

# **Affordable Housing Trust Funds And Other Creative Funding Ideas**

## **Key Concepts**

Housing Trust Funds generally are established through an ordinance or legislation passed by a county, city or state legislature. The legislation accomplishes at least two necessary steps in the creation of a Housing Trust Fund. First, it dedicates a revenue source to the Housing Trust Fund or establishes other obligations (e.g., developer exactions) that create revenue. Second, it establishes the Housing Trust Fund as a separate and distinct entity that can receive and disburse funds and defines its purposes and operation.

Typically, the agency or department that handles federal housing programs, such as HOME and CDBG, administers the housing trust fund. A Board to oversee the fund is commonly made up of appointed nonprofit developers, service providers, housing advocates, private industries, unions, low-income citizens, and others.

Housing Trust Funds provide a secure and fixed source of funding for affordable housing. Virtually all Housing Trust Funds target revenue to housing affordable to low and moderate-income households, and some specifically benefit very low-income households. Other targeting requirements may also be incorporated into the program, including measures to ensure continued affordability of the units. Furthermore, the funds may be used to provide homebuyer assistance, including counseling, down payment and mortgage assistance, and interest subsidies. Housing trust funds should be structured to address priority issues within a community. Because they are designed locally they also have the advantage of using unique opportunities within their community.

Revenue resources used by Housing Trust Funds come from both public and private funds. Examples include:

- Public Funds:
  - Revenue from Development Ordinances, Fees or Taxes (e.g., fees on new commercial development that contribute to housing funds, inclusionary zoning in-lieu fees, impact fees)
  - Revenue from Real Estate Taxes or Fees
  - Revenue from Other Taxes (e.g., property taxes, sales taxes, hotel/motel taxes)
  - Interest Earned on Government-Held and Market Rate Accounts
  - Revenue generated from Government Programs
- Private Funds:
  - Grants
  - Donations
  - Other Private Contributions

Other creative funding ideas are included in the examples attached.

## EXAMPLES AND COMMON SOLUTIONS

<b>Program</b>	ARCH (A Regional Coalition for Housing) (multi-jurisdictional) King County, Washington
<b>Web Information</b>	<a href="http://www.archhousing.org">www.archhousing.org</a>
<b>Practice Used</b>	<ul style="list-style-type: none"> <li>• Created by ARCH member cities as a way to directly assist the development and preservation of affordable housing in East King County.</li> <li>• Emphasis is placed on providing housing affordable to low-income households. However, funding can be provided for moderate-income households, especially for homeownership opportunities.</li> <li>• Strategies for increasing the supply of housing include:             <ol style="list-style-type: none"> <li>1. Coordinating public resources in a more targeted manner, and attracting greater private and non-profit investment.</li> <li>2. Pooling technical resources and information across jurisdictions.</li> <li>3. Providing technical assistance to local organizations interested in affordable housing provision.</li> </ol> </li> <li>• Member cities have made over \$20 million available to fund over 2,100 units of housing. These funds have been made available as both grants and low interest contingent loans.</li> <li>• Member cities have set the following long term goal for use of their housing resources: Families (inc. single households) – 56%; Homeless/Transitional – 13%; Elderly – 19%; Special Needs Populations (who need assistance with daily living needs) – 12%</li> </ul> <p><b>Funding Sources:</b></p> <ul style="list-style-type: none"> <li>• Funding comes from a myriad of public (King County, State of Washington, Federal) and private sources.</li> <li>• In some cases cities have also made surplus land available and/or reduced building permit fees.</li> </ul>

## EXAMPLES AND COMMON SOLUTIONS

<b>Program</b>	Bainbridge Island: Housing Trust Fund
<b>Web Information</b>	<a href="http://www.bihhhs.org">www.bihhhs.org</a>
<b>Practice Used</b>	<ul style="list-style-type: none"> <li>• Solicits qualified proposals from private developers, public organizations, and public/private partnerships.</li> <li>• The Housing Trust Fund encourages development of moderate and lower income housing for citizens such as clerks, teachers, public employees, wait staff, artists, crafts people and skilled workers.</li> <li>• Projects that could be supported by trust fund monies include:             <ul style="list-style-type: none"> <li>• Affordable housing in Fort Ward</li> <li>• Nine affordable living units in Westhome in Winslow</li> <li>• Preservation of historic home into affordable housing</li> <li>• Repairs to existing homes of low-income senior and disabled islanders</li> </ul> </li> <li>• Each year, the HHHS Council appoints a Community Advisory Board to the Bainbridge Island Housing Trust Fund. The Community Advisory Board reviews project proposals and submits a list of recommended projects to be funded. The list is reviewed by the Housing Trust Fund's Executive Committee and sent to the City Council.</li> <li>• The City Council makes the final decision on the amounts awarded.</li> </ul> <p><b>Funding Sources:</b></p> <ul style="list-style-type: none"> <li>• For every mortgage they write Washington Mutual contributes a small donation to the fund.</li> <li>• Certain realtors make a donation that is matched by their brokers each time they sell a home.</li> <li>• Private contributions are matched by City of Bainbridge Island general fund.</li> <li>• A portion of building permit fees are contributed to the fund.</li> </ul>

## SELECTED RESOURCES

### Online Resources

A Regional Coalition for Housing

[http:// www.archhousing.org](http://www.archhousing.org)

Bainbridge Island: Housing Trust Fund

[http:// www.bihhhs.org](http://www.bihhhs.org)

Policy Link

<http://www.policylink.org/EDTK/HTF/>

National Housing Trust Fund Campaign

<http://www.nhtf.org>

Center for Community Change

<http://www.communitychange.org/issues/housing/trustfundproject>

HomeBase

[www.homebaseccc.org](http://www.homebaseccc.org)

### Publications

*Home Sweet Home: Why America Needs a Housing Trust Fund* (2001), Center for Community Change,

[www.communitychange.org/issues/housing/trustfundproject/publications/](http://www.communitychange.org/issues/housing/trustfundproject/publications/).

Glenn D. Petherick, *State Housing Trust Funds: Innovative Sources for Financing Affordable Housing* (1993), National Council of State Housing Agencies. Washington

Charles E. Connerly, *A Guide to Housing Trust Funds: Tools for Community Development* (1989), Neighborhood Reinvestment Corporation. Washington, D.C.

David Rosen, *Housing Trust Funds* (1987), American Planning Association. Chicago

Michael A. Stegman, *State and Local Affordable-Housing Programs: A Rich Tapestry*, (1999), Urban Land Institute. Washington, D.C.