

HOUSING COMMITTEE REPORT relative to the funding of the National Housing Trust Fund (NHTF) and the impact on the City's Affordable Housing Trust Fund (AHTF).

Recommendation for Council action, as initiated by Motion (Cedillo - Blumenfield):

INSTRUCT the Los Angeles Housing and Community Investment Department (HCIDLA) to report within six months on the Federal Housing Finance Agency's (FHFA) decision to direct Government-Sponsored Enterprises (GSEs) Fannie Mae and Freddie Mac to invest in the NHTF, the timing of this investment, and the potential fiscal impact to the City's AHTF.

Fiscal Impact Statement: Neither the City Administrative Officer nor the Chief Legislative Analyst has completed a financial analysis of this report.

Community Impact Statement: None submitted.

SUMMARY

At its regular meeting held on February 11, 2015, the Housing Committee considered Motion (Cedillo - Blumenfield) relative to an instruction to the HCIDLA to report on the FHFA's decision to direct GSEs Fannie Mae and Freddie Mac to invest in the NHTF and the potential fiscal impact to the City's AHTF.

A representative of the HCIDLA addressed the Committee on the matter and responded to related questions. During discussion of this matter, the HCIDLA representative reported that the NHTF has not been funded since 2008 due to the mortgage crisis, however the FHFA lifted the suspension in December 2014 and funds from the GSEs will begin being deposited to the fund in early 2016 and allocated in the summer of 2016. The U.S. Department of Housing and Urban Development (HUD) has published enforceable interim regulations for the NHTF that will be effective starting March 31, 2015. HUD will solicit public comment on the regulations once the first round of funding has been made available.

The HUD interim regulations require funds to be distributed to each state based on various criteria including need and the amount of rental housing available for very low and extremely low income households. Each state would receive a minimum allocation of \$3 million. Estimates of funds to be available in the NHTF range from \$200 to \$500 million, however the funding amount in President Obama's proposed budget is \$120 million. If the NHTF is funded based on estimates, California's share would range from \$29.9 to \$82 million; and if the NHTF is funded based on the amount in the President's budget, California's share would be \$15 million. Depending on the amount in the NHTF, HUD interim regulations require 75 to 100 percent of the funds to be allocated toward housing for extremely low income households. The funds can be used for loans, no interest or deferred payment loans, grants, interest subsidies, and equity investments.

The interim regulations also allow states to make grant awards from their share of the NHTF funds to subgrantees. However the Consolidated Plan process would have to be followed relative to public comment and determination of funding distribution. California State Assembly Speaker Toni Atkins has introduced Assembly Bill (AB) 90 that would establish the structure

to allocate the NHTF funding in this state and would designate the California Department of Housing and Community Investment (HCD) as the agency to distribute the funds.

The HCIDLA representative noted that the HCIDLA will continue to carefully monitor developments relative to: the funding of the NHTF, the progress of the hearings for AB 90 (expected to begin in late March or April 2015), and the recently introduced bill in the U.S. Congress that proposes to stop payments from the GSEs to the NHTF.

After providing an opportunity for public comment, the Committee approved Motion (Cedillo - Blumenfield) as amended to instruct the HCIDLA to report within 6 months. This matter is now forwarded to the Council for its consideration.

Respectfully Submitted,

HOUSING COMMITTEE



<u>MEMBER</u>	<u>VOTE</u>
CEDILLO:	YES
FUENTES:	YES
PRICE:	YES

REW
2/19/15
FILE NO. 15-0063

-NOT OFFICIAL UNTIL COUNCIL ACTS-