Final Recommendations and Analysis for Kansas City's Housing Trust Fund

Prepared by: Urban Neighborhood Initiative's Promoting Equitable Neighborhoods Coalition

August 18, 2021

(first version released April 30, 2021)

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BACKGROUND

Urban Neighborhood Initiative and Promoting Equitable Neighborhoods Action Group

The mission of the Urban Neighborhood Initiative (UNI) is to break the intergenerational cycle of poverty and historical racial inequities caused by decades of neglect and systemic racism by building healthy neighborhoods that enable all children and families to thrive. UNI established its Vacant to Vibrant (V2V) Collective Impact Initiative in 2015 to help fulfill that mission.

The primary Action Group of V2V is the Promoting Equitable Neighborhoods (PEN) Coalition. PEN is a collective impact coalition focused on equitable, affordable housing policy solutions and includes housing advocates, community development corporations and financial institutions, anchor institutions, public agencies, urban core residents, and more. For over four years PEN has focused on advocating for the preservation and expansion of quality affordable housing, particularly in the urban heart of our city. PEN made a set of 24 recommendations to KCMO's 2018 Housing Policy Task Force that was formed to create the 5-Year Housing Policy. The recommendations were developed and endorsed by over 30 individuals/organizations with over half of that number being neighborhood representatives. 23 of the 24 recommendations were incorporated in the Task Force's recommendation to the Mayor and Council and were included in the 5-Year Housing Policy (2019-2023) adopted in 2019.

Since that time PEN has worked diligently to ensure implementation of those recommendations, including an affordable housing "set aside" for any development receiving a city incentive and the City's Housing Trust Fund (HTF). PEN was successful in promoting passage of the Affordable Housing Set Aside Ordinance (No. 201038) in January 2021 requiring 20% of units be affordable - 10% of units for renters at 30% Area Median Income (AMI) and 10% of units for renters at 70% AMI.[1]

Our Process

After successfully advocating for the Set Aside Ordinance, we then redoubled our work to identify funding sources and the structure of a housing trust fund as well as prioritize uses. Throughout 2020 and 2021, PEN developed recommendations for City's new HTF based on current local housing data, local plans and reports, and best practices from peer cities.

We aligned our recommendations with these priorities:

- Focus the HTF on the creation and preservation of affordable housing
- Create/preserve affordable housing that is focused on residents at/under 50% Area Median Income (AMI) with emphasis on residents at/under 30% AMI

[1] Area Median Income (AMI) figures are constructed using the most recent U.S. Census Bureau estimates of median household income for the City of Kansas City, MO (e.g., 2019 American Community Survey 5-year estimates).

- Identify and bring in *new* and *additional* funding and financing resources to supplement the City's existing resources

- The HTF should operate within a larger strategy and inclusionary housing program where City policies, processes, and economic incentives are directly aligned around affordable housing and the HTF goals should support other local plans

After months of research and discussions, PEN developed a set of draft recommendations. The Mayor asked PEN to submit our HTF recommendation by the end of April, given the timeline of City Council discussions to allocate the America Rescue Plan Act dollars. We submitted our HTF recommendations to the Mayor, City Manager, City Councilmembers, and Housing City staff on April 30th.

Since then, we have continued to make revisions and refine our recommendations. Based on further review and discussions; input we received from City staff and neighborhood leaders within UNI boundary;[2] and a review of other groups' HTF recommendations including KC Tenants, we made some key updates to the April 30 version. Those revisions include, but are not limited to:

- further defining the local portion of online sales tax (different than general sales tax) as a possible funding source;

- adding rationale for bringing in both public and private funding sources;

- further defining Target Uses;

- addition of minimum requirements for all projects receiving HTF funds;

- changing the role of the board from advisory to governing and further clarifying their role and responsibilities;

- updating the process for review of projects seeking HTF funds;

- recommending further community engagement by HTF Program Staff and the HTF Governing Board to develop/refine the HTF structure and uses;

- establishing a maximum HTF award amount based on the total development cost and whether the HTF investment is a grant or loan; and

- the inclusion of non-profit set aside within the HTF that is accessible only to non-profit developers.

We are grateful to all contributors, reviewers, City staff, housing advocates in other cities, and others who have participated in the creation and revision of this document.

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[2] Neighborhoods UNI boundary include Beacon Hill, Wendell Phillips, Center City, Boston Heights - Mount Hope, Key Coalition, Squier Park, Ivanhoe, Manheim, Troostwood, Blue Hills.

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EXECUTIVE SUMMARY

This document is intended to offer recommendations and research to City staff and City Council Members, as well as future HTF Program Staff and HTF Governing Board members, in three key areas of the Kansas City Housing Trust Fund:

- **Structure, Framework, and Process:** The framework and structure to manage public and private funds, project review, role of the Governing Board, and future considerations (Summary, pg. 9)
- **Uses, Criteria, and Requirements**: Goals, requirements, categories of uses, and evaluation criteria for proposed projects/programs (Summary, pg. 14; Detailed Analysis, pg. 19)
- **Funding Sources**: Phased funding strategy combining existing and new public resources, and private sources for fund sustainability (Summary, pg. 16; Detailed Analysis, pg. 30)

Housing Trust Funds

What is a Housing Trust Fund?

The preservation and creation of affordable housing is often a long and challenging task, due in part to lack of access to capital to cover the gap between the cost to construct/rehab and the rental rates or sales price of affordable units. Local Housing Trust Funds (HTF) are critical in bridging that gap and are one of the most effective tools to expand access and availability of affordable housing.

Housing trust funds are distinct funds established by city, county or state governments that receive ongoing dedicated sources of public funding to support the preservation and production of affordable housing and increase opportunities for families and individuals to access decent affordable homes (as defined by Community Change, https://housingtrustfundproject.org/our-project/about/). Local Housing Solutions expands on this definition: “Housing trust funds are a flexible source of funding that can be used to support a variety of affordable housing activities... The entity administering the fund determines eligible activities, which vary widely from community to community, from emergency rent assistance for families facing the threat of eviction or homelessness to gap financing for new construction of affordable housing to repairs and weatherization for older homeowners” (https://www.localhousingsolutions.org/housing-policy-library/housing-trust-funds/).

The 2016 HTF Survey by Community Change found that HTF programs operate in more than 770 communities nationwide and generated over $385 million for affordable housing in 2016.

Limitations of a Housing Trust Fund

A housing trust fund is not a silver bullet to solve a city’s affordable housing crisis. Access to stable, safe, and healthy housing is critical but just as critical are livable wages, affordable and accessible childcare options and transportation, and other policies focused on redressing racial/ethnic wealth and health gaps. A housing trust fund cannot undo a justice system that continues to penalize former offenders and those with evictions on their records by shutting them out of housing opportunities, landlords and property managers that discriminate based on source of income, an education system that perpetuates excessive student loans that shut millions out of homeownership, the intentional directing of resources and opportunities away from Black neighborhoods and communities of color by government and businesses, and housing and economic policies that intentionally shut out Black and brown families from building generational wealth by owning a home or from living in certain areas. Though a housing trust cannot undo these things, it can be intentionally structured, managed, and funded with these things in mind in order to redress some of these issues.

Kansas City's Housing Trust Fund

Kansas City's Housing Trust Fund, established in 2018 (Ord. No. 180719), set out to "promote, preserve, and create long-term affordable housing for very low, low, and moderate- income households" and the City's Five Year Housing Policy outlined the goals of providing $75 million for the HTF. However, four years later it remained uncapitalized until the City Council dedicated $12.5 million to the HTF from America Rescue Plan dollars in May 2021 (Ord. No. 210392). Given the increase in cost of materials and labor; increasing rents[3], property values, and home sales prices; and the cost of new construction at roughly $200,000+ per unit[4] and the cost of rehabbing a multifamily building between $46,000-$300,000 per unit,[5] much more will be needed to meet the city's goal to create/preserve 5,000 units.

Using the average construction/rehab figures above, **a $75 million housing trust fund could support housing for just over 700 people** - 234 people at the 30% AMI (Area Median Income) income level, 234 people at the 50% AMI income level, and 234 at 80% AMI income level.[6]

The City's June 2021 "A Vision for Housing: Solutions for Kansas City" document[7] provides a general outline of how 5,000 new units can be constructed or rehabbed, but a total cost is not provided. Using the average construction/rehab figures again, we calculate the **true cost to create or**

[3] Kansas City had the largest increase in rent of the 100 largest cities in the nation for one bedrooms, jumping 33.5% since March of 2020. And From City's own data, rents have risen 24% citywide between 2015-2019.

[4] Economic Development Corporation of Kansas City is reporting a range in current new construction cost from $171K/unit for in a 132-unit, podium style project; $196K/unit for a podium style project with two levels of structured parking; to $256K/unit for a 60-unit mixed-income, LIHTC project with surface parking.

[5] Economic Development Corporation of Kansas City reports a range in rehab cost from $46K/unit for a LIHTC project in an existing multifamily building with surface parking, all the way up to $343K/unit for a LIHTC project in a multi-story industrial building not previously used for residential. Westside Housing reports rehab between $130-$150 per sq ft.; for a 500 square foot unit, that is $65k-$75k/unit to rehab. For this document, we are using $75k/unit as an average.

[6] We are assuming 85% of the $75 million HTF, or $63,750,000, is used on new construction, while 15% of the HTF, or $11,250,000 will be used for rehab. For new construction, we divide $63,750,000 by the $200,000 cost to construct one unit to get 318 new units. For rehab, we divide $11,250,000 by the $75,000 average cost to rehab one unit to get 150 units. Adding the number of new and rehabbed units, we get a total of 468 units. We assume that half of the total units are studios (with one person) and half are 1 bedroom units (with two people), so that 702 people could be housed (234 of units with 2 people in one bedroom units + 234 units with 1 person in studios). Using the mixed income breakdown that HUD Choice Neighborhoods projects incorporate, we calculate 1/3 of people (234) are at 30% AMI income level, 1/3 of people (234) are at 50% AMI income level, and 1/3 of people (234) are at 80% A<I income level.

[7] https://www.kcmo.gov/city-hall/housing/vision

preserve 5,000 units near $906 million.[8] This is *twelve times more* than the $75 million goal of the HTF. Additionally, the 5,000 unit goal is not even half of what is needed to meet the effective housing shortage of 16,000+ units for low- and very low-income renters (at/below 50% AMI).

Much more will be needed to adequately address our housing crisis.

We've seen in other cities with housing trust funds consisting of both public and private dollars that private/corporate/philanthropic funders put in their dollars *only when* the City prioritizes affordable housing and backs that commitment by allocating public dollars to the HTF.

The HTF must be part of a larger strategy to increase access to safe, affordable, healthy housing for all. City Council, the Mayor and City Manager, City departments, and economic development agencies must prioritize affordable housing and demonstrate that commitment through the allocation of local and federal dollars, economic incentives targeted to projects that are truly affordable, local policies, internal city operations and procedures, etc. Philanthropy must also be aligned and identify affordable housing as *a top priority* for our city.

Structure, Framework, and Process Summary

Below are recommendations for the creation of a Housing Trust Fund Program and how the program is administered.

Further Engagement for HTF Program Creation

Though PEN is a broad coalition of different groups and a number of perspectives have contributed to this document, we believe it is critical that there be deeper and broader community engagement around the HTF's overall goals, uses and priorities, how much should be allocated to each use (e.g. 60% of fund go to new construction, 30% of fund go to rehab, 10% of fund go to minor home repair), required length of affordability required for projects that receive HTF funding, HTF structure, the Governing Board's roles and responsibilities, and how impact will be measured and reported. We will denote these components together as the "HTF Program."

The HTF Program can be informed by input currently being solicited for the Housing Market and Fair Housing Analysis for Kansas City, Missouri that will inform the new 2022-2026 Consolidated Plan and input from the City's KC Spirit Playbook to update the City's Comprehensive Plan. However, though the input received for both of these plans will be informative and valuable, it is not specific to the HTF Program and will not be sufficient to develop/refine the HTF Program.

To ensure robust and inclusive input, we recommend the appointment of a temporary, 1-year HTF Governing Board (described below in the Governance section) to, among other things, design an inclusive community engagement strategy within the first two months of the board's creation. The City should engage an experienced, neutral facilitator to help guide and support the HTF Governing

[8] Assuming 85% of the HTF, or 4,250 units, are new construction, while 15% of the HTF, or 750 units, are rehab. Total cost $906,250,000 is calculated adding cost of new construction for 4,250 units ($200,000 x 4,250) and the cost of rehab of 750 units ($75,000 x 750).

Board throughout this critical phase. The Governing Board should be provided with adequate training, education, and relationship building so that all members can participate in developing this strategy from an informed, empowered perspective.

Other cities have used different tools to ensure task forces or boards consisting of diverse members are operating from the same knowledge base including training, education materials, and leadership institutes on land use, housing, municipal resources, and budgeting. Such processes do not necessarily require significant financial resources but do require an experienced and trusted facilitator and a different approach that focuses not just on the technical issue at hand, but also the importance of building relationships, collaborative approaches, and addressing power dynamics.

The community engagement strategy designed by the HTF Governing Board should involve all stakeholders within the affordable housing ecosystem (including renters and residents experiencing homelessness and housing instability) and should include: dispersed meetings to meet residents where they are[9]; neuro-diverse engagement activities so people of all ages and abilities can participate; childcare; meeting stipends[10] for resident participants; materials and presentations in accessible, non-technical language with translations available in other languages as needed; background on relevant terms, data, policy, and city processes; and a clear explanation of how input will be used in the decision-making process and how the community can continue to engage throughout implementation.

While the City and the temporary Governing Board are in the process of designing and implementing this inclusive engagement strategy to establish the HTF Program, they should implement the recommendations in this document for uses, requirements, and criteria as provisional, for the first round/year of HTF with the $12.5M from America Rescue Plan. This would allow the critical construction and preservation projects to move forward while at the same time, creating a HTF Program informed by one year of implementation and deeper community and stakeholder engagement. This would also give more confidence to private funders that there will be a well-defined, transparent and fair process for allocation of funds, even if that process is later revised.

Fund Structure

The Kansas City HTF will supplement and coordinate existing and new additional funds to advance Kansas City's Housing Policy and should be coordinated through a single competitive application and review process. The HTF should consist of three coordinated funds - federal public (CDBG and HOME), local public (e.g. linkage/impact fees, City general fund, etc.), and private (e.g. philanthropy, low interest capital from banks, and more). Other resources such as housing vouchers or public land may also be brought in to advance the creation and preservation of affordable housing. Private

[9] In Pittsburgh, the city paired its affordable housing taskforce with a "deliberative democracy" engagement process with neighborhood-based meetings in various locations throughout the city, each of which began with an education session to build the capacity of community members. The Lower LA River Revitalization process also relied on stipends to trusted community organizations who then engaged residents in creative ways through existing community-based forums, like movie nights.

[10] A guide for stipends: https://cdfcdc.ca/wp-content/uploads/2015/02/Honorarium-Guiding-Principles-and-Considerations-Final-July-2015.pdf

funding sources are likely to have different requirements and restrictions for use and should be implemented and managed by a partner CDFI in conjunction with City staff and the Governing Board.

HTF funds can be awarded either as a grant, loan, or deferred forgivable loan depending on a project's proposed financial performance and their project score. Applicants should indicate their preference for award type and funding source on the application. When applications are reviewed, a project's finances will be reviewed and confirmed by HTF Program Staff and/or other underwriting staff within the City or CDFI using the established underwriting criteria.

HTF dollars should go exclusively toward the creation and preservation of affordable units to be occupied by those who meet the affordable income guidelines and should not subsidize units above 80% AMI income limits (priority should be given to 50% AMI and below).

Administration

HTF Program Staff consisting of the City of Kansas City, Missouri staff and staff of a local CDFI with experience in housing and housing finance will manage and administer the HTF using the established program policies and procedures that define the evaluation and underwriting criteria for applications.

Staff will be the point of intake of HTF applications and will field applicant questions. We recommend appointing one supervisor to oversee and manage the program. Staff will work with the HTF Governing Board to create policies and procedures as well as evaluate, underwrite, and make formal funding recommendations to the HTF Governing Board.

- The City of Kansas City, Missouri Staff - Additional qualified and skilled City staff should be hired to administer the HTF Program. The role of the City will be to manage, underwrite, and contract the award of federal, state, and local sources in addition to any local sources of General Fund contributions, in-lieu fee contributions, and other public-generated funds.

- Local CDFI Staff - The selected CDFI will manage, field applicant questions, underwrite, and contract the award of private/corporate/philanthropic dollars, which include low-interest loans, philanthropic backed soft debt, and grants. A request for proposals (RFP) should be issued in selecting a local CDFI. CDFI staff will also support HTF administration alongside City staff for effective and consistent program administration.

Board Structure

Made up of nine members, the HTF Program Governance Board will consist of stakeholders representing different sectors of the affordable housing ecosystem[11] but are not directly or

[11] Board members from different sectors of the affordable housing ecosystem should come from a representative mix of the following backgrounds: a nonprofit housing developer and provider, affordable housing developer (for-profit and nonprofit), homeowner at 60% AMI or below, renter at 50% AMI and below, home rehabber, owner of naturally occurring affordable housing (NOAH) multifamily building, community land trust and/or housing cooperative, construction or building trade association, housing-focused community development financial institution (CDFI) or affordable housing financing/lending institution, neighborhood leader, taxing jurisdiction, or

otherwise affiliated with those applying for HTF dollars, and where at least three individuals are of low-to-moderate income and who could qualify for housing under this program (e.g., individuals who have experienced housing instability or have been unhoused, those who have lived in supportive housing, homeowners needing minor home repair for a healthy and safe home, etc.). All board members must sign a conflict of interest agreement and cannot be involved in, or affiliated with, any individual or entity receiving HTF funds during that year. Any board member involved in, or affiliated with, an individual or entity applying for HTF funds, or considering applying for HTF funds, must submit a public conflict of interest disclosure and recuse themselves from updating of the project evaluation scorecard and reviewing all applications that year.

New board members will be appointed by the Mayor, who will take recommendations from Council Members and existing HTF Governance Board members based on the stakeholder sectors that HTF board members will represent. The appointment process will include applications and interviews of all prospective members. Board members should be approved by the City Council each year, with the members serving staggered three-year terms. The Board will report to the Mayor, City Council, and appropriate committee.[12]

Program Staff and an experienced facilitator will assist and support the Board to establish and annually review/update program policies and procedures, annually review/update project scoring criteria, review applications, recommend applications for HTF funding, promote the HTF within the committee, and design an inclusive community engagement strategy to establish and review the HTF program.

Streamlined Process

Formal application for the HTF should be submitted through an annual publicly issued Request for Proposals (RFP). To promote transparency, the HTF Program Policies and Procedures will be components of the RFP, allowing applicants to self-score a proposal prior to submission and become more knowledgeable of the HTF Program. The selection of projects awarded will be based on the criteria set forth in the policies and procedures and evaluation scorecard. Program Staff should make a concerted effort to diversify its selection of projects and developers for funding recommendations.

A streamlined application intake process will occur at least once per year, and should take no longer than six months from application to contract. Applications that are high-scored but cannot be fully funded due to limited funds will either be awarded partial funding or invited to apply through a separate pipeline application round for funds, if applicable. If projects decline partial funding or the remaining proposals fail to meet HTF Policies, the HTF Program Staff may opt to roll remaining funds to the next year. Closing on financing and disbursement of funds should be determined by HTF Program Staff.

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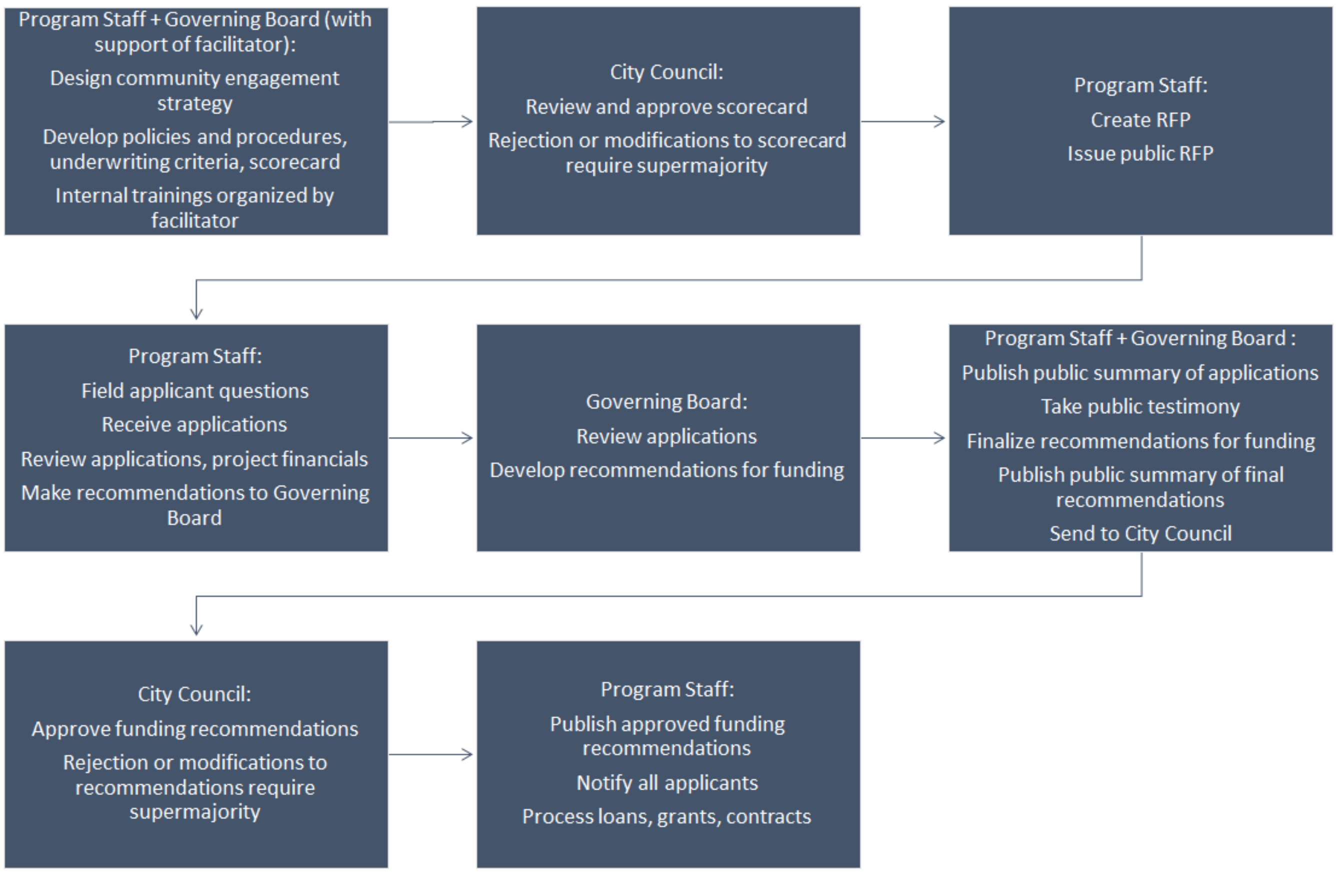
supportive housing provider. We also recommend representatives from public health and a person with disabilities.

[12] PEN recommends appointing a temporary, 1-year Board consisting of the same stakeholder representatives described in the footnote above to assist with the initial planning phase of the HTF structure. With public input, this temporary board will assist with designing an inclusive community engagement strategy, developing bylaws, and finalizing the structure of the HTF Program.

Program Policy & Procedures

Scoring criteria, requirements, eligibility, HTF priorities, and underwriting criteria should be defined in a clear and concise manner within the program policy and procedures document created by HTF Program Staff and the Governing Board. Collaboration with the Planning, Housing, Finance, and Legal Departments is critical for the development of the program policy and procedures.

The development and approval of the Program Policies and Procedures should be in place prior to administering any Housing Trust Fund dollars.



Affordability Period

Funding awards should have a *minimum* 30-year affordability period that is enforced through the filing of a declaration of restrictive covenants against the property. An affordability period is a specific amount of time a project remains affordable at the income level required by ordinance or by developer whichever is greater. The length of affordability should take into consideration the projected length of time needed to address the City's effective housing shortage for residents under 50% AMI.

Maximum Award

Housing that incorporates supportive services will be prioritized to receive a maximum award.

- Loan: The maximum amount of HTF award will be 20-30% of total development cost if a loan is issued from the fund.

- Grant: The maximum amount of HTF award will be 15% of total development cost if a grant is awarded from the fund.

The Program Staff and Governing Board may elect to waive the maximum award limit for smaller scale preservation/stabilization projects or other projects that receive a very high score.

Non-profit Set Aside

A set aside for nonprofit developers and nonprofit community development corporations (CDCs) whose mission is to create housing for low- to moderate-income individuals and families should be implemented as part of the program's policies and procedures. This non-profit set aside makes sure that CDCs that have the goal, vision, and mission to provide affordable housing but may not have the financial balance sheet of larger or for profit developers will have an allocation of funds to help sustain the housing work they do every day.

Uses, Criteria, Requirements Summary

The way in which Kansas City's Housing Trust Fund dollars will be used is critical and has the ability to change the landscape of affordable housing in the area for years to come. When determining the recommended uses for the HTF, PEN examined ongoing, local priorities related to housing as well as other cities such as Tulsa, OK and Minneapolis, MN.

Below is a summary of recommended uses, project scoring criteria, and requirements for projects seeking HTF funds. The Detailed Report section includes further detail on target uses (page 19), local plans and reports that were used to inform PEN's HTF recommendations (page 22), and a scorecard template (page 29) to evaluate projects.

Target Uses

Because the need - and cost to construct/rehab - more affordable units is so great, we are focusing our recommendations on the creation and preservation of affordable housing. PEN recommends targeting HTF funds towards the following uses and priorities:

- Creation of new affordable, mixed income, multifamily rental housing, including supportive housing and priority for 30% AMI (for construction, rehab, and predevelopment; includes mixed-use);

- Creation of new affordable, mixed income, multifamily for-sale housing including cooperative ownership models (for construction, rehab, and predevelopment; includes mixed-use);

- Rehab and preservation of affordable multifamily rental housing including naturally occurring affordable housing (NOAH), Low Income Housing Tax Credit (LIHTC) projects in Year 15 (the final year) of compliance period, and permanent supportive housing;

- Rehab and preservation of existing single family owner-occupied homes (includes minor home repair, energy efficiency, accessibility modifications, lead abatement); and
- Supportive services within permanent supportive housing.

Evaluative Scoring Criteria

It is important the HTF Program utilizes scoring criteria and a scorecard to ensure the process is transparent but flexible year to year as needs of the City may change. The scorecard should be developed by the Governing Board alongside Program Staff and ultimately approved by City Council after a public comment period before each annual funding cycle.

PEN's recommendations for evaluative criteria to score projects applying for HTF funding/financing are below. Criteria in green are weighted more than others. The scoring process must remain transparent with the inclusion of the scorecard in the public RFP and the ranking and descriptions of proposed projects made public.

Mixed-Income, Multi-Family Rental - **% of units at 30% AMI or below** - **% of units at 50% AMI or below** - **% of units at 80% AMI or below** Mixed-Income For-Sale (including cooperative ownership) - % of units at 60% AMI or below Mixed Use - Neighborhood-serving retail and services Unit Size - Varied unit sizes (priority scoring given to projects that meet city wide demand) **Density** - **Designated infill development** - **Vacant lots in existing neighborhoods** **Avoid greenfield and natural areas** **Transit Access** - **On or within a .25 - .5 miles of public transit** **Service-Enriched or Supportive Housing** - **On-site service providers for tenants** - **Services to age in place on-site or nearby** - **Community space offered on-site** **Project Readiness** - **Predevelopment completed** - **Market study** - **If applying for predevelopment, evidence of interest from construction lenders** - **Project start timeline (< 6 months; > 6 months)** **Located in Neighborhood with High Turnover / Displacement Risk** **Dedicated Length of Affordability** - **30 years (> 30 years; perpetuity)**	**Special Populations** - **Houseless Individuals/Families** - Returning or Justice Involved Individuals - Single mothers - Domestic violence survivors - Veterans - **Seniors** - Other special populations **Community Engagement** - **Community Benefit Agreement in place** - **Support from residents and neighborhood association** - **alignment with adopted neighborhood plan** **Developer Experience** - **Developer history in affordable housing & capacity** - **Property management history & capacity** - **Developer of color, or partnership with developer of color** **Accessibility** - **Universal design concepts used** **Sustainability** - **Rehabilitation & Preservation of Structures** - **Energy efficient building materials and systems (e.g. Enterprise Green Community Standards)** **Homeownership** - Effective rent to own programs (rehab or new build) - **Preservation, Production & Rehabilitation** - **Assistance with down payment, closing costs and interest rates** - **Cooperative ownership activities**

Requirements for All Funded Projects

All projects receiving HTF funding should adhere to health and energy standards such as the Enterprise Green Communities Standards, universal design, and community and resident engagement that fulfills Public Engagement Ordinance (Ord. No. 190502).

Funding Sources Summary

PEN researched local funding sources and how other housing trust funds across the country are funded. We then prioritized each source in three priority categories based on potential level of funding that source may bring in, local political will of City leadership and Council, relative barriers to implementation, and whether current local opportunities currently exist. Further detail on each potential funding source is included in the Detailed Analysis section on pages 30 - 50.

Level 1 Fund Sources

Below are Level 1 funding source recommendations to pursue in Phase 1. We believe these sources have the potential to bring in the most funding, have the political will, have relatively lower barriers to implement, current opportunities exist, and/or philanthropy/donors have expressed an interest in supporting affordable housing, and should therefore be pursued immediately.

Level 1 Source	Description	Requirements / Challenges	Funding	Intended Use
Linkage / Impact Fee	Additional fees on residential and commercial dev., includes Set-Aside Ord. in-lieu fees	Nexus study, additional policy, Council approval	Ongoing	Dependent on nexus study
Developer Permit Fees	Increase fees on all residential and commercial development	Hancock Amendment may apply	Ongoing	General HTF uses
Local Portion of Online Sales Tax	Potential for sales tax for items purchased online	Adherence to local and State guidelines	Ongoing	General HTF uses
City Annual Budget	An allocation in the City's annual budget	Little discretionary $ in budget, Council approval	Annual approval	General HTF uses
Central City Economic Dev. Sales Tax District	Utilize a portion of CCED funds annually for HTF affordable housing projects	CCED boundary/Board Approval, Voter/Council Approval	Annual, 10-year w/renewal	Predev., rehab of multi- / single family, construction, supportive services
2021 American Rescue Plan Funds to City & County	Commit portion of ARP funds to KCMO ($195.4M) and Jackson Co.($136.3M) to HTF	Council approval, expended by 12/31/2024	One-time, tranche 2 rec'd 5/2022	General HTF uses

Bonds, generally	Municipal bonds for capital projects that may or may not generate a revenue stream to pay back bonds.	Expend proceeds in 3 years or less, Voter/Council Approval, identify specific projects & payback	One-time	Shovel-ready, construction, rehab, revenue-generating multifamily mixed-use
City Property Sales	Work with General Services (GS) to identify parcels to sell for development. Also consider Lease-Leaseback and City-issued RFP for affordable developments on land.	Council approval, GS analysis, adhere to City's one-time revenue policy	One-time at sale	General HTF uses
Capital Magnet Fund	Grant from Dept. of Treasury to CDFIs and nonprofits	Competitive, 1:10 leverage requirement	One-time	General HTF uses
Public/Private and Nonprofit Investment Tools and Grants	Create a funding strategy leveraging local nonprofits, foundations, private sector, CDFIs	Seed money needs council approval, private funds matching	Lump sum & Perpetual	General HTF uses though donors / investors may stipulate project type

Additional Sources

Beyond the sources listed above, we recommend pursuing a number of other funding sources. Sources listed under Level 2 have the potential to bring in significant funds but need greater political will to pass, may need enabling legislation, or require a greater amount of effort to implement. Level 3 Sources still have the potential to bring in funding but there are currently no means to implement collection from these sources so should be considered at a later time. Finally, there are a number of often underutilized sources for the creation and preservation of affordable housing but that would not directly capitalize the HT; these are listed under Other Sources.

Level 2 Sources: Pursue in Phase 2	Level 3 Sources: Possible Resources to Pursue Later	Other Sources: Sources and Policy for Affordable Housing outside of HTF
a. Tax Increment Financing (TIF) targeted to specific areas or activities b. Land Value or Split Rate Tax on Vacant Land c. Document recording fee	a. Short-term Rental | Transient Occupancy Tax b. Income tax on higher net worth individuals/families c. Sporting or Entertainment Event Surcharge Fee d. Tax on recreational marijuana sales	a. Lease-Leaseback (LLB) on city-owned land b. Mortgage Revenue Bonds c. Missouri Housing Trust Fund d. National Housing Trust Fund e. Federal Neighborhood Homes Investment Act f. Continuum of Care (CoC) g. Project-Based Section 8 Vouchers h. Project-Based Section 8 i. Jackson County's Homelessness Trust Fund j. Real Estate Transfer Tax (RETT)

Public and Private Dollars for Housing

To create and preserve affordable housing at the scale that is needed, we need a combination of public and private dollars. With an effective shortage of over 16,000 units for individuals and families under 50% AMI - and the cost to create even 5,000 units likely near $906 million - PEN recognizes that Kansas City is not going to fix our affordable housing crisis with public dollars alone.

We also recognize that our housing crisis is, in part, due to systemic racism in housing and economic policies and other practices have shut out Black, Hispanic/Latino, Asian, and other families of color for decades, if not centuries, while capital, and access to capital, have been concentrated in white families, neighborhoods, and businesses. Bringing private dollars into a housing trust fund is a way to, at least somewhat, redress the historic and current disparities in housing.

In Charlotte, NC the Charlotte Housing Opportunity Investment Fund (CHOIF) is a distinct fund of $35 million in private equity and capital that has brought together public dollars, housing vouchers, other low cost debt (i.e. low interest loans), and land donations under their Housing Trust Fund. More information about the Charlotte Housing Trust Fund is included as a case study at the end of this document.

In less than two years, CHOIF's $35 million has been fully allocated. It has funded construction or preservation of a total of 1,214 units where 85% of the units were new construction and 15% of units were preserved existing naturally occurring affordable housing (NOAH). Of the 1,214 units, 22% (267 units) are priced for renters at 30% AMI, 3% (37 units) at 50% AMI, 37% (453 units) at 60% AMI, 32% (385 units) at 80% AMI, and 6% (72 units) are above 80% AMI. That is a total of 304 units (or 25% of the total units) for individuals and families that are very low- or extremely-low income, and a majority of units going to individuals and families under 60% AMI.

Private funds can be targeted to housing for extremely low-, low-, and moderate- income households in a way that is responsible, transparent, and reflective of the overall goals of the housing trust fund. This can be done through the recruitment of private dollars, structuring of the private fund, and underwriting criteria that each project will be evaluated by.

DETAILED ANALYSIS

I. Uses, Criteria, Requirements Analysis

Overview

How Kansas City's Housing Trust Fund dollars will be used is extremely important and has the ability to change the landscape of affordable housing in the area for years to come. When determining the recommended uses for the HTF, PEN examined ongoing, local priorities related to housing as well as other cities such as Tulsa, OK and Minneapolis, MN. What follows are further details on PEN's recommendations for uses as well as a rather exhaustive look at how those recommended uses connect to local, Kansas City priorities. Lastly, a sample scorecard has been provided to give further detail to PEN's recommendations.

HTF Target Uses

The following chart provides a more detailed look at PEN's recommendations for uses of the HTF. Along with these recommendations, the chart designates priorities as well. Prioritization could be managed by either scoring a priority use higher, allowing for "bonus" points and/or simply scoring a use while leaving other potential uses out altogether. For example, when scoring special populations the scorecard could offer more points or provide bonus points for projects that serve seniors and individuals that are houseless. Another option could be to simply leave off other special populations and only score projects that are for seniors and individuals that are houseless. All priorities and scoring should be regularly reviewed and based on relevant city data with the larger goal of producing high quality, affordable housing for all residents of Kansas City, Missouri.

The following chart can be used in conjunction with the chart on page 14 to provide further context:

Mixed-Income, Multi-Family Developments (*Priority)	Projects that provide differing levels of affordability within principle structures (e.g. 30% AMI, 50% AMI and market rate) should be a priority for the HTF due to the city's commitment to expanding affordable housing. The more dedicated units that meet extreme affordability (e.g. 30% AMI) and moderate affordability (50% AMI) the higher the project scores. There are a host of ways projects could meet the affordability levels including using project-based housing vouchers.
Mixed Income For-Sale (including cooperative ownership)	These types of projects, such as townhomes or condominiums, could provide ownership options for individuals or families that otherwise find themselves in the rental market. The cooperative ownership model is particularly interesting in this area. The model is an alternative form of ownership where the building or property is owned by an organization (e.g. non-profit). The organization will then sell shares of the property to residents. Costs of ownership activities are shared as well. Since residents own part of the property, tenant protections and overall affordability is much easier to sustain.

Mixed Use	Mixed use developments, or developments that provide commercial, cultural and entertainment use with affordable housing, are a long-term, viable recommendation for the HTF. However, current zoning and other requirements that could delay these projects prevent this from being a priority recommendation.
Unit Size	The "unit mix" of a multi-family development is extremely important when addressing city needs for affordable housing. The recommendation is to score the percentage of one-bedroom, two-bedrooms, etc. on a project based on city demand. For example, there is currently an overall lack of affordable one-bedroom apartments in the city which is contributing to the ongoing difficulty of housing individuals that are houseless. In this case it would be recommended that the HTF prioritize one-bedroom developments over other projects that offer higher percentages of multi-bedroom options.
Density (*Priority)	Priority should be placed on projects applying for the HTF that are using identified vacant lots in existing neighborhoods and designated infill due to the increased need for city density.
Avoid Greenfield and Natural Areas (*Priority)	Preservation of natural areas in Kansas City is extremely important, thus HTF projects must maintain, avoid or potentially enhance natural areas.
Transit Access (*Priority)	It is highly recommended that access to transit be scored and addressed with all HTF projects. Proximity to transit is a priority developed through multiple plans by the city and provides access to employment, food and other necessary amenities. HTF projects would score higher if they were within .25 to .5 miles of public transit lines.
Service-Enriched or Supportive Housing (*Priority)	HTF projects that are service-enriched or provide on-site services to special populations (e.g. individuals that are houseless and seniors) should be priorities. Many of these individuals require the affordability *and* services of supportive housing which is in line with PEN's recommendations. In some instances, supportive services may not office on-site but can provide regular care on-site to residents. These types of services can be invaluable for special populations thus it should be an eligible use for the HTF as well.
Project Readiness (*Priority)	Due to the extreme need for high quality, affordable housing it is strongly recommended that all HTF projects be scored on their overall project readiness. In this category, project start times would be scored (e.g. a project timeline of six months or less would

	receive a higher score than one with a timeline of twelve months). Additionally, projects would be scored on several elements of planning including pre-development activities, interest from construction lenders, market studies, resources and supplies as well as any other elements deemed necessary for timely development.
Located in Neighborhood with High Turnover/Displacement (*Priority)	Due to the history of gentrification in Kansas City, projects applying for the HTF need to address the overall displacement risk caused by the potential development.
New Construction (*Priority)	New, affordable developments (in high density areas) are needed, thus it is highly recommended that the HTF dollars are used on new construction.
Dedicated Length of Affordability (*Priority)	Projects that apply for HTF should be scored on the length of dedicated affordability. While the current 20 year standard is welcome, projects that are willing to maintain more years of affordability, and potentially into perpetuity, should receive higher scoring.
Special Population: Houseless Individuals/Families (*Priority)	As Kansas City is facing increasing difficulties with houselessness, it is recommended that the HTF initially focus on projects that are willing to serve the houseless population.
Special Population: Seniors (*Priority)	There remains a clear need for developments that address the special needs of seniors (those 55+). Like the houseless population, seniors require significant investment and accommodations with regards to their housing.
Special Populations: Other	There are a number of other potential special populations (e.g. singles, veterans, single mothers, etc.) that could be focused on. It is the recommendation from the PEN group that there be a systematic way to determine a focus in this area annually or bi-annually as it relates to the HTF.
Community Engagement (*Priority)	It is extremely important for projects applying for the HTF to have community engagement thus HTF dollars should only be spent on projects that have worked with the existing neighborhoods and municipalities. All projects should be able to provide evidence of support (e.g. signed community agreements, letters of support, evidence of monthly meetings, etc.) at the time of submission.
Developer Experience (*Priority)	Having developers with experience in building affordable housing offers several benefits including quality and development timeliness. It is also important that the local dollars that are used to

	fund the HTF go towards developers that are of color and are willing to work with minority contractors, utilize high quality energy efficient materials, complete projects on time and have a robust community engagement plan.
Accessibility (*Priority)	Developments that are constructed or rehabilitated using the HTF should focus on universal design principles in order to create more inclusive space for special populations.
Sustainability (Rehabilitation & Preservation) (*priority)	HTF projects that rehabilitate and preserve existing structures are needed and should be considered a priority. Projects that use existing, historic and dilapidated structures would qualify in this area.
Sustainability (Energy Efficiency) (*priority)	Reducing the overall energy use of Kansas City residents is a priority and in line with several city initiatives. It is highly recommended that all developments using the HTF dollars meet industry standards for energy efficiency.
Home Ownership (*priority)	Creating home ownership through the use of the HTF could be key for long term sustainable solutions to Kansas City's housing crisis. Projects applying for the HTF could receive funds for rehabilitation, preservation and production of single family, primary residence structures. Additionally, HTF could go to assistance with down payments, closing costs and interest rate buy downs over the amount of $10,000.00 to $15,000.00. It is highly recommended that this be a priority category for the HTF going forward.

Local Plans and Report

Below includes several local sources that were used to inform PEN's HTF uses recommendations. The review of local sources focused on information produced by Kansas City, MO government entities and non-profits. Based on the review it is clear that there are a number of overlapping gaps, needs, and goals among the reports that support PEN's use recommendations.

1. **Plan for Affirmatively Furthering Fair Housing** (2016) – *Mid-America Regional Council (MARC)*

Summary: The Affirmatively Furthering Fair Housing (AFFH) report is a requirement for communities and municipalities receiving federal housing funds. The information contained in the plan came from a review of five cities in the Kansas City metropolitan area. Those cities included: Kansas City, Missouri; Independence, Missouri; Blue Springs, Missouri; Kansas City, Kansas; and Leavenworth, Kansas. The summary of findings from the report address all of the available data from those cities; however, the goals for future planning were city specific. The goals of this plan are consistent with a number of PEN's HTF recommendations including density focused development, access to transit, mixed-income development, neighborhoods in high turnover/displacement, sustainability, special population focus, new construction, and supportive service availability.

Goals & Information Related to HTF: The chart below provides a rather concise breakdown of relevant information produced from the AFFH and how it directly connects to PEN's recommended use categories.

Categories	Relevant Findings	PEN's Use Recommendation Category
Segregation	Kansas City metropolitan area remains segregated; however, there is a some reduction levels of Blacks and Hispanics in suburban areas (pg. 1) The Black population is still segregated from the white population in Kansas City, Missouri and Kansas City, Kansas (pg. 2).	· Density · Located in a Neighborhood with High Turnover/Displacement
Poverty Concentration	Hispanics and Blacks disproportionately concentrated in areas of poverty (pg. 2). Hispanics and Black individuals are exposed to poverty at higher levels than other racial groups (Individuals of Mexican descent are especially impacted). Kansas City, MO (along with Kansas City, KS) is unique among the other cities in the study with its disparities related to high exposure to poverty (pg. 3).	· Density
Access to Opportunity	The pattern of development in the Kansas City metropolitan area has created splits between segments of low income, people of color and the opportunities located in the suburbs (pg. 3). Disparities created by distance have affected job opportunities, education access and technical training (pg. 3). Areas of high environmental hazards, in some instances coincide with concentrations of Black populations(pg. 4).	Density Transit Access Located in Neighborhoods with High Turnover/Displacement
Publically Supported Housing	While Housing Choice Vouchers (HCV) and Low-Income Housing Tax Credit (LIHTC) were gaining entry into lower poverty areas, in proportion to the rate of poverty, it was low (pg. 4-5). At the time (2016) the findings suggested that, absent racial problems, vouchered households could find housing in non-poor areas (pg. 5).	Density Service Enriched Development or Supportive Housing
Disability & Access	Individuals with disabilities were found to live in more racially segregated neighborhoods (pg. 5).	Special Population Focus

	There is a lack of accessible housing for individuals with disabilities. This is most prominently seen in older neighborhoods that were constructed prior to 1990 (pg. 5).	Supportive Services Density Focused Development
Discrimination	· A sizable amount of the discrimination reports were related to incidents in Kansas City, MO. This is potentially due to more awareness created by non-profit advocacy and the city's Human Relations Department (pg. 6). · Lack of resources at all levels appears to limit the opportunities for households facing discrimination to receive supportive services (pg. 6).	Supportive Services
Goals: Kansas City, MO	Kansas City, MO had 39 total goals Develop a city-wide housing policy (pg. 10). Provide leveraged financing for mixed-income rental projects (pg. 10). Increase access to affordable housing in opportunity areas by making better use of the available vouchers (pg. 10). Rehabilitate housing that is economically viable. And create training programs for disadvantaged individuals and contractors (pg. 10). Implement processes for developing affordable rental new construction and rehabilitation (pg. 10). Increase the number of accessible units that are new and rehabbed (pg. 11). Recommend establishment of a Housing Trust Fund to support disabled and low income individuals (pg. 11). Develop strategies for senior and affordable housing along transit corridors with close proximity to healthcare, recreational facilities and retail stores (pg. 11).	Mixed-Income, Multi-Family Density Sustainability New Construction Special Population: Seniors and Houseless Transit Access

2. Kansas City, MO Community Health Improvement Plan (CHIP) (n.d.) **–** *Kansas City, Missouri Health Department and Mayor's Health Commission.*

Summary: The broad plan developed by Kansas City, MO's Health Department and the Mayor's Health Commission is an interactive resource demonstrating the goals needed to improve the health outcomes for all Kansas Citians. The plan focuses on a number of areas related to health including education, violence, economic opportunity, mental health, preventative health and "built environment." The goals of this plan (and the data that supports it) are consistent with a number of PEN's HTF recommendations including sustainability, density focused development, access to transit and supportive service availability.

Goals & Information Related to HTF: The chart below cites information from the CHIP that are relevant to PEN's HTF recommendations.

Categories (from website)	Relevant Findings	PEN's Use Recommendation Category
The Story: Zip Codes	There is a 15 year difference in life expectancy in the six major zip codes in the Kansas City metropolitan area.	Service Enriched or Supportive Housing Density Focused Development
Violence Prevention: Goal 2 – Reduce violent crime and address racial disparities in incarceration.	· The violent crime rate (1742.2 per 100K) and the violent crime rate in priority zip codes (3,950.5 per 100k) is above the current targets. · Violence in priority zip codes experience a higher increase in violent crime. These same zip codes have faced other challenges in areas of education and economic opportunity.	· Service Enriched or Supportive Housing · Supportive Services
Built Environment: Goal 5 – Increasing the proportion of neighborhoods that are safe, clean, well-maintained, and consistently improved.	· "Compact and complete" neighborhoods is a target measure (it is currently at the 30% goal) within this goal. Increased density and walkability are part of this measure.	· Density
Built Environment Goal 5.1 – Improve the efficacy of blight reduction programs including illegal dumping and enforcement, land bank, and KC Homesteading Authority.	· The target measures in this goal include the reduction of dangerous buildings and the use of Land Bank properties.	· Sustainability · Density

3. A Housing Policy for Kansas City (2019 - 2023) – *City of Kansas City, Missouri (KCMO)*

Summary: The housing policy was developed to set the direction for housing goals and policies in Kansas City, Missouri. The five year plan includes several broad goals and priorities that are directly tied to PEN's recommendations for the HTF. Those include density focused development, mixed-income development,, new construction, sustainability, transit access and focuses on houseless individuals and seniors.

Goals & Information Related to HTF: Below is a breakdown of priorities and goals that are consistent with PEN's recommendations.

Goals	Policies Areas	PEN's Use Recommendation Categories
Goal 1: Maintain and increase housing supply to meet the demands of a diverse population.	This section identifies preservation of current multi-family developments and rental homes as a policy priority (pg. 23 & Policy 1.2; 1.3). Additionally, this section lists new construction of multifamily developments and rehabilitation as ways to meet the stated goal (pg. 24 & Policy 1.2; 1.3; 1.4). Another policy focus in this area includes the goal of developing housing for senior living (pg. 29 & Policy 1.6). Policy 1.9 focuses on transit-oriented development and proposes to accomplish this through repurposing and preserving existing units(pg. 21).	New Construction Sustainability Special Populations: Seniors Transit Access
Goal 4: Abate dangerous or deteriorated structures to remove blighting conditions while actively supporting and fast-tracking housing rehabilitation and new infill development.	Policy 4.4 proposes focusing on identifying and targeting vacant parcels of land for infill development in conjunction with local stakeholders (pg. 46).	Density
Goal 5: Ensure environmentally and ecologically sustainable housing while accounting for environmental, social, cultural and economic factors of occupants.	Policy 5.1 & 5.2 focuses on the integration of housing with the development of green infrastructure and natural resource conservation (pg. 47). Included in those policies are focuses on access to food as well as the integration of green space in developments. Policy 5.4 states that there should be adoption of environmentally cognizant standards for housing developments (pg. 50). Policy 5.5 focuses on taking action in lieu of federal and state power plan policies that pertain to housing and energy conservation (pg. 50).	Transit Access Sustainability

Goal 7: Ensure all occupants of residences have quality, efficient and healthy housing.	Policy 7.1 states that the desire is to continue, create and grow energy efficiency programs that reduce the energy consumed.	Sustainability
Goal 8: Address the housing needs of the most vulnerable populations through the provision of housing and services.	Policy 8.1 focuses on houselessness and implementing strategies that support ending houselessness in Kansas City (pg. 63, 64). Additional discussion in this area includes the desire to focus on families and children (65). Additionally, policy 8.4 focuses on accessibility measures for the disabled population (pg. 65). Policy 8.9 is about seniors and focuses on services and strategies that allow for seniors to age in place(pg. 67).	Special Population: Houselessness Service-Enriched Developments or Supportive Housing Supportive Services Accessibility Special Populations: Seniors

4. KC Blueprint: For Violence Prevention and a Safe and Healthy Community (n.d) – *Violence Free KC, City of Kansas City, Missouri Health Department & Kansas City Health Commission*

Summary: The aim of the KC Blueprint plan was to bring together community stakeholders to develop a plan for preventing violence and building sustainable solutions around resiliency and violence risk factors. The plan names strategies that address five distinct areas in specific sectors of the community (e.g. local government, education, media, nonprofit organizations, business, etc). The areas are titled: "Where we live and play", "Where we learn", "Where we work", "Where we receive care" and "How we build effectiveness & sustainability." PEN's recommendations largely coincide with the strategies set forth under "Where we live and play." Specific recommendations under this section that connect to the PEN's HTF uses recommendations include mixed-income rentals, density, developer experience, community engagement and located in neighborhoods with high turnover/displacement.

Goals & Information Related to HTF: Below is a breakdown of priorities and goals that are consistent with PEN's recommendations.

Areas & Strategies	**Goals**	**PEN's Use Recommendation Categories**
Local Government: "Where we live and play"	Increase the access to affordable, mixed rate housing (pg. 13). Invest in prompt remediation of land bank properties and other city controlled parcels of land (pg. 13). Invest in registered neighborhood associations that demonstrate transparency (pg. 13).	· Located in Neighborhoods with High Turnover/Displacement · Density · Mixed-income, multi-family development

		· Community Engagement
Education: "Where we live and play"	Holding local officials accountable for neighborhood environments such as abandoned buildings and other hazards that make pedestrian walking difficult (pg. 31).	· Density · Located in Neighborhoods with High Change
Funders: "Where we live and play"	Ensuring neighborhoods are included in planning discussions (pg. 41). Assure that Asset-Based Community Development practitioners are involving residents and neighborhoods as full partners in the development.	· Community Engagement · Developer Experience

5. **Kansas City, Missouri Ordinance 201038** (2021) – *City of Kansas City, Missouri*

Summary: The goal of the Ordinance 201038 was to provide a sustainable path to defining and sustaining housing affordability in Kansas City, Missouri. The ordinance sets forth the requirement that developers receiving incentives must rent 10% of units to individuals or families at or below 70% MFI and 10% must be rented to individuals or families at or below 30% MFI. Additionally the ordinance specified that the affordable units must be mixed as well as on the principle development site. This ordinance has several overlapping goals that align with PEN's HTF recommended uses including mixed-income development, unit size, density and located in neighborhoods with high turnover/displacement.

Goals & Information Related to HTF: Below is a breakdown of priorities and goals that are consistent with PEN's recommendations.

Sections	Policies	HTF Use Recommendation Category
Section 1	Requires multi-family housing with 12 or more units that are receiving economic incentives for development to set aside 10% of the units as "affordable" and 10% as "extremely affordable".	· Mixed-Income Development
Section 2	This section defines "affordable housing" as at or below 70% MFI. Additionally it defines "extremely affordable housing" as at or below 30% MFI.	· Mixed-Income Development
Section 4	This section sets forth the requirement that the affordable units must be on the principle development site (a).	· Mixed-Income Development · Density

	All units developed must be one-bedroom in size or share the same size as at least 25% of the units constructed (c).	· Located in Neighborhoods with High Turnover/Displacement · Unit size

Sample HTF Scorecard

What follows is a sample scorecard that highlights the priorities listed above. This scorecard reflects PEN's recommendations for uses as well as provides some further context to the information in this section. We have refrained from providing actual points due to feeling this scorecard would eventually receive several revisions thus not being as useful as providing general recommendations.

A final note to consider, by providing this scorecard example PEN is hopeful, and strongly recommending, *full transparency* of scoring the HTF. Transparency should at a minimum include the publicity of the scorecard, publicly ranking of proposed projects and feedback from HTF project reviewers to HTF applicants. These recommendations will benefit the entire process and the efforts associated with the HTF.

Kansas City Housing Trust Fund Application Scoring Summary					
	Criteria	**Total Possible Points**	**Applicant's Proposed Scoring**	**HTF Staff Scoring**	**Scoring Explanation**
1	**Developer, Owner, Property Manager History:**				
	Owner & Developer Capacity	*#points*	*#scored*	*#scored*	
	Owner & Developer History	*#points*	*#scored*	*#scored*	
	Property Manager Capacity	*#points*	*#scored*	*#scored*	
	Property Manager Mgmt Plan	*#points*	*#scored*	*#scored*	
2	**Mixed-Income Rental**				
	10% of units @ 30% AMI	*#points*	*#scored*	*#scored*	
	> 10% of units @ 30% AMI	*#points*	*#scored*	*#scored*	
	10% of units @ 50% AMI	*#points*	*#scored*	*#scored*	
	>10% of units @ 50% AMI	*#points*	*#scored*	*#scored*	
	10% of units @ 80% AMI	*#points*	*#scored*	*#scored*	
	>10% of units @ 80% AMI	*#points*	*#scored*	*#scored*	
3	**New Construction**	*#points*	*#scored*	*#scored*	
4	**Sustainability (Preservation/Rehabilitation)**	*#points*	*#scored*	*#scored*	
5	**Project Readiness:**				
	Property Purchased/Option	*#points*	*#scored*	*#scored*	

	Zoned	*#points*	*#scored*	*#scored*	
	Architecture Plans	*#points*	*#scored*	*#scored*	
	Project to Begin in 6 Months or Less	*#points*	*#scored*	*#scored*	
	Project to Begin in 6 to 12 Months	*#points*	*#scored*	*#scored*	
	Project to Begin in 1 Year or Greater	*#points*	*#scored*	*#scored*	
6	**Length of Affordability**				
	30 Years	*#points*	*#scored*	*#scored*	
	30 -35 Years	*#points*	*#scored*	*#scored*	
	35 Years or Greater	*#points*	*#scored*	*#scored*	
7	**Density:**				
	Priority location: Existing Neighborhood	*#points*	*#scored*	*#scored*	
	Priority location: Infill designation	*#points*	*#scored*	*#scored*	
8	**Located in Neighborhood with High Turnover/Displacement**	*#points*	*#scored*	*#scored*	
9	**Service-Enriched/Supportive Housing:**				
	Multi-Family Development	*#points*	*#scored*	*#scored*	
10	**Special Population: Houseless Individuals/Families:**	*#points*	*#scored*	*#scored*	
11	**Special Population: Seniors**	*#points*	*#scored*	*#scored*	
12	**Community Engagement**	*#points*	*#scored*	*#scored*	
13	**Homeownership Assistance**				
	Preservation or Rehabilitation	*#points*	*#scored*	*#scored*	
	New Construction	*#points*	*#scored*	*#scored*	
	Assistance w/ down payment, closing costs	*#points*	*#scored*	*#scored*	
14	**Transit Access**	*#points*	*#scored*	*#scored*	
15	**Incorporates Universal Design**	*#points*	*#scored*	*#scored*	
16	**Sustainability (Energy Efficiency):**				
17	Incorporation of EE materials and systems	*#points*	*#scored*	*#scored*	
18	Building Adopts Energy/Green Measures	*#points*	*#scored*	*#scored*	

II. Funding Sources Analysis

Overview Funding Sources

The following section provides an analysis and review of recommended funding sources for capitalizing the Kansas City's Housing Trust Fund. We describe potential funding sources worthy of consideration, including existing local sources, ongoing revenue streams that could be dedicated to affordable housing, new financing mechanisms, and novel sources of one-time funds.

PEN researched potential local funding sources and how other housing trust funds across the country are funded. We then prioritized each source in three categories based on potential level of funding that source may bring, local political will of City leadership and Council, relative barriers to implementation, and whether current local opportunities exist.

- **Level 1 Recommendations: Pursue in Phase 1**: In the first phase (i.e. to be pursued in first 1-2 years), Kansas City's HTF should seek and pool public and private resources. These sources have the potential to bring in the most funding, have the political will, have lower barriers to implement, current opportunities exist, and/or philanthropy/donors have expressed an interest in supporting affordable housing, therefore these should be pursued immediately.

- **Level 2 Recommendations: Pursue in Phase 2**: The second phase should create a collective impact team with the appropriate expertise to continue to explore and establish alternative modes of sustained funding and private investment. Impact notes, lease lease-back, special taxes, and other tools should be explored with corresponding policy.

- **Level 3: Possible Resources to Pursue Later:** Additional sources were reviewed and while we are not recommending pursuing these at this time (due to current political will or higher barriers to implement) they are still worth noting and should be considered later.

- **Level 4: Sources for Affordable Housing outside of HTF:** Funding sources that did not meet our criteria for capitalizing the HTF, but that are still potential sources for affordable housing development are included in this section.

Recent literature would suggest there is not one source of revenue in sustaining housing trust funds, but a "cocktail" approach of resources.[13] Many HTF's are initially created with federal, state, or local support, but soon transition to a broader mix of public/private funding. Creating new funding streams is critical in building and capitalizing the HTF for long-term sustainability, thereby creating less dependency on federal, state, or local programs and the instability of resources.

Level 1 Sources: Pursue in Phase 1

a. Linkage / Impact Fees

Linkage fees

These policies work best in towns, cities or counties that are experiencing, or expect to experience, substantial commercial or residential growth. The fee is often justified as a way to meet the demand for housing caused by newly created jobs associated with this growth.

Linkage fees can be assessed on all new residential or non-residential development, including multi-family housing, retail centers, industrial or manufacturing facilities, and other commercial projects.

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[13] See: 1) Brooks, M. & Anderson, M. (2017). State and local housing trust funds. National Low Income Housing Coalition Advocates' Guide 2017. Retrieved from http://nlihc.org/sites/default/files/2017_Advocates-Guide.pdf. 2) Center for Community Change. (2016). Opening Doors to Homes for All: The 2016 Housing Trust Fund Survey Report. Retrieved from http://housingtrustfundproject.org/wp-content/uploads/2016/10/HTF_Survey-Report2016-final.pdf. 3) NEXUS, The NHC Housing Policy Guide. Revenue Sources for Housing Trust Funds. https://nhc.org/policy-guide/housing-trust-funds-the-basics/revenue-sources-for-housing-trust-funds/

Non-residential facilities stimulate the creation of jobs, but ordinarily do not include an affordable housing component for workers in low-wage jobs. These fees are called “linkage” because they attempt to link the production of market rate real estate to the production of affordable housing. A linkage fee is intended to mitigate the impact of a given development on the community.

For example, a new retail project would be expected to generate a certain number of low- to moderate-wage jobs which impacts the housing market by creating a predictable increase in demand for lower cost housing. It is important that the city establish the fee based on the measurable contribution of a likely project to the overall need for affordable housing.

Affordable housing impact fees

Affordable housing impact fees function like linkage fees but are assessed on market-rate or luxury residential development on the assumption that an influx of new residents will generate increased demand for services and, in turn, low- to moderate-wage jobs to fulfill that demand. The revenue from affordable housing impact fees can then be used to help provide housing affordable for these workers.

The need to meet the demand for affordable housing created by new growth provides the legal justification for charging linkage fees, which are used to preserve or create affordable housing near the jobs that are created. The fee amount is typically based on the square footage of the building, with proceeds deposited in a housing trust fund for disbursement in accordance with local needs and priorities.

Denver, CO

In 2016, the Denver City Council approved its first dedicated fund for affordable housing supported by property tax revenue and a one-time fee on new development. The monies will come from a portion of a property tax mill already approved by Denver voters and a new one-time fee on commercial and residential development. The impact fee varies by project type - residential (single-family/duplex, multi-family commercial) or commercial (hotel/office/retail/other or industrial/agricultural) and ranges from $.40 - $1.70 per square foot.

San Diego, CA

In San Diego, for example, linkage fees range from $0.80 per square foot for research and development facilities to $2.12 per square foot for new office space. Alternatively, a single rate may apply to all development types covered by the policy. In determining which approach to take, local jurisdictions should weigh the trade-offs in establishing a fee schedule that is relatively simple to manage from an administrative standpoint versus one that allows for more targeted assessments that may more accurately reflect the affordable housing needs that will be created by the new development.

Recommendation: Conduct a nexus study to establish the linkage fees, a phased implementation schedule, and the legal justification for doing so. Such a study is intended to determine a project’s impact on the overall need for affordable housing. An example would be the number of low- to moderate- wage jobs a project is expected to generate.

Recommendation: Create a linkage fee with a focus on commercial (non-residential) real estate development. Some cities allow the fee to be paid in installments as development milestones are reached. Others require payment at the time of building permit issuance or at project completion, prior to occupancy.

b. Developer Permit Fees

The city has many fees related to development. Those fees include everything from demolition and sign permit fees to fees for plan reviews and multiple kinds of inspections. The larger fee charges are for “Building, mechanical, plumbing, electrical, elevator and fire protection permit fees.” Those fees are based on total valuation of the project. For projects with valuation of $1,000,001 and over the fee for the first $100,000 is $9,201.00 plus $3.60 for each additional $1,000 or fraction thereof. So, a $50,000,000 project would generate a fee of $185,601.

Current fees are used to pay for Planning Department operations. Therefore, fees would need to be increased to generate funds for the Housing Trust Fund or new fee sources would need to be identified. Based on the $50,000,000 example if there were a 10% increase to that fee, an additional $18,500 would be generated.

Once the Affordable Housing Set Aside Ordinance was passed in January, 2021 Councilwoman Bough convened City staff and representatives from PEN and the development community to identify areas of alignment around particular requirements of the ordinance. The developers suggested an increase in the developer permit fees as one possible source to fund the housing trust fund and share the burden with commercial and non-residential developers.

Developer permit fees are a common source of HTF funds in other cities.

Recommendation: Increase City Developer Permit Fees.

c. Local Portion of Online Sales Tax

Use tax is a sales tax on purchases made outside one's state of residence for taxable items that will be used, stored or consumed in one's state of residence and on which no tax was collected in the state of purchase. The City’s tax rate already includes a Use Tax, but does not yet include a tax on online sales. KCMO currently uses all use tax for General Fund expenses. In June 2021 the state of Missouri became the last state in the nation to enact an online sales tax. The legislation would require out-of-state retailers with at least $100,000 in annual sales in Missouri to collect state and local taxes beginning in 2023. The bill also reduces individual income taxes by a tenth of a percent in 2024 and creates a state tax credit for lower income working families.

d. City Annual Budget

The City includes in the annual budget a portion for the affordable housing trust fund and the staffing to support the fund. The City’s budget includes little discretionary funds as 68% is dedicated to personnel and public safety accounts for a large portion of general revenue.

Minneapolis, MN

The Minneapolis City Council allocates a portion of its general revenue to the Affordable Housing Trust Fund (AHTF) Program as part of the annual city budget process. Additionally, the 2019 budget included an additional $16 million in funds from TIF for Affordable Housing going into the AHTF as well as the traditional federal pass-through funds for a total of $21 million.

Pittsburgh, PA

Pittsburgh allocates $10 million per year from their General Operating Budget to their housing trust fund. Passed by city council, this allocation is in effect for 12 years.

Recommendation: City Council dedicates a percentage of discretionary funding to the HTF every year.

e. Central City Economic Development (CCED) Sales Tax District

Ordinance No. 160861 enacted an economic development sales tax devoted to projects located within the area bounded by 9th Street on the north, Gregory Boulevard on the south, The Paseo on the west, and Indiana Avenue on the east. In 2017 the voters in Kansas City, Missouri approved a ballot measure allowing the City of Kansas City to impose a sales tax of 1/8 percent to be used for funding economic development projects within the defined area. This sales tax brings in approximately $10 million annually. A Mayoral-appointed board recommends projects for funding and the City Council provides final approval.

Recommendation: Utilize a portion of CCED to fund the HTF for projects within the CCED boundaries.

f. Federal Rescue Funds to City

The $1.95 trillion America Rescue Plan Act of 2021 was signed into law on March 11, 2021 with Kansas City, MO expected to receive $195.47 million. $120 million is already reserved by the City to cover loss of revenue. These funds will be distributed in two installments where 50% will be distributed within 60 days of the legislation going into effect and the remaining 50% will be delivered twelve months later in May, 2022. The Department of Treasury will send funds directly to the City. Grantees can use funds to cover costs incurred beginning March 3, 2021, must obligate funds by December 31, 2024, and expend them by December 31, 2026.

Recommendation: City Council commits a minimum of $25 million in ARP funds to the HTF.

Recommendation: City Council commits a minimum of 5% of any future stimulus or rescue funds to the HTF.

g. Federal Rescue Funds to County

The $1.95 trillion America Rescue Plan Act of 2021 was signed into law on March 11, 2021 with Jackson County expected to receive $136.34 million. These funds will be distributed in two installments where 50% will be distributed within 60 days of the legislation going into effect and the remaining 50% will be delivered twelve months later. The Department of Treasury will send funds directly to the City. Funds must be spent by December 31, 2024.

Recommendation: City pursue talks with Jackson County to commit a minimum of $5 million in ARP funds to Kansas City, MO to be directed to the HTF.

h. General Obligation Bonds

General obligation bonds are municipal bonds which provide a way for state and local governments to raise money for capital projects that may not generate a revenue stream directly. Examples of the types of projects funded by general obligation bonds are the construction of public schools and highway systems.

They are called “general obligation” bonds because they are not backed by a specific revenue producing project or asset. Instead, they are backed by the state or local government’s ability to tax, and to raise taxes if necessary, in order to pay bondholders. For local governments, this ability normally comes in the form of property taxes to pay debt service.

On April 4, 2017, Kansas City voters approved the GO KC plan, an $800 million infrastructure repair plan funded through general obligation bonds. A number of other proposals for GO Bond financing will be emerging in the coming year. Infrastructure repair, street maintenance and downtown baseball stadium are just a few under possible consideration. In this landscape, housing may merge with other funding projects in a GO Bond ballot measure. It is also worth noting, housing projects funded via GO Bonds would require prevailing wage pertaining to construction jobs.

Charlotte, NC

In Charlotte, their housing trust fund is funded through voter-approved bonds paired with private dollars. *Residents have passed 4 affordable housing bond measures in 2014, 2016, 2018, and 2020 to raise $130M for housing.* Each time a housing bond went to vote it was joined by two other bonds for infrastructure, and transportation. Individual housing projects were identified in each affordable housing bond. These bonds fund projects and priorities outlined in their Community Investment Plan (CIP) spending program.

Recommendation: The City of Kansas City issue General Obligation Bond(s) to fund the HTF. The process to identify specific projects should include engagement with nonprofit and affordable housing developers, neighborhoods, and organizations that serve 30% AMI populations. Annual reports on progress should be made easily accessible to the public. The method of paying back the bonds should not unfairly burden lower income households.

i. Special Obligation Bonds

Special obligation (SO) bonds are general obligation bonds, commonly issued to fund development projects, where the interest owed is paid by taxes levied solely on the beneficiaries of that project. These bonds assume City covers debt service if project revenues fall short. KCMO has issued SO bonds for various projects including redevelopment projects (e.g., KC Live), parking garages, convention center improvements.

In March, 2021 City Council passed an ordinance approving the issuance of a series of special obligation bonds to fund the new Buck O'Neil Bridge, Platte Purchase Interchange, Auditorium Garage repairs, and golf course irrigation system, all to be paid back from various sources including general fund, PIAC in-district funds, and proceeds from the golf course.

Recommendation: Issue an affordable housing bond for mixed-income (including units at market rate, 30% AMI, and other income levels) and mixed-use developments (including commercial space).

j. Revenue Bonds
A revenue bond is a category of municipal bond supported by the revenue from a specific project, such as a toll bridge, highway, or local stadium. Revenue bonds that finance income-producing projects are thus secured by a specified revenue source. KCMO has issued revenue bonds for airport and water/sewer projects. There must be a proven revenue source for repayment if there is no City guarantee.

k. Intergovernmental Agreement (IGA) Bonds
Public bodies (e.g. City and Housing Authority) enter into intergovernmental agreements for the collective issuance, administration, or payment of bonds. Can be done with or without City guarantee.

Denver, CO
The City of Denver and the Denver Housing Authority (DHA) partnered to allow the city to issue bonds for specific affordable housing projects. In 2018, to double Denver's dedicated Affordable Housing Fund and provide for a funding surge of over one hundred million dollars for affordable housing, DHA and the City entered into the IGA to accelerate the production and preservation of much-needed affordable housing over the next five years through the "DHA Delivers for Denver" Program (D3). DHA partnered with the City to receive an annual appropriation of the City's property tax mill levy revenue for the next 20 years as a result of its ability to issue bonds and its proven administrative, financial and housing production capabilities.

In 2019 the DHA closed on the issuance of $129,810,000 Intergovernmental Agreement (IGA) Bonds where proceeds will go toward the creation and preservation of more than 2,400 units of affordable housing.

Recommendation: Explore Intergovernmental Agreement (IGA) Bonds with KC Housing Authority

Recommendation: Dedicate the local portion of the newly enacted online sales tax to funding the Housing Trust Fund.

St. Louis
St. Louis' Affordable Housing Trust Fund (AHTF) is funded entirely through public funds made possible by the City's Local Use Tax. The tax was created through an ordinance for the development and preservation of affordable and accessible housing (see City code and ordinance designating the use tax funds to the AHTF). The AHTF received an additional $6.6 million in the 2020 City budget from the unallocated tax revenue that resulted from passing Prop 1 in 2017 – a half-cent sales tax increase for a North-South light rail extension, public safety cameras, and neighborhood development.

A local-use tax automatically increases when the sales tax does, and that increase generates an additional $4 million a year. Since city voters rejected funding a new soccer stadium with this money, the $4 million was left unallocated.

Recommendation: As in St. Louis, the City should direct those funds to the Housing Trust Fund when the city experiences funds leftover from other sources, projects, etc., related to neighborhood and economic development and housing.

l. City Property Sales

Recently, the City Auditor found 350 city-owned parcels and properties that have no obvious city purpose, valued at $19 million, and is encouraging the City to dispose of them. The new City Housing Department should work with General Services and the community where parcels are located to evaluate the properties and identify parcels for 1) city use, 2) affordable housing, 3) sale to developers. The City can implement a process similar to when Kansas City Public Schools seeks to dispose of a closed school to solicit community input on the best use for a parcel. For parcels identified for sale to developers, a large portion of the sale could go HTF. For parcels identified for affordable housing development, the City could issue an RFP for the development of the site and offer land at a steeply discounted rate.

Detroit, MI

At least 20% of the annual net receipts of all city-owned commercial property sales to the Affordable Housing Development and Preservation Fund, as well as committing $2 million in surplus FY 17 revenues to capitalize Detroit's Affordable Housing Leverage Fund.

Recommendation: A large percentage of proceeds from the sale of city-owned land is directed to the HTF. Also, require the developer enter into Community Benefit Agreements.

Recommendation: For properties not identified for sale, enter into Lease-Leaseback agreements (see page 45 for more info) for the creation of affordable housing development and/or issue competitive RFP for the creation of affordable housing using the same requirements as the HTF.

m. Capital Magnet Fund

The Capital Magnet Fund (CMF) is administered by the Department of Treasury's CDFI Fund as a competitive grant program to attract private capital for high-performing nonprofits to develop, preserve, rehabilitate, or purchase housing for low income families. CMF provides competitively awarded grants to community development financial institutions (CDFIs) and eligible Nonprofit Organization whose purpose is the development or management of affordable housing to attract private capital for and increase investment in, among other things, "Development, Rehabilitation, Preservation, and Purchase of Affordable Housing both Homeownership and rental targeted to Low-, Very Low-, and Extremely Low Income Families."

Capitalizing housing trust funds is an eligible use of CMF. For every $1 in CMF Awards, recipients are required to generate at least $10 in Eligible Project Costs (CMF Award plus Leveraged Costs). Sources of capital leveraged by the CMF Award may be loans from banks, program related investments from foundations, Low Income Housing Tax Credits (LIHTCs) investment, funds contributed by the Recipient, state or local governments or any number of other private or public sources. It is expected that investments into the fund will double the allocations from 2020.

A number of nonprofit housing trust funds have received CMF awards including The Affordable Housing Trust for Columbus and Franklin County (AHT) in Columbus, OH; the Housing Trust Silicon

Valley led by the County of Santa Clara and the Silicon Valley Leadership Group; and the Greater Minnesota Housing Fund who operates 3 housing loan and equity funds.

Local Initiatives Support Corporation (LISC) was awarded $7.5M in 2020. Missouri was not identified to receive funds from this award but LISC Greater Kansas City is advocating for a portion of a future CMF award to be allocated for Missouri, as well as directing any remaining funds from previous allocations to Missouri.

Recommendation: City partner with local CDFI to apply for Capital Magnet Fund funding to capitalize the HTF.

n. Public/Private Sector and Nonprofit Investment Tools and Grants
A collaborative funding strategy is needed targeting nonprofit organizations such as foundations to leverage public and private sector dollars towards the HTF. Three distinct sources are examined below.

<u>Nonprofit Sector:</u>
This resource could include foundations, as well as individual/corporate philanthropy, focusing towards housing or community development.

There are 761 private foundations and seven corporate foundations in the greater Kansas City metro area, with assets of over $6 billion. Eighty-seven of these foundations have assets over $1 million. While some of these foundations are relatively small and not all are mission-aligned with issues of affordable housing and racial equity, many are so aligned and more are turning in this direction due to issues of the times. Philanthropic contributions, matched with public sources are a common source of funding for Housing Trust Funds.

Kansas City, MO
The Greater Kansas City Community Foundation is one of the most well-respected, knowledgeable leaders on charitable giving in the nation through donor-advised funds and other types of charitable giving accounts that maximize and organize giving.

Today the Community Foundation manages more than $4 billion in assets and houses more than 4,000 charitable funds established by individuals, families, and businesses to support the charitable causes that are important to them. Education of the managers of these funds could provide an opportunity to secure significant contributions to the HTF from multiple funds.

The Hall Family Foundation is a private philanthropic organization dedicated to enhancing the quality of human life in the Greater Kansas City area. It seeks to invest in programs that are innovative and strive to create systemic solutions to community needs. In 2020 the Foundation had nearly 1 Billion dollars in assets and made contributions totaling over $39 million dollars. Neighborhood revitalization is an area of investment for this Foundation as is healthy and children youth and families, all areas very pertinent to affordable housing. The foundation could be approached to help capitalize the Kansas City HTF as a systemic solution.

Charlotte, NC

In 2018, the Foundation For The Carolinas (the community foundation for the 13-county region and driver for major civic efforts) kickstarted the campaign to raise $50 million from the private sector to match the 2018 voter-approved bond for $50 million for affordable housing. The Foundation contributed a $5 million program-related investment to launch the effort.

Monmouth Ocean, NJ
Since its founding in 1991, the Affordable Housing Alliance (AHA) has successfully collaborated with dozens of municipalities and contractors to develop over 550 affordable homes in Monmouth, Ocean and Middlesex Counties. The AHA has partnered with developers and townships of all sizes to ensure adequate affordable housing is provided in a manner that fulfills their obligation, while also meeting the needs of the municipality. The Affordable Housing Alliance is a community catalyst that provides housing and related relief to all who need it, offer rental and home ownership help, mortgage and foreclosure counseling, utility assistance and home buyer education, guiding people through every step of the process to achieve stability, progress and peace of mind.

Recommendation: Establish a strong relationship with the community foundation and individual community housing champions to create a donor fund to support the HTF.

<u>Public/Private Sector Investment Tools</u>
Partnering with a CDFI, the private sector, or a foundation, can develop an investment tool such as a Community Impact Note. Corporations or individual investors can buy into the fund with an expected return required. The funds could either be used to lend to affordable housing developers the start-up capital required, make a direct investment to affordable housing projects, or outright grant the funds. The notes directly impact the development of affordable housing by increasing the amount of capital provided in the early stage of financing to catalyze and incentivize new development.

In addition to a Community Impact Note, a fund managed by a CDFI can be created. This would operate under the same umbrella, and in conjunction with the City HTF but private funds would be held separate from public funds and utilized to expand affordable housing stock and wrap around services.

Charlotte, NC
The Charlotte Housing Opportunity Investment Fund (CHOIF) is a privately financed affordable housing fund of $50 million from the private sector. The CHOIF is held and managed by LISC and funders hold an advisory role through the CHOIF Investment Advisory Committee (IAC). CHOIF is funded to-date by Ally Bank, Atrium Health, Bank of America, Barings, BB&T Bank, Belk Gambrell Foundation, Duke Energy, Fifth Third Bank Foundation, Foundation for the Carolinas, John S. and James L. Knight Foundation, Levine (Howard) Foundation, Novant Health, SunTrust Bank, and Wells Fargo.

Charlotte, NC
The Housing Impact Fund is $58 million in private funds primarily raised by two long-time civic leaders. Investors receive 8% on their investment. Money goes toward the acquisition of naturally occurring affordable housing (NOAH) where the intention is to keep it affordable. The fund is targeting investment in ~1,500 units over the next two years. Each property will have the same 20-

year deed restriction, with 100% of units set aside for households earning less than the area median income. Founders of the fund worked with officials in Charlotte and Mecklenburg County to craft a workaround for their property taxes – a requirement due to the fund's for-profit status – which will use whatever they owe each year to fund a housing rental subsidy for very low income residents.

The Fund requires that at least 80% of the rehab work and construction be done by minority contractors. Additionally, once the 20 year affordable deed restrictions expire, if the owner sells the property, the Fund has a clause requiring that 60% of any profits are diverted to another fund for affordable housing.

The San Francisco Bay Area, CA

Housing Trust Silicon Valley incorporated as a nonprofit public benefit corporation in 2000. The Trust is a private and public sector partnership and is tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company is certified as a Community Development Finance Institution, a CDFI, by the U.S. Department of Treasury CDFI Fund.

They were the first nonprofit CDFI to be rated by Standard and Poor's and received an AA- rating in 2015. They focus on a 13 county greater Silicon Valley, San Francisco Bay and Monterey Bay Areas with recent expansion into Orange County and King County, Washington.

To date: $355 million invested in affordable housing, with over 38,000 people helped.

Nashville, TN

Nashville's fund, called the Barnes Fund was established in 2013 with an initial $3 million from unused grant funds set aside for housing. Since its inception, Nashville's Metropolitan Housing Trust Fund Commission has invested $44,421,688 in the development and preservation of affordable housing through the Barnes Fund. This public investment has helped galvanize over $234,804,080 in private sector investment to develop housing units across Nashville. In the fall 2019 funding round alone, a $6.995 million public investment helped leverage $42.8 million in private dollars. This is an almost 6:1 return on investment.

Recommendation: Leveraging relationships with the city's largest employers, and high net-worth individuals, create a Community Impact Note. Create a capital fund with direct proceeds to the Housing Trust Fund, from Community Impact Notes: Regular D offering – Private Placement to accredited investors with series A, B, and C terms from 1.25% to 2% return.

Recommendation: Offer a current note at $25 million with a re-issue annually for four years, whereby building the Trust contribution to $100 million.

Recommendation: Create a fund of private capital that is aligned with public funds under the umbrella of the HTF, but *is held separately.*

Level 2 Sources: Pursue in Phase 2

a. Tax Increment Financing (TIF)
TIF districts are an important source of funding for affordable housing in some cities, towns and counties. However, they can be controversial because some or all of the increased tax revenue in the district is diverted to a special TIF fund and is not available for the same activities that other property tax revenue is used for, such as public schools, police and public safety, and recreational facilities. The assignment of school tax revenue to a TIF can be a particularly challenging flashpoint.

One way to address this is to focus a TIF on a district where increases in tax revenue would be unlikely without the increased public investment resulting from the TIF. In such cases, the TIF district is generating new revenue, not diverting revenue that would have occurred even in its absence. An alternative approach may be to limit the use of TIF revenue to specified activities, and require that any excess revenue be returned to the school district (or other tax district), this issue will be especially important to resolve in smaller localities where school districts may be managed at the county level.

Cities can also negotiate for the TIF district to include only the incremental tax revenue from specific revenue sources and not others. This helps ensure that other needs can be met, including and especially any new needs related to the TIF itself (for example, new schools associated with an influx of children resulting from the TIF activity).

Utah
The State of Utah mandates that municipalities that have adopted TIF after May 2000 and generate $100,000 of annual tax increment must set aside at least 20 percent of the funds collected for affordable housing construction, retention or development within TIF boundaries. An additional 20 percent of TIF revenues can be used to replace homes lost to urban renewal and to housing preservation efforts outside of the TIF project area.

Portland, OR
Passed a TIF set-aside requirement that mandates spending 30 percent of total TIF resources in its Urban Renewal Areas (districts that generate TIF money) on affordable housing. The set-aside fund supports two city priorities related to housing, including affordable homeownership for families and low-income rental housing for low-income and formerly homeless individuals and families.

Chicago, IL
The Affordable Requirements Ordinance (ARO), passed in 2007 and modified in 2015, requires that developers include a certain percentage of affordable units in their projects. ARO is triggered by a number of conditions when a housing development larger than 10 units is seeking approval. One of these conditions is the use of city financing, which includes the use of any TIF funding. The use of city financing increases the amount of affordable housing required from 10 percent to 20 percent, increasing the utility of TIF in the development of affordable housing. Chicago's program has an added benefit of placing some of the units created through ARO into the City of Chicago Community Land Trust, which enforces a 99-year restrictive covenant that limits the resale price of the unit.

Kansas City, MO

There is precedent for the use of TIF in affordable housing projects in the past. These include: Midtown RAMP, Chaumere/Winwood Neighborhoods, Union Hill, Southtown TIF, and Heart of the City Neighborhood Stabilization TIF.

Recommendation: The city set aside 30% of TIF revenues and resources for the HTF. Use TIF funding for affordable housing projects in distressed neighborhoods that will generate revenue for the school district in the long term.

b. Land Value Tax or Split Rate Tax on Vacant Land

A land value tax or location value tax (LVT), also called a site valuation tax, split rate tax, or site-value rating, is an ad valorem levy on the unimproved value of land. Unlike property taxes, it disregards the value of buildings, personal property and other improvements to real estate.

A land value tax is a progressive tax in that the tax burden falls on titleholders in proportion to the value of locations, the ownership of which is highly correlated with overall wealth and income. Levying a land value tax is straightforward, requiring only a valuation of the land and a title register.

Currently in Missouri, the property taxes are; Agricultural Property, (assessed at 12% of true value) Residential Property, (assessed at 19% of true value) and a catch-all Commercial Property category (assessed at 32% of true value). A restructuring of the property tax could decrease the actual true value assessment, and replace it with a Land Value Tax. The theory behind LVT is by taxing building improvements (i.e., current property tax system) we punish people who improve their property with higher taxes—and we reward speculators and slumlords, who can afford to let precious land sit idle or fall into disrepair, hurting our communities.

Harrisburg, PA

Nearly 20 cities in Pennsylvania employ a two-rate or split-rate property tax; Harrisburg being one, taxing the value of the land at a higher rate and the value of the building and improvements at a lower one. This can be seen as a compromise between pure LVT and an ordinary property tax falling on real estate (land value plus improvements value). Additionally, the Pittsburgh Downtown Partnership Business Improvement District employed a pure land value taxation as a surcharge on the regular property tax from 1997 to 2016.

In 2000 a comparison was made between cities using a higher tax rate on land value and lower rate on improvements with similar sized PA cities using the same rate on land and improvements, the higher land value taxation leads to increased construction within the jurisdiction.

Recommendation: Create a LVT on vacant land within Kansas City, MO or within a special taxing district (new or existing such as the TDD) commiserate with land value and replacing - or in addition to - the 12% property tax.

c. Document Recording Fee

A per-page surcharge on all documents added to the public record, such as birth certificates, deeds of trust, and marriage licenses. One of the most common types of document recording fees is the deed/mortgage recordation fee.

Philadelphia, PA

In 2005, Philadelphia established an Affordable Housing Trust Fund with dedicated revenue from document recording fees. As of 2016, fees for the recording of deeds and mortgages in the city provide the fund with annual revenue of $7 million to $13.8 million. The fund receives $170 from each deed recorded by the city and a series of mortgage fees of nearly $92 per document.

This program has made a significant impact. The fund has been able to partially finance the development of over 1,482 new affordable homes, preserve nearly 16,650 homes and prevent over 12,888 people from experiencing homelessness (as of 2015). Since its inception, the trust has leveraged more than $311 million in non-city funds for affordable housing initiatives.

Recommendation: Work with Jackson County (and Clay and Platte Counties) to impose an increase in fee for all City of Kansas City document recordations.

Level 3 Sources: Possible Resources to Pursue Later

a. Short-term Rental | Transient Occupancy Tax (TOT)

A hotel, lodging, or transient occupancy tax generates significant income for local jurisdictions and can be partially dedicated to affordable housing. Hotels and motels create many low-paying jobs in areas that often lack affordable housing for these workers.

Kansas City currently assesses a 7.5% Transient Occupancy Tax (TOT), which is collected at the time of stay and remitted on a monthly basis. Kansas City does not require short-term rentals, including Airbnb's, as it is exempt at the state level. An increase in TOT would likely be kept for convention and tourism purposes, and not dedicated to affordable housing. As of now there does not appear to be a path forward for a tax on Airbnb's even though short-term rentals reduce the availability of homes available for long-term rental and increase the costs of long-term rents overall. Dan Margoles, in a KCUR report, stated "Airbnb did not provide a breakdown for Kansas City hosts, but it said that hosts in Jackson County, which covers a large part of the city, earned $18.2 million. Were the same taxes imposed on that amount as St. Louis levies that would come to $1.3 million."[14]

Nashville, TN

About $1 million in tax revenue from the rentals helped fund Metro's Barnes Housing Trust Fund this year to support the creation of new affordable housing. Airbnb remitted $22.4 million in taxes to Tennessee from March 2018 to March 2019.

Portland, OR

$1.2 million annually in lodging taxes and short-term rentals (including 2,500 apartments, condos, and homes listed on Airbnb) funds the city's HTF.

[14] Margoles, D. KCUR Cities Make Millions, While Kansas City Misses Out (2020) https://www.kcur.org/arts-life/2020-03-09/other-missouri-cities-make-millions-by-taxing-airbnb-while-kansas-city-misses-out

b. Income Tax on Higher Net Worth Individuals/Families
This is a tax imposed on individuals or entities in higher income brackets or profits earned by them calculated as the product of a tax rate times the taxable income. Though we think this is worthy of pursuing, we currently do not see the political will to pass a tax on high net worth individuals.

Portland, OR
Portland region voters passed the *"Here Together Metro Homeless Services Measure."*
A coalition formed of service providers, business leaders, government officials, leaders from communities of color and faith, and community advocates, to "create a region-wide response to homelessness that targets the roots of the problem and matches proven solutions — affordable homes, combined with flexible, wraparound services — with the scale and scope of the crisis." Funds come from a 1% income tax from people who make $125,000 annually or couples who earn $200,000 combined, as well as a 1% tax on businesses that generate $5 million annually.

Metro (regional government body) collects tax funds and distributes them to county steering committees. All funds will be spent in the county generated, and funding decisions will be made at the local county level via a committee of community and business leaders, service providers, and government officials. Independent annual audits will be posted online for public review. Note that before this measure residents passed two bonds in 2016 and 2018 for affordable housing. Individual housing projects were not identified in the bond package.

c. Sporting or Entertainment Event Surcharge Fee
Ticket surcharges are a fee on admission tickets to events. These fees are collected by the facility operators and remitted to the City periodically. To fund a local HTF, there would have to be enabling legislation passed at the state level and it would have to be approved locally by voters.

Sacramento, CA
In Sacramento, the Wells Fargo Pavilion has a $7 per ticket facility fee, and the Community Center Theater has a $3 per ticket facility fee. The Entertainment and Sports Center has a $1 per ticket surcharge used to fund the ESC Capital Repairs Reserve Fund ("Capital Fund Ticket Fee"). No such fees have been determined for the proposed Major League Soccer Stadium to date. A small increase in any of these fees could be dedicated to the Housing Trust Fund.

d. Special Tax on Recreational Marijuana Sales
A sales tax based on the retail sales of proposed legalized marijuana in the Kansas City Metropolitan area.

Denver, CO
The city in 2020 signed an increase from 3.5 to 5.5% marijuana tax. The increase goes into the city's funds to build affordable housing. The tax increase will double the number of affordable housing units. Over 6,000 units will be created by the city of Denver.[15]

Recommendation: Cannabis consumers will pay 3.5% sales tax into the HTF.

[15] Misulonas, J. Civilized. "Denver Will Use Marijuana Tax Money to Build Affordable Housing." https://www.civilized.life/articles/denver-marijuana-tax-money-affordable-housing

Other Sources: Sources for Affordable Housing outside of HTF

a. Lease-Leaseback (LLB)

Lease-Leaseback (LLB) is a private delivery mechanism utilized predominantly on the west coast. It allows for city-owned land to be leased to a developer, who in turn builds affordable housing on the property. The developer may then lease the *building* back to the city for a set period of time. While this method does not add money directly to the HTF, it reserves publicly-owned land for affordable housing and provides a key component for the creation of housing (i.e. land).

The primary benefit of the LLB method is that the city does not need to come up with the money to build the housing because the city pays for the facility over time through lease payments to the developer. Additionally, a design|build method is used, through an RFP process, enticing many developers who will alleviate the sometimes cumbersome approval process.

The model is seen more in the creation of new infrastructure projects such as schools, firehouses, libraries, etc. Although the method would align with affordable housing in an innovative and compelling manner and is seen more as a critical piece of a city's infrastructure.

Recently, the City Auditor found 350 city-owned parcels and properties that have no obvious city purpose, valued at $19 million, and is encouraging the City to dispose of them. Lease-Leaseback should be utilized to create affordable housing on city-owned properties.

Seattle, Washington

In August 2021 the Seattle City Council voted to approve the lease of a site owned by Sound Transit near the University of Washington. Sound Transit builds and operates regional transit service throughout the urban areas of Pierce, King and Snohomish Counties. The 3-year lease will help create Rosie's Village, a 38-tiny house Village that will open in September and be operated by nonprofit housing organization Low Income Housing Institute. This is one of the first leases of vacant transit-owned properties to help unhoused neighbors.

Oxnard, California

The California Government Code sections provide for these types of arrangements to exist. The city of Oxnard was desiring a new fire station as they were lacking in service. The city wanted to conserve cash and use its revenue it had from a particular tax source, over 15 years, to pay off the infrastructure. In this case, the project was funded through the muni bonds. The construction price is guaranteed, and at the end of the lease (usually 15 to 30 years) the building is owned by the city.

Recommendation: Put in place the policy or procedures to enable a lease-leaseback method for City-owned land. Identify which parcels are ideal for LLB for future affordable housing projects.

b. Mortgage Revenue Bonds

Mortgage revenue bonds (MRB) are bonds issued by local or state Housing Finance Agencies (HFA) (i.e. Missouri Housing Development Corporation). Typically, MRBs are tax-free for investors and are secured by the sum of all the monthly mortgage payments. Funds from the sale of these bonds are then used by the HFA to continue financing affordable mortgages for first-time homebuyers whose self-reported incomes were in the lowest income brackets

The MRBs are secured by the promise of monthly payments by the borrowers whose home mortgages were financed through the sale of the bonds. Generally, only people purchasing a first home are eligible for these mortgages. They must also have an income below a certain level (usually at or just slightly above the local median income). Every state in the United States issues a varying amount of mortgage revenue bonds annually. This is because the issuance is capped by a multiple of that state's population Missouri's cap for tax exempt bonds in 2020 was $644,429,940.

MRBs are considered a “win-win” tool because everyone involved benefits from the issuance of MRBs:

- Investors benefit as they get a relatively safe investment that is also tax exempt, so even if the interest rate is not unusually high, it is an attractive investment.
- The HFA benefits by having a consistent and reliable source of cash, which allows them to finance mortgages continually. Additionally, the HFA profits directly from the payment of these mortgages.
- Homebuyers benefit by getting home loans at below market rate. The law even dictates that the homebuyers' mortgage interest rate cannot be more than 1.125% points higher than the MRBs interest rate. Buyers may also receive other benefits that can come with an MRB loan. For example, buyers may be eligible to purchase a home with a smaller down payment than usual, or they may receive help with closing costs. Furthermore, by increasing home-ownership, these loans can help revitalize and stabilize neighborhoods, encouraging greater community development.

c. Missouri Housing Trust Fund

The Missouri Housing Trust Fund (MHTF) is administered by the Missouri Housing Development Corporation (MHDC) and funds homeless prevention, rehab or new construction of rental housing, rental assistance, and home repair. Individual organizations must apply. It is funded by a $3 state recording fee. Most of the grants awarded to Kansas City organizations in the 2021 round went towards housing assistance and emergency assistance, though a small portion went to Home Repair / Modification. SB 368 has been proposed by Missouri Senator Arthur to triple the recording fee from $3 to $9 to be deposited into the MHTF.

Detroit, MI

Detroit’s Affordable Housing Leverage Fund is an umbrella fund for federal money allocated by the City, private funds managed by LISC Detroit, and funds awarded by the Michigan State Housing Development Authority (MSHDA). MSHDA manages the award and underwriting of low-interest tax-exempt bond loans, gap financing, and MSHDA soft funds ($75 million).

Recommendation: Encourage and support local affordable housing developers to pursue MHTF.

d. National Housing Trust Fund

Administered by the Department of Housing and Urban Development, the National Housing Trust Fund (NHTF) provides annual block grants to states based on a formula. A State must use at least 80 percent of each annual grant for rental housing; up to 10 percent for homeownership; and up to 10 percent for the grantee's reasonable administrative and planning costs. HTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation of non-luxury housing with suitable amenities. All HTF-assisted units will be required to have a minimum affordability period of 30 years. It is expected that investments into the fund will double the allocations from 2020.

In 2020, Missouri received $4,668,023 through the Missouri Housing Development Corporation (MHDC) and the 2021 NHTF allocation is expected to almost double. Currently, MHDC allocates the NHTF funds to rental housing production, but the PEN Action Group is still identifying which program(s) this money is being awarded through.

Recommendation: Identify what program(s) MHDC is using to award NHTF funds. Advocate for the needs of Kansas City during the open comment period.

e. Federal Neighborhood Homes Investment Act

The Neighborhood Homes Investment Act (not yet passed) calls for the creation of a new federal tax credit that will produce new equity investment dollars for the development and renovation of 1-4 family housing in distressed urban, suburban, and rural neighborhoods.

While the Low-Income Housing Tax Credit (LIHTC) has provided an effective means of closing the development gaps in low-income, multi-family rental housing, there is no reliable reinvestment tool to close the value gap for our country's declining 1-4 family housing stock— even though this housing typology accounts for the greatest percentage of all residential structures, the value gap contributes to three interrelated conditions that challenge urban prosperity:

Blight, vacancy, and abandonment - In markets where the "numbers don't work" – e.g., it costs more to build or rehab a house than the property can be sold for – owners will walk away from homes that are no longer habitable and can't be refinanced or sold. Without a financing tool to close the value gap, even the most resourceful housing developers cannot (and will not) be able to address the thousands of vacant properties that burden distressed neighborhoods.

Conversion of homeownership neighborhoods to absentee landlord neighborhoods - The dearth of reinvestment dollars for distressed, low-density neighborhoods creates a favorable environment for absentee owners/investors who convert aging homeownership housing to rental housing in once-stable owner-occupant neighborhoods. Poorly-maintained rental housing, owned by absentee landlords/investors, undermines the quality of life and spurs declining property values in small and mid-sized cities across the country.

Racial inequity - The lack of capital for reinvestment in low- and moderate-income neighborhoods has exacerbated racial inequities, in particular, the great disparity between African American family wealth and the family wealth of every other ethnic and racial group in America.

As reinvestment-starved neighborhoods continue to decline, so do the assets of the families that own property within them. It is estimated that each $1 billion in NHIA investment would result in the following impacts nationwide:

- 25,000 homes built or rehabilitated

- $4.25 billion of total development activity
- 33,393 jobs in construction and construction-related industries
- $1.82 billion in wages and salaries
- $1.25 billion in federal, state, and local tax revenues and fees

If the bill passes, this tax credit would provide another tool for affordable housing development in our community – both for multi-family and single-family housing, for rental and homeownership.

Recommendation: Advocate for the passage of Neighborhood Homes Investment Act.

g. Continuum of Care (CoC)
Housing and Urban Development's (HUD) Continuum of Care (CoC) Program is designed to promote community wide commitment to the goal of ending homelessness; provide funding for efforts by nonprofit providers, and State and local governments to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

The CoC Program funds two types of permanent housing: permanent supportive housing (PSH) for persons with disabilities and rapid re-housing. Permanent supportive housing is permanent housing with indefinite leasing or rental assistance paired with supportive services to assist homeless persons with a disability or families with an adult or child member with a disability achieve housing stability. Rapid re-housing (RRH) emphasizes housing search and relocation services and short- and medium-term rental assistance to move homeless persons and families (with or without a disability) as rapidly as possible into permanent housing. Rehab and new construction are eligible costs.

The Greater Kansas City Coalition to End Homelessness (GKCCEH) is the HUD Continuum of Care (CoC) Lead Agency for Jackson County, Missouri and Wyandotte County, Kansas and receives approximately $13 million each year from federal funds.

Indianapolis, IN
The Supportive Housing Landlord Guarantee Program is designed to provide financial assistance to landlords to mitigate damages caused by tenants during their occupancy under permanent supportive housing programs using HUD Housing Choice or Veterans Affairs Supportive Housing (VASH) vouchers, Rapid Rehousing, or HOME Tenant-Based Rental Assistance matched through the Coordinated Entry System (CES). The program is a partnership between the Coalition for Homelessness Intervention and Prevention (CHIP), City of Indianapolis, and the Indianapolis Housing Trust Fund.

Recommendation: The City's New Housing Department, community development organizations, housing advocates, and GKCCEH work together to identify funding sources for the creation of permanent supportive housing. Utilize the 2021 Supportive Housing Institute led by the Corporation for Supportive Housing as a place to begin these discussions.

h. Project-Based Section 8 Vouchers

Project-based vouchers (PBVs) are rental assistance for eligible families who live in specific housing developments or units. Families in units with PBVs contribute 30 percent of their income for rent and utilities; the voucher pays the difference between the tenant contribution and the unit's total rent and utility costs. PBVs are particularly well suited to create supportive housing since attaching PBVs to a number of units in the same property can enable service providers to work more efficiently with residents and improve access to services.

KC Housing Authority periodically issues an RFP for Project Based Vouchers to owners and developers of existing, newly constructed, or rehabilitated multi-family housing. A project may be a single building, multiple contiguous buildings, or multiple buildings on contiguous parcels of land. There is a 25% per building cap where the number of PBV units in each project cannot exceed 25%, with the exception of units in a single-family building (1-4 units) or in a multifamily building specifically for qualifying families (i.e. elderly, disabled, or those receiving supportive services).

Lee's Summit and Kansas City Housing Authorities are piloting the new ROAD Forward program to increase housing supply options in different locations throughout their service area. To do this they are pooling 100 project-based rental assistance Section 8 vouchers and soliciting projects through a competitive RFP process. More information will be released soon on LISC's website.

Charlotte, NC

The Charlotte Housing Authority (CHA) has made Project Based Vouchers (PBV) available to affordable housing developers who respond to their HTF Request for Proposals (RFP). The PBV's are awarded to affordable housing developments located in High Opportunity Areas (they provide a map of these areas). Developers awarded PBV's must accept applicants from the CHA waitlist.

i. Jackson County's Homelessness Trust Fund

The Homelessness Trust Fund was established in 1988 at The Greater Kansas City Community Foundation to serve as an endowment for assistance to homeless individuals and those in danger of becoming homeless. Grants are made annually to organizations for distribution to eligible individuals residing in Kansas City, Missouri, and/or Jackson County, Missouri. Each applicant may request a grant of $10,000 where no more than 20% of the requested amount can be used for operational or staffing costs of the grant program. See https://grants.growyourgiving.org/prog/homelessness_trust_fund/ for more information.

j. Real Estate Transfer Tax (RETT)

Though Missouri voters banned the use of a real estate transfer tax (RETTs) in 2010 we are including information about this source in case circumstances change in the future. Also known as "real estate conveyance taxes," "deed recordation taxes," and "real property transfer taxes" – are a type of sales tax based on the value of a real estate transaction. RETTs can be assessed at the state, county, and/or municipal level; they are most often used as general revenue but can also be dedicated to specific uses such as affordable housing development.[16]

[16] Waxman, S, Leachman, M, (2019) State Mansion Tax on Very Expensive Homes. Center on Budget, and Policy Priorities. https://www.cbpp.org/research/state-budget-and-tax/state-mansion-taxes-on-very-expensive-homes

RETTs can be a powerful means of recapturing increases in land value resulting from public action, such as rezoning, especially when used to create and preserve affordable housing in disadvantaged neighborhoods suddenly flooded by investment. Because RETTs are based on the value of a real estate transaction and paid every time the property is sold, they raise additional revenue as public and private investment increases land values.

Equitable development advocates embrace RETTs because they mitigate the very activities that can lead to displacement — high-end real estate sales with rapid turnover.

States and localities can tax mansions in a variety of ways. One way is to create or build upon taxes or fees levied when ownership of real property is transferred between parties, such as when a home is bought or sold. Typically known as real estate transfer taxes, these are also called documentary stamp taxes or property transfer taxes, among other terms.

Oakland, CA
In 2018, Oakland voters approved a measure to change their real estate transfer tax from a flat rate of 1.5 percent per home sold to four brackets with increasing rates between 1 and 3 percent. The measure also reduces the rate for first-time homebuyers with low or moderate incomes.

New York, NY
In 2017, New York City created a 2.5 percent transfer tax on residential sales over $2 million in order to fund affordable housing for seniors.

III. Case Studies from Eight Cities

City of Minneapolis Affordable Housing Trust Fund Program (AHTF)

Program Purpose
The primary purpose of the Affordable Housing Trust Fund (AHTF) Program is to assist in financing the production and preservation/stabilization of affordable and mixed-income rental housing units in Minneapolis. Program funds are available on a competitive basis to developments that need gap financing to cover the difference between total development costs and the amount that can be secured from other sources.

Program Goals
The AHTF Program is designed to support the implementation of various housing goals listed in the specific policy documents (listed under supporting polices and plans). The City supports affordable housing production and preservation in all areas of the City.

Financing Product Types
Funding awards are made available in the form of a loan with the City with a term length that typically matches the first mortgage and a minimum 30-year period of affordability that will be enforced through the filing of a declaration of restrictive covenants against the property. Some terms and conditions of the loan may be negotiable. However, the City requires minimally a 30-year loan term with 0% - 1% simple interest and a deferred lump sum repayment of principal and interest. Additionally, the City may negotiate a percentage return against surplus cash flow on all rental housing projects that have units with unrestricted rents.

Eligibility Focus/Income Levels/Project Types/Geographic Areas
Developers maybe a non-profit or for profit. All rental housing projects of 10 units or more funded by the AHTF Program shall have at least 20% of the units affordable to households at or below 50% of Metropolitan Area Median Income (AMI) for the term of the loan. The project must be located within the City of Minneapolis, contain not less than ten (10) units, and be owned and managed as either a rental property or a leasehold cooperative.

The City of Minneapolis, in its duty to affirmatively further fair housing, is required by HUD to identify areas of concentrated poverty and areas with racial or ethnic population concentrations. The City uses the Metropolitan Council's Areas of Concentrated Poverty (ACP)50 regional map to designate these areas. The ACP50 map is informed by HUD community measurement methodologies and indicates tracts where at least 40% of the population has incomes below 185% of the federal poverty threshold and where at least 50% of the population are people of color. The majority of these tracts are clustered in northwest and southcentral Minneapolis and suffer from historical racism and disinvestment.

The City of Minneapolis encourages and financially supports the production and preservation of affordable housing in all areas of the City. This comprehensive community investment strategy is coordinated, and place based. The City supports investment outside of ACP50s to expand the distribution of affordable housing and facilitate mobility for residents wishing to increase locational choice. The City supports investment inside of ACP50s to improve housing stability for current residents, support and improve existing community assets, revitalize, and help prevent involuntary displacement.

Funding Sources
The Minneapolis City Council allocates resources to the AHTF as part of the annual city budget process. These funds may include federal HOME and CDBG dollars and/or local dollars. The total available funding in any given AHTF round may also include newly allocated resources or reallocated funds from prior AHTF rounds. Community Planning and Economic Development department (CPED) will allocate funding from the available sources to projects as guided by the City's annual budget and applicable policy. Not all funding may be awarded during a given round. Funds not awarded may be available on a pipeline basis, by invitation from CPED staff, for projects that cannot wait for the next competitive round. The amount of funding available hovers around $10-15 million annually.

Creation of AHTF
Minneapolis's Affordable Housing Trust Fund was established in 2002, there was a goal of $10 million a year in annual funding. The initial seed funding for the program was an in-lieu fee and soon after primarily funded by pooled tax increment from housing TIF districts and tax levies as well as federal entitlement funds such as CDBG and HOME.

Application/Approval Process and Timeline
Developers apply directly to the CPED department within the City of Minneapolis. The AHTF program is administered by CPED multifamily housing staff. The AHTF program is a well thought out program with policies and procedures. The strength of the program is the competitive scoring criteria that allows developments that truly meet the needs of the communities to rise to the top. The scoring criteria is clearly stated and issued with the public notice of funding availability.

The maximum amount of AHTF award will be the lower of $30,000 per affordable unit at any size at or below 50% AMI; $40,000 per affordable 2 Bedroom unit at or below 30% AMI. The total AHTF award will not exceed 15% of the Total Development Cost, not including capitalized reserves (operating, replacement, support services) or non-housing costs. The City may elect, at its sole discretion, to waive the 15% of the TDC limit for smaller scale preservation/stabilization projects. Pre application technical assistance is provided.

Supporting Policies & Plans
The Minneapolis AHTF Program advances existing policy goals and administration is guided primarily by the following adopted policy documents:

1. Minneapolis Plan for Sustainable Growth and Minneapolis 2040 plans
2. The City's Consolidated Plan for Housing and Community Development
3. The Amended and Restated Unified City of Minneapolis Housing Policy adopted August 1, 2020
4. The City's Healthy Housing Policy, adopted by the City Council on May 10, 2013
5. The City partners with Hennepin County to support the City of Minneapolis and Hennepin County's Office through The Heading Home Continuum of Care Plan

Additional Information - In 2019 The City of Minneapolis adopted an inclusionary zoning ordinance that requires development projects (ownership and rental) to meet certain level of rent restricted units at a required percentage for a certain affordability period.

Denver's Dedicated Affordable Housing Fund

Structure
In 2016, the City Council approved its first dedicated fund for affordable housing supported by property tax revenue and a one-time fee on new development. The monies will come from a portion of a property tax mill already approved by Denver voters and a new one-time fee on commercial and residential development.

In addition, the Department of Housing Stability (HOST) provides low-cost financing to facilitate development of new and preservation of existing affordable housing.

The Office of Economic Development (OED) has financing products that provide tax credits and help match developers with federal or local funds. OED issues competitive RFPs to encourage affordable housing development on specific sites, to support affordable housing innovation and other policy goals. Maximum total loan size is $3,000,000 and $50,000 per affordable unit.

Goals – Affordable Housing Fund
The goal is to raise $150 million over 10 years (2026) and to create or preserve 6,000 affordable homes for low-to moderate-income families.

Funding Sources
Denver projects the housing fund will be a split of 50-50 percent between the property taxes and development fee. The impact at 0.5 mills is projected to be

$300,000 home - $12 per year (median priced home)
$145 / year for every $1M of commercial property

Impact Fee Type	Category	Per Square Foot Fee
Residential	Single Family/Duplex	$0.60
	Multi-Family	$1.50
Commercial	Hotel/Office/Retail/Other	$1.70
	Industrial/Agricultural	$0.40

In 2018, the Mayor proposed partnering with the Denver Housing Authority, a vertically-integrated, quasi-governmental agency that operates separately from the City and provides low-cost housing, primarily funded by HUD. The new partnership will allow the city to issue bonds for specific projects. Under the proposal, an additional yearly $7 million General Fund contribution will be made to the Affordable Housing Fund starting in 2019. To backfill the half mill that will be appropriated to DHA, The framework proposes to increase the city's special marijuana sales tax from 3.5 percent to 5.5 percent, generating an estimated $8 million per year for the Affordable Housing Fund. See article.

Denver's Dedicated Affordable Housing Fund

Eligibility Focus – Project Types / Income Levels / Geographic Areas

Income levels:

- Homeless and below 30% of Area Median Income - $16,830 for one person through a family of four earning 100% of AMI, or $80,100.

Housing projects:

- Rentals are for households up to 80% of Area Median Income, or $64,080 for a family of four.
- Homes for sale will be fore households of up to 100% of AMI, or $80,100 for a family of four.
- Down payment assistance or other homeownership programs are for households of up to 120% of AMI, or $96,120 for a family of four.

Other fund uses:

- Support services, such as case managers in permanent supportive housing developments to be initiated after all other sources, such as Medicaid are exhausted.
- Administrative costs capped at 8 percent of total revenue from the fund

Innovation:

- Leverage new and existing housing expertise to create competitive programs
- Streamline investment decision-making

Geographic areas:

- Throughout the area, but avoiding concentration of subsidized housing

Supporting Policy and Plans

- **Inclusionary Housing Ordinance –** requires 10% affordability in new, for-sale developments of 30 or more units. https://www.denvergov.org/content/denvergov/en/denver-council-district-12/priorities/inclusionary-housing-ordinance.html
- **Denver Housing Authority** is issuing bonds to go towards supportive housing in Denver City and County.

St. Louis City's Affordable Housing Trust Fund (AHTF)

Structure

The Affordable Housing Trust Fund (AHTF) is run by St. Louis City's Affordable Housing Commission (AHC).[1] It is a publicly funded and administered program, established by ordinance 65132 and amended in ordinance 65609 in August 2002. The AHTF provides loans and grants to for affordable housing developments and housing-related services such as home repair, homeless support, and accessibility improvements/modifications.

Goals

The goals of the AHTF are to preserve affordable and accessible housing, prevent homelessness, and provide services for homeless individuals. In support of these goals, the AHC has set forth the following priorities for AHTF funding:

- Housing, shelter, or related services for households at or below 20% AMI.
- Homeless prevention services for those at or below 80% AMI.
- Affordable housing **services** advancing at least ten objectives from the City's Sustainability Plan (grant program), or produce affordable housing **units** while advancing at least fifteen Sustainability Plan objectives (loan program).
- Create affordable housing within half a mile of 1) a light rail station; or 2) bus line that runs every 30 minutes.
- Housing units retrofitted or rehabilitated to a national green building standard such as LEED, Enterprise Green, or NGBS; or an energy audit with a Home Energy Rating System score of 85 or less.

Financing Product Types

The AHTF administers three funding programs: 1) service-related grants, 2) loans and subsidies for rental housing production, and 3) loans and other subsidies for for-sale housing developments.

Eligibility Focus: Project Types / Income Levels / Geographic Areas

Income levels:

- All funds must be for the benefit of families & individuals at or below 80% AMI.
- 40% funds awarded must go toward those at or below 20% of the AMI.

Project types:

- Home construction and rehabilitation of units benefiting qualifying families and individuals.
- Homeless services: shelters, meals, crisis hotlines, and more.
- Rent, mortgage, and utility assistance: security deposits and assistance with rent and/or mortgage payments.
- Home repair: support for programs providing grants or loans to homeowners.
- Educational/training services such as homebuyer education and community resource counseling.
- Emergency transitional housing: domestic violence shelters, job training, prison re-entry programs, programs for teens, and more.

[1]The AHTF discussed herein applies only to the City of St. Louis, Missouri. In December of 2019, St. Louis County approved Bill 284 to establish an Affordable Housing Trust Fund, which will be funded through a local sales tax on medical marijuana. https://housingtrustfundproject.org/st-louis-county-establishes-affordable-housing-trust-fund/

St. Louis City's Affordable Housing Trust Fund (AHTF)

Geographic areas:

Not applicable; available within the boundaries of the City of St. Louis, MO. For affordable housing developments, preference is granted to units within one half a mile of light rail or frequently running bus lines.

Funding Source(s)

AHTF is funded entirely through public funds made possible by the City's Local Use Tax.[2]

Application / Approval Process and Timeline

There is one round of funding each year. For 2020, applications can be submitted to the Affordable Housing Commission starting on September 14 at noon through November 6 at 4PM. Each year, a "Notice of Funds Available" is published on the Commission's website and in the *St. Louis Post-Dispatch* and *St. Louis American* newspapers. Applications are available online at www.affordablehousingcommissionstl.org.

Applicants must be nonprofits or developers in good standing with the State of Missouri and City of St. Louis, submit the application on time, demonstrate an ability to leverage AHTF funds, show other funding sources that have been secured, demonstrate experience and expertise, show evidence for project impact, provide letters of support, and must be in good standing with the AHC if they are a previous recipient. The AHC provides examples and advice on their website.

The application process can be broken down into two phases. In the first phase, AHC staff will evaluate each proposal and develop recommendations, which are then sent to the AHC Executive Director and Commissioners. Recommendations for final selection round are provided, then voted on by the AHC commissioners. The list is then sent to the Mayor and the Board of Estimate and Apportionment[3] for final approval. In the second phase, applicants enter into funding contracts with the AHC. Each recipient must submit four quarterly reports and one final report for each program. The AHC provides training on how to submit reports.

Supporting Policy and Plans

- All new construction must follow the Universal Design Philosophy.
- The St. Louis Sustainability Plan
- Policy Brief by Community Builders Network of Metro St. Louis

More Information

For additional information, visit https://www.stlouis-mo.gov/government/departments/affordable-housing/.

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[2] The AHTF received an additional $6.6 million in the 2020 City budget. "The increase funding comes from the unallocated tax revenue that resulted from passing Prop 1 in 2017 – a half-cent sales tax increase for a North-South light rail extension, public safety cameras, and neighborhood development. A local-use tax automatically increases when the sales tax does, and that increase generates an additional $4 million a year. Since city voters rejected funding a new soccer stadium with this money, the $4 million was left unallocated." http://www.stlamerican.com/your_health_matters/health_news/city-budgets-6-6m-for-affordable-housing-trust-fund/article_ed4a7476-37ff-11ea-b8a3-73b90705049e.html

[3] The Board of Estimate and Apportionment ("E & A") approves all City real estate purchases, appropriations, and the annual budget. Per City Charter, it is comprised of the Mayor, Comptroller, and the President of the Board of Aldermen. https://www.stlouis-mo.gov/government/departments/comptroller/services/board-of-estimate-and-apportionment/

Structure

In Charlotte, NC the City's Housing Trust Fund (HTF) is funded through voter-approved bonds paired with private dollars of the Charlotte Housing Opportunity Investment Fund (CHOIF). Developers access both funds through a single RFP process. The City of Charlotte staff and LISC review proposals. The HTF is administered by Neighborhood & Business Services, Housing Services Division of the City of Charlotte. The CHOIF is held and managed by LISC and funders hold an advisory role through the CHOIF Investment Advisory Committee (IAC). The HTF was established by City Council in 2001, while CHOIF was more recently established in 2018.

$130M has been raised for affordable housing with $80M coming from bonds (with another $50M going to voters in November, 2020) and CHOIF ($50M) plus $97M+ in other debt and land donations committed.

Goals

The HTF and CHOIF aligns with priorities set forth in the Charlotte Housing Framework for the creation and preservation of safe and decent housing for low and moderate-income households. The initial goal for the HTF to produce over 5,000 units in a five-year period. The goal has been achieved, to date there are over 5,500 units. The City has not established a new goal.

The goal of CHOIF is to create 1,500 units of mixed income housing (including very low income) in areas of opportunity that are affordable for 30 years. As part of the larger housing strategy, CHOIF maximizes impact to produce twice the number of units, get twice as much for each dollar of HTF, increase supply of very low income units, improve affordable housing locations, and improve economic mobility.

Funding Sources

The HTF is capitalized with voter approved general obligation bond proceeds and other available City financing resources, while the CHOIF is funded with corporate, philanthropic, and private investments.

In 2013, the Charlotte City Council approved the Community Investment Plan (CIP) and planned to ask voters to approve bonds in 2014, 2016, 2018 and 2020 as part of the CIP spending program. Below is a table showing each bond passed by voters.

	2014	2016	2018	Nov. 3, 2020
Total bond package amount	$146M	$218M	$223M total in 3 jurisdictions (cities of Charlotte, Winston-Salem and Orange County)	$197MM
Individual bonds passed by voters	**$15M for low-income housing;** $110M for street improvements; $20M for n'hood improvements	**$15M for LMI housing;** $148.44M for transportation; $55M to improve infrastructure in the city's older n'hoods and emerging high-growth areas	**$50M for housing in Charlotte**; $55M to n'hood improvements; $118 million will go towards transportation	**$50M for LMI housing**; $102.7M for transportation infrastructure; $44.5M infrastructure in older n'hoods and emerging high-growth areas

In 2018, Foundation For The Carolinas kickstarted a new privately financed CHOIF with a $5 million program-related investment with the goal to match the City's public investment (from 2018 bond) with $50M from the private sector. CHOIF is funded to-date by Ally Bank, Atrium health, Bank of America, Barings, BB&T Bank, Belk Gambrell Foundation, Duke Energy, Fifth Third Bank Foundation, Foundation for the Carolinas, John S. and James L. Knight Foundation, Levine (Howard) Foundation, Novant Health, SunTrust Bank, and Wells Fargo.

In addition to HTF and CHOIF funds, local financial institutions have committed millions of dollars in below market rate debt for projects utilizing the 4% LIHTC in conjunction with tax-exempt bond executions. LISC will provide low-interest subordinate capital to developers to help facilitate the permanent financing of these housing projects.

Commitment to HTF
Two events in 2014 and 2016 added a sense of urgency to the city's housing crisis. First, in 2014 a national report released jointly by Harvard University and the University of California that ranked Charlotte last among the nation's 50 largest cities in terms of economic children who were born poor in Charlotte had less of a chance to escape their economic conditions than did children in other cities where the poverty rates are more than twice as high. Second, in 2016, Charlotte police officers shot and killed an African-American man named Keith Lamont Scott where video footage of the shooting sparked days of protests across the city. On October 3, 2016, the Charlotte City Council committed to "seek to accelerate funding for housing, with the goal of creating 5,000 units of workforce and affordable housing in three years so those who work in our city can live in our city."

Financial Products
HTF: The City's funding is generally in the form of soft "gap" financing. Most of the Tax Credit developments are structured as soft loans, while most of the Supportive Housing developments and projects that that serve substantially underserved populations are structured as grants or deferred loans.

CHOIF: Equity for non-LIHTC projects for acquisition or construction or subordinate debt for nonprofit or for profit entities (for acquisition, construction, and construction to permanent). Developer fee may not exceed 7% of eligible development costs.

Eligibility Focus: Project Types / Income Levels / Geographic Areas
Income levels:

- HTF: 80% AMI or below with income averaging of up to 60% of AMI for the restricted units. At least 20% of the total units at 30% of AMI. At least 10% of the units must be targeted to households with rental subsidies or vouchers.
- CHOIF: 50% of units at 80% AMI with 20% of units at 30% AMI and an average of 60% AMI for entire project. Preference will be given to projects with deeper affordability.
- Affordable period is 20 years (LISC ppt says 30 years but RFP says 20 years).
- Proposed developments located in Very High and High Opportunity Areas (link) may be asked to include the use of Project Based Vouchers (PBV) in the development.

Project Types:

- Multifamily new construction and major rehab and supportive housing (Special Needs Housing i.e. elderly, disabled) rental, as well as refinancing of rehabilitation project.
- Priority will be given to 9% LIHTC proposed developments.
- With the 2020 bond package, the HTF will include single family new construction

Geographic Areas: Projects are prioritized in areas of opportunity.

- For HTF: Projects should meet the Affordable Housing Location Guidelines
- CHOIF: proposed projects should be in areas of high opportunity (census tracts that promote family economic mobility, characterized by: low poverty, low crime rate, access to high performing schools, access to transportation, access to employment opportunities and other factors that promote good quality of life). CHOIF also considers the Affordable Housing Locational Guidelines and the Housing Authority's Opportunity Areas

Application / Approval Process and Timeline

1) Joint LISC/CITY RFP issued to developers for both HTF and CHOIF resources, 2) Staff (LISC/CITY) reviews submitted proposals, 3) Proposals evaluated according to guidelines, underwriting criteria, evaluation criteria & planning review, 4) Initial City Council notification, 5) City Council briefing, 6) Request City Council action, 7) CHOIF Investment Advisory Committee (IAC) Briefing. A more detailed process for the HTF can be found here.

Evaluative project criteria can be found on pages 18-23 for HTF and 28-32 for CHOIF of the RFP.

Projects must also include a community engagement process that reflects input from the impacted community. Developers are required to notify all residential property owners within 300 feet of the site, and all neighborhood organizations within a mile from the proposed development site. For CHOIF projects, the City and LISC holds two joint meetings with community advocates.

Supporting Policy and Plans

- The City Planning Director is looking to expedite the planning process and permitting, reducing permitting fees, and offering discounts of land for projects receiving CHOIF and HTF funding
- Housing Charlotte Framework was approved by City Council in 2018 and outlines strategies and financing tools to expand the supply of high-quality rental and owner occupied housing; expand homeownership opportunities; preserve the affordability, and preserve or improve the quality, of the existing rental housing stock; and support family self-sufficiency.
- Affordable Housing Location Guidelines guide the selection of housing investments that create or preserve affordable rental housing and workforce rental housing.
- Guidelines for Preserving Naturally Occurring Affordable Housing (NOAH)
- Guidelines for Evaluation and Disposition of City Owned Land for Affordable Housing

Further Information

https://charlottenc.gov/HNS/Housing/RFP/Pages/default.aspx

Indianapolis Housing Trust Fund

1. **Structure:**

The IHTF is administered through its Advisory Committee, which reviews and recommends funding requests, and the Department of Metropolitan Development ("DMD"), the local government office that accepts applications and approves and allocates funding.

Currently, the IHTF Advisory Committee is composed of six active members, with two seats vacant. 7 The committee meets once a month to decide when to issue NOFAs and to review applications. Three members were appointed by the mayor, while the other three hold positions with organizations that have a permanent seat on the committee. Tim Joyce of CHIP and Bill Taft of LISC both hold positions that are permanently allocated to their organizations. Of the two vacant seats, one is a mayoral appointment and the other is a permanent position.

The process for disbursing IHTF funds commences with a Notice of Funding Availability ("NOFA") that is issued by the city to local non-profit organizations. The NOFA, issued yearly or throughout the year depending on funding availability, sets forth eligibility requirements and the application procedures.

2. **Goals:**

In 2002, the Indianapolis Housing Task Force created the Blueprint to End Homelessness, a comprehensive, ten-year strategic plan focused on alleviating homelessness in the city. In a 2010 report on the progress of the Blueprint, a homeless count in January 2010 found 1,488 individuals experiencing homelessness in Indianapolis on the night of the count, a figure that has hovered around 1,500 individuals for the past three years.4 The report further estimated that 4,500 to 7,500 people experience homelessness in Indianapolis over the course of a year, of which 40% are members of a homeless family.
Through the Indianapolis Housing Trust Fund (IHTF), the City of Indianapolis provides assistance in the form of low-interest loans, loan guarantees, and grants to increase the access of housing, preserve affordability, revitalize existing housing, and develop new housing. Funding is available annually and are awarded by the IHTF Advisory Committee.

3. **Financing Product Types:**

Rental Assistance
Capital & Production
Tenant Based Grants

4. **Eligibility Focus:**

The Indianapolis Low Income Housing Trust Fund supports rental and homeownership projects, by providing grants for the development and rehabilitation of affordable housing. It also provides funding for housing related services, including emergency rent payments. The fund was established in 2000 by the City Council, is administered by the Metropolitan Development Commission and overseen by an advisory committee. In FY13, four units were rehabilitated, and 1,800 households received emergency assistance with rent and utility costs.

a. Income Targeting: 100% for 80% AMI or less; 50% for 50% AMI or less
b. Population Targeting: General Risk of Homelessness

Indianapolis Housing Trust Fund

5. Funding Sources:

The Indianapolis Low Income Housing Trust Fund receives revenues from electronic filing fees tied to property sales disclosure forms, and document recording fees. The Central Indiana Community Foundation has also matched these sources of funding. In FY13, the overall funding level was $1.4 million. In FY14, funding was at 1.2 million.

a) $2 from all recording fees paid in the county (when real property is bought, sold, or transferred) are allocated to the IHTF—a source that is explicitly provided for in the IHTF resolution, and
b) An annual donation of $1 million from the Health and Hospital Corporation of Marion County, a public hospital group in Indianapolis—an unofficial and discretionary source of funding that is not mandated through any provisions.

6. Application/Approval Process & Timeline

The process for disbursing IHTF funds commences with a Notice of Funding Availability ("NOFA") that is issued by the city to local non-profit organizations. The NOFA, issued yearly or throughout the year depending on funding availability, sets forth eligibility requirements and the application procedures.6 The IHTF funds a broad range of activities, including but not limited to rent and utility subsidies, security deposits, and the acquisition, repair, or development of property related to housing low to moderate income individuals. Specifically, the funds are to be used for people and families at or below 80% of Area Median Income ("AMI"). Any nonprofit, for-profit, governmental, or quasi-governmental entity that is involved in affordable housing efforts may apply. The Advisory Committee determines eligible expenses on a case-by-case basis and gives special consideration to projects with "new and unique" approaches.

7. Supporting Policy & Plans

a) Proactive advocacy for the housing trust fund—emphasis that the fund is "local money for local problems" that does not rely on outside programs;
b) A well-constructed advisory committee of mayoral appointments and local and influential leaders from the housing community, healthcare industry, and education sector;
c) Efforts to monitor local housing needs, as well as an effort not to duplicate federal and state funding;
d) Monitoring of the projects granted funds; and
e) Diversity of funding streams for the fund itself from both the public and private sectors

The city of Indianapolis has no other incentives or mechanisms to stimulate affordable housing projects. The state prohibits any municipality from having an inclusionary zoning ordinance, and at present the city does not have a set aside ordinance provision on developers. In the two studies that examine Indianapolis' approach it is noted that the impact this fund has had on affordable housing projects is limited in scope and any progress on the housing crisis has been marginal. For example, the city of Nashville, TN studies the Indianapolis model as it prepared to develop an affordable housing policy, and while Nashville incorporated some of Indianapolis' practices, it went beyond those provisions because city leaders recognized the limited impact the Indianapolis model would have compared to the actual need.

Structure
The Affordable Housing Leverage Fund (AHLF) is a partnership between the City of Detroit Housing & Revitalization Department (HRD), Local Initiatives Support Corporation (LISC), and the Michigan State Housing Development Authority (MSHDA) to provide affordable housing developers and owners with access to financial tools that are specifically designed to address housing challenges in Detroit neighborhoods.

The $250 million AHLF is an umbrella for three coordinated funds:

1. The HRD (City of Detroit) will manage the award and underwriting of Federal and local sources of soft debt ($50 million) (e.g. CDBG, HOME, NSP Program Income).
2. The Michigan State Housing Development Authority (MSHDA) will manage the award and underwriting of low-interest tax-exempt bond loans, gap financing, and MSHDA soft funds ($75 million).
3. Detroit LISC is the implementation partner for the AHLF and the fund manager for Detroit Housing for the Future Fund (DHFF), leading the intake and application processes, conducting preliminary underwriting of projects, and managing the award and underwriting of low-interest loans, philanthropically-backed soft debt, Preferred Equity, capital needs assessment grants, and a Developers of Color predevelopment matching grant ($125 million goal).

Goals
Detroit AHLF advances the goals of City of Detroit to preserve 10,000 units of affordable housing and develop 2,000 new units of affordable housing by 2023. To meet this goal, the City created AHLF to:

1) Increase the amount of capital available to invest in affordable housing;
2) Bring greater coordination and efficiency to the application and underwriting processes for affordable housing funding;
3) Increase the frequency of funding availability to increase the pace of affordable housing development and preservation.

Additionally, HRD seeks to achieve the following goals: produce mixed-use, mixed-income multifamily housing developments in the city's neighborhoods through both new construction and adaptive reuse or rehabilitation of existing structures; preserve affordability and quality of both rent-restricted and naturally occurring affordable housing (NOAH) stock; develop supportive housing for high-need homeless individuals and families; and prevent homelessness through non-profit initiatives and interventions.

Financing Product Types
As part of the AHLF initiative, DHFF was created as a new fund comprised of private investment designed to deploy private grant and low interest loan capital through:

1. Debt for Preservation/NOAH (Senior and subordinate). See Low Interest Preservation Acquisition Mini-Perm Loan term sheet. See Low Interest Subordinate Mini-Perm Loan term sheet.
2. Preferred Equity. See term sheet.

3. Recoverable Grants for Capital Needs Assessments/Green Capital Needs Assessments. See term sheet.
4. Predevelopment Grants for Developers of Color. See term sheet.

Eligibility Focus: Project Types / Income Levels / Geographic Areas

Income levels:

- AHLF focuses on households at or below 60% Area Median Income (with consideration of households up to 80% AMI for for-sale projects), with priority given to projects with deeper income targeting.
- DHFF focuses on households below 50% of AMI and 30% of AMI, as well as permanent supportive housing, with some units able to go to 120% AMI (for mixed income).

Project Types:

There are no restrictions as to the type of projects eligible for AHLF as long as they include a significant portion of units that will be affordable. Common project types include: new multifamily housing (mixed-income and affordable), preservation of existing regulated affordable properties, preservation of naturally occurring affordable housing properties, new neighborhood-scale single family developments, and new permanent supportive housing.

Geographic Areas:

New construction of multifamily housing is targeted in specific geographies to align with other comprehensive neighborhood development activities. The preservation of existing affordable housing (regulated or naturally occurring) is eligible for funding without geographic restriction.

Funding Sources

The City's portion of AHLF is sourced from HOME, CDBG, and NSP Program Income. Additionally, at least 20% of the annual net receipts of all city-owned commercial property sales to the Affordable Housing Development and Preservation Fund, as well as committing $2 million in surplus FY 17 revenues to capitalize the Fund.

DHFF is derived from corporate and philanthropic investment in the form of grant investment and low-cost lending. DHFF is funded to-date by Citizens Bank, Blue Cross Blue Shield of Michigan, The Kresge Foundation, Flagstar Bank, Ford Motor Company Fund, Huntington Bank, First Independence Bank, Penske Corporation, TCF (formerly known as Chemical Bank), Fifth Third Foundation, and JP Morgan Chase. Other investors are considering providing investments.

Creation of DHFF

A CDBG planning grant provided funding for the formation and structuring of DHFF. LISC was selected through a competitive RFP process to be the fund manager. To date, LISC and City leaders have been fundraising for 2 years to secure private funding.

Application / Approval Process and Timeline

Developers apply to each partner (City, MSHDA, DHFF) directly through that application processes. For the funds managed by the City, developers must speak with City HRD staff as part of a pre-application process. The City of Detroit issues two NOFAs annually to take applications, and MSHDA has a separate process for submitting 4% LIHTC applications that also allows access to its gap financing products. Projects are approved for financing/funding by the City and MSHDA.

For the DHFF, developers submit a pre-application via an online portal. DHFF staff then evaluate the basic eligibility of a project and discuss it with prospective applicants. Once a project meets threshold items, the developer is then invited to submit a full application through the portal. DHFF will have a rolling submission period throughout 2020-2021 with commitment letters being sent within 6 weeks after application submission. Final approval of project financing and funding is made by LISC with input from City staff.

Supporting Policy and Plans

- The Multifamily Affordable Housing Strategy (2018) serves as the guide for City agencies and departments to addresses the City's goals and strategies for multifamily affordable housing. This document outlines the City's commitment to make the lead investment of $50 million to establish the AHLF and work with financial institutions and philanthropic stakeholders to build a $250 million fund.
- The Detroit Preservation Action Plan (2018) outlines a strategic approach to preserve existing affordable housing, both regulated and naturally occurring and was produced by Detroit's Housing and Revitalization Department Office of Policy Development and Implementation in collaboration with Grounded Solutions Network.
- The Inclusionary Housing Ordinance requires that developments receiving certain public subsidies or tax incentives reserve at least 20% of units as affordable.
- Grounded Solutions' Detroit Inclusionary Housing Plan & Market Study evaluated the citywide market for multifamily housing and the potential impacts of a proposed inclusionary housing policy.

Further Information

More information is available at https://www.detroithousingforthefuturefund.org/.

A place to live & a chance to succeed for everyone.

Structure

Housing Trust Silicon Valley incorporated as a nonprofit public benefit corporation in 2000. The Trust is a private and public sector partnership and is tax-exempt under section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code"). The Company is certified as a Community Development Finance Institution, a CDFI, by the U.S. Department of Treasury CDFI Fund. They were the first nonprofit CDFI to be rated by Standard and Poor's and received an AA- rating in 2015. They focus on a 13 county greater Silicon Valley, San Francisco Bay and Monterey Bay Areas with recent expansion into Orange County and King County, Washington.

To date: $355MM invested in affordable housing, with over 38,000 people helped.

Scope of Offerings:

1. <u>Multifamily Lending Program (Rental):</u> Created or preserved affordable rental opportunities.
2. <u>Homebuyer Programs</u>: Provide down payment assistance loans to first-time homebuyers, education and counseling to homebuyers and contract services to municipalities to administer and manage the assets of their homebuyer programs first-time homebuyers.
3. <u>Homelessness Assistance</u> and Other Safety Net Programs: Provide grants to individuals and nonprofit organizations to help people who are experiencing homelessness

In response to this growing crisis, in November 2016, the voters of three counties passed ballot initiatives, bringing over $2 billion into the affordable housing ecosystem –
Measure A in Santa Clara County, Measure A1 in Alameda County and Measure K in San Mateo County. In addition, two state-wide initiatives aimed and relieving the crisis passed in 2018 – Props 1 and 2 – which will make available more funds to finance affordable housing and services for those most in need.

Goals:

a) The strategy is to scale up capability to serve as a catalyst for the creation of more affordable housing. Funding provided by ballot measures, impact fees, and similar types of revenue streams will eventually serve as sources of permanent financing for affordable housing creation. However, this type of permanent financing is the end goal of a development process that will require initial funding from CDFIs like the Silicon Housing Trust.

b) Increase the amount of capital providing early stage financing to catalyze and incentivize new affordable housing development. By harnessing the collective resources of Silicon Valley (including tech companies, hospitals, foundations, and retailers) and its desire to be part of effective problem-solving, Housing Trust will use proceeds of the Community Impact Notes as a catalyst to create the affordable housing in the region.

c) Housing Trust intends to use the proceeds of the Community Impact Notes along with its other sources of capital to lend to affordable housing developers the start-up capital required to acquire and develop affordable multifamily housing in the form of short-term loans. The proceeds from the offering of the Community Impact Notes could constitute the start-up capital for 5,000 affordable homes over ten years.

Ultimately the long-term goals: 1 Billion Dollar Impact

a) Increase R and D investment to 10% of total budget
b) Grow Multifamily lending programs by 25%
c) Grow total Assets by over 50% through partnerships across foundations, banking, government, and employer sectors.

Financing Product Types

Through both public local, state, and federal funds and private funding, the two capital funds are:

a) Tech Fund was introduced in 2017 with over 117M Invested.
   Housing Trust's TECH Fund is harnessing the collective resources of the high-tech sector, large employers, and philanthropists by maximizing investments in safe, stable, and affordable housing.
   i. Community Impact Notes: Regular D offering – Private Placement to Accredited Investors, with series A, B and C terms from 1.25% to 2%.
   ii. Current note offered is 25M issuing from 10/21 to 10/29.
b) Affordable Housing Growth Fund: 150MM raised through private sector and public sector (measure A in 2016) through county of Santa Clara, Monterey Bay Economic Partnership and Santa Rosa Chamber.

Eligibility Focus: Project Types / Income Levels / Geographic Areas *Income levels:*

Silicon Housing Trust focuses on households at or below 60% Area Median Income (with consideration of households up to 80% AMI for many workforce projects, with priority given to projects with deeper income targeting Additionally households with below 50% of AMI and 30% of AMI, as well as permanent supportive housing, and homelessness transitionally housing.

Project Types:

There are no restrictions as to the type of projects eligible if they include a significant portion of units that will be affordable. Common project types include new multifamily housing (mixed-income and affordable), preservation of existing regulated affordable properties, preservation of naturally occurring affordable housing properties, new neighborhood-scale single family developments, and new permanent supportive housing.

Geographic Areas:

Preserving existing affordable housing and reducing displacement is key. The multi-county regional housing crisis is ubiquitous, and the reach of the funds is distributed where the housing gap is greatest.

Funding Sources

The 100MM public portion of Housing Trust is sourced from the state and local ballot measures, additionally large donations from private sector such as Google's 50MM gift are recent development

1MM is from the CDFI Fund and The Silicon Valley Leadership Fund as well as Wells Fargo Bank additionally contributed close to 1MM annually. A complete listing of donors in 2019 is attached in the link below.

Application Approval Process

Project Types: Predevelopment, acquisition, construction/rehab and bridge Project Types Affordable multifamily rental and supportive housing.

Eligible Borrowers: Nonprofit organizations, limited partnerships, and single asset entities with nonprofit sponsors, and mission-aligned for profit entities.

Supporting Policy and Plans

Housing Trust Silicon Valley
https://housingtrustsv.org/about/

2019 Annual Report https://secureservercdn.net/198.71.233.138/gzl.ab0.myftpupload.com/wp-content/uploads/2019/11/HousingTrust_AnnualReport-2019_Web.pdf

Tech Fund
https://gzl.ab0.myftpupload.com/wp-content/uploads/2020/01/TECH-Fund-Summary-Sheet-200110-1.pdf

Tech Fund Current Offering Note:
https://gzl.ab0.myftpupload.com/wp-content/uploads/2020/04/HT-Offering-Memorandum-190808.pdf

Multi Family Term Sheet
https://gzl.ab0.myftpupload.com/wp-content/uploads/2020/08/Housing-Trust-Short-Term-Loans-1.pdf

Structure

The Trust Fund was created by City Council ordinance in 1989 and was incorporated as a non-profit organization in 1990. A Mayoral-appointed Board of Directors supervises the business of the Trust Fund. The Board of Directors is comprised of 15 individuals who live in the City of Chicago, have diverse backgrounds and represent non-profit organizations, private corporations and City government. The Chicago Department of Planning and Development provides administrative staff support for Trust Fund activities. The Trust Fund operates two key programs:

1. Rental Subsidy Program: The Rental Subsidy program provides annual rental subsidies to owners of qualified buildings or developments located in the City of Chicago. This program reduces rents on a specified number of units approved by the Trust Fund Board of Directors in the building or development to a level that is affordable for very low-income individuals and families. Landlords accepted into the program receive a one-year, renewable grant and are paid on a quarterly basis in advance. Renewals are based on successful performance and funding availability.
2. Multi-year Affordability through Upfront Investment (MAUI): MAUI supplies interest free forgivable loans to replace up to 50% of a developer's private first mortgage loan. The resulting savings are used to reduce the rents of very low-income tenants earning no more than 30% AMI.

Goals

To meet the permanent housing needs of Chicago's very low-income residents. Chicago Low-Income Housing Trust Fund assists residents living in poverty, with incomes not exceeding 30 percent of AMI, by providing secure, safe, sound and affordable housing. The Trust Fund serves Chicago's low-income working households, the disabled, the elderly, and countless homeless individuals and families.

Funding Sources

LIHTF has two funding sources: the City of Chicago and the State of Illinois. The City of Chicago allocates 50% of the in-lieu fees generated by the Affordable Requirements Ordinance and Downtown Density Bonus through the Chicago Affordable Housing Opportunity Fund to the Trust Fund. The Trust Fund is the administrator for funds developed through Chicago's Affordable Housing Opportunity Fund.

The State of Illinois provides funding for the Rental Housing Support Program (RHSP) through a fee collected by county recorders upon the recordation of real estate related documents. In 2005, Illinois passed legislation to create the RHSP where approximately 43% of the funds are earmarked for the City of Chicago, based on population, and is delegated to the City's Trust Fund as the local administering agent.

Creation of HTF

Establishment of the Trust Fund was sparked by demolition of single room occupancy hotels to create the Presidential Towers that did not include low- and moderate-income units in the proposal. In the late 1980s, a coalition formed of stakeholders representing the Chicago Coalition for the Homeless, the Statewide Housing Action Coalition, the Balanced Growth Coalition, and Chicago 1992 Committee and sought to establish a city trust fund utilizing funds to be donated by the developer in lieu of the creation of on-site affordable units. In 1987 the developer met with the city and the coalition to seek project refinancing and it was agreed the developers would pay $5M into what would become the Trust Fund.

Financial Products

MAUI:

- Capital investment in the form of non-interest bearing forgivable loan. MAUI funds may replace up to fifty percent (50%) of the applicant's first mortgage loan, in exchange for which a given number of rental units will be set aside for very low-income households.
- Operating Reserve Fund as a MAUI grant in the form of an Operating Reserve Account.

Rental Subsidy: All Rental Subsidy Program payments will be made in advance on a quarterly basis after submission by the Property Owner of all required documents.

Eligibility Focus: Project Types / Income Levels / Geographic Areas

Income levels:

- 50% of the Trust Fund resources must go to households earning less than 15% AMI and the balance of its resources for households earning 16% to 30% AMI. For MAUI, The Property must maintain affordability for 15-30 years. Tenants must submit an Income Certification (with proof of income) to the Property Owner, and the Property Owner must determine if a tenant meets the income requirements of the Rental Subsidy Program.
- Approximately 40% of Trust Fund subsidies are directed towards special initiatives including permanent housing for individuals and families experiencing homelessness, persons living with HIV/AIDS, female headed households in job training programs, and veterans.

Project Types: The Trust Fund seeks to offer a variety of housing types that include single-family homes, two flats, and multi-unit apartment buildings, as well as special needs housing and single room occupancy developments that are owned by non-profit and for profit entities. Generally, no more than 30% of the units within a property will be subsidized by the Trust Fund to encourage mixed income. Note that a 2019 audit found that almost half of the subsidized units failed to meet "minimum housing quality standards" and over 60% did not fully comply with the Chicago building code.
Geographic Areas: Properties may be located within the City of Chicago.

Application / Approval Process and Timeline

The application process, guidelines, and criteria for the MAUI program can be found in the MAUI Program Guide. Interested developers/owners must submit letter of intent that is reviewed by the Board of Directors, then invited to submit full application. For the Rental Subsidy Program owners complete the application and inspection process. The subsidy is approved for a unity (not individual or family). For more information see the Rental Subsidy Program Guide.

Supporting Policy and Plans

- Affordable Requirements Ordinance requires residential developments that receive City financial assistance or density bonus or involves City-owned land to provide a percent of affordable units. In September 2020, the Housing Task Force issued a draft Inclusionary Housing Report, which makes recommendations on a future rewrite of the ARO.
- Affordable Housing Zoning Bonus
- Other programs that provide resources for rehabilitation and preservation of safe and affordable housing, include the Troubled Buildings Initiative, Micro-Market Recovery Program, Neighborhood Lending Program, Low-Income Housing Trust Fund, TIFNIP, TIF Purchase Rehab Program and others.

Further Information

See http://www.clihtf.org/.