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## **AFFORDABLE HOUSING PRODUCTION PROPOSAL**

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There is growing Congressional recognition and support for a production program as evidenced during the closing days of the 107th Congress. Serious consideration has been given to a new production program by both the authorizing and appropriating subcommittees, and we urge early adoption of such a program in the 108<sup>th</sup> Congress. NAHRO strongly believes the response to the national need for affordable housing is the creation of a housing production program. This program should supplement the ongoing efforts by local governments and local housing agencies to address the affordable housing shortage in their communities. NAHRO has adopted a set of principles to guide development of a production program for consideration by the Congress.

The key to such a program is that it be flexible and provide for local determination as to how to address individual community needs. The program should also encourage mixed-income occupancy that has been proven successful in the HOPE VI program and many other local affordable housing programs. Mixed financing techniques should be encouraged to promote leveraging other sources of revenue and the participation of the private, non-profit sectors.

NAHRO developed a set of principles to guide development of a production program. We determined that, overall:

1. The main purpose of this program is to establish a single fund distributed by formula that will enable jurisdictions to build financially feasible units with long-term affordability that maximizes financial resources and the total number of units that can be developed.
  - The production program funds will be allocated to the local and state governments, with a split of 60% to local government and 40% to states, with the 60% going directly to local governments. The unit of government will be required to establish a planning process to develop an administrative plan that would govern the distribution of funds. The Planning Process should: 1) include consultation with local stakeholders, 2) identify the specific needs to be addressed, 3) prioritize projects to be funded, and 4) select the entities that will implement the projects.
  - Eligible entities for this program are local housing agencies (LHAs) and other local housing providers (public, for-profit and/or non-profit) that may acquire or construct units using this program within a mixed-finance, mixed-income paradigm.

2. A formula will be used to distribute funds, which will be available to communities of all sizes. A minimum of \$1 billion should be made available for this program. States would distribute funding to smaller communities. States, though, should be prohibited from using more than 2 percent of the funds for their administrative costs and should not be permitted to add policy, regulatory or administrative requirements that would increase the burden on grantees or limit local decision-making and flexibility.
3. HUD will administer the fund, with a minimal amount of regulatory control.
4. The production program should provide full funding for the construction, acquisition, or rehabilitation of the affordable units and result in a net increase in the number of affordable units. However, this goal does not preclude agencies from leveraging other funds for development of additional affordable units in a community. Leveraging of non-federal resources is expected.
5. Operating and capital needs of the production program units would not require continuing subsidies. The units should be developed as part of a mixed-finance, mixed-income model where project income may provide internal subsidy for the low-rent units, or tenant-based rental assistance can be used. This model might not apply to some scattered site developments.
6. The term of affordability is a minimum of 50 years for units developed with these funds. The purpose of this term is to avoid current problems with expiring affordability terms including opt-outs, escalated prices for buyouts, and similar losses to the affordable housing inventory. Program flexibility will permit grantees to propose alternative approaches that provide a minimum of 50 years affordability.
7. The production program is designed to serve families or individuals whose incomes are 50 percent or less of area median income. Local governments should have the opportunity to apply for waivers to serve families earning up to 80 percent of median income if local conditions warrant the need. This income level, and the ability to design a program that addresses local needs is intended to complement existing programs.
8. The primary use of these funds is to result in a net increase in the local inventory of long-term affordable housing. Creative locally determined approaches to this principle will be encouraged in the program design.
9. Rules for developing or operating units using production funds should be as simple as possible. When using production funds with other federal subsidy programs, one set of regulatory requirements shall apply. In addition, this production program should be considered "non-public" for the purposes of Low-Income Housing Tax Credits, similar to the status of the CDBG program. Both of these considerations will save time and money, and will encourage investment by the private sector. With regard to operation of the units, simplified

program rules should be developed which are responsive to typical management issues in mixed-finance projects, including determining tenant eligibility criteria, determining and certifying tenant income, ongoing property management functions including leases, and determining any PILOT payments.

10. This production program will produce housing that showcases the best of what the affordable housing industry has learned in past decades. The units must be part of an environment that offers choice, diversity and opportunity to low-income families and special populations.

### **Nonpartisan effort**

The need to increase the supply of affordable is a non-partisan issue. As evident during the waning days of the 107<sup>th</sup> conference, there is broad bipartisan support for increasing the supply of affordable housing in local communities. Producing a net increase in the supply of affordable is of paramount importance to NAHRO. NAHRO, in pursuit of its legislative agenda, seeks to work with supporters of affordable housing regardless of party affiliation or interest. NAHRO seeks to work with those who share a common concern for ensuring that housing and affordable housing needs of local communities are met.

For additional information on this proposal, please contact Julio Barreto, Jr., Director, NAHRO Division of Legislative and Program Development, at 202-289-3500 extension 231, or by e-mail at [jbarreto@nahro.org](mailto:jbarreto@nahro.org).