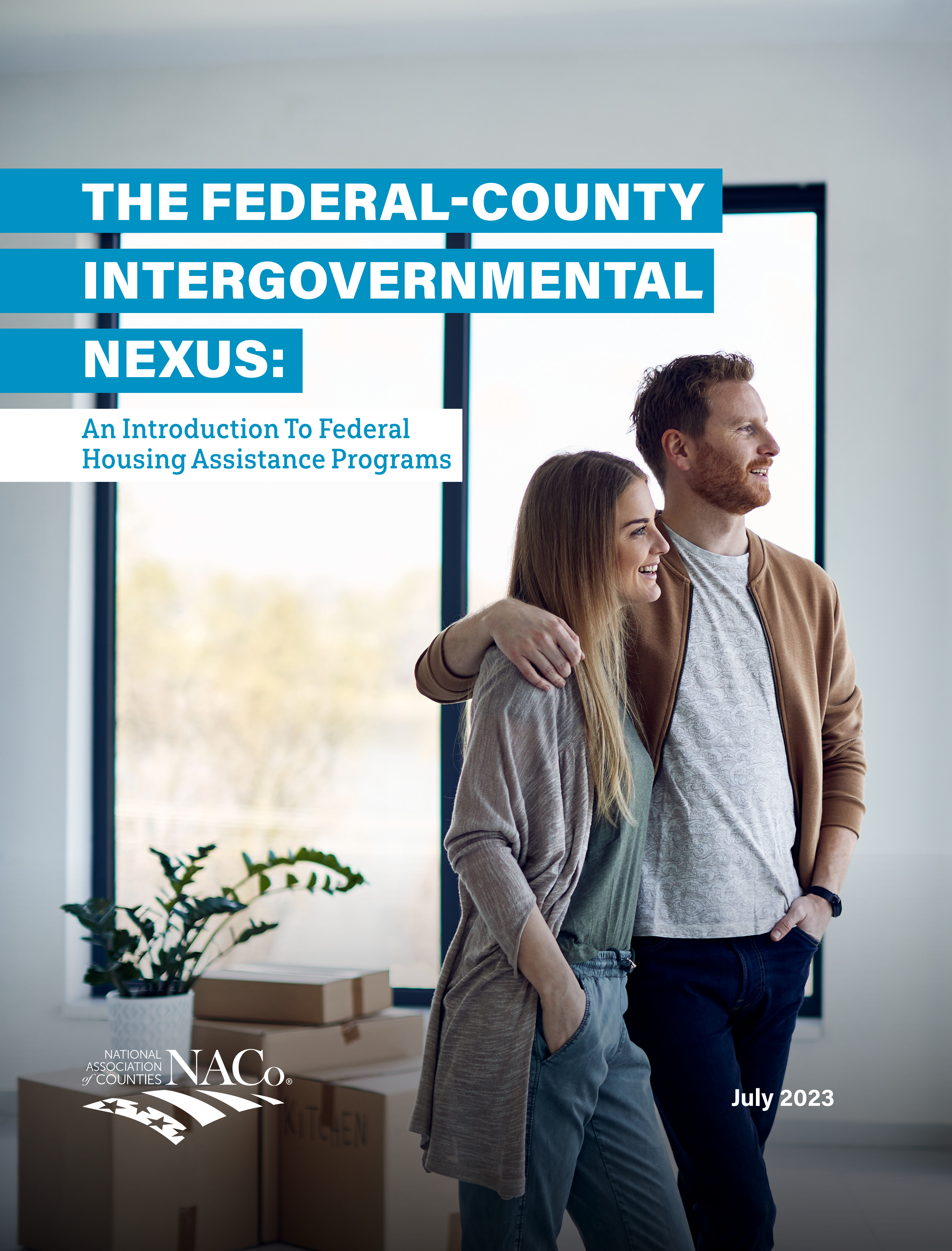
THE FEDERAL-COUNTY INTERGOVERNMENTAL NEXUS:

An Introduction To Federal Housing Assistance Programs



NATIONAL ASSOCIATION of COUNTIES NACo

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About the National Association of Counties

The National Association of Counties (NACo) strengthens America's counties, serving nearly 40,000 county elected officials and 3.6 million county employees. Founded in 1935, NACo unites county officials to:

- Advocate county priorities in federal policymaking
- Promote exemplary county policies and practice
- Nurture leadership skills and expand knowledge network
- Optimize county and taxpayer resources and cost savings, and
- Enrich the public understanding of county government.

NACo's Mission

Strengthen America's Counties.

NACo's Vision

Healthy, safe and vibrant counties across America.

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INTERGOVERNMENTAL COORDINATION IS CRITICAL TO ADDRESSING HOUSING AFFORDABILITY

Starting in the 1930's, the federal government began providing housing assistance to lower-income households through the establishment of the Federal Housing Administration (FHA), government-sponsored enterprises (GSE) and promoting the construction of low-rent public housing through public housing authorities (PHAs). Today, most federal housing assistance programs are administered through the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture (USDA). Programs commonly aim to make housing affordable for low-income families through rental assistance, block grants and allowing developers to use a stream of mixed financing to incentivize the construction of new affordable units. Counties have played a significant role in housing throughout history, becoming acutely apparent in the late 1980's. Around this time, federal policymakers began to greatly reduce spending in domestic programs, including housing, shifting the costs of housing assistance and production to state and local governments. Additionally, through the Tax Reform Act of 1986, Congress created a new federal tax credit to help subsidize the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.

The historic federal disinvestment into state and local housing interventions, in addition to various macroeconomic events over the past few decades, led to the current housing affordability crisis which is pervasive across all counties whether they are rural, suburban or urban. Counties work tirelessly to increase housing supply and affordability in our communities using various tools, including; tax policies, building permits and code enforcement, land use and zoning, down payment and closing cost assistance, infrastructure development, and community planning. While counties continue to efficiently and effectively utilize these tools to address the housing crisis, we must continue to receive the support of federal programs, policies and funding to sustain our efforts.

Federal-County Intergovernmental Coordination Spans Multiple Agencies and Programs

INTERGOVERNMENTAL PARTNERSHIP IN RENTAL ASSISTANCE PROGRAMS		
PROGRAM NAME	**IMPACT**	**RECEIVED/DISTRIBUTED BY**
HUD: Housing Choice Vouchers (HCV Program)	More than 5.2 million people in 2.3 million low-income families use vouchers	Public housing agencies
HUD-VA: Veterans Affairs Supportive Housing (HUD-VASH) Vouchers	79,133 Veterans and their family members were permanently housed through the HUD-VASH Program in FY 2020	Public housing agencies

FUNDING FOR STATE AND LOCAL GOVERNMENT		
PROGRAM NAME	**IMPACT**	**RECEIVED/DISTRIBUTED BY**
HUD: Community Development Block Grant (CDBG)	206 counties were directly awarded $832 million in FY 2023, and in 2020, every dollar of CDBG invested led to $3.64 from other public and private sources; this totaled $3.41 billion leveraged across 5,700 CDBG projects	Many urban counties are eligible for direct funding, while rural counties must compete via their state formula allocation
HUD: HOME Investment Partnerships Program	196 counties were awarded over $400 million in FY 2022. Since FY 2021, over 40,000 units of housing have been produced, and nearly 38,000 households have received rental assistance	Local governments (60 percent) and states (40 percent)
Housing Trust Fund (HTF)	$748.9 million allocated to states in FY 2022. An estimated 1,388 homes have been completed and $2.4 billion in additional funds have been leveraged from FY 2016 - FY 2022	States only
HUD: Emergency Solutions Grants (ESG) Program	123 counties awarded more than $61 million in FY 2022	Urban counties, private nonprofits and cities
HUD: Continuum of Care (CoC) program	$2.76 billion awarded in FY 2022	Counties, nonprofits, public housing agencies
USDA: Section 533 Housing Preservation Grants	115 grants awarded in FY 2021, totaling $13.5 million	Counties with populations under 20,000, nonprofits
Mortgage Revenue Bonds (MRB)	Over 3.4 million lower-income families (historically 100,000 every year) have been able to become first-time homeowners	Counties and local housing authorities

HOUSING FINANCE; HOMEOWNERSHIP ASSISTANCE; TAX CODE		
PROGRAM NAME	**IMPACT**	**RECEIVED/DISTRIBUTED BY**
HUD: Federal Housing Administration (FHA)	Reduced serious mortgage deliquency rate to 4.77 percent, helped nearly 445,000 borrowers avoid foreclosure, and provided 678,675 forward purchase mortgage endorsements (with 84 percent for first-time homebuyers) in FY 2022	Private lenders
VA: Loan Guarantees	746,091 loans guranteed in FY 2022, totaling $256.6 billion	Veterans
USDA: Section 515 Rural Multifamily Rental Housing Direct Loans	44 loans guranteed in FY 2021, totaling $37.4 million	Counties, states, and very low- to moderate income families
USDA: Section 502 Single-Family Housing Direct Home Loans	5,355 loans obligated in FY 2021, totalling $1 billion	Low-income homeowners
USDA: Section 504 Single-Family Housing Repair Loans and Grants	2,289 loans ($14.8 million) and 3,709 grants ($24.6 million) obligated in FY 2021	Very-low-income homeowners
Treasury: Capital Magnet Fund	$336.4 million allocated in FY 2020, and nearly $12.4 billion leveraged in public and private investment	Affordable housing nonprofits and Community Development Financial Institutions (CDFIs)
HUD: Low-Income Housing Tax Credit (LIHTC)	Subsidizes the costs of building more than 107,000 units across 1,411 projects each year	State housing agencies

INTERGOVERNMENTAL PARTNERSHIP IN RENTAL ASSISTANCE PROGRAMS

Three out of every ten counties have higher than healthy seasonal vacancy rates. Relatively stagnant wage growth, coupled with rising rental costs, has significantly affected the quality of life for renters, which has adverse impacts on both the individual and community. In 18 percent of counties, households must spend more than 3.5 times their annual income to afford a typical home, and nearly a quarter (24 percent) of households that occupy rental units are severely cost-burdened, spending more than half of their annual income on rent. Rent-burdened households have higher eviction rates, increased financial instability, and wider use of social services provided by counties. To provide stability to the most vulnerable rental populations, the federal government has created numerous rental assistance programs that provide vouchers, loans and loan guarantees to families. While the below programs are funded by the federal government, counties play a critical role implementing them at the local level.

Housing Choice Vouchers (HCV) Program

The Housing Choice Voucher (HCV) Program, formerly known as Section 8, is the federal government's largest rent subsidy program that serves low-income individuals, families and seniors across the country. HCVs are distributed to private landlords at the local level through Public Housing Agencies (PHAs). While PHAs are considered independent agencies, they are typically overseen by board members that are appointed by counties and cities.

Another component of the HCV Program is Project-Based Vouchers (PBV), which are attached to specific housing units rather than given to families to use in homes of their choosing. Instead of receiving additional funding for these vouchers, the PHA can use a portion of its tenant-based voucher funding to allocate project-based units to a project. Projects are typically selected for PBVs through a competitive process managed by the PHA, although in certain cases projects may be selected non-competitively.

The HCV program equips counties to prevent the displacement of some of their most vulnerable families by assisting with the development and preservation of affordable housing units.

Veterans Affairs Supportive Housing Vouchers

In 2019, 17.5 million veterans lived in U.S. counties, comprising 7 percent of county residents. According to HUD's annual Point-in-Time (PIT) survey, approximately 33,129 Veterans experienced homelessness in 2021 – a decrease of 11 percent from 2020.[1] One program that has been critical to this decline is the HUD Veterans Affairs Supportive Housing (HUD-VASH) program.

The HUD-VASH program combines HUD's HCV rental assistance with case management and clinical services from the Department of Veterans Affairs (VA). HUD-VASH participants have at least 120 days to search for a unit, may enter an initial lease with an owner for less than 12 months, whereas families in the regular voucher program must enter an initial lease of 12 months unless a shorter term is the prevailing market practice and would improve housing opportunities. While counties are not eligible to directly apply for the HUD-VASH program, their local PHA may apply for and administer HUD-VASH vouchers.

FUNDING FOR STATE AND LOCAL GOVERNMENT

Housing is one of the basic needs for healthy, safe and vibrant communities, and counties play an instrumental role in setting policy to achieve that goal. Counties utilize community planning, land use, zoning and enact policies and other regulations that affect both the access and affordability of housing within their communities. Although, counties are prioritizing this work, they lack the resources and capacity to fully address the challenges associated with our current housing landscape, and rely on our federal partners. There are several forms of assistance from the federal government including block grants that can be used for rental, homeownership, or community development purposes; special purpose block grants; and programs based in the tax code to incentivize affordable housing development or homeownership.

Community Development Block Grant

The Community Development Block Grant (CDBG) program provides annual grants on a formula basis to assist urban, suburban and rural communities in improving housing conditions and expanding economic opportunities for low- and moderate-income individuals. Counties utilize the flexibility of CDBG funds to support projects that meet their local priorities in addressing community and economic development, housing, water, infrastructure and human service needs, ultimately improving the quality of life for county residents.

Approximately 200 urban counties are designated as "entitlement communities" and receive CDBG grants directly. Entitlement communities receive 70 percent of all CDBG funds, while states receive the remaining 30 percent. Non-entitlement communities, which are typically rural counties, must compete for funding via the state formula allocation.

CDBG funds can be used for activities such as: the acquisition of real property, relocation and demolition of property, rehabilitation of residential and non-residential structures, construction of public facilities and improvements, such as water and sewer facilities, streets, neighborhood centers and the conversion of school buildings for eligible purposes, public services, energy conservation and renewable energy resources, assistance to profit-motivated businesses to carry out economic development and job creation/retention activities.

CDBG also features a loan guarantee provision, called the Section 108 program, which provides communities and states with a source of financing for economic development, housing rehabilitation, public facilities and largescale physical development projects. Entitlement counties are eligible for direct Section 108 loans. Non-entitlement counties are eligible but must work with their state administrators to submit loan applications.

CDBG provides increased opportunities for counties to plan, implement, and evaluate local community development and housing assistance programs. Under the program, county officials, and particularly those whose counties receive urban county designation, are afforded additional, flexible resources to address long-range physical, social, housing and economic development needs in their jurisdictions in a comprehensive manner.

HOME Investment Partnerships Program

Counties can utilize funding through the HOME Investment Partnerships Program to expand the supply of decent, safe and affordable housing. 60 percent of HOME funding is allocated through a formula to localities that meet certain population thresholds, and the remaining 40 percent is allocated to states.

Counties can utilize HOME funds for the acquisition, reconstruction and rehabilitation of housing, or homebuyer and tenant-based rental assistance. HOME funds are critical to counties' housing strategies because it provides flexibility to design policies that address local affordable housing needs. All HOME funds must be used to benefit families whose incomes are at or below 80 percent of the area median income (AMI). Additionally, of the funds used for rental housing or tenant-based rental assistance, at least 90 percent must benefit families with incomes at or below 60 percent AMI.

According to the National Council of State Housing Agencies (NCSHA), every HOME dollar leverages nearly $5 of additional investment in affordable housing.[2] This program builds upon the significant capacity and experience of county governments to design and implement affordable housing programs for low and moderate-income persons that specifically address the communities' unique local needs.

Housing Trust Fund

The National Housing Trust Fund (HTF) is a formula grant program administered by HUD aimed to increase and preserve the supply of affordable rental housing, primarily for extremely low-income and very low-income households. Allocated to states by formula, the funds are used predominately for rental housing, with up to ten percent of funds being eligible for certain homeownership activities.

Though not directly allocated to counties, the HTF remains an essential source of gap financing, used in conjunction with the HOME program, the Federal Home Loan Banks' Affordable Housing Program (AHP) and in some cases the Low-Income Housing Tax Credit, which is an important part of a broader commitment to access and affordability throughout the housing market.

Homelessness Assistance Programs

The Emergency Solutions Grants (ESG) program is a formula grant program, administered by HUD, that awards funds to urban counties, private nonprofit organizations and cities to provide services necessary to assist people in quickly regaining stability in permanent housing after experiencing a housing crisis and/or homelessness. ESG funds, which requires a local match, can be used towards these five components: street outreach, emergency shelter, homelessness prevention, rapid re-housing assistance, Homeless Management Information System (HMIS), in addition to up to 7.5 percent for administrative activities.

The Continuum of Care program is a competitive grant and may be used for transitional housing, permanent supportive housing, rapid rehousing, supportive services, and Homeless Management Information Systems. These two programs are critical tools for counties to substantially address an improve homelessness within their counties.

USDA Housing Preservation Grants

Administered through USDA's Rural Housing Service, counties with populations under 20,000 (42 percent of all counties) may use USDA's Section 533 Housing Preservation Grants (HPG) to make repairs or replacements (such as to roofs, insulation, heating and cooling systems, or waste and waste disposal systems), or improve accessibility features in single and multifamily housing for low-income individuals. Additionally, rental property owners are also eligible for HPG's as long as they agree to make units available to very-low-income (below 50 percent of area median income) and low-income (50-80 percent of area median income) families.[3]

Mortgage Revenue Bonds

Mortgage Revenue Bonds (MRB) are a form of private activity bonds that can be sold by counties and local housing authorities through housing finance agencies (HFA) to help finance home mortgages to eligible (generally first-time) homebuyers.

Housing Finance Agencies, and thus counties, benefit from MRB because it provides them with consistent and reliable liquidity, which allows them to continue financing new mortgages for eligible individuals. This has played a crucial role in promoting homeownership at times when the cost and availability of mortgage financing was prohibitive to large portions of the population.

HOUSING FINANCE, HOMEOWNERSHIP ASSISTANCE, TAX CODE

In 18 percent of counties, households must spend more than 3.5 times their annual income to afford a typical home. While counties are typically not directly involved in financing for housing, county employees and elected officials are critical in connecting their residents to opportunities that reduce the burden of rising housing costs.

Federal Housing Administration

The Federal Housing Administration (FHA) insures private lenders against losses on certain home mortgages, making private lenders more willing to provide loans to borrowers who may have little credit history or low-down payments. In addition, many low-income rental housing units receive federal assistance, and many are insured through the FHA.

Department of Veteran Affairs Loan Guarantees

The Department of Veteran Affairs (VA) loan guaranty program directly assists veterans by insuring mortgages made by private lenders, and it is available for the purchase or construction of homes and for refinancing existing loans. However, unlike the FHA insurance program which insures 100 percent of the loan, the percentage of the loan that is guaranteed by VA is based on the loan amount and is typically only around 25 percent.

Department of Agriculture Rural Multifamily Rental Housing Direct Loans

As discussed previously, USDA's Rural Housing Services administers a variety of programs, including several tools for financing single and multifamily homes. The Section 515 Rural Multifamily Rental Housing Direct Loans program provides funding to rural state and local governments to buy and improve land, and to build, improve or purchase existing multifamily housing for low-income, elderly, or disabled people and families in eligible rural areas.

Department of Agriculture Single Family Programs

USDA offers several financing options for individual residents to purchase and repair eligible rural homes. Under the Section 502 Single-Family Housing Direct Home Loans program, USDA directly finances mortgages for low-and very-low-income applicants to buy, build, improve, or rehabilitate an eligible rural home as their principal residence. Applicants must be unable to get a loan from other credit sources and must demonstrate a willingness and ability to repay a debt. Under the Section 504 Single-Family Housing Repair Loans and Grants program, homeowners who do not exceed the very low-income limit in their county can apply for 1 percent interest loans to repair, improve, and modernize their homes. Funds can be used to repair and/or replace a roof, heating and cooling system, or make necessary structural repairs.

Capital Magnet Fund

The Capital Magnet Fund (CMF) program, established through the Housing and Economic Recovery Act of 2008, is a competitive grant program designed to spur private investment towards the development, preservation, rehabilitation, or purchase of affordable housing for low-income families.

While counties are not eligible to directly apply for CMF funds, nonprofit affordable housing organizations and Community Development Financial Institutions (CDFIs) within the county can receive awards to create financing tools such as loan loss reserves, loan funds, equity funds, risk-sharing loans, and loan guarantees. Grantees must leverage their awards at least $10 to $1 with funding from other sources and spend a minimum of 70 percent of funding towards housing while the remainder of funds can be used for related economic or community development activities.

Low-Income Housing Tax Credit

The Low-Income Housing Tax Credit (LIHTC) provides state housing agencies with the authority to issue tax credits, which help to subsidize the acquisition, rehabilitation or new construction of rental housing targeted to lower-income households. Developers typically then sell the credits to private investors to obtain funding to begin the project. Once the housing is placed in service, investors can claim the credit over a 10-year span.

While counties are not direct recipients of LIHTC, it is an important tool to stimulate private investment in the production of affordable housing, where it accounts for virtually all of the apartments constructed or rehabilitated for low-income renters.

Housing policy is a highly complex, multi-layered topic requiring bipartisan partnerships, dialogue and coordination across all levels of government

Living and working in the communities we serve, county leaders across the country inherently understand the local housing conditions and challenges faced within the community. Recognizing that local governments vary in their available resources, as well as legal powers, there is no single comprehensive strategy that works for all communities. Rather, counties must balance local action, while leveraging the available tools provide by state and federal partners to enhance housing affordability and stability for our nation's residents.

ENDNOTES

[1] U.S. Department of Veteran Affairs, "VA Homeless Programs: Point-in-Time (PIT) Count" (2022), available at https://www.va.gov/homeless/pit_count.asp

[2] National Council of State Housing Agencies (NCSHA), "HOME Investment Partnerships Program 2023 FAQs," available at https://www.ncsha.org/wp-content/uploads/2018/01/HOME-Investment-Partnerships-Program-FAQs-2023.pdf

[3] Congressional Research Service, "USDA Rural Housing Programs: An Overview" (2022), available at https://crsreports.congress.gov/product/pdf/R/R47044 (March 8, 2022).

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