

# Equitable Development Toolkit Housing Trust Funds

Updated June 2001

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# What Is It?

## Illinois:

Illinois' HTF is a typical state housing trust fund. With revenues committed to it from the state's real estate transfer tax, the Illinois Housing Finance Agency has been able to support nearly 20,000 housing units with almost \$100 million in funds since the trust fund began in 1989.

Housing trust funds (HTFs) are distinct funds established by cities, counties and states that dedicate sources of revenue to support affordable housing. Housing trust funds are usually created by legislation or ordinance. At present, there are more than 170 housing trust funds in the United States.

### Housing Trust Funds:

- commit public sources of revenue;
- create dedicated, ongoing funding for the support of affordable housing;
- do not depend on interest or earnings from a fixed fund, or on contributions from corporations, financial institutions or foundations.

The housing trust fund model is an innovative departure from the way that dollars have historically been secured to support affordable housing.

*This tool was developed in partnership with Mary Brooks, Center for Community Change (CCC). CCC is the leading national technical resource for Housing Trust Funds. For more information on their technical assistance services visit [CCC's website](#) or contact Mary Brooks, [brooksm@commchange.org](mailto:brooksm@commchange.org)*

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# Why Use It?

## Secure Affordable Housing:

Decent affordable housing is basic to family well-being and community stability, and should not be dependent upon an unreliable and highly political budget process.

Every year, various interest groups compete for a share of the total budget. Because of the cyclical nature of public and private funding, communities can fall farther and farther behind in addressing the growing need for affordable housing. Yet, decent affordable housing should not be dependent upon an unreliable and highly political budget process.

HTFs provide a stable and steady source of funding for affordable housing. Trust funds enable jurisdictions to design housing programs and provide housing developers with a dependable source of funding to support projects. These funds can be used for a variety of purposes including, but not limited to:

- **Creation and maintenance of affordable housing**
- **Homebuyer assistance:** Including counseling, down payment and mortgage assistance, and interest subsidies.
- **Subsidized rental housing:** Assisting families with rent vouchers or creating below-market rental units.
- **Safety net housing:** Creating and improving homeless shelters.
- **Dedicated Dollars:**

By dedicating public sources of revenue, HTFs create an on-going stream of resources to support affordable housing development. This enables a jurisdiction to be more thoughtful in designing housing programs and assures housing developers a source of funding to support planned projects.

**Gap financing:** Providing dollars to complete a financial package, when all other funding sources are secured.

- **Loan source:** Providing start up and dependable cash flow to housing developers (cushioning the less-timely nature of other public funding sources).
- **Support for nonprofit housing developers:** Providing pre-development funds to secure land and assist with financial packaging, housing design, and management.
- **Leverage additional resources:** Providing "matching" funds that other public or private resources may require.

Because HTFs are created locally using public revenues, they should be structured to address priority issues in a community. For example, funds initially can be targeted to fix up vacant homes for homeownership opportunities, and later shifted to address other needs. This flexibility in design is one of the most attractive features of a housing trust fund.

In communities planning redevelopment, and in those where private investment is driving gentrification, housing trust funds can provide financing to acquire properties key to preserving affordability. In escalating

housing markets, the funds can subsidize renters while other affordable housing opportunities are developed to meet long-term needs.

**Tailored to Community Needs:**

Flexibility in design is one of the most attractive features of creating a locally controlled housing trust fund.

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# How To Use It

Since housing trust funds are designed locally, they can be tailored to address the range of housing problems specific to that jurisdiction. There are three important components to every housing trust fund:

- [Administration](#), or the structure for managing the fund;
- [Program Design](#), criteria for what is supported through the fund;
- [Revenue Sources](#), or the financing of the fund

## Administration

### Vermont:

Vermont's Housing and Conservation Trust addresses dual purposes of supporting affordable housing and conserving open space and agricultural lands. A new quasi-public Board was established by the legislature to oversee this unique fund.

### Lead Agency

Housing trust funds are typically administered by a public agency, usually the department that deals with affordable housing programs. This agency will assign or hire staff to carry out the day-to-day operations of the housing trust fund.

While not common, there are instances where nonprofit entities administer a housing trust fund. The East Tennessee Foundation, for example, administers a housing trust fund in Knoxville, Tennessee. Another approach is the creation of an independent or quasi-public corporation for the express purpose of operating a trust fund.

### Oversight Board

Most housing trust funds have an oversight board. The composition of the board is governed by the ordinance or legislation establishing the housing trust fund, and board members are appointed. Board members typically represent a broad range of housing interests within the community. They are usually responsible for establishing trust fund policies; developing regulations for the operation of the fund; determining funding priorities; and monitoring and evaluation. Some oversight boards play an advisory role, while others have full power and authority to be decision-making bodies.

Well-functioning oversight boards are important for several reasons. They build public support for the trust fund and its activities. They provide guidance on the operation of the housing trust fund. They provide connection to the community, and work to ensure that the trust fund reflects and is accountable to local needs.

### Program Design

The most important program design components should be contained in the ordinance or legislation to establish how dollars are spent and who benefits.

- [Dissemination and types of funding](#)
- [Eligible applicants](#)

- [Eligible uses](#)
- [Requirements](#)

## Dissemination and Types of funding

Most housing trust funds award funds through requests for proposals (RFPs). The lead agency announces the availability of funds and outlines the application process.

HTFs usually provide funds in a variety of forms including: no-interest loans, forgivable loans, below-market loans and grants. In addition, funds can be used to establish a line of credit, guarantee funds or bridge loans. Some housing trust funds coordinate their application procedures with other programs, allowing potential applicants to submit a single application to access multiple funds available within the jurisdiction. Single applications can include HOME funds, the Community Development Block Grant Program (CBDG), housing trust funds, and others. This unification enables the jurisdiction to be more strategic in implementing affordable housing.

HTFs can also establish special funds programs. Dauphin County, Pennsylvania's Affordable Housing Fund created a First Time Homebuyers Second or Subordinated Mortgage Program that provides funds for households earning less than the median income.

## Eligible Applicants

### Nonprofits and HTFs:

Nonprofit development organizations have probably been the most consistent partner to housing trust funds, using most of the resources for affordable housing development and rehabilitation.

Housing trust funds can qualify a variety of eligible applicants including: nonprofit and private developers, Native American tribes, regional entities, jurisdictions, housing authorities, and other entities. Some housing trust funds restrict funding to nonprofit organizations. Other funds provide loans to private developers while making grants available to nonprofit developers. Nonprofit development organizations have probably been the most consistent users of and partners to housing trust funds.

## Eligible Uses

### HTFs Help Build Diverse Communities:

Many housing trust funds encourage mixed-income or mixed-use developments, with requirements that funds can only be used for projects (or a portion of a project) that address the needs of households with certain income levels.

Most HTFs provide for many, diverse uses. Funds can be used for acquisition, new construction, rehabilitation, emergency repairs, housing-related services, adaptive re-use, accessibility modifications and more. While less common, some trust funds make dollars available for rental assistance (including emergency assistance), foreclosure prevention, and other needs. Some housing trust funds focus on serving the needs of the homeless. Many encourage mixed-income and mixed-use developments, requiring that funds be used for projects (or the portion of a project) that address the needs of lower income households.

## Requirements

Recipients of trust fund dollars are required to meet established criteria. Common requirements include:

### Helping Low Income Families:

Most HTFs encourage projects that serve very low-income households by giving "priority" status to these efforts.

- **Income guidelines.** Most housing trust funds restrict the use of funds to projects that serve households who earn no more than 80% of the area median income. Many target 50% or 30% of area median income. Trust funds may serve a mix of income levels, but often set aside a portion of the funds to serve the needs of lower income households. Most funds encourage projects that serve the lowest income households by giving priority status to these projects.
- **Long-term affordability.** Most HTFs encourage or require that trust fund dollars support housing with provisions for long-term affordability. Some trust funds specify a number of years, while others for the life of the project.
- **Accessibility.** Housing trust funds often require that a portion of units are accessible to those with disabilities and meet the requirements of the [Americans with Disabilities Act \(ADA\)](#) and applicable local laws.
- **Displacement.** Other requirements can prevent the displacement of current residents or offer tenant protections. Some HTFs require neighborhood planning to receive trust fund dollars.
- **Other preferences or priorities.** Preferences may be given to projects that achieve the highest leverage of public and private funds, those serving certain neighborhoods and those serving households with special needs, among others.

### Other Important Elements

Whether capitalized from less than \$100,000 to over millions of dollars annually, housing trust funds can have tremendous impact in a community. The single most important factor in the success of a housing trust fund is a committed, talented, effective staff. Key elements to ensure the success of a housing trust fund include:

- **Clarity.** Create clearly stated objectives. A fund that is too broadly defined will have less clear impact than one whose resources are targeted to specific needs.
- **Efficiency.** Create a streamlined process for moving funds to needed projects. Develop an easy-to-understand and use application process.
- **Accountability.** Create public accountability. Put an effective process in place for evaluating how funds are spent and ensuring they support the goals for which the trust was created.
- **Public Will.** Build public will by publicizing accomplishments and continuing to stress the beneficial impacts of the HTF. Never underestimate the importance of continuing to educate the public and elected officials about the vital role that decent affordable housing plays in sustaining healthy communities.

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# Key Players

## Who Needs to Be Involved

Creating a housing trust fund is a political process that requires persuading elected officials to make tough choices. Trust funds require tax and/or fee increases (usually considered to be politically unpopular). Furthermore, dedicating these funds to affordable housing gives elected officials less budget flexibility.

Occasionally the creation of a HTF occurs at the direction of elected officials through the appointment of a task force, with staff or consultants undertaking the research. A government agency or department also may initiate this task.

Usually, however, housing trust funds are created when the public demands that government address critical housing needs. Often, organizations representing the interests of those in need create the momentum by mounting public campaigns. Campaigns can be vastly different depending on a number of circumstances, one of the most important being whether dedication of the revenue sources requires a public vote or approval by elected officials alone. This requirement varies from state to state based on constitutional limitations.

In most instances, success depends on housing advocates building coalitions among community leaders, banks, developers, environmentalists, faith-based groups, service providers, unions and philanthropists. While coalitions are important for a successful HFT campaign, a core working group typically assumes day to day responsibility for organizing and conducting the campaign, bringing other key players to endorse the proposal, raising needed funding or other resources, and organizing community support.



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# Challenges

Virtually every housing trust fund campaign faces some opposition. To prepare for those who will oppose the fund, rely on the strengths of a well-researched proposal and well-built community alliances. A positive campaign will keep the focus on the benefits of a balanced housing supply to the community.

Some of the most common arguments used to oppose housing trust funds include:

**Opposition to the Revenue Source.** The most common source of opposition is related to the proposed revenue source. For instance, if a hotel/motel tax is proposed as the source, the tourism industry will most likely be in opposition. Rarely is this form of opposition turned around. The most effective strategy is to promote your proposal as one that solves a problem that affects the entire community.

**Opposition to Tax Increases.** Another common source of opposition are elected officials for whom affordable housing is not a priority and/or who are unconditionally opposed to increasing any tax or fee. As with any political vote, there are those who will support your proposal and others who will not regardless of your campaign. Focus on those who can be persuaded.

**Opposition to Providing Needed Housing.** Other forms of opposition may focus on details of your proposal. There may be those who want to increase the eligibility requirements to middle income households or others who want to focus on homeownership. Be clear on what compromises you are willing to accept and those you will not.

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# Success Factors

## Elements for Success

**Identify Players Needed for a Successful Campaign.** While a HTF campaign may not need a lot of people it does require a dedicated group of housing advocates willing to make a long-term commitment to the campaign. HTF campaigns can take one to two years of hard work.

**Outline a Clear and Concise Proposal.** While it is relatively easy to outline administrative structure and program parameters of a proposed HTF, potential revenue sources may need intensive research and consideration. Information can be gathered from other housing trust funds, with the recognition that each jurisdiction is unique and potential revenue sources vary. The proposal should identify a specific revenue amount to dedicate annually to the HTF, regardless of the source. Justify the goal by either the housing needs that exist, the capacity to utilize housing funds, or some other defensible criteria.

**Understand the Legal steps to Move Proposal Into Law.** It is critical to understand the process for getting a new program into law. First, determine how an ordinance or bill is introduced and chart all filing deadlines. Second, give careful thought to who might be the best sponsor of your proposal. This needs to be someone both supportive of your position and who has enough political clout to carry it through to a successful vote. Take the time needed to identify the best champion for your proposal.

**Build an Active Campaign Cadre.** Brainstorm with community leaders who endorse your proposal. Secure broad-based support: financial contributors, endorsers, coalition partners, and other ways to support the campaign. The campaign must reflect the community's capacity, as well as what will work within the local political climate. Unions, schools, faith-based institutions, banks, health care organizations, corporations, developers and many others can add force to a housing trust fund campaign.

Analyze the role the mayor, governor, county manager, and other public officials will play in such an important legislation. Engage them strategically in the campaign. Their endorsement will be key to a successful campaign.

**Develop Compelling Campaign Materials.** Create a campaign theme to unite people around the proposed housing trust fund. Identify the housing needs in the community, and focus on successful developments that provide good homes for families. A good question and answer document can help people understand the complexity of revenue sources and other details.

**Document the Economic Benefits** that result from housing production, such as:

- Other public and private dollars that are leveraged through the housing trust fund (e.g., on average every \$1 contributed by the housing trust fund leverages \$5-10 from other sources);
- Increased jobs from housing activity (both direct and indirect);
- Tax benefits that accrue to the community, through sales taxes, income taxes, and property taxes; and

- Other benefits such as undocumented social advantages, including improved health and school performance for children; more stable households; reduced crime; and increased self-sufficiency.

**Work With the Media.** The media play a critical role in all political campaigns, including one focused on housing trust funds. Develop good relationships with the media, including radio, television, newspapers, and web-based publications. Develop materials they can work with. Prepare spokespeople for public events and interviews. Identify compelling success stories. Utilize photos and other materials to clearly illustrate your key arguments. Meet with editorial boards, stage press events, write letters to the editors, and work with reporters to help them understand the issues and cover stories that promote affordable housing.

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# Financing

## Revenue Sources

Revenue sources vary depending on whether the trust fund is established by a city, county, or state government. Securing these dollars is the most political and difficult part of establishing a housing trust fund.

## Public Dollars

Sources include:

- **Real estate taxes or fees** (e.g., real estate transfer tax, document recording fee, excise tax);
- **Developer fees** (e.g., fees on new commercial development that contribute to housing funds, inclusionary zoning in-lieu fees, impact fees);
- **Other taxes** (e.g., property taxes, sales taxes, hotel/motel taxes);
- **Other fees** (e.g., application fees for municipal programs, permit fees, demolition and conversion fees);
- **Tax increment funds** from redevelopment districts;
- **Repayments** on various loan programs and other kinds of program income; and
- **Interest** from government-held and market-based accounts (e.g., rainy day funds, escheat funds, real estate escrow accounts or tenant security deposits).

Most revenue dedicated to housing trust funds is new income to a jurisdiction, based on increased taxes and fees and does not take dollars away from other programs. As with any tax or fee, the amount of revenue coming into a fund fluctuates from year to year. The funds generated by trust funds cannot be diverted to other uses. And all interest and earnings must remain in the trust fund, as well as any unused dollars at the year's end.

It is not always possible to win an increase in a tax or fee, particularly in states that have enacted "anti-tax" legislation. In these instances, it may be possible to divert a portion of existing revenues from the general fund to the trust fund.

Housing trust funds can also receive appropriations and/or special allocations of funds to augment existing dollars. This might include surplus budget funds, excess TANF funds, and funds available from the sale of public property, among others.

## Non-Public Dollars and "Hybrid" Funds

A special note should be made regarding non-public funding sources. By definition, housing trust funds are not comprised of corporate contributions, foundation grants, or bank commitments. These funds are more typical of housing partnerships—a different and useful tool.

A few housing trust funds are exploring combinations of public funds with private contributions. It may prove useful for such combined funds to define a special role for private contributions, such as land acquisition and predevelopment activities.

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# Policy

## National Housing Trust Fund Legislation

The National Low Income Housing Coalition, in partnership with over 500 housing advocacy groups across the country, is spearheading a campaign to create a National Affordable Housing Trust Fund. The initial goal of the National Affordable Housing Trust Fund is to produce, rehabilitate and preserve 1,500,000 units of affordable housing that serves the needs of low-income communities by 2010. The proposed source of revenue would be excess funds from the Fair Housing Administration (FHA) and Ginnie Mae. Some key elements of the Campaign's policy proposal include:

- **Income targeting.** Commit at least 75% of the trust fund dollars for housing that is affordable for extremely low-income households (those with incomes under 30% of the area median).
- **Distribution.** Ensure that every type of community has access to fund and encourage regional collaboration.
- **Mixed Income.** Assure that extremely low-income households are not segregated from other income groups by utilizing trust fund dollars in conjunction with other funds to support new multifamily, mixed income housing developments.
- **Compatibility with other housing programs.** Ensure compatibility with other public housing dollars (Low Income Housing Tax Credits, private activity bonds, CDBG, HOME, Section 8, public housing, [United States Department of Agriculture rural housing programs](#)) and other forms of assistance.

Drawing from the model policy proposal that the National Housing Trust Campaign has developed, legislation was introduced in June 2001 by Congressman Bernie Sanders (I-VT) to create a National Affordable Housing Trust Fund. Co-sponsors of the bill include: Congresswoman Barbara Lee (D-CA), Congresswoman Karen McCarthy (D-MO), Congresswoman Lynn Rivers (D-MI), Congresswoman Stephanie Tubbs-Jones (D-OH), and Congressman Danny K. Davis (D-IL). The [Sanders'] National Affordable Housing Trust Fund would be capitalized by using some of the surplus from the Federal Housing Administration (FHA). FHA is expected to accumulate a \$26 billion surplus over the next 10 years. Trust fund dollars would be funneled to states and to the non-profit housing community to support the construction of affordable housing. The Campaign anticipates that additional bills to support a national housing trust fund will be introduced by other legislators.

For more information on how to get involved visit the [National Affordable Housing Trust Fund Campaign](#) website.

## State Level Legislation

Some states have adopted legislation that expands funding sources to support affordable housing.

One example is Pennsylvania's Act 137 that enables counties to double document recording fees, if these funds are allocated to local affordable housing funds. Counties have the discretion to do this, and counties control the use of these funds, as long as they are in accordance with the broad parameters contained in the enabling legislation.

## Units Assisted by Pennsylvania Act 137 Funds:

By allowing counties to double document recording fees, Pennsylvania dedicated revenue sources to: · 221 new owner-occupied units constructed · 1,535 owner-occupied units rehabilitated · 1,315 rental units developed or rehabilitated, including 582 units for the elderly · 2,084 homebuyers provided with closing cost and/or down payment assistance · 84 disabled individuals (mostly MH/MR) provided with group-home housing Source: Pennsylvania Low Income Housing Coalition

This is a very replicable model, creating a new revenue source for counties to support affordable housing. The Pennsylvania example illustrates that states can play an active role in addressing the affordable housing challenge, while allowing for local jurisdictions to address their unique priorities.

### **Other Strategic Opportunities**

#### **Create Private Sector Incentives**

At present, the vast majority of housing trust funds are established through public sector revenue sources. The private sector can be encouraged to contribute to affordable housing trust funds through the use of tax incentives.

#### **Promote Public, Private, and Nonprofit Sector Collaboration**

Some promising models are emerging for cross-sector collaboration in the establishment of affordable housing trust funds. In California's Santa Clara County - the heart of Silicon Valley - a collaborative of public, private, and nonprofit sector organizations are creating an affordable housing trust fund. A consortium of business leaders, elected officials, and housing advocates has raised \$19.1 million of \$20 million goal in 22 months. One-third of these funds come from the County and several area cities that have devoted redevelopment dollars. Over half of the funds have been contributed by area employers in sums ranging from \$50 to \$1 million-an acknowledgment that the housing crisis is having a serious impact on their workers. Additional funding (currently over \$2 million) comes from private foundations and individual donors. Programs targeted to receive Housing Trust Fund dollars include homeless housing, affordable rental housing, and first-time homebuyers assistance.

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# Case Studies

## A Regional Coalition for Housing (ARCH) - King County, Washington

### Background

In existence for eight years, A Regional Coalition for Housing (ARCH) regional housing trust fund has committed more than \$13 million to the creation and maintenance of affordable housing in King County, Washington. 1,600 units of affordable housing have improved the lives of low- to moderate-income families, seniors, homeless and people with special needs. The ARCH fund is an innovative example of regional, cross-jurisdiction cooperation in addressing a community's affordable housing needs.

### The Context: Economic Boom Creates An Acute Housing Crisis

King County, Washington -with Seattle as its epicenter-is one of the most economically dynamic regions in the United States. The county is home to more than 26,000 companies, including multinationals such as Microsoft, Nintendo, and AT&T Wireless Services. The presence of these technology giants has fueled an economic boom in recent years, with the Port of Seattle creating a strong import base for the region. A key driver of the growing affluence in King County is the city of Redmond. Once rustic and quiet, Redmond now houses Microsoft's worldwide headquarters - bringing international recognition and large corporate campuses to the city. Microsoft alone occupies more than 200 acres of southwest Redmond. Eastern Redmond has become a magnet for other software companies. Job creation in Redmond has been so rapid, that finding workers to fill available jobs-and housing for new workers-is increasingly difficult. As of 1996, Redmond had 50,000 jobs and 40,000 residents.

As a result of the economic boom in East King County, many jurisdictions have experienced skyrocketing housing prices and massive condominium construction. Even though a [Growth Management Act](#) establishing housing supply targets for each jurisdiction has been in place since the early 1990s, the region has failed to meet the growing demand for housing.

Unfortunately, the economic growth in King County resulted in a significant wealth and opportunity gap. The eastern part of King County is the most affluent: as of 1996 the median household income was \$45,100, higher than the county median (\$36,200) and the state median (\$31,183). In 1999, software workers averaged \$291,000 in annual salary, while the average salary for non-software workers was \$36,700.

Such income disparities coupled with escalating housing prices has made it increasingly difficult for lower income households to remain in King County. The 1999 Annual Growth report indicates that there are more than 52,000 low-income residents in King County. Approximately 30,000 families rely on rent subsidies.

### A Solution: A Regional Housing Trust Fund

#### Origins and Mission

Spearheaded by A Regional Coalition of Housing (ARCH), King County now has a regional housing trust fund. ARCH was created through the initiative of King County and the cities of Bellevue, Kirkland, Redmond. These jurisdictions recognized that the affordable housing crisis required collective regional action.

ARCH's goal is to increase the supply of housing for low- and moderate-income families in King County . Strategies include:

1. **Coordination and Leveraging.** Coordinating public resources in a more targeted manner, and attracting greater private and non-profit investment to affordable housing development.
2. **Information Sharing.** Pooling technical resources and information across jurisdictions to improve and increase the development and implementation of housing policies and programs
3. **Technical Assistance.** Providing technical assistance to local organizations interested in affordable housing provision.
4. **Community Participation and Leadership.** Promoting community involvement, information gathering and sharing, and strengthened leadership to address the county's housing needs.

At present, participating jurisdictions also include Issaquah, Mercer Island , Woodinville, and Bothell. Six other cities may participate in the future: Newcastle , Medina , Clyde Hill, Yarrow Point, Hunts Point, and Beaux Arts Village .

#### ARCH's Organizational Structure:

- **Council.** Approves ARCH's annual work program and budget, and takes final action on the use of local resources.
- **Executive Board.** Oversees the operation of ARCH. Composed of Chief Executives participating jurisdictions.
- **Citizen Advisory Board.** Provides recommendations on the use of local government resources, and maintains a high level of understanding of affordable housing issues in the community. Composed of citizens from diverse backgrounds.
- **Staff.** Responsible for implementing ARCH's program and for staffing the Board. Consists of a combination of staff hired by ARCH, and staff loaned by Bellevue and King County.

#### Revenue Source

Each participating jurisdiction contributes funds to ARCH housing trust fund. In 1998, ARCH created a Parity Program to guide the level of contributions made by participating jurisdictions. The Parity Program establishes guidelines to ensure that all members of the coalition receive an equitable distribution of housing trust fund resources. ARCH considers this parity agreement a critical component to the on-going success of the regional housing trust fund.

#### Guiding Principles of ARCH's Parity Program:

- Goals for each jurisdiction are stated as a range rather than as a single formula.
- Formulas are used to establish the range for each city. Each jurisdiction's range results from the calculation of a low and high contribution using three formulae: current population, projected housing growth, and projected job growth.
- A minimum baseline of \$1 million annually was established based on past levels of overall contribution.



- Jurisdictions were challenged to do more, as much as \$2 million annually, acknowledging the level of need throughout the region.
- No mandates are made for any given year, recognizing that jurisdictions' budget situations vary year to year.
- Accomplishments are measured over a five-year period, so that years with low levels of commitment can be offset by years with higher commitments.

Cities are encouraged to accomplish their goals in a variety of ways, including: direct and indirect monetary assistance (such as fee waivers); and in-kind contributions, such as donated land.

For the participating jurisdictions, the "low contribution" range is from \$32,000 to \$396,000 and the "high contribution" from \$75,000 to \$605,000. Since the Parity Program was approved, most jurisdictions have met their annualized average commitment. Since King County has its own housing trust fund, it only contributes toward the administrative costs of ARCH.

Actual revenue sources for contributions include: general funds, [Community Development Block Grant](#) funds, payments by developers, loan repayments, interest earnings, fee waivers, infrastructure improvements, and contributions of land.

## Housing Trust Fund Structure

### Application and Selection Process

Each year ARCH issues two [requests for proposals \(RFPs\)](#). These RFPs identify the participating jurisdictions, outline the total amount of funds available and the individual funds committed by each participating jurisdiction.

### Thinking Regionally:

Funds that come from a jurisdiction are not restricted to being used within that jurisdiction. ARCH's housing trust fund dollars are distributed regionally and based on priority needs in the county.

Applications are screened by ARCH staff. ARCH staff then develops recommendations to respective City Councils as to which projects should be selected for funding. Funds coming from an individual jurisdiction are not restricted to being spent within that jurisdiction. ARCH's recommendations are made by its Citizen Advisory Board and approved by its Executive Board. City Councils confirm the recommendations. Cities then enter into contracts with the selected applicants. ARCH may assist in structuring these contracts and may provide administrative oversight. All funded projects must submit quarterly status reports.

### Eligible Applicants and Activities

Eligible applicants for the ARCH housing trust fund include: nonprofit organizations, private for-profit organizations, public housing authorities and public development authorities. ARCH staff provides technical assistance to eligible applicants on an "as-needed" basis.

In general, the housing trust fund assists households earning 50 percent or less of median income. In special circumstances, this is increased to 80 percent of median income. Other priorities include duration of

affordability and targeted housing needs.

Housing trust fund dollars support: acquisition, predevelopment costs, new construction, rehabilitation, site development costs, off-site development costs (when necessary to assure utility service to the project), direct tenant assistance programs, and mixed-income projects (although trust fund dollars support only the low and moderate income units). Funds may be used as "matching dollars" to qualify for other county, state or federal funds. Funding is awarded as either loans or grants.

### **Keys to Success**

To date, \$13.234 million has been committed to create affordable housing through the ARCH fund and nearly 1,663 units have been built or preserved throughout the region. Of these, half are family housing, 36 percent are senior housing, 6 percent are homeless/transitional housing, and 8 percent support people with special needs. The ARCH fund succeeds by:

### **Thinking and Acting Regionally**

ARCH creates an institutional structure for regional collaboration. Without a regional coalition for housing, jurisdictions would address the need for affordable housing within their borders. Yet, the affordable housing crisis in King County is caused by regional forces. Thinking and acting regionally allows jurisdictions to be more thoughtful in addressing housing needs and more effective in utilizing resources.

### **Engaging Key Players**

#### **Participation Builds Success:**

The success of our housing trust fund lies in the participation of all ...these players"

**Art Sullivan,  
Executive Director,  
ARCH**

ARCH has been highly successful in engaging diverse stakeholders to shape the direction of their regional housing trust fund. Art Sullivan, the Executive Director of the ARCH Housing Trust Fund explains their approach. "The most important players are the community members who now sit on the advisory board, because they decide where the money goes," he said. "The next most important players are the business communities and local business chambers because they have a unique opportunity to share resources. Third, we build relationships with our grantees and support their housing projects beyond the funding allocation. The success of our housing trust fund lies in the participation of all these players."

### **Building Partnerships Between Nonprofit and For-Profit Developers.**

Partnerships between private and nonprofit developers can be advantageous in the affordable housing development. Private developers may have more technical experience and may have access to key market sectors, while nonprofit organizations bring a deep knowledge of the needs of low-income residents to the partnership.

Len Brannan is a private developer who now works with ARCH on a regular basis. His organization, Shelter Resources, acts as a financial guarantor in a joint venture development with nonprofit developers. ARCH provides Shelter Resources with below-market-interest rate loans of \$100,000 to \$500,000 for its housing projects. "Otherwise," says Brannan, "it wouldn't be possible from a risk standpoint for us to take on projects

of this size."

Ashwood Court is such a project and highlights the benefits of partnerships with a private developer. Completed two years ago, Ashwood Court provides quality affordable senior apartments amidst a particularly inflated real estate market in downtown Bellevue, Washington. The land alone for this project cost approximately \$850,000. ARCH secured the funding for this purchase from the City of Bellevue. Brannan is now financing rehabilitation of an assisted and congregate care senior project. ARCH secured tax-exempt bonds and a commitment of \$1.3 million from the City of Bellevue.

### **Community Participation**

ARCH is committed to community participation in the dissemination of housing trust fund dollars as well as ensuring that the fund stays accountable to community needs. The Citizen Advisory Board reviews proposals to make recommendations for potential projects.

The Board also spearheads educational campaigns to empower residents with knowledge of homeownership models. One campaign focused on distributing material on exercising the right to build accessory dwelling units in single-family homes. This campaign was designed to address the misconception held by many residents that the construction of such units is restricted to affordable housing projects according to state housing regulations. The Board wrote articles on the subject and conducted community outreach with information packets on homeownership.

### **Responsiveness and Flexibility**

A key factor in the success of the ARCH housing trust fund is its responsiveness to the needs of groups committed to building affordable housing. Given the competitive real estate market in King County, prospective buyers have very little time to secure funds once they have found a property that meets their needs. While accessing dollars from local governments is often a lengthy process, ARCH is able to quickly purchase property for groups that will develop affordable housing on the site. When necessary, an architect is hired to produce a master plan and capture the spatial details of a potential site.

### **Challenges**

#### **The Enormity of the Task**

While ARCH has been successful, the regional coalition cannot meet King County's need for affordable housing at its current funding level. The economic boom and unparalleled growth of the technology corridor in King County is driving up housing prices and bringing in new workers at a rapid clip. Planners project the addition of 325,000 residents to King County by 2020.

#### **Balancing Regional Cooperation and Competition**

##### **Real Impact:**

To date, \$13.234 million has been committed to create affordable housing through the ARCH fund and nearly 1,663 units have been built or preserved throughout the region.

The nature of a regional coalition requires that competing jurisdictions cooperatively decide how to distribute resources in order to promote equity for the entire region. While jurisdictions seek to increase affordable homeownership and rental opportunities in their areas, participating members in ARCH must do continual advocacy for their community while maintaining a commitment to a regional equity agenda. Art Sullivan, ARCH's Executive Director is optimistic. "The challenge is the good news. Many cities are

initially very skeptical that it can work, but join because they feel like it's the right thing to do. Now they want to do even more! When we completed a project of \$100,000 we thought that was a big deal. The largest project we've done now is \$1.25 million! Without working together, we couldn't have that sort of political clout."

## **Conclusion**

When building a regional trust fund, the rewards far outweigh the challenges. This network of 13 cities pooling resources and planning together holds great promise for creating a robust affordable housing stock at the regional level. ARCH's Parity Program encourages regional cooperation by requiring that every city be willing to fund a project in another city. In fact, one of ARCH's projects was funded by nine different jurisdictions.

Over eight years, ARCH has crafted an innovative model for regional housing trust funds that has been successful in the face of many challenge. Thinking and acting regionally works.

## **Community Housing Assistance Program - Boulder, Colorado**

### **Background**

The Boulder Community Housing Assistance Program (CHAP) was created in 1990. Its primary goal is to create housing that is affordable to households earning between 30-60% of the area median income. The City intends to produce sufficient affordable housing so that at least 10% of its housing stock is permanently affordable to households earning up to 80% of the area median income. Boulder also wants to have an affordable housing continuum, with housing choices and options at different income levels. The Boulder Valley Comprehensive Plan guides all key policies and plans.

The CHAP replaced a program known as the Moderate Income Housing Program (MIHP). MIHP was in existence from the mid-1970's until November 1990. The MIHP required that new developments include either 15% of the units as affordable to households with moderate incomes or 10% affordable to those with low incomes. These units were to be kept affordable for five to ten years. An Affordable Housing Task Force recommended that the focus be shifted from moderate to lower income households and that future programs focus on creating units that remain permanently affordable. The CHAP was created out of this effort.

### **Sources of Funding**

The Community Housing Assistance Program (CHAP) is funded through an 8/10 th of a percent increase in the property tax and a tax on new construction of residential and commercial uses, known as the Housing Excise tax. The current rate for residential uses is \$0.16 per square foot and for commercial uses the rate is \$0.34 per square foot. The CHAP receives approximately \$1 million annually from these dedicated revenue sources.

### **Administration**

The Community Housing Assistance Program is administered by the City's Housing Division. At least once a year, the Division initiates a funding round that is a combined application process for three sources of affordable housing funds: the Federal HOME and Community Development Block Grant programs and the Community Housing Assistance Program. The Housing Funding Program is governed by a two-year work

plan adopted to guide housing funding decisions.

The awards process and other decision-making related to the CHAP-process is at the direction of the CHAP Technical Review Group, a five member review group appointed by the City Manager. After the Group prepares its initial recommendations, they are sent to the CDBG Citizens Group, which makes recommendations for CDBG funding. Final recommendations are forwarded to the City Manager for approval and then approved by the City Council.

## Programs

Nonprofit organizations, private developers, churches, individuals, the local housing authority, neighborhood based groups and public/private partnerships are eligible to receive CHAP, HOME, and CDBG funds. Activities eligible for funding include: acquisition of buildings and land; rehabilitation of existing assisted housing; rehabilitation of units to become assisted housing; bridge loans; land banking; project equity; or construction loans. Awards are usually in the form of grants, although loans, deferred loans or project equity are considered.

## Accomplishments

Since CHAP started, more than \$7.5 million has been awarded. Funds have been used for the acquisition, construction and substantial rehabilitation of homes. Funds have been used for improvements to units owned by the Boulder Housing Authority. Sites have also been purchased with CHAP funds for future construction of homes through the Division's land banking efforts.

Housing awards made in 2000 include:

- **Affordable Housing Alliance.** \$350,000 to develop 14 housing units at the Drive-in Theater site. \$290,000 to the Housing Authority. All of the units will be permanently affordable to households earning between 40-45% of the area median income.
- **Habitat for Humanity.** \$97,000 for the second phase of the Violet Hollow project. Violet Hollow consists of 16 single family homes located in North Boulder.
- **Home Repair: Mobile Homes-City of Boulder.** \$210,000 to make home repairs in up to 40 homes located in the City of Boulder.
- **Housing Authority.** \$400,000 to acquire 21 rental units for households earning between 30-70% of the area median income.
- **Foothills Predevelopment.** \$200,000 to complete the predevelopment stage for a 74-dwelling unit project, mixed income, affordable rental community.
- **Housing Authority.** \$275,000 for the installation of fire protections systems at five housing authority sites and to support Section 504 reasonable accommodation requests at all properties.
- **Developmental Disabilities.** \$60,000 to fund the development of the Foothills Group Home that would provide housing to 8 elderly, developmentally disabled individuals.
- **Boulder Shelter for the Homeless.** \$80,000 to fund the acquisition of 4 units of transitional housing. The units will be used to provide housing and support services for up to 2 years to homeless individuals, 8 at a time.

- **Thistle Community Housing.** \$200,000 to fund the acquisition of 20 affordable housing rental units. Up to 20 percent of the units will be accessible to persons with disabilities.
- **Thistle Community Housing.** \$30,000 to fund the completion of Thistle's Business Marketing Plan.
- **Opportunity Fund Opportunities .** \$200,000.

## The William E. Sadowski Act - State of Florida

### Background

Florida's housing trust fund was created in 1992 with the passage of the William E. Sadowski Act. The Act actually created two trust funds. Thirty-one percent of the funding goes to the state government housing trust fund. The remaining sixty-nine percent goes to the local government housing trust fund.

The Act was passed during deliberations over a state versus local housing trust funds. A coalition of players were brought together by an independent nonprofit organization to negotiate a compromise proposal. Key to the success of these negotiations was the agreement and ability to address each entity's key concern. This eight-year old coalition has sustained the trust fund ever since. Its members include:

- Florida Housing Finance Corporation (the state HFA)
- Florida Department of Community Affairs
- Florida Homebuilders Association
- Florida Association of Realtors
- Florida Association of Counties
- Florida League of Cities
- Florida Housing Coalition
- Florida Impact
- Florida Catholic Conference
- Florida Legal Services
- 1000 Friends of Florida
- Coalition of Affordable Housing Providers (rental developers, lenders, syndicators, etc.)

### Revenue Source

The William E. Sadowski Act raised the statewide documentary stamp tax ([transfer tax](#) on deeds) by ten cents per \$100, effective August 1, 1992. In addition, it transferred another ten cents of existing documentary stamp tax from the general revenue to the housing trust fund, effective July 1, 1995.

For fiscal year 2000-2001, appropriations from Sadowski funds exceed \$184 million, including an extra supplemental appropriation of \$8 million.

### Programs

The state programs include SAIL (rental production for very low income persons), HOME match funds, downpayment assistance for low income buyers in the state's bond program, predevelopment loans and grants for nonprofits, support for the state's Guaranty Fund (which is credit enhancement for almost all state and many local rental bond issues), and the Catalyst Program.

The Catalyst Program is the training and technical assistance component of the Sadowski Act, wherein the Florida Housing Coalition has a contract to provide direct technical assistance and workshop training to both local governments and nonprofits.

The local government housing trust fund is the SHIP Program (State Housing Initiatives Partnership Program). SHIP is a block grant program from the state to local governments, with general guidelines for the use of the funds. All counties and CDBG-entitlement cities are eligible to receive these funds. The Florida Housing Finance Corporation administers the distribution of these funds and is charged with monitoring compliance with the Act. The state is limited to no more than 5% of the funds for administration.

The SHIP funds are distributed according to a formula based on population, with each county receiving a minimum allocation of \$350,000. Cities receive a pro rata share of the county's allocation. Interlocal agreements for program management are encouraged and many localities have SHIP programs that are integrated between the county and CDBG cities.

Final requirements for the SHIP program reflect the priorities of the Coalition that put it in place and sustains it currently. These include:

- 65% of the funds must be used for homeownership;
- 75% of the funds must be used for construction/rehabilitation activities;
- 30% of the funds must be used to benefit very low income households; another 30% must benefit low income households; and 40% can benefit very low, low or moderate income households, at the discretion of local governments;
- all local governments receiving SHIP funds must expedite permits related to affordable housing;
- guidelines for the use of the funds are flexible;
- all local governments receiving SHIP funds must adopt a three year plan for expenditure of the funds; and
- there is a 10% limit of local administrative costs.

## Accomplishments

All 67 counties and 40 CDBG-entitlement cities participate in the SHIP program. Since its inception, the Sadowski Act has generated \$1.01 billion of state funding.

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# Resources

## Technical Assistance

The most comprehensive source of information and technical assistance on housing trust funds is the [Center for Community Change](#). Their Housing Trust Fund Project acts as a clearinghouse of information about housing trust funds and provides technical assistance to those working to create and implement these funds. The Project works to ensure that these funds benefit those most in need of housing and that community-based organizations are involved in their creation and implementation.

## Housing Trust Fund Project Publications, Center for Community Change

- *A Status Report on Housing Trust Funds in the United States* (1997), describes the basic components of city, county, and state housing trust funds and contains profiles of 15 existing housing trust funds
- *A Workbook on Creating Housing Trust Funds* (1999), presents a step-by-step guide to creating a housing trust fund with many examples and sample materials from other campaigns
- *News from the Housing Trust Fund Project*, 12-page quarterly newsletter providing current information on the activities of housing trust funds throughout the country

## Other Publications on Housing Trust Funds

- Michael A. Stegman, *"State and Local Affordable-Housing Programs: A Rich Tapestry."* Urban Land Institute. Washington, D.C. 1999.
- Glenn D. Petherick, *"State Housing Trust Funds: Innovative Sources for Financing Affordable Housing."* National Council of State Housing Agencies. Washington, D.C. 1993.
- Charles E. Connerly, *"A Guide to Housing Trust Funds: Tools for Community Development."* Neighborhood Reinvestment Corporation. Washington, D.C. 1989.
- David Rosen, *"Housing Trust Funds."* American Planning Association. Chicago, Illinois. 1987.
- Daniel Hoffman, *"County Housing Trust Funds: A Source for Affordable Housing Finance in Pennsylvania"* Pennsylvania Low Income Housing Coalition. [www.phil.frb.org/cca/capubs/cascade41.pdf](http://www.phil.frb.org/cca/capubs/cascade41.pdf)

## Sample Legislation and Ordinances

- The Sanders legislation,  
[http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107\\_cong\\_bills&docid=f:h2349ih.txt.pdf](http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=107_cong_bills&docid=f:h2349ih.txt.pdf)

## National Housing Trust Fund Campaign

- [www.nhtf.org](http://www.nhtf.org)