Patricia Todd, D-Birmingham – did not provide funding for the HTF, but it will enable lawmakers to appropriate money to the fund in the future when the state's financial situation is rosier. This fact sheet will examine how the HTF will enhance Alabama's efforts to promote affordable housing and how the fund could obtain resources with which to meet those needs.

What is the Housing Trust Fund?

The HTF is a flexible funding source for a range of work to create and maintain affordable housing in Alabama. 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. (Adjustments are made for

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.
national mortgage settlement – a 2012 national legal settlement of allegations that banks handled mortgages fraudulently and improperly.
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 real estate transfer tax is known as 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.

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). An 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 entities. ADECA, which will oversee the HTF and draft the criteria for determining how funds are distributed, may receive up to 10 percent of the fund's annual deposits to reimburse administrative costs. ADECA will get recommendations from an HTF advisory committee with members appointed by lawmakers, business groups and low-income housing advocates.

Much of the HTF is targeted toward specific populations. At least half of the HTF's resources must be used to serve people with household incomes at or below 30 percent of their area's median family income. The Department of Housing and Urban Development (HUD) considers people who live below that threshold to have "extremely low incomes." 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 blighted neighborhoods and economic growth through higher construction employment and additional tax revenues. The HTF is required to track its progress with an annual performance report 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 state's most notable previous venture into public housing policy was the creation of the **Alabama Housing Finance Authority (AHFA)** in 1980. For more than 30 years, the 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. State law also allows cities and counties to fund affordable housing efforts. The HTF law does not transfer any resources or responsibilities from the AHFA or local programs, which receive no dedicated state funding.

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. Those requirements leave AHFA's HOME program unable to support developments in rural areas with populations too small to sustain developments of that size. The HTF will allow Alabama to offer housing

opportunities in rural counties where developments with 40 units might not be feasible but ones with four or six units would be.

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 low 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 federal funding not just for housing but also for support services like foreclosure prevention, repairs and emergency assistance.

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 provide funding for their own HTFs. Some state trust funds depend on annual 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**, known as the deed record tax in Alabama. (Alabama has not increased its deed record tax since 1935.) Other states fund housing activities through **unclaimed property funds** or with interest earnings on **escrow accounts**. Another option to jumpstart Alabama's HTF would be to commit to it a portion of the state's \$25.3 million share of the 2012 **national mortgage settlement**. The HTF law does not specify a particular revenue source, so state lawmakers have wide discretion on future funding.

Whatever the eventual funding source, 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. That figure does not include the devastation of the April 2011 tornadoes, which destroyed 5,800 homes and left another 7,300 with major damage, according to the Low Income Housing Coalition of Alabama. The HTF stands to play a crucial role in coming years in reducing that housing shortfall and helping thousands of Alabamians feel like they're home at last.

This fact sheet was prepared by policy analyst Chris Sanders. It may be reproduced with acknowledgment of Arise Citizens' Policy Project, Box 1188, Montgomery, AL 36101; (800) 832-9060; arisecitizens.org.