



Land Use & Housing Committee

July 30, 2009

Update on State and Federal Housing Funding Programs

Issue: The California Proposition 1C and the Federal Stimulus contain programs to fund the development of housing in the Sacramento region.

Recommendation: This item is for information only.

Discussion: Both the State of California and the federal government have programs to promote the development of housing; this item provides the Committee a brief overview of the programs and status.

In 2006, the California voters approved Proposition 1C, which included \$2.85 billion in bond revenues for infrastructure and housing in the state. Awards are made to individual projects throughout the state, but subject to the state's ability to sell bonds. A variety of programs were introduced, including funding for infill infrastructure, transit-oriented development and multi-family housing development. In the most recent announcement in July, the following individual projects were awarded funding in these various funding programs:

- Curtis Park Village Transit Oriented Development - \$9 million
- Placer County/Kings Beach housing project (Infill Program-Qualified Housing Project) - \$3.4 million
- Sacramento Infill/Capitol Lofts - \$5 million
- Sacramento Infill/Railyards - \$20 million
- Sacramento Infill/Township 9 - \$10.4 million
- Sacramento Railyards/Transit-Oriented Development Program - \$10.8 million
- West Sacramento/Transit Development Area (Infill Infrastructure Project-Qualified Infill Areas) -\$23million
- Woodland/Rochdale Grange Community (Multi-family Housing Program) \$2.95 million

The federal American Recovery and Reinvestment Act (ARRA) of 2009 contains provisions for the development of affordable housing. Attached is SACOG's federal lobbyist's summary of housing-related programs within ARRA. The most relevant to local communities is the Low Income Housing Tax Credit (LIHTC) Enhancements Program. Traditionally, tax credits had generally been used to lure private investors to develop affordable housing through non-profit and public agencies. In the current economic cycle and California's bond rating status, investors have avoided tax credits diminishing affordable housing investments. The LIHTC program allows the State of California Treasurer's Office to exchange tax credits for direct federal grants. Thereby replacing the need for the investor with the grant funding. The state has a limited amount of these grants and will award them to projects on a competitive basis. The next round of applications for this program is expected in 2010.

SACOG staff will continue to monitor these programs and share information with member jurisdictions to support local government efforts to identify funding opportunities for affordable housing investments.

Approved by:

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Attachment

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Sacramento Area Council of Governments

American Recovery and Reinvestment Act (ARRA)

HOUSING-RELATED PROGRAMS

Neighborhood Stabilization Program

On May 4, HUD began accepting grant applications for stimulus funding under the NSP. Almost \$2 billion is available to States, local governments and non-profit housing developers to combat the effects of home foreclosures. Applications were due July 17, 2009. An additional \$50 million is available in technical assistance grants to help grantees manage their stabilization programs. Applications for technical assistance funding were due on June 8, 2009.

TCAP

On May 4, HUD and Treasury jointly announced the availability of approximately \$5 billion for States (\$325 million for California) to finance the acquisition and construction of affordable housing for working families. As part of this initiative, HUD will award \$2.25 billion in grants to State housing credit agencies through the Tax Credit Assistance Program (TCAP).

Lead Hazard Reduction Grants

On February 25, HUD announced \$99.5 million in stimulus allocations (\$17.5 million for California) for Lead Hazard Reduction Grants. The recipients were qualified applicants from the FY 2008 grant round that did not receive funding due to a lack of resources. The remaining funds (\$500,000) will be awarded under regular Fiscal Year 2009 grant solicitations.

Weatherization Assistance Programs

This program offers up to \$5 billion to help low-income families reduce their energy consumption and lower their energy costs. This program provides funding for weatherization service providers to install energy efficiency measures in the homes of qualifying homeowners free of charge.

Funds are allocated via formula to the States, which then distribute the funds to more than 900 local weatherization agencies to provide the weatherization services. The local agencies typically are nonprofit social service agencies, although some are branches of local governments.

Public Housing Capital Fund

This program has \$4 billion for Public Housing Agencies (\$118 million in California) for capital and management activities, including modernization and development of public housing.

The final economic stimulus package will distribute \$3 billion of funds through the formula used in FY 2008 and \$1 billion through competitive grants to public housing authorities. Funds distributed through the formula will be obligated within 30 days of enactment. Competitive grant funds will be obligated by September 30, 2009. Priority

will be given under the competitive grant funding for investments that leverage private sector funding or financing for renovations and energy conservation retrofits. Priority also will be given to projects that can award contracts within 120 days, are currently underway, are included in 5-year capacity fund plans, and that target vacant rental units. Public housing authorities must obligate 100% of funds within one year, expend 60% within two years, and expend 100% within three years. Failure to do so will result in a redistribution of funds. The Secretary of HUD may choose to not allocate funds to public housing agencies currently designated as troubled or who elect not to receive funds.

Assisted Housing Stability and Energy and Green Retrofit Programs

\$2.25 billion for energy improvements to housing assisted under the Section 8 (project-based rental assistance), Section 202 (elderly), and Section 811 (disabled) programs. Funding will be directed to the preservation, rehabilitation, and retrofit of assisted housing units and will emphasize energy efficiency and green building investments.

Economic stimulus funds will be distributed through loans or grants provided through the Office of Affordable Housing Preservation of the Department of Housing and Urban Development. A total of \$2 billion will be allocated to the Project-Based Rental Assistance program for payments to participating landlords for 12-month periods. An additional \$250 million will be allocated through grants or loans for energy retrofit and green investments to assisted housing units. Recipients of grants and loans for energy and green retrofit projects must spend all funds within two years from the date the funding was received.

CDBG –Community Development Block Grants

\$1 billion. Economic stimulus funds will be distributed to all grantees who received funding in FY 2008 based on the distribution formula for that year. Priority will be given to projects that can award contracts within 120 days of availability of funds. The Secretary of HUD has the authority to waive any provision necessary to facilitate timely use of funds and shall establish requirements to expedite the use of funds.

HOME Investment Partnerships Program

\$2.25 billion in formula grants to States and localities that are often used in partnership with local nonprofit 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.

HOME funds are awarded annually as formula grants to participating jurisdictions. HUD establishes HOME Investment Trust Funds for each grantee, providing a line of credit that the jurisdiction may draw upon as needed. The economic stimulus funds will be apportioned among the States based on the percentage of HOME funds distributed in FY 2008. Housing agencies in each State will then distribute funds competitively to affordable housing developers of qualified projects that, within a certain timeframe, received or simultaneously receive a Low Income Housing Tax Credit. Priority will be given to projects that can be completed within three years. Housing credit agencies shall commit not less than 75% of funds within one year of enactment and shall demonstrate that project owners will have expended 75% of the funds within two years and 100% within three years. Failure to meet these timelines will result in a recapture and redistribution of funds.