

Community Development and Housing



NATIONAL AFFORDABLE HOUSING TRUST FUND

Subcommittee: Transportation – Housing Urban Development (HUD)
and Related Agencies

Request: Support the National Affordable Housing Trust Fund, HR 2895.

Support changes to Trust Fund allocations to ensure that local governments and the city of Phoenix receive a fair share.

Community Value:

The National Affordable Housing Trust Fund is intended to address a national shortage of housing that is affordable for low-income families by creating a permanently appropriated fund with dedicated sources of funding. This Fund should help enable rental housing to be built for families with the greatest economic need in mixed income settings and in areas with the greatest economic opportunities.

As the fifth most populated city in the nation, Phoenix has a crucial need not just for the National Affordable Housing Trust Fund, but to receive its fair share of Trust Fund allocations. With 61.5 percent of all Phoenix rental households at or below 80 percent area median income, affordable housing opportunity is a vital issue. Furthermore, out of those low- to moderate-income households, 57.3 percent pay more than 30 percent of their income toward rent.

At the extremely low-income level, 20.5 percent of Phoenix rental households earn 30 percent or less of the area median income. According to the 2000 Census, 75 percent of those extremely low-income families are paying more than 30 percent of their income in rent and 59.1 percent spend more than 50 percent of their income on rent. The percentage of the Phoenix population that lives in poverty is estimated to be between 14 and 15 percent.

Background:

The goal of the Trust Fund is to construct, rehabilitate and preserve 1,500,000 units of housing over the next 10 years with funding from the proposed Government-Sponsored Enterprises (GSE) Affordable Housing Fund and Fair Housing Administration savings that result from the enactment of the Expanding American Homeownership Act and any other sources of funds subsequently identified. The bill requires a match for Trust Fund

dollars from either state, local and private resources or from federal sources. Up to 33 percent of this match may be provided through binding commitments to provide services for residents.

The legislation's proposed distribution formula could be improved in several ways to help Phoenix residents and ensure that the fair share is received:

- First, the factors for the formula are not weighted in the proposed legislation. Weighting should be included in the formula and not be left up to HUD.
- Second, the formula calls for the Secretary of HUD to add any other factors "determined to be appropriate." This should be eliminated or at least require HUD to go through a public process before adding any new factors or changing the formula.
- Third, the formula calls for considering "extremely old" housing and the cost of construction. These will bias the formula against Phoenix, Arizona, and the western United States and should be eliminated. If these factors are not eliminated, the fair share issue for Phoenix will be exacerbated.
- Fourth, the formula considers the extent to which the jurisdiction increased affordable housing over the prior year. The proposed legislation does not specify that a large or small increase is favorable for distribution purposes.

The distribution formula would be better for Phoenix and other communities if it relied on simple, verifiable measures such as: the percent of extremely low- and very low-income (below 50 percent area median income) households that spend more than 50 percent of their income on housing; and, overall population. Also, consideration should be given to the discrepancy in total assisted housing units in the Phoenix area as compared to other jurisdictions.

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