



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FISCAL YEAR 2013 PROGRAM AND BUDGET INITIATIVES
AFFORDABLE HOUSING CAPITAL PRODUCTION

In Fiscal Year 2013, HUD is requesting \$2 billion to fund programs that will promote the production of affordable housing for low- to extremely low-income families and those with special needs.

The nation needs an increased supply of affordable rental homes in safe, mixed-income communities that provide access to jobs, good schools, transportation, high-quality services, and, most importantly, economic self-sufficiency. Also important is ensuring that the supply of rental housing enables communities to build their own “geographies of opportunity” – places that effectively connect people and families to jobs, transportation, quality public schools, and other key community assets. In partnering with communities to create locally-driven solutions to rental housing challenges, HUD will work to expand the supply of affordable rental housing and the capital needed to increase the supply, while sharpening our ability to target the needs of individuals and neighborhoods.

HOME INVESTMENT PARTNERSHIPS

The HOME Investment Partnerships program is the primary departmental program, and principal tool of state and local governments, for the production of affordable rental and for-sale housing for low- to extremely-low income families, including mixed-income housing and housing for persons with special needs (e.g., the homeless and persons with HIV-AIDS). For many states and local governments, HOME is the only reliable stream of affordable housing development funds available to them. HOME funds traditionally have provided critical gap financing that make Low-Income Housing Tax Credit (LIHTC) projects feasible. In the last 5 years, 149,916 HOME-assisted rental units have been completed. Of that number, 53 percent or 80,304 units were part of LIHTC projects. In all, HOME gap financing helped complete 149,987 LIHTC units. In the current economic climate, Tax Credits are selling at much reduced prices or not at all. Consequently, HOME funds are being used to supplement reduced LIHTC proceeds. The investment of HOME funds in rental projects often increases affordability for families at the very lowest income levels. Of the tenants occupying HOME units completed during the same five year period, 40 percent of were extremely low-income (income less than 30 percent of the Area Median Income). Reflecting the critical role played by HOME funds in affordable housing development, each dollar of HOME funds expended for HOME rental and homebuyer projects leverages \$4 of other public and private investment. Over the life of the program, HUD has leveraged more than \$88 billion of other funds for affordable housing.



In Fiscal Year 2013, HUD is requesting \$1 billion in HOME funds, which will provide formula grants to States and localities that communities use—often in partnership with local non-profit groups—to fund a wide range of activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people. From program inception through September 30, 2011, the HOME program has created 1,039,422 units of affordable housing, and has assisted 250,628 low-income households with tenant-based rental assistance. The Department is committed to continuing this contribution in 2012, when HUD expects that HOME will assist an additional 53,937 families with new affordable housing units and tenant-based rental assistance.



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NATIONAL AFFORDABLE HOUSING TRUST FUND

According to American Housing Survey data, in 2009 41 percent of the 17.12 million very low-income American renters had worst case needs (i.e., paying more than 50 percent of their incomes for rent or living in severely inadequate housing.)



Two out of three renters that had worst case housing needs in 2009 had extremely- low incomes. Affordability problems have been exacerbated by the recent recession and the increasing demand for rental housing generated by the foreclosure crisis. At the same time, the freeze in the credit markets and the sharp reduction in demand for Low Income Housing Tax Credits (LIHTCs) have greatly diminished the private capital available to improve and expand the supply of affordable rental housing.

The National Affordable Housing Trust Fund (HTF) is an essential part of HUD's strategy to provide affordable housing to low-income families, as they help leverage other public or private funds in these projects. However, in the current market, in which private funds for affordable housing is scarce, these funds may be necessary to take the place of the private capital and debt financing needed to subsidize units to make them affordable to this group of renters.

In Fiscal Year 2013, HUD is requesting \$1 billion for the National Affordable Housing Trust Fund as a mandatory budget authority. Eighty percent of NHTF funds will be used to acquire, construct or rehabilitate rental units. The HTF will distribute funds by formula to States for affordable housing projects that increase and preserve the supply of rental housing for extremely low- and very low-income families, including homeless families. With \$1 billion in funding, assuming that HTF funding leverages approximately 60 percent of the funds needed to pay for the production of these units, approximately 10,496 unit of housing affordable to extremely low-income households are expected to be produced as part of mixed-income affordable housing projects.