

## HOUSING AFFORDABILITY STRATEGIES: ECONOMIC RESOURCES

# Housing Trust Funds

*The need for affordable housing in the Grand Traverse region is great, but financial resources available to meet that need are limited.*

Many housing programs are dependent on a highly competitive, political, and unpredictable budgeting process. Without guaranteed funding from year to year, it's difficult to plan comprehensive, innovative housing programs. And traditional funding sources may restrict the types of projects that can be funded, which limits the flexibility that housing providers need to respond efficiently to changing needs.

Many housing programs use public revenue, which is committed by local governments, to finance programs such as new affordable housing construction, down payment assistance, and homelessness prevention. They've been used in small towns, large cities, counties, states, and in combinations thereof throughout the country.

Housing trust funds are created locally, which means they can be designed to meet the



Local governments throughout the country are responding to these problems in part by creating housing trust funds. A housing trust fund is a very flexible tool that communities can use to address their most pressing housing needs. These

specific needs and circumstances of the community. Programs may provide grants, loans, forgivable or deferred loans, rental assistance, or any combination thereof. And depending on the program, money may be awarded to nonprofits or

### Solutions to Fit Your Community's Needs

Programs financed by housing trust funds are driven by a community's needs and priorities, and may include:

- New home construction
- Property purchases
- Renovation of existing homes
- Rental conversion
- Pre-development activities
- Down payment assistance
- Homeowner education/credit counseling
- Emergency repairs
- Homelessness prevention activities

### Housing Programs You Can Count On

What sets housing trust funds apart from other funding sources is that they support local housing programs with a stable, on-going public revenue source – instead of using grants obtained through an often unpredictable fundraising process. The predictability inherent in a housing trust fund ensures that resources will be available over the long term to meet a community's goals and needs.

Most housing trust fund revenue is new income, such as a newly adopted tax or fee, so it doesn't take funding away from other programs. Many trust funds use fees from inclusionary zoning ordinances, while others use such diverse funding sources as general fund dollars, property taxes, proceeds from the sale of land, and interest from accounts held.

## HOUSING TRUST FUNDS In Practice

- **The City of Ann Arbor**

created a housing trust fund in 1999. Revenues for the fund come from fees from developers that take advantage of density bonuses offered by the City's planned unit development (PUD) process. Through this process, developers are allowed additional density, but are required to either 1) build a certain amount of affordable housing in return for this density; or 2) make a financial contribution to the City's housing trust fund. This fund, which is administered by the City's community development department, has created a significant amount of revenue that is used to finance low-income housing projects, typically new construction.

- **In 2003, the City of**

**Kalamazoo** committed \$250,000 to begin a housing trust fund, asking for participation from other jurisdictions as well. In 2006, Kalamazoo County matched the City's donation, and the Michigan State Housing Development Authority committed \$500,000 in matching funds from a state program. The fund is administered by the Kalamazoo County Public Housing Commission (KCPHC), and can be used for activities including the new permanent affordable housing; the purchase or rehabilitation of property; seeding of a long-term endowment; and homelessness prevention. The KCPHC is working with the community to secure additional long-term funding sources.



developers or income-eligible individuals through an application process; or the funds might be channeled through existing programs in order to expand capacity. Most programs are administered by a local government agency, like a community development department, but there are some trust funds that work across jurisdictional boundaries, in partnership with various agencies. How the programs are organized depends on the fund's scope, revenues, objectives, and the capacity of existing housing agencies.

Because of the flexibility inherent in a housing trust fund, revenue sources, program objectives, and organizational structures vary from place to place,

but however they're organized, they've been proven to be flexible, efficient, and productive, often leveraging additional funding through grants or loans.

To learn more about how housing trust funds could work in your community, contact Community Housing Choices or visit the Center for Community Change website at [www.cccfiles.org/issues/housing/trustfundproject/](http://www.cccfiles.org/issues/housing/trustfundproject/).

### *Housing Policy & Outreach in Antrim-Benzie-Grand Traverse-Kalkaska-Leelanau Counties*

#### communityhousingchoices

Community Housing Choices is a New Designs for Growth program intended to further the housing policies of the *New Designs for Growth Guidebook*, and is administered by the Northwest Michigan Council of Governments (NWMCOG). The goal of Community Housing Choices is to ensure sufficient housing choices for the region's workforce, using education, collaboration, and advocacy to promote the adoption of land use and economic tools that will contribute to livable, vibrant communities. Community Housing Choices is designed to assist governments, nonprofits, developers, businesses, and citizens initiate proactive housing strategies in our communities.

This series of best practice resources serves as an extension of housing policies identified in the *New Designs for Growth Guidebook*. For more information on the *Guidebook*, please visit the website at [www.newdesignsforgrowth.com](http://www.newdesignsforgrowth.com), or call (231) 929-5000.

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