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An Affordable Housing Fee in the Context of GSE Reform

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RESEARCH

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INTRODUCTION

Among the many stumbling blocks to achieving bipartisan housing finance reform are deep-seated differences in lawmakers' views on the role of government-sponsored enterprises (GSEs), or their potential successors, in affordable housing. Lack of bipartisan consensus on access and affordability issues helped derail legislative reform efforts in 2013 and 2014 and remain a considerable hurdle for the most recent effort. Disagreements are based partly on differing perspectives on the role of government in housing, but also on divisions over whether affordable housing resources raised in the secondary market can be responsibly and effectively deployed to expand the affordable housing supply or will lead to an undesirable and inefficient distortion of housing markets. Under this latter view, it would be better to subsidize affordable housing directly by providing help to families through programs such as the Housing Choice Program and by reforming zoning laws that harm low-income families and worsen inequality.[1] A further concern is that transfers of taxpayer dollars into affordable housing trust funds might end up being used for partisan political purposes.

In this paper, we begin a series that moves away from the philosophical debate over how and how much to support affordable housing, and focuses instead on the effectiveness of the measures we have in place today. Our sense is that increased understanding of current GSE efforts related to affordable housing can usefully inform the broader debate regarding future reforms.

From the very beginning, in exchange for their favored status, Congress required Fannie Mae and Freddie Mac to promote access to mortgage credit "throughout the nation, including central cities, rural areas, and underserved areas," even if doing so involved earning "a reasonable economic return that may be less than the return earned on other activities."[2] Over time, and through

[1] Chang-Tai Hsieh and Enrico Moretti, "Housing Constraints and Spatial Misallocation," May 18, 2017.

[2] Michael A. Stegman, "A Framework for Improving Access and Affordability in a Reformed Housing Finance System," the Bipartisan Policy Center, May 2017.

successive charter amendments, legislation, and regulatory actions, the GSEs' historical mandate evolved into a triad of affordable housing and credit access requirements:

1. Meeting annual affordable-mortgage purchase goals set by the regulator

2. Paying an assessment on each dollar of new business to help capitalize two different affordable housing funds administered by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Treasury

3. Executing mandatory underserved market plans to increase liquidity in market segments heretofore underserved by the GSEs and by primary lenders, defined by both geography and housing types

The affordable housing goals have the longest history, having been instituted through legislation in 1992 because the GSEs were generally seen to be falling short in serving creditworthy low- to moderate-income (LMI) households living in low-income and high-minority communities. The two other requirements are of more recent vintage. Enacted in 2008 as part of the Housing and Economic Recovery Act (HERA), an affordable housing assessment was levied and collected from the GSEs for the first time in 2015 with proceeds flowing the following fiscal year and each year thereafter into HUD's Housing Trust Fund (HTF) and the Treasury's Capital Magnet Fund (CMF). The annual assessment is projected to raise $2.8 billion for affordable housing over the next 10 years.[3] HERA also established a statutory duty to serve a requirement aimed at certain aspects of housing including rural housing, manufactured housing, and housing preservation. The Federal Housing Finance Agency (FHFA) finalized rules for the program in 2016. The GSEs' three-year strategic plans for underserved markets were ordered by the FHFA under the oversight of Director Mel Watt. The inaugural plans are now in place with implementation having begun in January 2018.[4]

[3] Meghan Milloy, "The Housing Trust Fund is No More in Trump's Budget." Insight, American Action Forum, May 24, 2017, https://www.americanactionforum.org/insight/housing-trust-fund-no-trumps-budget/.

[4] Fannie Mae, "Introduction of the Duty to Serve Underserved Markets Plan for the Manufactured Housing, Affordable Housing Preservation, and Rural Housing Markets," January 1, 2018; Freddie Mac, "Duty to Serve Underserved Markets Plan," 2018-20.

Taken together, these three requirements are intended to ensure that a broad range of creditworthy borrowers have access to mortgage credit supported by government guarantees, including rural locations that are often seen as harder and costlier to serve, and specified market segments such as manufactured housing and preservation. The requirements further direct taxpayer resources to preserve and expand the supply of housing through the two trust funds. The funds generated by the assessments on Fannie and Freddie can be seen as taxpayer resources in the sense that the monies involved would otherwise accrue to the Treasury under the GSE net profit sweep.

We begin our series by examining Congress' 2008 decision to assign a portion of revenues from Fannie Mae and Freddie Mac as a dedicated affordable housing funding source for three reasons. First, because a similar fee was involved in the Johnson-Crapo GSE legislation and included in the recent Senate Banking Committee draft GSE reform bill, making it important to understand how well or poorly the current assessment is working. Second, with the current GSE affordability regime having become the standard by which proposed affordability measures are gauged, it is important to marshal as much data as possible on whether and how effectively the HTF and CMF are expanding the supply of affordable housing. Finally, in considering the merits of an affordable housing assessment, it is important to distinguish between support for affordable housing and issues relating to the financial condition of the GSEs. There is an ongoing policy discussion regarding whether or not the affordable housing funds should be assessed and allocated while the GSEs are in conservatorship and during periods when they draw on capital from the Treasury. We explain that issue but do not seek to resolve it—we focus instead on the uses of the GSE revenues to build and preserve affordable housing.

THE AFFORDABLE HOUSING FEE

Under HERA, "the GSEs must set aside 4.2 basis points of each dollar of unpaid principal balance of its total new business purchases (equivalent to 4.2 cents for every $100) and then allocate those reserved funds following each fiscal year, HTF receiving 65 percent and the CMF receiving 35 percent."[5] The law prohibits the GSEs from passing along the cost of the assessment to borrowers in the form of higher guarantee fees or other charges, though of course the impacts can be obscured within the calculation of insurance premiums.[6] The president's 2018 budget proposal would eliminate HTF and CMF funding, though Congress has not acted on this proposal.[7]

HERA establishes three conditions under which the GSEs' regulator must suspend contributions to the HTF and CMF:

1. If contributions are contributing, or would contribute to, a GSE's financial instability

2. If contributions are causing, or would cause, a GSE to be classified as undercapitalized

3. If contributions are preventing, or would prevent, a GSE from successfully completing a capital restoration plan.[8]

Shortly after HERA was enacted and the GSEs were placed into conservatorship by the FHFA, which the law also designated as their conservator, the affordable housing assessment was suspended based on the poor financial state of the GSEs and the regulator's interpretation of the above requirements. No affordable housing assessments were levied on the GSEs until new leadership at FHFA reversed the suspension in 2014, with initial collection in January 2015, and the first allocations made to the HTF and CMF the following year. The rationale for lifting the suspension was based

[5] Andy Winkler, "The Housing Trust Fund and Capital Magnet Fund: A Primer." Research, American Action Forum, February 24, 2015, https://www.americanactionforum.org/print/?url=https://www.americanactionforum.org/research/the-housing-trust-fund-and-capital-magnet-fund-a-primer/.

[6] Federal Housing Finance Agency, HUD Housing Trust Fund Final Rule (March 26, 2015), http://federalregister.gov/a/2015-06724.

[7] Meghan Milloy, "The Housing Trust Fund is No More in Trump's Budget." Insight, American Action Forum, May 24, 2017, https://www.americanactionforum.org/insight/housing-trust-fund-no-trumps-budget/.

[8] "The Housing Trust Fund: Background and Issues," May 24, 2018, EveryCRSReport.com, https://www.everycrsreport.com/reports/R40781.html#_Toc452047677.

on the GSEs' profitability. As a matter of policy, however, the FHFA made clear that "Fannie Mae and Freddie Mac will not be required to make contributions in any year during which they draw funds under the agreements they have in place with Treasury, or if the contributions would cause them to make such a draw."[9]

Partisan rancor intensified at the end of 2017 when the FHFA decided not to suspend the assessment after the GSEs were required to take multibillion dollar draws from Treasury due to write-downs of their deferred tax assets resulting from tax reform legislation. Director Watt decided that allowing the fee to continue despite the draw was consistent with his pledge because he did "not consider this one-time event to relate to any financial instability on the part of the Enterprise[s] either now or in the future."[10] The Chairman of the House Financial Services Committee captured the frustration of many conservatives with the FHFA's "continued insistence to siphon taxpayer dollars to prop up payments to the HTF that the GSEs cannot afford to make."[11]

The relevance of this controversy for future reform efforts is that legislators should consider the stability of funding for a potential bipartisan compromise over access and affordability. Indeed, if support for affordable housing is important (both for its own sake and as part of housing finance reform), which we believe it is, then funding for this purpose should be stable and transparent.

CONTROVERSY OVER USES OF THE AFFORDABLE HOUSING FEE

Concerns over the affordable housing fee reflect three arguments:

1. **Off-Budget.** By design, affordable housing funds raised through the GSE assessment are intended to supplement existing program resources, but in doing so they are seen by some as circumventing the regular congressional appropriations and oversight process.[12]

[9] "The Housing Trust Fund: Background and Issues," May 24, 2018, EveryCRSReport.com, https://www.everycrsreport.com/reports/R40781.html#_Toc452047677.

[10] Letter from Federal Housing Finance Agency Office of the Director to President and Chief Executive Officer Federal National Mortgage Association Mr. Timothy Mayopoulos, February 7, 2018.

[11] Dave Kovaleski, "Rep. Hensarling criticizes Fannie Mae's $3.7 billion request for funds from Treasury," Financial Regulation News, February 16, 2018, https://financialregnews.com/rep-hensarling-criticizes-fannie-maes-3-7-billion-request-funds-treasury/.

[12] Andy Winkler, "The Housing Trust Fund and Capital Magnet Fund: A Primer." Research, American Action Forum, February 24, 2015, https://www.americanactionforum.org/print/?url=https://www.americanactionforum.org/research/the-housing-trust-fund-and-capital-magnet-fund-a-primer/.

At the same time, there is a logic to (effectively) taxing mortgages that benefit from the government guarantee to subsidize affordable housing—this approach was taken in the bills developed by Senators Corker and Warner and Senators Crapo and Johnson.

Supporters argue that appropriations for affordable housing have historically fallen way behind demonstrated need and lawmakers knowingly and with explicit intent developed an off-budget source of affordable housing resources to supplement inadequate federally appropriated program funding. Supporters further note that fee revenues are allocated to specific programs administered by executive agencies subject to congressional oversight and examination by independent inspectors general and the General Accountability Office (GAO).

While we would prefer that support for affordable housing be funded in a straightforward way (through "regular order" in the vernacular of Congress), off-budget transactions are by no means an anomaly in the federal budget system and, in the grand scheme of things, this is a relatively small example. While the 4.2 basis point assessment raised about $310 million in the fiscal year of 2017, this represents less than one twenty-fifth of 1 percent of the more than $855 billion in off-budget receipts in fiscal year 2017.[13] Viewed another way, over the coming 10-year federal budget window, the GSEs' affordable housing assessment is projected to generate a total of $2.8 billion for affordable housing, which will account for less than one-half of 1 percent of projected HUD outlays of more than $545 billion over the coming decade.[14]

2. **Ineffective Programs.** A further budget-related concern is that the assessment that supports HTF and CMF programs are duplicative of a complex array of existing federal programs that have "raised doubts about the costs, effectiveness, and efficiency by which the federal government boosts housing affordability.

[13] Office of Management and Budget. n.d. An American Budget: Analytical Perspectives. U.S. Government Publishing Office. https://www.gpo.gov/fdsys/pkg/BUDGET-2019-PER/pdf/BUDGET-2019-PER.pdf.

[14] Ibid.

It has been argued that the "HTF adds further complexity without reforming existing programs that work to accomplish similar aims, such as the HOME Investment Partnerships Program and the LIHTC."[15]

This is a key issue—federal programs to support affordable housing should be effective, regardless of the funding source, which we address more fully below.

3. **Political Slush Funds**. A final (and more ideological) concern regarding the affordable housing fee is that resources allocated to the HTF "have enriched politically connected groups at taxpayers' expense, and ultimately expand the government's harmful interference in housing markets across the U.S."[16] This critique has roots in a decade-old partisan fight over federal community development funding support of the nonprofit Association of Community Organizations for Reform Now (ACORN) over its voter registration programs. Indeed, at the time of HERA's enactment, a concern on the right was that the affordable housing fees amounted to "ACORN slush funds." Congress blocked further federal funding of ACORN in 2009 with the result that the organization, starved of its financial lifeline, was disbanded. Memory of the controversy lives on, however, including in the 2,000-plus page omnibus bill enacted to fund the federal government at the end of 2017 which prohibits federal funds from being spent to support ACORN.[17]

The purpose of this paper is to go beyond these concerns by analyzing the actual use or impact of the proceeds of the affordable housing fee. We begin the data-building process below.

WHAT WE KNOW ABOUT HOW THE HOUSING TRUST FUND AND CAPITAL MAGNET FUND WORK

Political and policy disputes surrounding uses of affordable housing fees from the GSE assessment are disproportionately aimed at the HTF, presumably because these allocations are overseen by HUD

[15] Andy Winkler, "The Housing Trust Fund and Capital Magnet Fund: A Primer." Research, American Action Forum, February 24, 2015, https://www.americanactionforum.org/print/?url=https://www.americanactionforum.org/research/the-housing-trust-fund-and-capital-magnet-fund-a-primer/.

[16] Ligon, John, and Norbert Michel. "Private Capital, Not Crony Government Housing Trust Funds, Should Finance Housing Markets." The Daily Signal. December 27, 2017. https://www.dailysignal.com/2017/12/27/private-capital-not-crony-government-housing-trust-funds-finance-housing-markets/.

[17] Delaney, Arthur, and Zach Carter. "Congress Once Again Defunds Nonexistent Group." Huffington Post. March 22, 2018. https://www.huffingtonpost.com/entry/congress-once-again-set-to-defund-nonexistent-group_us_5ab3ec42e4b008c9e5f54a5a.

—the same agency that funded some of the activities of ACORN. Also, while CMFs are competitively awarded by the Community Development Financial Institution Fund (CDFI under direct Treasury oversight, HTF funds are allocated through a formula to the 50 states plus the District of Columbia and Puerto Rico, which makes monitoring and oversight more challenging. In this section, we summarize program requirements for each program, and what is currently known about how these affordable housing resources are being put to work. While it is still too early to have definitive analyses of the role that these two funding sources play in the production and preservation of affordable housing, there is sufficient information available for an initial evaluation.

CAPITAL MAGNET FUND

Through the CMF, the CDFI Fund provides competitively awarded grants to CDFIs and qualified nonprofit housing organizations to finance affordable housing, related economic development activities, and community services facilities. Awardees can utilize funds to create financing tools such as loan loss reserves, revolving loan funds, risk-sharing loans, and loan guarantees.[18] By regulation, organizations that receive CMF awards are required to produce housing and community development investments at least 10 times the size of the award amount. An interim assessment of the one-time CMF $80 million appropriation in fiscal year 2010 found that by 2012, awardees had disbursed 78 percent of available funds with 84 percent of the projects either completed or partially completed, including almost 7,000 affordable housing units for the elderly, disabled, homeless, veterans, and other high-need households.[19] The government subsidy thus can be calculated as about $11,000 per unit.[20]

With first-time funding from the 2016 inaugural GSE affordable assessment, the CMF awarded 32 organizations more than $91 million to help finance more than 17,000 affordable units, which altogether are estimated to involve over $900 million in other public and private investments.[21]

[18] "Capital Magnet Fund." CDFI Fund. https://www.cdfifund.gov/programs-training/Programs/cmf/Pages/default.aspx.

[19] "Creating Affordable Homes for America." CDFI Fund. https://www.cdfifund.gov/Documents/CMF_Impact_Assessment.pdf.

[20] Ibid.

[21] "Introduction to Capital Magnet Fund." CDFI Fund. May 22, 2017. https://www.cdfifund.gov/Documents/Module 1 - Introduction to Capital Magnet Fund.pdf.

THE HOUSING TRUST FUND

In contrast to CMF where funds are allocated through a grant competition, by statute, HTF resources are allocated as an entitlement by formula among the 50 states, the District of Columbia and Puerto Rico, predominantly to state housing finance agencies, based upon the following needs-based factors:[22]

1. The ratio of the shortage of standard rental units affordable and available to extremely low-income renter households in a given state to the aggregate shortage of such rental units in all states (this factor is given "priority emphasis")

2. The ratio of the shortage of standard rental units affordable and available to very low-income renter households in a given state to the aggregate shortage of such rental units in all states

3. The ratio of extremely low-income renter households living with incomplete kitchen or plumbing facilities, more than one person per room, or spending more than 50 percent of income on housing costs in a given state to the aggregate number of such households in all states

4. The ratio of very low-income renter households spending more than 50 percent of income on rent in a given state to the aggregate number of such households in all states

States must use their grant amounts to support rental housing, although they can use up to 10 percent of total allocations to assist certain first-time homebuyers. Funds can be used to provide a variety of different types of assistance including grants, equity investments, and interest-bearing or non-interest-bearing loans.[23]

[22] "Suspension and Resumption of GSE Contributions to the HTF." Every CRS Report. May 24, 2016. https://www.everycrsreport.com/reports/R40781.html#_Toc452047677.

[23] Ibid.

Eligible activities include the full panoply of development and preservation costs including real property acquisition, site improvements and development hard and soft costs, financing costs, demolition, and relocation assistance. Eligible forms of assistance include equity investments, interest-bearing loans or advances, interest subsidies, and operating cost assistance for rental housing.[24]

[24] "About Housing Trust Fund." Housing and Urban Development Exchange. https://www.hudexchange.info/programs/htf/about/.

GSE affordable housing fee assessments have supported just two HTF funding rounds so far ($174 million in 2016 and $219 million in 2017), so it is too soon to fully document how funding recipients are deploying their HTF allocations. However, thanks to the nonprofit National Low Income Housing Coalition (NLIHC), which is creating a comprehensive database through time-consuming state-by-state contacts and calls and data collection, we are able to provide an early point-in-time status report and some project-specific information.

As of mid-April 2018, NLIHC states that 35 states have reported supporting 109 affordable housing projects with 2016 allocations containing more than 1,100 HTF-assisted units (See Table 1 for partial information). These units are being targeted to a wide variety of high-need households, including 37 projects for the homeless containing 373 HTF-assisted units in 16 states, 39 projects for disabled households containing 305 HTF-assisted units in 18 states, 22 projects for the elderly containing 194 HTF-assisted units in 17 states, seven re-entry projects for returning prisoners containing 46 HTF-assisted units in four states, and seven projects for veterans, containing 68 HTF-assisted units in six states. Note that the use of HTF funding within a given project allows those units to have even lower rents than would otherwise be charged, thereby making them affordable to households with incomes at or below 30 percent of area median income (AMI).

The flexibility of HTF funding can be illustrated through four project-specific case studies shown in Table 2. The table illustrates both the flexibility of HTF funding in helping to expand affordability in a variety of housing types targeted to a wide range of needy households and a reality of affordable housing production—the larger the project and the deeper the income targeting, the greater the likelihood of multiple funding sources. For smaller developments like the one in Austin, TX (the first example project in the table), HTF resources subsidize rents for 12 of the 29 units down to levels that are affordable for families with extremely low incomes, contributing about one-third of total development cost. In the Iowa City project that will provide permanent supportive housing for extremely low-income chronically homeless individuals, all 24 units are for HTF-eligible households with HTF accounting for almost 90 percent of total development costs. For projects in higher cost areas such as McHenry County, IL, just outside Chicago (the third example in the table), HTF also provides a majority of project financing for the 25-unit development, with all units targeted to HTF-eligible households. Finally, for project four in Brattleboro, VT, four of the 22 units are targeted to HTF-eligible households, with HTF resources contributing 14 percent to total development costs.

A complete analysis of the HTF requires a longer time period in which more projects are completed and the impacts can be evaluated. It will be important to assess the efficiency of these projects in financial terms—to ensure that public resources are used effectively either in generating additional affordable housing units as compared to the number that would have been developed without HTF funds, or in improving affordability beyond what other financing sources are able to do. In doing so, however, it is important to recognize the necessity of layered financing in affordable housing production because no single source of subsidy is sufficiently available to fully fund any community’s needs (which highlights the importance of looking at impediments to supply such as zoning restrictions).

Thus, by virtue of program-specific targeting limitations and resource constraints, a measure of inefficiency is inherently built into our affordable housing finance system—but this situation is not the responsibility of the HTF. That said, a detailed assessment along the lines of a forensic accounting review would be useful to examine financial flows within projects. The experience of the Hardest Hit Fund (HHF) is a cautionary tale with reports from the Troubled Asset Relief Program (TARP) inspector general indicating that funds were misused by some state housing finance agencies. The overriding goal remains to ensure the most effective use of funds for affordable housing activities, recognizing the reality that the available resources are modest relative to the scope of the challenge involved with affordable housing policy.

CONCLUSIONS

The purpose of this brief is to explain the origin and history of the GSE affordable housing assessment, summarize some common concerns, and bring together preliminary data on its use to date. The unifying objective is to provide a framework to have an informed discussion about its uses to support affordable housing today, and possibly, in a future reformed system.

As we noted earlier, it is important to separate disagreements over the conditions under which the fee should be assessed and suspended while the GSEs remain in conservatorship from those involving the uses of the fee in practice. The distinction is important because legislative reform presumably would terminate the conservatorships and utilize a similar revenue source for well-capitalized GSEs or successor entities in a reformed system.

The goal is for resources generated as part of housing finance reform to provide incremental support to a federal housing assistance system which, today, barely serves one in four eligible households. Success will be achieved when targeted resources reduce the occupancy costs of assisted housing developments below otherwise-required rent levels, improving the supply of housing that is affordable for those nearer to the bottom of the income distribution, which is consistent with the limited available CMF and HTF program data to date.

APPENDIX

Table 1. States That Have Made 2016 National Housing Trust Fund (NHTF) Awards
(As of Mid-April 2018)

State	Number of Projects	Number of NHTF Units
Arizona	1	30
Colorado	3	16
Florida	3	24
Hawaii partial (Kauai)	1	5
Idaho	2	9
Illinois	1	25
Indiana	4	53
Iowa	1	24
Kentucky	Awarded funds	
Kansas	7	27
Louisiana	5	16
Maine	4	27
Massachusetts	7	88
Minnesota	1	16
Mississippi	4	108
Nebraska	1	4
Nevada	1	20

State	Number of Projects	Number of NHTF Units
New Hampshire	2	27
New Jersey	6	20
North Carolina	4	65
North Dakota	3	47
Ohio	7	144
Oklahoma	4	40
Pennsylvania	2	8*
Rhode Island	1	30**
South Carolina	1	6
South Dakota	6	25
Tennessee	4	75
Texas	4	50
Utah	3	39
Vermont	7	17
Virginia	5	36
Washington	2	
West Virginia	1	7
Wyoming	1	11

**PA recently awarded remaining 2016 funds along with 2017 funds. NLIHC is asking state to decide which project(s) to assign to 2016 for purpose of this summary.*

***RI awarded 2016 and 2017 NHTF allocation at same time. State prefers to not designate one project as "2016" or "2017". For the purpose of this 2016 Summary, NLIHC is only reporting the Crossroads project in the 2016 summary because it utilizes $2.5 million in NHTF (virtually the entire 2016 allocation).*

Source: The National Low Income Housing Coalition

APPENDIX

Table 2a. HTF Project Case Studies
Project No. 1
Austin, TX

Works at Pleasant Valley Phase II

Total Number of Units = 29 **Number of NHTF Units = 12** 23 units at 50 percent area median income (AMI)	**Target Population** Formerly homeless youth and families Pregnant and parenting youth Youth existing in foster care

Features

- New Construction
- Property is adjacent to Phase I (45 units) and Youth and Family Resource Center that provides GED, counseling, and employment programs.

Funding Information		Voucher Information
NHTF	$1,500,000	Section 811 Project-based Rental Assistance Program (PRA)
HOME (Austin, AHFC)	$1,000,000	
Low-Income Housing Tax Credit (LIHTC)	0	
Austin Housing Finance Corp. (AHFC)	$416,600	
AHFC Housing Trust Fund	$393,400	
Lifeworks (Developer)	$314,674	
Total Development Cost	**$4,470,939**	

Source: NLIHC

Table 2b. HTF Project Case Studies
Project No. 2
Iowa City, IA

Cross Park Place

Total Number of Units = 24 **Number of NHTF Units = 24** All are one-bedroom units	**Target Population** Individuals who are chronically homeless

Features

- New Construction

Funding Information		**Voucher Information**
NHTF	$2,700,000	Iowa City Housing Authority committing Section 8 through a special admissions program: if chronically homeless, go to top of waiting list to fill vacancies. Targeted to "frequent users" of services
HOME	0	
LIHTC	0	
Community Development Block Grant (CDBG) (Iowa City)	$25,000	
Johnson County HTF	$463,000	
Architect/Engineer free services	$250,000	
Total Development Cost	**$3,438,000**	

Source: NLIHC

Table 2c. HTF Project Case Studies
Project No. 3
McHenry County, IL

Pearl Street Commons

Total Number of Units = 25 **Number of NHTF Units = 25** 22 one-bedroom and three two-bedroom units	**Target Population** Veterans People with disabilities

Features

- New Construction
- Applicants didn't apply specifically for NHTF. Instead, they applied for the Permanent Supportive Housing Program. Then, Illinois Housing Development Authority (IHDA) staff approved funding based on eligibility for NHTF. That program is designed for smaller projects that are not conducive to LIHTC competition.
- Located in downtown McHenry, walkable, and close to public transit.
- Two service organizations that serve veterans or people with disabilities will make referrals and provide services.
- The developer, Full Circle, dedicates a portion of developer fee and ongoing annual cash flow to provide services for residents.
- One hundred percent accessible or adaptable and will be certified by Enterprise Green and Energy Star.
- Construction began December 2017, expected to be ready for occupation December 2018 or January 2019.

Funding Information		**Voucher Information**
NHTF	$3,879,049	All units covered by rental assistance, either 811 or PHA vouche
HOME (McHenry County)	$250,000	
LIHTC	0	
Illinois HTF	$2,813,173	
Other	0	
Total Development Cost	**$6,942,222**	

Source: NLIHC

Table 2d. HTF Project Case Studies
Project No. 4
Brattleboro, VT

Great River Terrace (Lamplighter Inn Motel)

Total Number of Units = 22 **Number of NHTF Units = 4** Nine units will serve those with income less than 30 percent of the AMI 12 units will serve those with income less than 50 percent AMI but greater than 30 percent AMI	**Target Population** Individuals who are chronically homeless

Features

- Renovation
- The Lamplighter Inn was an extended-stay motel. The motel's 24 rooms are to be gutted to create 22 micro-apartments with complete bathroom and kitchen facilities.
- A community center will be built, including a meeting room, laundry facility, and two offices for supportive services.
- Groundworks and Health Care & Rehabilitation Services will provide services for all residents including substance abuse and mental health counseling and job search and life-skills training.
- Windham & Windsor Housing Trust is the developer.
- Construction is slated to finish June 2018.

Funding Information		**Voucher Information**
NHTF	$642,460	Seven project-based vouchers were available and the project is seeking four more
HOME	$458,000	
LIHTC	$1,423,000	
CDBG	$425,000	
AHP	$650,000	
Vermont Housing and Conservation Board	$460,000	
Vermont tax credit equity	$297,160	
NeighborWorks loan	$160,000	
Efficiency Vermont	$52,800	
WRPC Solar Fund	$28,023	
Deferred developer fee	$25,000	
Total Development Cost	**$4,621,643**	

Source: NLIHC

ABOUT US

ABOUT THE AUTHORS

Dr. Michael A. Stegman is a senior fellow at the Milken Institute Center for Financial Markets, where he focuses on housing finance reform and affordable housing. From 2015 to 2016, Stegman served as senior policy advisor for housing on the staff at the National Economic Council, following three and a half years as the counselor to the secretary of the Treasury for housing finance policy. Previously, Stegman served as a fellow at the Bipartisan Policy Center, and as director of policy and housing for the program on human and community development at the John D. and Catherine T. MacArthur Foundation for six years. Stegman is also a distinguished professor emeritus at the University of North Carolina at Chapel Hill, where he taught and conducted research on affordable housing policy as chair of the Department of City and Regional Planning and was founding chair of the Department of Public Policy. From 1993 to 1997, Stegman served as assistant secretary for policy development and research at the U.S. Department of Housing and Urban Development. During this time, he was named by the National Journal as one of Washington's 100 most influential decision makers.

Dr. Phillip L. Swagel is a senior fellow at the Milken Institute Center for Financial Markets. Swagel is also a professor at the University of Maryland School of Public Policy, where he teaches classes on international economics and is an academic fellow at the Center for Financial Policy at the university's Robert H. Smith School of Business. Swagel was assistant secretary for economic policy at the Treasury Department from December 2006 to January 2009. In that position, he served as a member of the TARP investment committee and advised Secretary Paulson on all aspects of economic policy. He previously worked at the American Enterprise Institute, the White House Council of Economic Advisers, the International Monetary Fund, and the Federal Reserve, and taught economics at Northwestern University, the University of Chicago Booth School of Business, and the McDonough School of Business at Georgetown University.

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