Recommendations and Analysis for Kansas City's Housing Trust Fund

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EXECUTIVE SUMMARY

The following brief analyzes Housing Trust Funds and offers recommendations in three key areas:

- **Funding Sources**: Initiate a phased funding strategy that brings existing public resources under a single HTF umbrella and utilizes new public and private sources to create new and multiple revenue streams for fund sustainability (Overview, pg. 4; full Analysis, pg. 7).
- **Eligible Uses and Criteria**: Establish goals, categories of uses, and evaluation criteria (Overview, pg. 5; full Analysis, pg. 24)
- **Structure**: Create a framework and structure to manage public and private funds from different sources while creating a one-stop- shop for developers (Overview, pg. 6; full Analysis, pg. 34)

Note: Further examination on each section can be found in the Detailed Report.

Background and Need

The preservation and creation of affordable housing is often a long and challenging task, typically due to access to capital to cover the gap between the cost to construct/rehab and the rental rates or sales price. The Housing Trust Fund (HTF) is critical in bridging that gap and providing resources to support affordable housing.

The 2016 Housing Trust Fund Survey by Center for Community Change found that HTF programs operate in more than 770 communities nationwide and generated over $385 million in 2016. Local HTFs are one of the most effective tools to expand access and availability of affordable housing.

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." However, three years later it remains uncapitalized and the need is even greater with the City's effective shortage of 16,000+ units for low and very low-income renters.

Methodology

The Urban Neighborhood Initiative's Promoting Equitable Neighborhoods (PEN) action group is a collective impact coalition focused on equitable, affordable housing policy solutions that includes housing advocates, community development corporations and financial institutions, anchor institutions, public agencies, urban core residents, and more. Chaired by representatives from UNI, LISC, Truman Medical Center Behavioral Health, and Ivanhoe Neighborhood Council, PEN was instrumental in getting the Affordable Set Aside Ordinance (No. 201038) passed in January 2021.

PEN developed recommendations on HTF funding sources, eligible uses of the HTF, and structure and management of the HTF. PEN reviewed current local housing data, local plans and reports, and best practices from peer cities to develop these recommendations. PEN sought to develop recommendations aligned with these priorities:

- Target 50% median family income (MFI) and below with emphasis on 30% MFI and below.
- Identify and bring in new funding and financing resources
- The HTF should operate within a larger framework and inclusionary housing program focused on the creation and preservation of affordable housing and supportive services along with economic development incentives

Funding Sources

Below are Level 1 Recommendations. Please refer to Detailed Report: Section 1 on page 9 for a comprehensive analysis of these and other possible funding sources.

Resource	Description	Requirements	Funding	Intended Use
Bonds: General Obligation, Special Obligation, Revenue, Intergovernmental	Municipal bonds for projects that may or may not generate a revenue stream to pay back bonds.	Time constraint on spending Voter/Council Approval Identify specific projects & payback	One-time w/renewal	Shovel-ready capital expenditures Multifamily New construction and rehab
Local Consumer Use / Online Sales Tax	Potential for sales tax for items purchased online.	Adherence to local and State guidelines	Ongoing	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	Predevelopment, construction, and rehab Multi- / single family Wrap-around services
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 residential and/or commercial dev.	Hancock Amendment may apply	Ongoing	General HTF uses
City Annual Budget	An allocation in the City's annual budget	Budget has little discretionary $ Council approval	Annual approval	General HTF uses
City Property Sales	Work with General Services to identify parcels to sell to developers	Council approval General Services analysis	One-time at sale	General HTF uses
Capital Magnet Fund	Grant from Dept. of Treasury to CDFIs (e.g. LISC) and nonprofits	Competitive 1:10 leverage requirement	One-time	General HTF uses
2021 America Rescue Plan (ARP) Funds to City and County	Commit a portion of ARP funds allocated to KCMO ($195.47M) and Jackson County ($136.34M) to HTF	No Fed. Guidelines yet Council approval Funds spent by 12/31/2024	One-time, tranche 2 received 5/2022	General HTF uses
Public/Private and Nonprofit Investment Tools and Grants	Create a funding strategy leveraging local nonprofits, foundations, private sector and CDFIs	Seed money needs council approval Private funds matching	Lump sum & Perpetual	General HTF uses though donors / investors may stipulate project type

Eligible Uses and Criteria

Recommendations for eligible projects and evaluative criteria for HTF funding are below.

Target Uses

- Creation of new affordable multifamily rental housing, including supportive housing and priority for 30% MFI (for construction, rehab, and predevelopment; includes mixed-use)
- Creation of new affordable multifamily for-sale housing include cooperative ownership (for construction, rehab, and predevelopment; includes mixed-use)
- Rehab and preservation of affordable multifamily rental housing including NOAH (naturally occurring affordable housing), LIHTC Year-15, and permanent supportive housing
- Rehab and preservation of existing single family owner-occupied homes (includes minor home repair)
- Supportive services within permanent supportive housing

Evaluative Scoring Criteria

The evaluative scoring criteria below is intended to provide a focus on PEN's recommendations for HTF as well as a potential template for scoring HTF projects (see Eligible Uses & Criteria Analysis section for a sample scorecard). Criteria in green should be weighted heavier than others:

Mixed-Income Rental - **% of units at 30% MFI or below** - **% of units at 50% MFI or below** Mixed-Income For-Sale - % of units at 60% MFI or below Mixed Use - Neighborhood-serving retail and services **Unit Size** - **Varied unit sizes (w/ focus on 1-Bedroom)** **Density** - **Designated Infill development** - **Vacant lots in existing neighborhoods** **Avoid greenfield and natural areas** **Service-Enriched or Supportive Housing** - **On-site service provider work directly with** - **Services to age in place on-site or nearby** - **Community space offered on site** **Project Readiness** - **Predevelopment completed** - **Market study** - **If applying for predevelopment, interest from construction lenders** - **Project start timeline (< 6 months; > 6 months)** **Located in Neighborhood with High Change** - **Level of displacement risk** **Rehabilitation & Preservation of Structures**	**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** **Developer Experience** - **Developer history & capacity** - **Property management history & capacity** - **Developer of color, or partnership with developer of color** **Transit Access** - **On or within a .25 - .5 miles of public transit** **Accessibility** - **Universal design concepts used** **Homeownership** - **Minor home repair and rehab with path for homeownership** **Energy efficiency** - **Building materials** - **Systems**

Structure

Below are recommendations for the creation of a Housing Trust Fund Program and how the program is administered. The Structure Analysis section of this document has additional details for the recommendation of the KCMO Housing Trust Fund framework and structure.

Program Partnership, Staff & Advisory Board

The Kansas City Housing Trust Fund (HTF) will supplement and coordinate existing funds (CDBG and HOME) to advance Kansas City's Housing Policy and where appropriate will be coordinated through a common application and review process. The HTF is an additional funding source to make up three coordinated funds. The City of Kansas City, Missouri and a local CDFI will manage the public and private funds as well as administer the established program policies and procedures that define the evaluation and underwriting criteria of applications. Additional Housing Trust Fund staff will be hired, and an advisory board created prior to awarding and administering funds.

Housing Trust Fund Program Policy & Procedures

Program Partners, Scoring Criteria, Eligibility & City Priorities are defined in a clear and concise manner within the program policy and procedures document. Collaboration with the City Planning and Housing Departments are critical for the development of the program policy and procedures. It is important that this program has its own scoring criteria to ensure its use and maintain flexibility to revise as needs of the City change. Score criteria is unbiased as the public can weigh in on criteria to be adopted by City Council prior to a funding cycle.

Funding awards that are made to an applicant have a minimum 20-year affordability period that is enforced through the filing of a declaration of restrictive covenants against the property.

Housing Trust Fund Streamlined Program Process

A streamlined application intake process will occur once per year at the onset as funds may be limited. Applications that rank and cannot be fully funded due to limited funds will either be partially awarded or invited to apply through a separate pipeline application round for funds or remaining funds roll to the next year, both can be options on a yearly basis.

A 5–6-month streamlined process from application intake to draft contract to be implemented. Disbursement of funds are determined by selected financing and each individual applicant closing timeline.

DETAILED REPORT

I. Funding Sources Analysis

Overview Funding Sources

The following section provides the UNI | PEN funding analysis, and recommendations for capitalizing the Kansas City's Housing Trust Fund. This section addresses the most controversial aspect of any housing trust fund program: funding sources. Our methods describe potential funding sources worthy of consideration, including existing, ongoing revenue streams that could be dedicated to affordable housing or enhanced, new financing mechanisms, and novel sources of one-time funds.

HTF Resources Detailed Analysis

The following section first details level one and two recommendations. Second, we identify funding or resources for the creation and preservation of affordable housing, yet not appropriate for the HTF. Lastly we identify potential funding sources that do not meet our criteria, but are stated for information only.

- **Level 1 Recommendations**: In the first phase, Kansas City Housing Trust should seek and pool public and private resources. Additional sources were reviewed. While not recommended for pursuing at this time, they are still worth noting. Municipal bonds have the potential to bring in the most funding and should be pursued. Specific projects and project criteria should be identified for a bond issuance. Federal funds coming to the City and County from the American Recovery Plan represent a unique and timely opportunity to seed the fund and should be pursued immediately. Private donors have also expressed interest in contributing to a housing trust fund and should be a priority for pursuing.
- **Level 2 Recommendations**: The second phase should create a collective impact team with the appropriate expertise to continue to explore and establish alternative modes of private investment. Impact notes, lease lease-back, special taxes, and other tools should be explored with corresponding policy.
- **Level 3: 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.
- **Resources Not Recommended for Pursuing at this Time:** Additional sources were reviewed. While not recommended for pursuing at this time, they are still worth noting and might be pursued later.

Level 1 Recommendations

a. General Obligation Bonds

General obligation bonds are municipal bonds which provide a way for state and local governments to raise money for 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.

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.

b. Special Obligation or Revenue Bonds

Special obligation 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.

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.

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% MFI, and other income levels) and mixed-use developments (including commercial space).

c. 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.

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

d. Local Consumer Use / 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.

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: The Council passes an online sales tax and directs those tax funds to the housing trust fund.

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.

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. 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.

g. 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.

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.

h. 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.

i. 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.

j. 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.

k. Federal Recovery 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. 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. Funds must be spent by December 31, 2024. $120 million is already reserved by the City to cover loss of revenue.

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 recovery funds to the HTF.

l. Federal Recovery 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.

m. 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.
- Houses more than 4,000 charitable funds established by individuals, families, and businesses to support the charitable causes that are important to them.
- Has provided more than $5 billion in grants since its inception.
- Ranks in the top one percent of more than 700 community foundations in the country in terms of total assets, gifts and grants

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 $10 million donor fund to seed the HTF. Outreach to other local, state and national 501c3 agencies to act as a catalyst in funding 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 Recommendations

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. Real Estate Transfer Tax (RETT)

Real estate transfer taxes (RETTs) – 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.

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.

With the boom in more expensive homes being developed on both the east and west side neighborhoods, Kansas City is poised to create a “Mansion Tax.” Homes valued at more than $500,000 should be considered as part of the pool of potential homes.

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.

Recommendation: Confirm if a RETT is allowed in Missouri and whether a statute authorizing the City to collect the tax is needed. Initiate a Mansion Tax on homes valued over $500,000.

c. 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.

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.

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

e. 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 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 and leases the *building* back to the city for a set period of time. 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.

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: Initiative the policy for the ability of a lease-leaseback method, whereby allowing the city to participate in this type of financial lever 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.

Resources Not Recommended for Pursuing at this Time

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."

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.

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.

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.

Summary and Conclusion

Recent literature would suggest there is not one source of revenue reliance in sustaining Housing Trust Funds, but a "cocktail" approach of resources. Many HTF's are initially created with federal, state, or local support, but soon transition to a broader sustainable network of public/private funding. Additionally, creating new funding streams is critical in building and capitalizing our HTF for long-term sustainability, thereby creating less dependency on federal, state, or local programs and the instability of resources.

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II. Eligible Uses and Criteria Analysis

HTF Target Uses

The following chart provides further development of the targeted uses recommended for the HTF. Along with these recommendations the chart designates recommend priority as well. For example, based on the city's high need and recent adoption of Ordinance 201038, multi-family, mixed income developments should be prioritized. What is marked as priority in the chart below matches the previous summary page above. Additionally, prioritization would mean that the particular use would be scored at a higher rate on the scorecard and/or simply on the scorecard while other potential uses may not be represented.
The following provides a focused, accessible chart with the primary areas and recommendations for HTF criteria:

Multi-Family, Mixed-Income Development (*priority)	Expanding the options for affordable housing quickly is most easily developed by focusing on new and existing multi-family structures. Funding could be used to address preservation and new construction costs associated with the development.
Mixed Income For- Sale	These type of developments such as townhomes or condos could provide ownership options for individuals or families that otherwise find themselves in the rental market.

Mixed Use	Mixed use development (the inclusion of commercial, cultural, entertainment, etc) is a long-term, viable recommendation for HTF. However, zoning and other requirements that could delay projects keep this from being a priority recommendation.
Unit Size **(*priority)**	Developments that provide varied types of units; however, there should be a priority placed on 1-bedroom units as the overall lack of 1-bedrooms in the city contributes to the ongoing difficulty housing individuals that are houseless and/or are using Kansas City, MO Housing Authority vouchers.
Density **(*priority)**	Developments on vacant lots in existing neighborhoods and designated infill.
Service-Enriched or Supportive Housing **(*priority)**	Developments that provide onsite services to special populations (e.g. houseless or seniors) for the life of the affordability designation.
Project Readiness **(*priority)**	All activities are thoroughly planned, goals and objectives are clearly established, resources are fully supplied and available, teams are assembled and trained, and tools and systems are provided and ready for use. Additionally, projects with start times less than six months should be scored higher than those with six months or more.
Located in Neighborhood with High Change **(*Priority)**	The location of the development is crucial and should strong consideration of the displacement risk is vital and such is a priority.
New Construction **(*Priority)**	HTF revenues could be spent on the new construction of multi-family projects that provide increased affordable housing.
Rehabilitation & Preservation **(*priority)**	The reuse and development of existing, historic and dilapidated structures to provide quality affordable housing.
Special Population: Houseless Individuals/Families **(*Priority)**	Developments that focus on housing unhoused individuals and families. Traditionally, these projects provide supportive services onsite and are considered permanent supportive housing. For some subpopulations of houseless individuals (e.g. youth and veterans) transitional housing could be useful.
Special Population: Seniors **(*Priority)**	Developments that allow Seniors, those 55+, to age in place along with amenities and access to appropriate care.
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 focus in this area annually or bi-annually as it relates to the HTF.

Supportive Services (*priority)	In some instances, supportive services may not be officed on site but can provide regular care on site to residents. These types of services can be invaluable for special populations such as seniors.
Community Engagement (*Priority)	Developments which from concept to completion have been convened bi-monthly resident engagement meetings to ensure the project has had adequate resident input.
Developer Experience (*Priority)	Developers which have demonstrated on previous projects to work with minority contractors, utilize high quality energy efficient materials, complete projects on time and a robust community engagement plan.
Transit Access (*Priority)	Proximity to transit is a priority developed through multiple plans by the city. It will serve to improve access to a number of needed city amenities (e.g. food, employment, entertainment, etc).
Accessibility (*Priority)	Units that are constructed or rehabilitated should focus on universal design principles to ensure accessibility for disable populations.
Home Ownership (*priority)	Minor home repair and rehab projects that include an intentional component to create homeowners. These projects must have clearly defined data points to measure success.
Energy Efficiency (*priority)	Reducing the overall energy use of Kansas City residents is priority and in line with several city initiatives.

Local Plans and Report

Below includes several local sources that were used to inform PEN's Housing Trust Fund uses recommendations. The review of local sources focused on sources 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 itself 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.

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
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 has effected job opportunities, education access and technical training (pg. 3). · Areas of high environmental hazards, in some instances coincide with concentrations of Black populations and some of those areas have very little population (pg. 4).	· Density · Transit Access · Located in Neighborhoods with High Change
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). · 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).	· Special Population Focus · 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 Rental and Multi-Family · Density · Preservation, Rehabilitation · 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 Health Commission is an interactive resource demonstrating the goals needed to improve the health outcomes for all Kansas Citians. It 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 density focus, access to transit and supportive service availability.

Goals & Information Related to HTF: The chart below cites information from the CHIP that are relevant to the HTF recommendations put forth by the PEN committee.

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	· Service Enriched or Supportive Housing

	codes in the Kansas City metropolitan area.	· 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.	· Preservation & Rehabilitation · 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 uses. Those include density focused development, mixed-income development, preservation and rehabilitation, new construction, energy efficiency, 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 multifamily 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) · Through repurposing and preserving units the another policy is to focus on "Transit-Oriented Development" (pg. 21 & Policy 1.9)	· New Construction · Preservation, Rehabilitation and New Construction · 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 the focus 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 · Energy Efficiency
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	· Energy Efficiency
Goal 8: Address the housing needs of the most vulnerable	· Policy 8.1 focuses on houselessness and implementing strategies that support ending houselessness in Kansas City (pg. 63, 64).	· Special Population: Houselessness

populations through the provision of housing and services.	· 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 around seniors focuses on the assisting with aging in place and other strategies to help this population (pg. 67).	· 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 focus 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 stem from 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, community engagement and located in neighborhoods with high change.

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 Change · Density · Mixed-income, multi-family development
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

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, unit size, density and located in neighborhoods with high change.

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
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
Section 4	· This section sets forth the requirement that the affordable units must be on the principle development site (a). · All units developed must be one-bedroom in size or share the same size as at least 25% of the units constructed (c).	· Mixed-Income, · Density · Located in Neighborhoods with High Change · 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 provides some further context to the information. We have refrained from providing points due to feeling this scorecard would eventually receive several revisions thus not being as useful as providing general recommendations. However, as the structure and policy around the HTF is further expanded, we hope that representatives from the PEN committee would be involved in the development of the scoring system.

A final note to consider, by providing this scorecard example we are hopeful, and are recommending, full transparency of scoring of the HTF. We strongly advocate for the publicity of the scorecard, publicly ranking of proposed projects and feedback from HTF project reviewers. This process will benefit the entire process and the efforts associated with the HTF.

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% MFI	*#points*	*#scored*	*#scored*	
	> 10% of units @ 30% MFI	*#points*	*#scored*	*#scored*	
	10% of units @ 50% MFI	*#points*	*#scored*	*#scored*	
	>10% of units @ 50% MFI	*#points*	*#scored*	*#scored*	
3	**Unit Size:**				
	1 Bedroom: 50% of units	*#points*	*#scored*	*#scored*	
	1 Bedroom: < 50% of units	*#points*	*#scored*	*#scored*	
4	**New Construction**	*#points*	*#scored*	*#scored*	
5	**Preservation/Rehabilitation**	*#points*	*#scored*	*#scored*	
6	**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*	
7	**Density:**				
	Priority location: Existing Neighborhood	*#points*	*#scored*	*#scored*	
	Priority location: Infill designation	*#points*	*#scored*	*#scored*	
8	**Located in Neighborhood with High Change**	*#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	**Minor Home Repair**	*#points*	*#scored*	*#scored*	
14	**Transit Access**	*#points*	*#scored*	*#scored*	
15	**Incorporates Universal Design**	*#points*	*#scored*	*#scored*	
16	**Energy Efficiency:**				
17	Incorporation of EE materials and systems	*#points*	*#scored*	*#scored*	
18	Building Adopts Energy/Green Measures	*#points*	*#scored*	*#scored*	

III. Structure Analysis

Program Partners

The Kansas City Housing Trust Fund (HTF) will supplement and coordinate existing funds (CDBG and HOME) to advance Kansas City's Housing Policy and where appropriate will be coordinated through a common application and review process. The HTF is an additional funding source to make up three coordinated funds. The City of Kansas City, Missouri and a local CDFI will manage the public and private funds as well as administer the established program policies and procedures that define the evaluation and underwriting criteria of applications. Additional Housing Trust Fund staff will be hired, and an advisory board created prior to awarding and administering funds.

A Local CDFI. The role of a selected CDFI is to manage, underwrite, and contract the award of private and philanthropic dollars, which include low-interest loans, philanthropic backed soft debt, and grants. A request for proposals (RFP) can be issued for a local CDFI, if required by City statutes.

The City of Kansas City, Missouri. The role of the City is to manage, underwrite, and contact the award of federal, state, and local sources in addition to any local sources of General Fund contributions, in-lieu fee contributions, and other City revenue generated funds.

HTF Program Staff. A sufficient number of [3] additional qualified and skilled staff be hired to administer the HTF program. City Staff to be the point of intake of HTF applications under the established HTF policies and procedures. We recommend 1 lead staff person to oversee and manage the program. Additional staff to be allocated between both program partners (CDFI & City) for effective administration of the program. Staff are to evaluate, underwrite, and make formal funding recommendations to the appropriate City Council Committee based only on predetermined scoring criteria under the **program policy and procedures**.

HTF Program Advisory Board. Five to seven members including 2 HTF program staff, one representative from the partner CDFI and one from City. Three to four community stakeholders who are knowledgeable of housing finance and/or affordable housing programs. The City may opt to utilize an already existing committee with overlapping mission and expertise to act as the Advisory Board. A recommendation of an existing committee can be found in the Appendix. The main purposes of the Advisory Board is to advise program staff and provide guidance to the program policies and procedures and approve recommended applications that will utilize private funds. While the scoring criteria is ideally designed specifically enough to avoid the need for tiebreakers, the advisory board would serve as a tie breaker should such an event arise.

Development of HTF Program Policy & Procedures

Program Partners, Scoring Criteria, Eligibility, and City Priorities are defined in a clear and concise manner within the program policy and procedures document. Collaboration with the City Planning and Housing Departments are critical for the development of the program policy and procedures to align with existing City development and planning policies. It is important that this program has its own scoring criteria, to the extent allowed by law to ensure its use. Scoring criteria is clear and equitable and maintains flexibility to be revised as needs of the City change. Score criteria is unbiased as the public have the opportunity to weigh in on criteria to be adopted by City Council prior to a funding cycle.

Affordability Period

Funding awards that are made to a development have a minimum 20-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 development remains affordable at the income level required by ordinance or by developer whichever is greater.

Formal Application Process

A formal application for Housing Trust Funds (HTF) is submitted in response to a publicly issued Request for Proposals (RFP). HTF program eligibility, priorities, scoring criteria, and **program policies and procedures** are components of the RFP which is publicly issued on an annual basis so that applicants can self-score a proposal prior to submission and become knowledgeable of the HTF Program.

Source of Funds & Disbursement Process

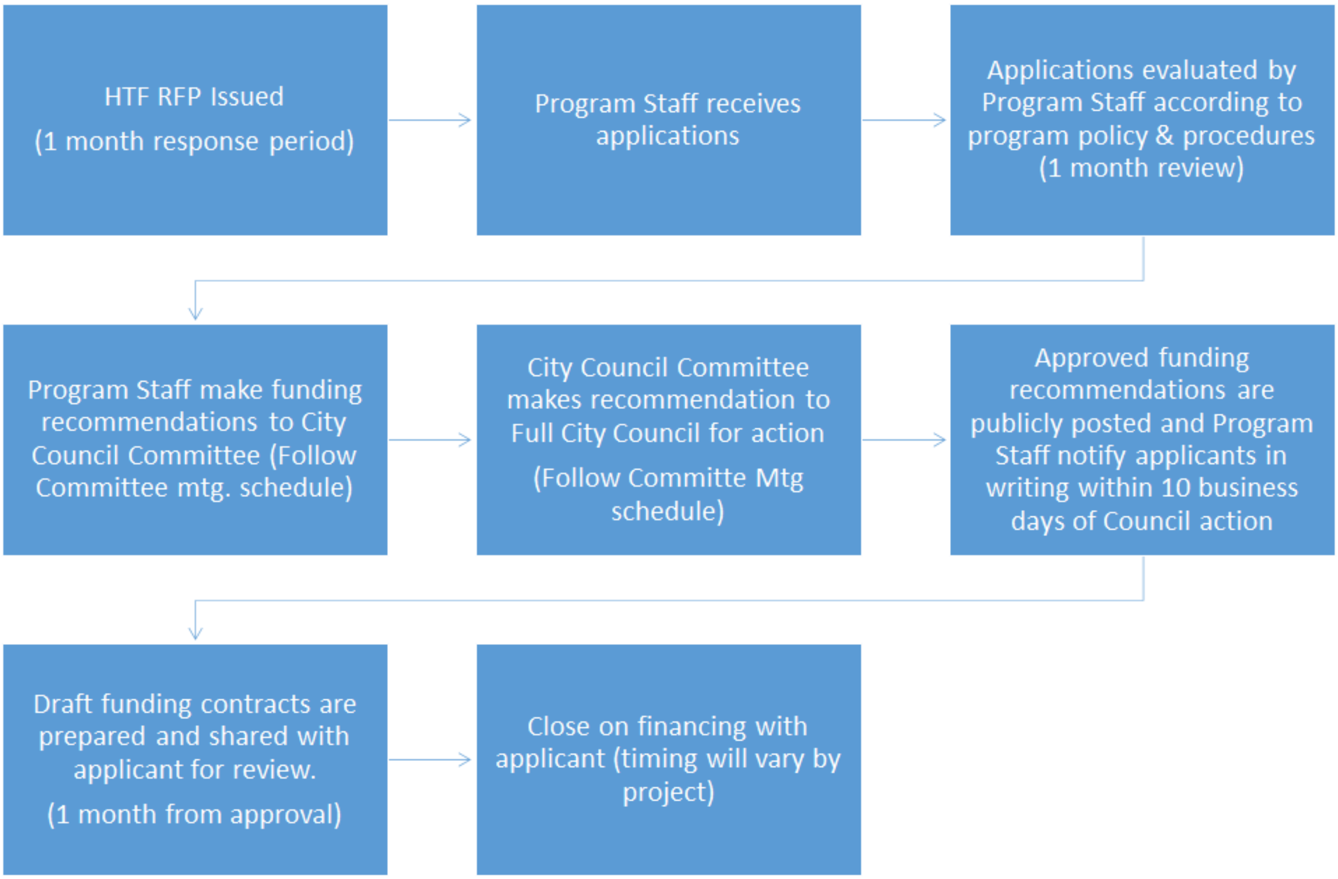
Public, private, and a mixture of the two sources fund the HTF. Private funds may have restrictions for use and should be implemented accordingly by the partner CDFI. Funds can either be a grant, loan, or deferred forgivable loan. Applicants should indicate their preference for award type and funding source on the application. When applications are reviewed this selection can be underwritten and confirmed by project pro forma underwriting.

Streamlined Process & Timeline

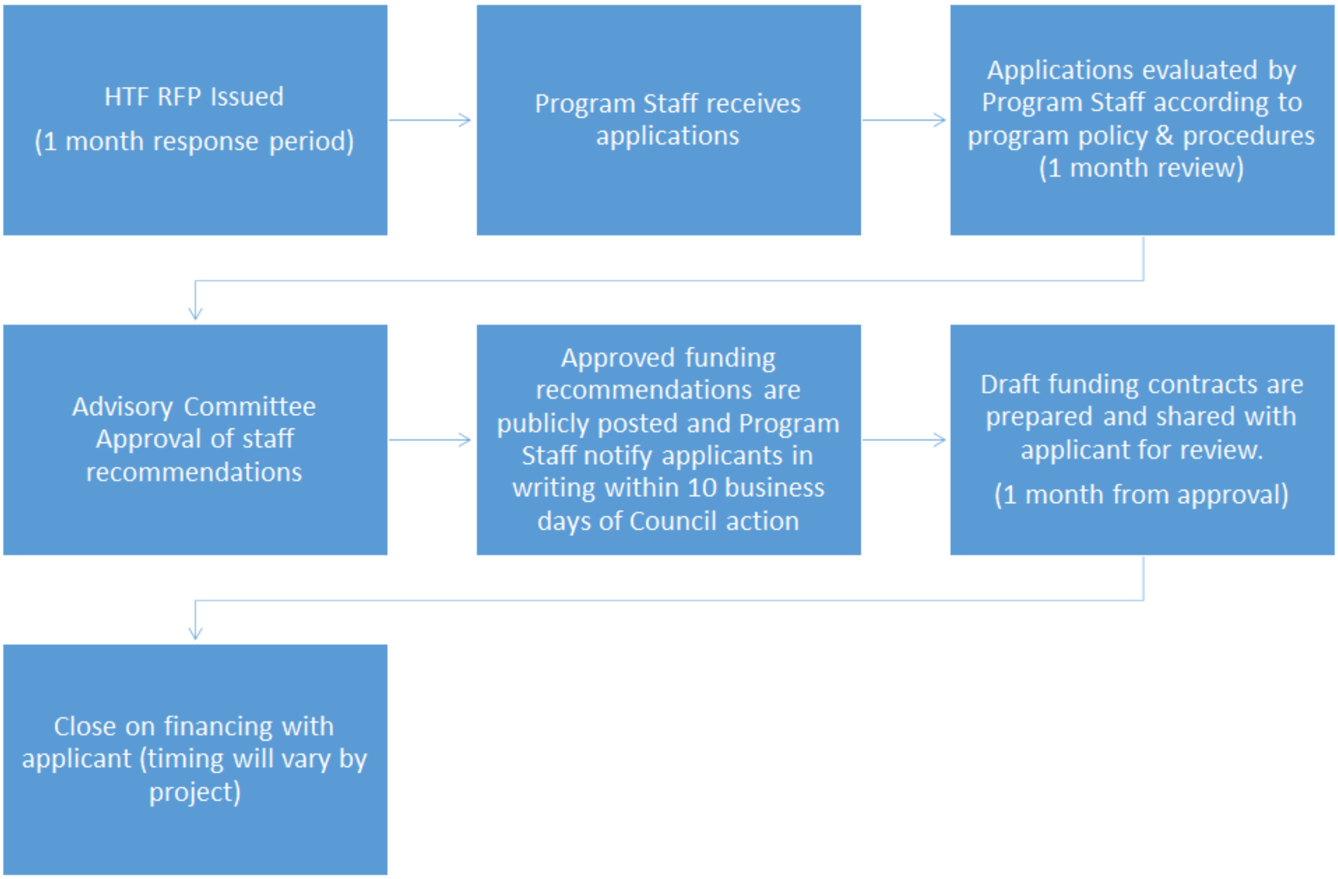
A streamlined application intake process will occur once per year at the onset as funds may be limited. Applications that rank and cannot be fully funded due to limited funds will either be partially awarded or invited to apply through a separate pipeline application round for funds or remaining funds roll to the next year, both can be options on a yearly basis.

A 5–6-month streamlined process from application intake to draft contract to be implemented. Disbursement of funds are determined by selected financing and each individual applicant closing timeline. Below are recommendations of how the program process flows.

KCMO Housing Trust Fund Application Review & Funding Process for Public Funds



KCMO Housing Trust Fund Application Review & Funding Process for Private Funds



IV. Case Studies from Eight Cities

Provided on the following pages are in-depth case-studies from Minneapolis, MN, Denver, CO, St. Louis, MO, Charlotte, NC, Indianapolis, IN, Detroit, MI, Silicon Valley, CA, and Chicago, IL.

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