NEWBERG AFFORDABLE HOUSING
CITY HOUSING PROGRAM SUBCOMMITTEE

Wednesday, May 12, 2010
7 p.m. to 9 p.m.
Newberg City Hall
Permit Center Conference Room
414 E. First Street, Newberg, OR

I. Open meeting

II. Roll call

III. Housing Trust Fund

- **a. Administration**
  - **Administration models**
  - **Continue language review from Ashland model**
- **b. Funding**
  - **Annual funding**
  - **Funding source(s)**
- **c. Funded project(s)**
  - **Project types**
  - **Loans and/or grants**

IV. Other business

V. Next meetings:
Public Open House, Wednesday, June 9, 2010 at 7 pm, Public Safety Bldg.
Full Committee: Wednesday, July 14, 2010 at 7:00 pm in City Hall (Permit Center Conference Room)
Subcommittee: Wednesday, July 28, 2010 at 7:00 pm in City Hall (Permit Center Conference Room)

VI. Adjourn

Attachments: 1. Excerpts from "A Workbook for Creating a Housing Trust Fund"
2. Potential Trust Fund projects/funding (from Action Plan)

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1 Administration of the Housing Trust Fund

This section examines what administering a trust fund involves, who should do it, how to pay for it, how the trust fund should be coordinated with other money available for housing, and how the trust should be overseen.

What does administering a housing trust fund involve?

Administering a trust fund usually includes four major components. Any one can become as complex as the housing trust fund permits or requires. On the other hand, many trust funds strive for ease and simplicity in their administration.

- **Establishing the housing trust fund's programs.** While the law establishing the trust fund generally describes the broad outlines within which the fund operates, there are additional program documents developed after the law is passed that guide day-to-day operations. The staff administering the trust fund are usually responsible for these documents. They typically include at least administrative guidelines, program guidelines and requests for proposals. The materials contain the details necessary to make the housing trust fund work. They enable eligible applicants to access the funds and spell out all legal requirements that must be met. While the documents guide the work necessary to get the fund up and running, they may also be refined later as the fund gains some experience.
- **Funding projects.** Administering the housing trust fund also includes funding projects. Reviewing applications, making awards, providing technical assistance, monitoring funded projects and reporting on expenditures and accomplishments are all part of the funding process.
- **Taking fiscal responsibility for the trust fund.** Administration also involves holding, investing and administering the fund itself. If the fund is administered by a government entity, then it is customary for the government's fiscal agent to take fiscal responsibility. If the trust fund is administered by an outside entity, then a fiscal agent will have to be established or appointed.
- **Overseeing housing trust fund operations.** If the fund is a government program, then the state legislature, county commissioners or city council will probably have ultimate authority. There may also be an advisory board or board of trustees responsible for ensuring that the trust fund meets its obligations. If the trust fund is not run by government, it will typically have an independent board with similar responsibilities.

Who will administer the trust fund?

Housing trust funds are either essentially government programs or they are not. There are three basic models for the administrative structure of a housing trust. But it is possible to develop some other type of administrative structure.

The Government Agency Model. Here the trust fund is established as a program of the jurisdiction within which it is operating. The fund is typically housed in the agency or department with the most experience operating housing programs, such as the HOME program or the Community Development Block Grant (CDBG) program. Other options include a quasi-public body such as a housing or redevelopment authority or a state housing finance agency. If public funds are committed to the fund, it is unlikely that a non-government entity will be allowed to administer these funds. The vast majority of housing trust funds follow the government model. This model often includes an oversight board. Such housing trust funds may or may not be incorporated.

The "Independent" Commission Model. In a few instances, housing trust funds have been administered by new commissions with specific authority over the newly created trust funds. The commission is typically appointed by an elected body and hires its own staff. These funds are essentially government or quasi-government programs. This model has been used chiefly where there is not an existing department or agency to undertake a housing trust fund. This could be because the fund will operate across existing jurisdictional boundaries, or because it has a mission beyond what any existing entity has the capacity or authority to handle.

The Non-Governmental Model. A few trust funds have been established through government action but are administered by an outside nonprofit entity such as a community foundation. They may create a distinct board to oversee the fund's operations and will usually hire staff to run it. Community foundations have been selected because of their fiscal capability and because they can encourage additional contributions such as corporate investments.

Other administrative options include hybrids of these three models. Regional housing trust funds may be a possibility, but they may require a new oversight or administering entity. Another possible structure is similar to a housing partnership, with a nonprofit administering the funds while maintaining ties to the government.

Do we incorporate as a nonprofit charitable tax-exempt body?

Some housing trust funds do. Some don't. The most common reason to incorporate is to increase the trust fund's ability to accept donations and contributions, and to engage in other kinds of fiscal arrangements and partnerships. Some government-administered housing trust funds are incorporated, and all non-government housing trust funds are.

Notes

Who *should* administer the housing trust fund?

Often there is little choice as to who will administer the fund. But if your situation allows for choice, your best option might be an agency that:

- Has experience operating a program that grants and/or lends funds to housing developers.
- Has worked with and respects nonprofit development organizations and other housing organizations in your community.
- Understands and is committed to providing housing for your target population.
- Can entertain and support innovative ways to provide decent, affordable housing.
- Can work well with all the partners and industries involved in housing, including HUD, other government agencies, banks and other financial institutions, private developers and planning and zoning commissions.
- Is committed to addressing urgent housing needs and demonstrates a willingness and ability to search for solutions.

The single most important factor in a housing trust fund's success is its staff's quality and commitment. Think carefully about staffing as you evaluate alternatives.

Are housing trust funds coordinated with other funds?

Many jurisdictions have found that their housing trust fund provides an opportunity to coordinate housing activities in new ways. This new coordination has allowed jurisdictions to better use available resources, spending them where they are most needed and can do the most good. Such coordination has encouraged more long-range planning and evaluation and, for those seeking funds, created a system that is more accessible and efficient.

The new forms of coordination have most frequently involved one or more of the following:

- Synchronizing the dates when applications are due, allowing applicants to organize their own financial packaging.
- Allowing submission of a package of applications for different sources of funds, increasing access to all potential funding sources.
- Creating a single application process, whereby one application is used for numerous funding sources.

This kind of coordination has been easiest where the jurisdiction is responsible for several sources of funding, such as Community Development Block Grant funds and HOME funds, in addition to the housing trust fund. However, in a few jurisdictions, a funding committee has been organized to coordinate these public funds as well as private funds (such as foundation money).

How will administrative costs be paid?

Administrative costs include funding necessary to pay for administering the trust fund program. The costs of administering the trust fund are either covered in the budget of the agency or other entity operating the trust fund, or they are covered through revenues committed to the trust fund.

For housing trust funds administered by a government agency, often the trust fund's administration is part of that agency's administrative budget. Some funds administered by outside entities contract with the unit of government that established the fund to carry out the administrative responsibilities.

If housing trust fund revenues are used to administer the fund, the enabling legislation usually specifies a cap on administrative costs. The cap is usually a percentage of the total revenue collected within a given year, or a specific annual dollar amount. Two other ways to support administrative costs include charging fees for various administrative tasks, or using the interest from trust fund revenues.

How can an administrative oversight body be created?

A majority of housing trust funds have an oversight body other than, or in addition to, the jurisdiction's elected officials. This advisory board is typically appointed by elected officials, represents varied constituencies, and assumes specific responsibilities. Virtually all oversight bodies have some responsibility for establishing or advising on policy that governs the fund. Many boards help select applicants for funding.

Representation on these boards varies greatly. Some are government coordinating bodies with staff from different agencies. Others seek a broad membership of housing advocates, low income people or tenants, service providers, bankers, realtors, apartment owners, developers and others. Most boards look for members who have experience with low income housing. Others specify particular representation and invite constituent groups to suggest appointees. Board members then are chosen from a slate of potential appointees suggested by these groups.

Hints...

- The advantage of these boards is that they provide the housing trust fund with a broad range of expertise. They ensure a connection with, if not accountability to, the community and its needs. Boards help buffer the housing trust fund process from politics. For the most part, these boards have helped trust funds succeed.
- Applicants for funding may sit on the board, but they must excuse themselves if they are involved with a project being considered for an award. Santa Fe, New Mexico's housing trust fund has a unique system whereby a roundtable of nonprofit developers decide together how the funds will be awarded to the roundtable's members.

Examples of board membership

Dayton/Montgomery County, Ohio, Affordable Housing Fund

Members of the Commission include: the Mayor of Dayton; an elected mayor in Montgomery County appointed by the Mayors and Managers Association of Montgomery and Greene Counties; an elected Trustee appointed by the Montgomery County Township Association; the President of the Board of Commissioners of Montgomery County; and one Commissioner of Montgomery County appointed by the Board of Commissioners of Montgomery County.

Arizona Housing Trust Fund

Members are appointed by the director of the Office of Housing Development: one member from a rural community, two members from a metropolitan area who do not represent the same city, and three members knowledgeable about the housing needs of low and moderate income persons. No more than two members may be from the same county. The director of the Office of Housing Development serves ex officio.

Illinois Housing Trust Fund

Four of the 15 members include the directors of the Illinois Housing Development Authority, the Illinois Development Finance Authority and the Department of Commerce and Community Affairs, and the commissioner of the Chicago Department of Housing. The remaining 11 members are appointed by the governor, with the advice and consent of the Senate. They include: an administrator of a public housing authority, two representatives of special needs populations, four representatives of community-based organizations and four representatives of advocacy organizations, one of whom shall represent a tenants' advocacy organization. The governor is to consider nominations made by advocacy organizations and community-based organizations.

Minnesota Housing Trust Fund

The board's eight members are appointed by the State Housing Finance Agency. They must represent the interests of realtors, lenders, nonprofit developers, apartment owners, low income persons, housing advocates, advocates for the homeless and single or multifamily builders.

Cambridge, Massachusetts Housing Trust Fund

The board's nine members are appointed by the city manager. They represent different sectors of the community concerned with housing policy and may include members of city boards and agencies, nonprofit housing organizations and community representatives.

Notes

Steps To Set Up Administration of the Housing Trust Fund

Step One: Determine where the trust fund should be housed.

There are at least three types of entities that could administer the housing trust fund:

- Have an existing government agency administer and operate the fund. Ask:
  - Who currently administers housing programs for your target population?
  - Do they work well with those who produce this housing?
  - Would they be interested in administering a housing trust fund?
  - Are they capable of administering such a fund?
  - Are they accountable?
- Establish a new, independent authority or board that would administer and operate the fund. Ask:
  - Is a new entity needed, in spite of the increased bureaucracy it would bring?
  - Is there any precedent for establishing such an entity?
  - Who would create this authority or board?
  - How would it be accountable?
- Identify an existing nonprofit organization that could administer the housing trust fund. Ask:
  - Does it have the capability to handle the administration?
  - Can it work well with those who produce such housing?
  - How would it be accountable?

Step Two: Outline this administrative body's key responsibilities.

The responsibilities of the oversight body and its administrative staff might include:

- Establish and maintain an independent, fiscally accountable fund.
- Evaluate housing needs and priorities to set trust fund policy.
- Establish policies and procedures for disbursing funds.
- Establish procedures for monitoring and evaluating the fund's activities.
- Develop responsibilities for reporting to the public and to elected officials.
- Coordinate the trust fund with other available funds.
- Seek additional funds to support trust fund activities.

Step Three: Determine how administration will be paid for.

- Dedicate a portion (%) or establish a cap ($) of annual revenues that can be used to administer the fund.
- Identify other sources of money that could be committed to the fund for administrative purposes: other government programs, interest from the fund, fees charged for applications, etc.

Step Four: Establish a board or commission to oversee the fund's operations.

- Determine who will be represented on the board and how they will be appointed or selected.
- Outline the board's responsibilities.

2 Programs of the Housing Trust Fund

How can you spend the money? This seems like the fun part of creating a housing trust fund. But determining which programs to support often takes much more consensus building than people expect. And there are some overriding conditions that will determine what your housing trust fund can reasonably accomplish.

What factors must you consider in designing the housing trust fund?

Housing trust funds have used their resources in many, many ways. One advantage of a trust fund is its flexibility. You can design it to address the critical problems of *your* community, and you can take advantage of the unique opportunities that you know exist. And while it is good to dream and be creative, there are boundaries that will undoubtedly restrict you. These include:

- **The estimated revenue.** The amount of money your trust fund expects to generate annually will influence what you can do with that money. Modest revenues may be sufficient only for shallow subsidies, technical assistance, capacity building, small grants, short-term loans for predevelopment, or for other activities where funds are heavily leveraged. Larger revenues can support gap financing for rehabilitation or new construction projects, rental housing assistance, long-term operating costs and housing support services, among other activities.
- **The targeted beneficiaries of the fund.** Providing housing for those with very low or no income requires one kind of assistance. Enabling moderate income households to purchase their first home requires something else. Serving the homeless or special populations may require certain services tied to adequate, affordable housing. In some rural areas, infrastructure needs must be addressed before any housing production can occur.
- **The existing capacity to use available funds.** Communities vary widely in their capacity to use funds to provide needed housing. Some communities have an experienced nonprofit housing sector eager for more funds to support their planned projects. Elsewhere, it is difficult to locate someone interested in providing housing to lower income households. Many housing trust funds have developed capacity-building programs to help potential developers create good projects, use available funds, find needed partners, secure commitments and more.
- **The challenges and opportunities that exist locally.** Every community has its unique set of problems as well as potential opportunities that can help address existing housing needs. Vacant, boarded-up homes, city-owned property, federally-assisted units with ex-

piring use restrictions, financial institutions seeking ways to use Community Reinvestment Act (CRA) obligations, a rapidly growing local housing market, and the need to find matching funds to take advantage of state or federal programs, are but a few challenges that are also opportunities.

How will funds be distributed?

Two decisions must be made regarding how the funds will be distributed. The first is the form the awards will take: grants, loans, etc. The second is the type of application process that will be used.

The form of awards

The vast majority of housing trust funds make awards through a number of vehicles: grants, loans, forgivable or deferred loans, lines of credit or rental assistance. Very few limit the form awards can take. In this area, legislation is usually broad, allowing a range of approaches to be developed by the staff.

Increasingly, housing trust funds are experimenting with creative ways to use their funds. Some are providing long-term rental assistance, while others are requiring that a certain amount of leverage be included in the applicant's financial package. Some trust funds use resources to guarantee other funds, and others have combined funds with bond issuances to extend the reach of these funds. The success of such efforts has been primarily due to the genius of those designing the programs. But there is a growing field of experience that provides many models to consider.

Most housing trust fund dollars fill the gap in financing needed to make projects work. Some offer their funding up front, enabling the project to seek additional funding from other sources. Others offer "gap" financing, filling in with needed funding when all other sources have been secured.

Distribution of the funds

Most housing trust funds have chosen between two options for distributing their funds. The more common is to design a competitive application process for available funds. Requests for proposals or notices of funding availability are issued periodically to notify eligible applicants that they can apply for funding.

The less common approach is to channel available funds through existing programs that provide housing for target populations.

There are variations of both options. Existing programs can issue requests for proposals for distributing their funds. And notices of funding availability can be designed around specific objectives to create a particular program.

Two Funding Issues

Loans vs. grants

Loan advocates would like to see the money return to the trust fund to be spent again. This extends the money available to the trust fund and contributes to longevity. But the nature of a housing trust fund makes this objective less necessary: the ongoing revenue stream committed to the fund provides it with a continuous source of annual revenue.

Grant advocates point out that, when providing housing for very low income households, removing debt from the financing may be essential. Rents that are high enough to cover debt in addition to other operating costs may be unaffordable. The more that the debt and other costs increase the rent, the less likely that the project can make units affordable to lower income households.

Do housing trust funds own or build housing?

The vast majority of housing trust funds neither own nor build housing. There are exceptions, however. Where the agency administering the housing trust fund also acts as a housing authority or state housing finance agency, it may receive funds from the trust fund to operate some of its own programs.

What will be funded?

The law establishing a housing trust fund will outline the basic requirements for receiving funds from the fund. Program documents, however, may include much more specific regulations. In fact, program requirements can shift over time to stress the most urgent current needs. Eligibility requirements should detail the following:

Who is eligible to apply?

Eligible applicants: Most funds allow a wide variety of applicants to apply for funds: nonprofit developers, for-profit developers, housing authorities, Native American tribes, units of government, regional organizations and other nonprofit organizations. Unless the program's purpose is to expand homeownership opportunities, individuals are not eligible. A few trust funds limit eligibility to nonprofit development organizations. Other funds, because they focus on the needs of the homeless, may restrict eligibility to organizations or agencies serving this population.

Eligible projects: This is perhaps the least restrictive area of housing trust fund regulation. Typically, any project that meets the requirements of the housing trust fund is eligible for funding. Housing trust funds often pride themselves on their flexibility and willingness to support innovative projects that address needs not being served by other programs. A potential list could include: new construction, rehabilitation, adaptive reuse, acquisition, rental assistance, land trusts, cooperative housing, transitional or emergency housing, preservation of assisted housing, weatherization, emergency repairs, housing-related services and more.

What requirements must be met?

Funded projects must comply with legal obligations, as well as with various objectives that the housing trust fund wants to promote. Some requirements will be contained in the enabling legislation. Others will be part of the program requirements drafted by staff. In establishing requirements, the trust fund should consider the objectives it wants to promote, as well as the best way to achieve these objectives.

What objectives should the requirements promote?

Adequately identifying the requirements and objectives to include in a housing trust fund requires more thought than almost any other aspect of creating the fund. While the legal requirements that funded projects must meet can easily be identified, the objectives that the trust fund should promote through its requirements are more difficult to frame. Here, you are determining which projects are more likely to be funded and, therefore, who will benefit the most from the trust fund.

Once again, the objectives you do not want compromised in any way should be part of the enabling legislation. However, objectives that may shift over time as housing needs and opportunities change can be part of the trust fund's regulations, usually drafted by staff.

Every community has its own objectives it wants to promote through the housing trust fund. Typically, these include:

- Targeting the households who will ultimately benefit from the trust funds.
- Targeting populations who deserve special treatment (elderly, special populations, large families, migrant farmworkers, homeless, welfare to work participants, etc.).
- Supporting projects that achieve certain objectives (mixed income projects, mixed use projects, homeownership, rehabilitation of existing units, preservation of federally assisted projects, etc).
- Encouraging projects that reflect certain conditions (projects that help retain the affordability of the units over the long-term, projects that incorporate tenant services, and projects with favorable design characteristics, etc).
- Supporting innovative projects such as community land trusts and cooperative housing, as well as projects that incorporate tenant services, preserve assisted housing and help people move from public housing to other housing opportunities.

The point is to think carefully about which objectives will most help the trust fund address your community's most critical housing needs. But be careful not to incorporate so many requirements that the program becomes too burdensome for applicants. Include only those conditions you feel are most critical.

Notes

Hints...

- Focus on your community's most critical housing needs and on needs not being addressed by other programs.
- There will be pressure to meet other needs, such as to attract moderate income families back into the city, expand home ownership opportunities or replace other funded programs. Be steadfast in the reasons that prompted you to create a housing trust fund in the first place.
- Where there are competing demands for housing trust fund support, justify your targeting and priorities with the data you gathered at the outset.

Examples of Criteria

Washington Housing Trust Fund

These principles guide the development and review of applications:

- The project responds to locally determined needs and proposed solutions.
- The project serves the population with the lowest income and the highest need over the longest period.
- The project provides a continuum of housing options.
- The project produces and preserves housing in areas under-served by the market.
- The project invests in quality projects that are conceptually sound and financially feasible.
- The project creates the most possible units with the resources available.
- The project leverages funds through public and private partnerships.

Knoxville, Tennessee Affordable Housing Trust Fund

Projects are selected according to the extent they meet the following standards:

- They fulfill an unmet need in the community's affordable housing system.
- They involve the neighborhood in project planning and contribute to neighborhood livability.
- They are innovative and use resources creatively.
- They use trust fund monies to leverage other resources.
- They keep production costs to a minimum.
- They make homeownership opportunities more available to low income households.
- They document applicants' managerial, technical and financial ability to complete the project.
- They demonstrate probability of success within a reasonable period.
- They design long-term affordability, quality and ease of maintenance into each unit.
- They conform to standards for rehabilitating historic buildings, if appropriate.

Minnesota Housing Trust Fund

The following criteria are considered when selecting applicants for funding:

- A documented need exists for this type of residential housing in the proposed geographic area.
- The applicant is experienced in developing and managing similar residential housing.
- The applicant is able to proceed expeditiously with the development.
- The requested funds are combined with other funds.
- The quality of the proposed housing is high, and the cost is reasonable.
- The rent charged is less than 30% of the tenant's income.
- Community and constituency support exist for this type of housing.
- The proposed housing is affordable long-term.
- The geographic area to be served supports reasonable distribution throughout the state.
- Support services are included for homeowner projects.
- The proposed project can be replicated and serve as a model of affordable housing.

Imposing requirements and objectives

There are several ways to make sure the trust fund's requirements and objectives are met. Below are five alternatives, in order according to how likely this way will insure that the requirement or objective is met.

- **Set asides.** Many trust funds set aside a portion of each year's available funds to achieve various objectives. Common objectives include projects that serve very low income households, projects sponsored by nonprofit development organizations, projects serving special populations, funds to support capacity-building in community-based nonprofit organizations, and projects located in rural areas. The set aside guarantees that these projects need not compete with other types of projects. In some instances, set aside funds that are not used within a certain time period become available for general housing trust fund use. Set asides are often included in the enabling legislation.
- **Requirements.** Requirements are the conditions every applicant must meet in order to receive funding. They are related to the housing trust fund's objectives and include all the local, state and federal laws and regulations that must be met. All requirements are spelled out in the program and application materials.
- **Priorities.** Several trust funds place a higher priority on some types of projects than others. Priority projects must still meet all funding requirements and, because they meet some priority, they are most likely to be funded. Priority projects are often those that leverage other public and private funds, serve the lowest income households, or make the project affordable for a long time.
- **Preferences.** Some trust funds outline funding preferences. The trust fund makes clear what it is looking for, but there is no assurance such projects will be funded. Your project will be considered more favorably if it is the type the trust fund prefers. Preferences are less influential than priorities in determining who gets funding.
- **Evaluation criteria.** Housing trust funds typically outline for applicants the evaluation process they will use. Some housing trust funds give points for each criterion and rank each application by the extent to which it meets these criteria. The scores of applications are then compared, and the highest scoring applications are funded. Other trust funds simply list their criteria for evaluating applications.

Hints...

- The housing trust fund model is based on three concepts, all critical to its success. These include ready access to funds, projects critically needed in the community, and flexibility to allow for innovation.
- Housing trust funds have been remarkably able to foster partnerships that create affordable housing to meet community needs. Encouraging these partnerships allows for greater participation in the housing trust fund and broadens support for its programs.
- Housing trust funds are local programs, designed and implemented locally. Thus, each housing trust fund can focus on the specific needs in its community and can build on unique local opportunities.

Examples

Set-asides

Approximately one of every three housing trust funds sets aside funds to ensure that certain needs will be met. Low and very low income households are the most frequent beneficiaries of set-asides, followed by nonprofit applicants. Other set-aside beneficiaries include first-time home buyers, homeless people, special populations, designated neighborhoods and capacity-building efforts.

Berkeley, California

Housing Trust Fund Application Rating Form

	Points
Part I. Conformance with adopted plans and policies	
Housing element of General Plan	
Applicable area plan	
Zoning ordinance	
Part II. Application Scoring (total 180 points)	
Applicant Qualifications and Experience (total 40 points)	
Developer experience	10
Experience and expertise of development team members	10
Construction management	10
Financial and asset management	10
Cost Effectiveness and Feasibility (total 60 points)	
Cost effectiveness	30
Leveraging of other financing	20
Near-term ability to develop project	10
Priority Community Objectives (total 80 points)	
Provides neighborhood benefits	25
Exceeds affordability requirements of fund	25
Provides home ownership opportunities	10
Provides housing linked with services for persons with special needs	10
Promotes or maintains economic diversity	10

Some Special Considerations

Serving Very Low Income Households

The extent to which you serve very low income people is critical in creating a housing trust fund. Housing trust funds are public funds, they use public revenue and should meet a public purpose. We have an obligation to ensure that all our community's residents have decent, affordable housing. It is easy to show that those with the lowest incomes face the hardest challenges finding decent housing they can afford, and thus they deserve to be a priority.

A second reason to target these household is that trust funds generate resources that would not otherwise be available for housing. Thus they offer an opportunity to address needs not being met by other programs. Unlike most housing programs, trust funds have no pre-determined conditions restricting their use. Thus, they can choose to serve the lowest income households.

The most common argument against serving those with the lowest incomes is that available funds would serve more households if less money goes to support each unit. In other words, make shallower subsidies. However, to take this approach is to be unwilling to invest public resources to meet the most critical housing needs.

A second argument is that more support can be generated for the proposed housing trust fund if it promises to serve a broader range of housing needs. This may be true. But it is also true that presenting the trust fund as part of a solution for addressing specific needs critical to the health of our communities can be compelling.

Most trust funds serve households that earn 80% of median income or less. Many specify lower incomes through targeting requirements, set-asides, priorities or preferences.

Capacity-Building Programs

One innovative aspect of housing trust funds is their support for the nonprofit sector. Trust funds have recognized that they must develop a partnership with many public and private entities in order to really have an impact on housing needs. Nonprofit development corporations have played a leading role in providing some of the most difficult-to-provide housing, serving the lowest income people for the longest period, working in areas others have shunned, and working with people whose complex needs extend beyond decent, affordable housing.

These capacity-building programs for nonprofit development organizations have many components. Some trust funds set aside funds for projects sponsored by these organizations. Trust funds recognize that nonprofits often have a difficult time putting projects together because they must navigate a complex maze of financial assistance, find funds for predevelopment activities, and design projects that incorporate needed services for residents. Some funds give preferences or priorities to such projects.

Some funds set aside, or permit as a fundable activity, the predevelopment activities of nonprofit development corporations in putting together a project that would otherwise be ineligible for funding from the housing trust fund. Other housing trust funds support such capacity-building costs as training, adding staff, hiring consultants, organizational costs, etc.

Most housing trust funds provide some level of technical assistance to any applicant, although several provide especially detailed assistance to nonprofit development organizations. A few housing trust funds have actually contracted with an outside entity to provide such technical assistance to non-profit development corporations.

Entitlement-like programs

A few state housing trust funds have made a portion of their funds available on an entitlement basis to local jurisdictions. If certain cities and counties complete requirements such as submitting a plan and establishing a board, they are eligible for a specific amount of funds. Distribution of the funds is based on a formula, which usually includes population, and possibly other criteria.

These cities and counties can then use the funds, within certain guidelines, to address their own critical housing needs. They must report on how they used the funds and meet the same kinds of requirements as would an applicant whose project had been approved for funding directly by the state program.

Providing funding to local jurisdictions automatically wins the support of cities and counties throughout the state. It also guarantees wide distribution of the funds. This approach only works, however, where the housing trust fund can secure sufficient funds to make the entitlement amount significant to participating jurisdictions.

Steps To Set Up a Housing Trust Fund's Programs

Step One: What target population will the fund support?

- By income, select the groups that will benefit from the projects the fund supports.
- Determine whether there are other groups that should be identified as part of the targeted population, such as elderly, special populations, farmworkers, etc.
- Consider geographic areas or other special concerns that should be targeted.

Step Two: Who will be eligible to receive funds?

Develop a list of those most likely to use the housing trust fund. Be careful to include those with the capacity and mission to serve the targeted population:

- Developers—nonprofit and/or for-profit
- Other service providers
- Government agencies or quasi-government agencies
- Native American tribes
- Others

Step Three: What kinds of projects or programs should the fund support?

- Develop a list of the activities the housing trust fund should support:
  - Housing production (new construction and/or rehabilitation).
  - Acquisition of land and/or buildings.
  - Housing-related services, such as day care, homeownership training, etc.
  - Rent supplements, rental assistance, homeownership assistance (downpayment assistance, mortgage foreclosure prevention, etc.).
- Pay special attention to particular housing needs, such as housing for the homeless, farmworker housing, community land trusts, preservation of assisted housing, etc.
- Consider whether it is important to build the capacity of the nonprofit sector through predevelopment funds, technical assistance in preparing applications, training for nonprofit providers, organizational support, etc.

Step Four: How should the funds be awarded?

- Determine the ways the money can be awarded to meet the trust fund's objectives.
  - Loans with interest and an established repayment schedule.
  - Grants or forgivable loans that need not be repaid.
  - Other funding mechanisms that support affordable housing.
- Create a process for distributing funds:
  - A request-for-proposal process that would accept and evaluate applications on a competitive basis.
  - Funding specific programs operated by the jurisdiction.
- Consider whether to institute an entitlement-like program to guarantee funds to local jurisdictions.

Step Five: What funding criteria should be incorporated in the application process?

- Identify the basic requirements all projects should meet, such as income targeting, federal and state laws, inclusion of supportive services, long-term affordability, etc.
- Consider objectives that may merit a portion of funds being set aside to serve these needs.
- Identify goals the trust fund could promote by providing priority or preference for projects with characteristics such as leveraging other funds, serving especially low income needs, providing associated services, etc.

Notes

3 Revenue Sources Dedicated to the Housing Trust Fund

The issue of where the money will come from to create a housing trust fund is the most challenging part of the process for most people. Securing the money may be the most work, but it is not a complex task. The political issues that surround money make securing a revenue source for a housing trust fund difficult. (If providing decent, affordable housing to everyone were a priority, the revenue source search would not be so tough!)

Get an attitude about securing a *dedicated* revenue source!

It will help to adopt a positive attitude about the need for – and possiblility of achieving – a *dedicated* revenue source before you begin.

Why a dedicated revenue source is so crucial

Remember that what makes a housing trust fund is securing a *dedicated* revenue source. This means that the source of funding is committed by law to generate funds for the housing trust fund. Thus, by resolution, ordinance or legislation, a certain percentage or amount of funds are automatically deposited in the housing trust fund each year.

Securing a dedicated revenue source for a housing trust fund is a significant advance over the way low income housing has historically been funded. With a dedicated revenue source, advocates no longer have to argue for scarce resources with city council members, county commissioners or state legislators during the annual budget process. They will no longer have to compete with other worthy causes in a budget process that is generally neither fair nor generous towards low income housing. The dedicated revenue source guarantees a regular, but possibly fluctuating, source of funds.

There will be numerous pressures to go for something other than a *dedicated* revenue source. Some people will argue for a bond issue. Others will want to search for foundation and corporate support. Others will believe that some kind of voluntary contribution process will be sufficient. And still others will suggest seeking general revenue funds.

These are not bad ideas. They just don't provide a *dedicated* source of revenue. These ideas may even strengthen an existing housing trust fund, but they do not *create* a housing trust fund. Searching for foundation or corporate support or seeking voluntary contributions is just like fund raising and will take as much, if not more, work than seeking funds through a budget process, but probably with even less success. Bonds have provided and continue to provide significant resources for housing, but they are neither long-term nor guaranteed. General revenue funds can be a very good way to capitalize a housing trust fund (that is, get it underway), but they are only a one-time infusion of funds.

The smorgasbord of available funding

It would be foolish to suggest there is an unlimited number of possible revenue sources for housing trust funds. There isn't. But there are more than most people think. More than 40 different revenue sources have been committed to housing trust funds. And more possibilities are uncovered every year.

Be creative in looking for revenue sources. No two situations are the same, and you may uncover an idea no one has thought of. The mark of a good revenue source campaign is a willingness to search. Those who begin by thinking nothing will be found usually find nothing.

Evaluating revenue sources

There are always reasons not to go after a particular revenue source. You may be warned: "It isn't available," or someone may say, "It's already committed." Others may say, "It's too controversial." It is far easier to think of reasons a potential revenue source won't work than to spend time figuring out how to make it work. The latter approach will pay off.

There are many nay-sayers in the revenue source search. It doesn't hurt to ignore them. Don't rely on hearsay when considering possible revenue sources. Check the facts before you decide to reject a source that may appear promising.

Getting money into the fund

Housing trust funds always describe their funds as "dedicated", but dedicated is a fuzzy term. While some funds are truly dedicated, which means that an ordinance or legislation ensures the money must be transferred to the housing trust fund on a regular basis, such guarantees are not always possible.

In some instances, funds may be committed to the housing trust fund, but an elected body must still appropriate the funds each year. For example, a certain percentage of real estate transfer tax revenues may be committed to the trust fund by law, but the state legislature must still appropriate the funds during the budget process. So work for the most secure commitment of funds you can win.

And remember that whatever a legislative body enacts as law can be undone in the same way, with a new law. So while we like to think of housing trust funds as permanent, they actually are not. Nonetheless, they are far more reliable than most of the alternatives. And, to date, no housing trust fund with a dedicated source of revenue has been undone.

Notes

Hints...

- Do not make securing the revenue source the center of your housing trust fund effort. Securing needed revenue is difficult because providing decent, affordable housing is not a priority. Once it becomes a priority, the revenues will follow.
- Keep the issue of where the money will come from within the larger context of why the housing trust fund is needed and what it will accomplish. The theme of your campaign will determine how you do this — housing is good for the economy, safe homes for a healthy community, etc.
- Always use your dollar goal to evaluate alternative revenue sources.

Establish a dollar goal for the fund

Do not skip this step! Begin by setting an annual amount of revenue you believe necessary to create a responsive housing trust fund. Don't make it a large task. This figure can be based on a number of alternatives:

- **Estimate the housing needs** of the trust fund's target population. Then determine how much it would cost to address these needs. The result will likely be shocking. You may need 10,000 units of affordable housing at $50,000 each, totaling $500 million. Of course, stating such a need would scare everyone off. But remember that the housing trust fund does not provide all the money needed to address housing needs. Federal funds, other state funds and many other sources of money can be leveraged by a trust fund. So the total you determine can realistically be divided by anywhere from five to 10 to achieve your goal.
- **Estimate how much money your community's housing providers would need** to fund the projects they have the capacity to complete. This means surveying all potential developers for their best guess about how much money their proposed projects would require on an annual basis.
- **Take a look at the funding applications that have been received by other programs,** such as the HOME program or the Community Development Block Grant program, and build on this information. A good estimate of need will be what was *not* funded by these agencies.

Your goal should be reasonable but it need not be so precise. Obviously, housing needs far exceed the revenues you are likely to win, so it will help if you make the goal both understandable and pragmatic.

Why is a goal important? It will be the bottom line against which you measure each revenue source you consider. If you have a $5 million per year goal, and you consider a revenue source that brings in $1.5 million a year, you know what is left for you to do. And as the process moves along, and some people suggest substitute revenue sources, these, too, can be measured against your goal, in order to determine their acceptability.

Decide how to search for revenue sources

Virtually every effort to create a housing trust fund involves some research. For some, it is a search from scratch. For others, the search has been narrowed by some initial suggestions or past history in searching for funds. There are basically three ways that revenue sources have been identified for a housing trust fund:

- **Independent research.** This is the most common way to uncover potential revenue sources. It involves bringing together an informed, committed group of people to brainstorm and research various potential sources of funding. It is wise to involve people who understand government finance, the development process and financial institutions. But it is not essential. Some very good research has been done by individuals who were not experts but were committed and energetic enough to get the information needed to make solid recommendations for potential revenue sources.
- **The official task force.** This is probably the second most popular way to explore potential revenue sources. Elected officials appoint a task force to recommend potential sources of revenue for a housing trust fund. An advantage is that the task force has official status, so it can more easily gain access to information. But a disadvantage is that once the recommendations are made, the task force plays no role in ensuring that its recommendations are enacted.
- **A consultant study.** In some cases a consultant has been hired to investigate potential revenue sources. The consultant reports are as useful as the consultants are good. If they know the field, their reports are invaluable.

What is Leverage?

Leverage refers to other public and private funding used to provide affordable housing, in addition to the funds coming from the housing trust fund. Most housing that is affordable to low or very low income people has several sources of financing. The sources other than the housing trust fund are referred to as leverage. Such funds may come from state or federal programs, private lenders, foundations, low income housing tax credits, etc.

Remember that, on average, state housing trust funds have leveraged $9.25 for every $1 the trust fund invests in projects. County housing trust funds on average leverage $7.50 for every $1. City housing trust funds leverage $4.89 for every $1.

Create guidelines for your search

While there are no rules to guide your search for revenue sources, certain guidelines have been useful in weighing the options. You may want to create your own guidelines to help you assess alternative revenue sources. Here are a few guidelines to get you started:

- **Housing-related sources.** Most of the best revenue sources are housing-related. They come from some part of the process that develops and transfers real estate. Real estate transfer taxes, document recording fees, various developer fees, building permit fees and interest on real estate escrow accounts may all be good revenue sources.
- **The local market.** Understanding where and what kind of growth is occurring will help you select a revenue source that is productive enough to be viable for trust fund purposes.
- **New money.** If you go after funds that are already committed to another program or issue, you make it harder to secure a source of revenue. It is wiser to seek a new source of revenue—either by increasing an existing source or by identifying funds that are not currently *dedicated* elsewhere.
- **Multiple sources.** Do not get stuck on the idea that a single revenue source can provide sufficient resources for your housing trust fund. There are important advantages to securing more than one source:
  - You can bring in more money.
  - Multiple sources mean fewer fluctuations in revenues.
  - You involve more elements of the community in an issue that is community-wide.
- **New taxes and fees.** Few if any housing trust funds have been created by passing an entirely new tax or fee. The revenue source quest is tough enough without taking on what is probably an impossible task. The issue of government taxes and fees is so volatile that an effort to pass a new tax or fee is not even remotely feasible in most political climates. While nothing is impossible, this approach is highly unlikely to be successful.
- **Opposition.** Folks are always looking for a revenue source that will not create any opposition—that will magically appear and will please everyone. Such a source probably does not exist, and a search for it may take the hunt in the wrong direction. Opposition accompanies almost every potential revenue source and is simply part of the equation you must consider.

Notes

Hints...

- Don't make these criteria so cumbersome you can't really use them to compare your options.
- It is unlikely that you will be able to get comparable information for the alternative revenue sources you are considering. Compare what is available and don't let the inability to get certain information keep you from considering a potential revenue source.

Examples

Criteria for evaluating revenue sources

Ohio: Related to housing and/or real estate; can generate $10-20 million annually; and can be efficiently and fairly administered.

Chicago: Robust and reliable; feasible; appropriate; ease of administration; and level of funding generated.

San Diego: Modest, fair and broadly based; fee levels far below statewide averages; no voter approval required; significant, net new money; revenues may be dedicated; non-regressive; administratively efficient; and nexus to affordable housing.

King County, Washington: Develop multiple funding sources; establish reasonable funding levels; ask all jurisdictions to participate; and build public-private partnerships to increase funding for affordable housing.

Kentucky: Potential revenue; adequate revenue; housing related; and administrative costs.

Identify revenue sources

Revenue sources are either public or private. Public sources of revenue are controlled by government and include taxes, fees and many other funds. Some of these funds are controlled by quasi-public bodies such as a redevelopment agency or a state housing finance agency. Private funds are part of the marketplace and include interest from various accounts held by financial institutions.

Once you have decided how to search for funding sources and developed guidelines for your search, the following steps may be useful:

1. Look at revenue sources committed to other housing trust funds

Look at what other housing trust funds have been able to secure as dedicated sources of revenue, because then you will know what is possible. Be careful to pay attention to which resources are available to cities, which ones counties can tap into, and which ones are controlled by states. There is no point in a city considering a document recording fee, for example, if the city has none. In researching other trust funds' funding sources, remember that states, cities and counties vary widely across the country. Laws governing sources of public revenue differ considerably from state to state.

2. Brainstorm all possibilities

Start with a group of energetic, positive people listing every possible revenue source they can think of. Make no initial judgments, so no one's creativity will be inhibited. You may be surprised at what can come from such a session. The results are seldom disappointing, and folks often discover a great deal.

When you've exhausted your group's creative suggestions, take a closer look at what's been suggested. A few of the ideas will be obviously crazy and can be taken off the list. But don't eliminate something unless you are absolutely positive it won't work. An argument that "Oh, this will never fly," or "This is already committed to the general fund," isn't usually sufficient to eliminate an idea. Only eliminate a potential source if it is legally impossible to use it, or it is so politically explosive that no campaign could secure it, or it is so regressive that its overall impact would be negative.

3. Make your list of potential revenue sources

A search for revenue sources should include at least the following:

- **Taxes and fees associated with real estate.** These include real estate transfer tax, document recording fees (typically applied to more than real estate documents), developer fees (linkage and inclusionary zoning ordinances), permit fees (for development, conversions, demolitions, etc.), property taxes, and payments in lieu of taxes and others.
- **Other taxes and fees.** Revenue can potentially come from sales taxes, hotel/motel taxes, restaurant surcharges on meals, wheel taxes, etc.
- **Interest on market and government accounts.** This category has many possibilities. Market account interest includes interest on real estate escrow accounts, interest on title escrow accounts and interest on tenant security deposits. Interest on government accounts is an increasingly popular revenue source. It includes interest from the rainy day fund; interest from the unnamed, unclaimed property fund; and interest from many other funds.
- **Government-owned property and repayments.** The sale of government-owned property may not be a regular source of income, but it can be a very useful one, in combination with other sources. Income from the lease or operation of government-owned property like parking garages, or development funded through federal CDBG, UDAG or HOME funds, can add up. Repayments from government loan programs such as CDBG or HOME are also useful. Unclaimed lottery winnings are another potential source. And reserve funds from bond issuing agencies are another alternative.

If you follow these three steps, you will open most possible doors to revenue for a housing trust fund. At a minimum, you will be compelled to think about a broad range of possibilities. Remember: think creatively!

State Encouragement of Local Housing Trust Funds

Several states have enacted laws enabling local jurisdictions to establish a housing trust fund by generating funds through a particular revenue source. In all instances, the city or county must take certain actions and meet criteria outlined in the legislation. Here's what six states are doing:

Connecticut. The Municipal Housing Trust Fund Program provides matching funds to municipalities creating housing trust funds that receive direct contributions from private, municipal or federal sources. Municipalities must commit to financing housing with a majority of lower income occupants.

California. The Low and Moderate Income Housing Fund, enacted in 1976, requires all redevelopment projects established by redevelopment agencies to set aside 20% of their tax increment revenues to increase the supply of affordable housing. Moreover, agencies with a surplus of more than $1 million in unused set-aside funds, after a certain time period, must turn the funds over to their respective county housing authorities.

New Jersey. The Fair Housing Act, enacted in 1985, has standardized developer fees which municipalities may charge to help meet their needs for affordable housing.

Missouri. The Homeless Assistance Program, enacted in 1990, enables counties to impose a $3 document recording fee to create a homeless assistance program funding qualified local agencies.

Pennsylvania. The Optional County Affordable Housing Funds Act, enacted in 1992, allows all counties, except Philadelphia, to double their document recording fees if the added revenues will be used to fund affordable housing for county residents with incomes at or below the county median.

Washington. The Levy Option Bill, enacted in 1993, enables jurisdictions to impose an additional property tax levy of up to $0.50 per $1,000 of assessed value of property for 10 years to finance affordable housing for very low income households.

Notes

Hints...

- **Consider alternatives to increasing a tax or fee.** Increasing a tax or fee is a good way to secure revenue for a housing trust fund. But if an increase is impossible, consider seeking to transfer a portion of existing revenues from a good source to the housing trust fund. Another alternative is to commit the growth in revenues from a given source to the trust fund. After an established base year, any added revenues collected from this tax or fee would go into the housing trust fund.
- **Seize unique opportunities.** If a tax, such as a property tax, has been increased to help pay off bonds for a convention center, but will expire at some point, don't let the tax revert to its previous position. If it remains at its current rate, revenues could go into the housing trust fund.

Revenue Sources Dedicated by Existing Housing Trust Funds

Property transactions
Taxes on real estate transfers, real estate conveyances or document stamp taxes on transfers
Fees on the recording of deed and mortgage documents
Taxes on mortgage transfers
Interest from pooled real estate escrow accounts
Interest from pooled title escrow accounts
Penalties against the failure to pay the real estate transfer tax

Development charges
Fees, taxes or proffers on new development
Fees-in-lieu from inclusionary zoning
Payments for density bonuses or transfers of density
Tax on conversion of rental units to condos and other uses
Proceeds from the sale of inclusionary units

Municipal taxes
Taxes on restaurant meals
Sales taxes
Property taxes
Tax on hotel/motel rooms
Tax increments from redevelopment districts

Government Activities
Proceeds from the sale of publicly-owned land
Repayments from government loan programs
Proceeds from settlements for housing code violations
Fees from landfill activities
Fees on mobile home park owners
Funds from the Securities Act cash fund
Interest or funds from unnamed, unclaimed property funds
Interest from rainy day funds

Bond Programs
Funds from government bonds
Surplus from bond reserve programs
Surplus from bond refinancing
Fees from bond-financed programs
Fees on mortgage revenue bond and mortgage credit certification programs
Fees on applications for bond revenues

Others
Lottery earnings or unclaimed lottery earnings
Contributions from employers
Interest from tenant security deposits

Evaluate the revenue sources

The work you have done so far is likely to yield a handful or more of potential revenue sources. You will probably not know everything you need to know about them to accurately evaluate their potential. It is one thing to put together a good list of possible revenue sources, but it is quite another to know how feasible it is to get these revenue sources committed to the housing trust fund and whether they are the best sources to go after. To narrow your list of revenue sources, answer the following questions:

- **How much income does this revenue source generate in any given year?** Study the revenue source over several years to see how much the revenue fluctuates from year to year.
- **Who collects the revenue and how is it regulated?** Is it collected at the local level, regulated at the state level? Are there options for increasing the tax or fee at the local level? Is there a cap on how much this tax or fee can be increased? What is required to increase the tax or fee? Does an increase require a majority vote of elected officials? Does it require a public vote? Must it be approved at the state level?
- **Can revenue from this source be dedicated to a specific purpose and, if so, to what?** What other general laws govern the dedication of public revenues to specific purposes?
- **Where do the revenues from this source go now?** Have they already been committed, in law or through tradition, to a specific purpose? Do they go into the general fund?
- **Who will be affected by what you propose?** You need to understand who pays this tax or fee, whether it is progressive or regressive, and what specific industries or individuals will be affected if it is directed to a housing trust fund.

To answer the above questions:

- **Check out public information.** Most of the information you need is public information. It should be available if you find the right person to ask. You may, however, run into someone who doesn't feel like doing you any favors, or you may discover that the information is not kept in a very useful or accessible fashion.
- **Make an estimate.** If you have no luck getting the information from public sources, use information from other jurisdictions that have dedicated this source to their own housing trust fund, and admit you are only making an estimate.
- **Look for friendly help.** It may be possible to get a government staff person—someone in the budget office or elsewhere—to collect this information for you. Or you may be able to find a supportive elected official who will secure the needed information.
- **Learn what you can about alternative sources.** It is unlikely that you will be able to get comparable information for the alternative revenue sources you are considering. Compare what is available, and don't let the inability to get certain information keep you from considering a potential revenue source.

Examples

Narrowing the revenue source search[1]

Place	*First List*	*Final List*
Ohio		
	real estate conveyance fee	real estate conveyance fee
	surcharge on estate tax	surcharge on estate tax
	interest on tenant security deposits	interest on tenant security deposits
	mortgage recording fee	mortgage recording fee
	interest on mortgage escrow accounts	
	fee on home equity loans	
	tax on construction materials	
	discontinued exemption from corporate franchise tax on REITS, etc.	
	surcharge on state income tax	
	state unclaimed funds	
	check-off on state income tax	
	discontinued exemption from sales tax on professional services related to housing/real estate	
	excise tax on video rentals	
	surcharge on building permits	
	recaptured portion of Federal mortgage interest deduction	
	interest on utility deposits	
	interest on sale escrow deposits	
San Diego, California		
	sale escrow account interest earnings	transient occupancy tax
	mortgage impound accounts interest earnings	gross receipts business tax
	tenant security deposits	commercial development fee
	title transfer/conveyance fees	citywide landscaping, lighting, park maintenance district fee
	sales and use tax	utility users fee
	CDBG allocations	
	inclusionary zoning in-lieu fees	
	transient occupancy tax	
	port fees and assessments	
	business fees and taxes	
	condominium conversion fee	
	housing preservation fee	
	speculative real estate profits tax	
	utility users' tax	
	increased utility franchise payments	

The San Diego study was done by David Rosen and Associates, Keyser Marston Associates, and Shute Mihaly & Weinberger; the Chicago study was done by the University of Illinois Great Cities Institute and the Metropolitan Planning Council; the Santa Clara County study was done by Hausrath Economics Group; and the Ohio and Nebraska studies were completed by task forces.

Narrowing the revenue source search (continued)

Place	*First List*	*Final List*
San Diego, California	negotiated agreements on prepaying subsidized housing projects general obligation bonds entertainment ticket tax citywide assessment districts surplus bond reserves secondary market loan sales tax increment district housing set-asides commercial development fee	
Nebraska	documentary stamp tax filing and recording fees department of insurance tax solid waste landfill closure assistance fund (lottery revenues) general fund appropriation sales tax on utilities interest on unclaimed property account	documentary stamp tax filing and recording fees department of insurance tax reallocation of solid waste landfill closure assistance fund general fund appropriation
Chicago, Illinois	sales tax on condo conversion of rental properties recording fee/document surcharge impact fees on market-rate housing portion of permit fees reduced taxes for property owners who rent to residents earning at or below 60% of area median income real estate transfer tax linkage with commercial increment financing (TIF) district contributions from private, government, and foundation-invested endowment Community Reinvestment Act contribution tax credit syndicator contribution hotel tax hotel employer contribution mortgage refinancing fee proceeds from sale of city-owned land sales tax on building supplies City Corporate Fund	building permits real estate transfer tax sale of vacant land and buildings document recording fee Community Reinvestment Act contribution tax credit syndicator contributions City Corporate Fund

Narrowing the revenue source search (continued)

Place	***First List***	***Final List***
Santa Clara County, California		
	sales tax	sales tax
	property tax	property tax
	General Fund revenue	General Fund revenue
	document recording fee	document recording fee
	housing bond program fees	housing bond program fees
	public land sales	public land sales
	redevelopment tax increment	
	commercial development linkage fee	
	inclusionary zoning in-lieu fee	
	real estate transfer tax	
	transient occupancy tax	
	utility tax	

Notes

Steps To Search for Revenue Sources

Step One: Launch a study group to identify potential revenue sources.

- Include people knowledgeable about the development process, government budgets, housing finance, etc.
- Include people who are involved in and dedicated to creating affordable housing.

Step Two: Establish an annual revenue goal.

- Know what housing needs exist and how much money is needed to meet those needs.
- Be realistic about what those who provide needed housing have the capacity to produce.

Step Three: Agree on guidelines for your search.

Guidelines might include:

- Identify revenue sources that are related to housing needs.
- Look for sources that generate significant money.
- Make sure funds can be collected efficiently.
- Look for sources that do not impose too much burden on one industry or segment of the community.

Step Four: Study revenue sources committed to other housing trust funds.

- There are more than 150 housing trust funds in the United States. As a group, they suggest what is possible.
- Pay special attention to other funds in your state or in other jurisdictions similar to yours.
- Identify precedents for dedicating specific revenues to a designated agency or purpose in your state or community.

Step Five: Brainstorm about every possible revenue source.

- Encourage absolutely every idea, even those that don't appear sensible. Don't eliminate any ideas; just keep adding to the list.
- Ignore those who will oppose a revenue source.
- Think creatively about the budget in your jurisdiction, who pays fees and how funds are collected.
- Pay particular attention to healthy industries in your economy.

Step Six: Develop your best possibilities list.

- Eliminate revenue sources that have some legal or administrative barrier to efficient collection.
- Identify revenue sources that require more information and study.
- Remember that it is easier to increase an existing tax or fee than to impose a new one.
- Try to find new or increased sources of revenue rather than seeking revenue from an agency or fund already accustomed to receiving that revenue.
- Consider alternatives for a given revenue source. For example, instead of increasing a tax, dedicate the amount of revenue in excess of what was collected in a base year.

Step Seven: Refine your selection.

- Complete the research on your list of best revenue sources to make sure you know:
  - How much revenue will be generated.
  - How revenue will be collected.
  - Who will be affected by the revenue collected.
  - What steps must be taken to gain access to the revenue.
- Identify who will oppose this revenue source and why.
- Find any similar programs elsewhere that can be cited as supporting evidence.
- Note the advantages of this revenue source.

Notes

Strategy #6: Develop and support public and private programs

There are many organizations, both public and private, whose mission is to encourage, develop and maintain affordable housing. The City should support these programs in ways best further the missions of those organizations. In addition, there other tools that support affordable housing that the City should develop, sometimes in concert with other partners. The following are action that the City should undertake to strengthen affordable housing in Newberg.

Action 6.1: Create a Newberg Housing Trust Fund

Newberg could create a housing trust fund. The fund could be used for a number of programs to promote affordable housing, such as:

- Housing rehabilitation loans or grants (rentals and owner-occupied)
- Purchase of land for affordable housing
- Grants to non-profit groups to purchase land or construct affordable housing
- Home-buyer education programs
- Direct construction of affordable housing
- Permit fee subsidies
- Rehabilitation consultation
- Downpayment revolving loan fund
- Transitional housing
- Foreclosure prevention
- Pre-development and acquisition financing for affordable housing projects

Several sources could be used to provide money for the fund, including:

- Housing developer "affordable housing in-lieu" fees
- Commercial development affordable housing fees
- Public grants
- Foundation grants
- Charitable gifts
- City or County funds
- Asset sales, such as condemned property
- Banks
- Transient Room Tax funds
- Fee assessment through existing business license program
- Community-wide fee assessment

Exact program fund uses and funding sources should be determined as part of the trust fund formation process. The Affordable Housing Ad Hoc Committee recommends that rehabilitation of rental properties should be a high priority for the funds.

Responsible parties: The trust fund could be set up under the City, under an existing agency, such as the Housing Authority of Yamhill County or Mid-Willamette Valley COG, or under a new non-profit.