

# Housing Trust Fund Project NEWS

*A Special Project of the Center for Community Change*

## Philadelphia Coalition Proposes Housing Trust Fund

A coalition of organizations has come together to promote the creation of a housing trust fund in Philadelphia, Pennsylvania. The housing trust fund proposal was released on October 21 during a press conference at City Hall. More than sixty organizations have endorsed the proposal to create a \$20 million housing trust fund for the City. Newly re-elected Mayor John Street is on record supporting the concept of a housing trust fund. The Daily News reported on October 22, 2003 that *“Neighborhood Transformation Initiative Director Patricia Smith said the administration ... likes the concept of a housing trust fund, and is looking into potential funding sources.”*

The Philadelphia Association of Community Development Corporations released a white-paper, *“A Philadelphia Housing Trust Fund: Ensuring a Future of Affordable Housing and Neighborhood Revitalization,”* that lays out the proposal and supporting evidence for Philadelphia to create a housing trust fund. The trust fund would create affordable housing to meet the needs of low

and moderate income Philadelphians, provide housing investment to revitalize distressed neighborhoods, and leverage additional outside resources.

The trust fund’s primary mission will be to support housing production—both rehabilitation and new construction—by nonprofit community development organizations, including partnerships with for-profit developers. At least \$15 million will be invested annually in housing production supporting both rental and homeownership housing. Households earning as much as 115% of the area median

## 2004 WINTER

Jersey City, New Jersey Affordable Housing Advocates Win Linkage Ordinance .....	4
Housing Trust of Sonoma County, California Releases Operating Guidelines .....	6
Delaware Housing Advocates Propose Five-Year Strategic Housing Plan for the State .....	8
Homeless and Housing Coalition of Kentucky Releases Report on Potential Revenue Sources for the State’s Affordable Housing Trust Fund.....	10

TIGER PRODUCTIONS



*Villas del Caribe and Casa Caribe, a 134-unit affordable rental housing complex developed by the Hispanic Association of Contractors and Enterprises.*

*continued on page 2*



News is published quarterly by the Housing Trust Fund Project, a special project of the Center for Community Change. The Center for Community Change is a national nonprofit which helps low-income people build powerful, effective organizations through which they can change their communities and public policies for the better.

The Housing Trust Fund Project operates as a clearinghouse of information on housing trust funds throughout the country and provides technical assistance to organizations and agencies working to create and implement these funds.

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**PHILADELPHIA** *continued from page 1*

income could be served, but a significant proportion of the funds will be set aside for households earning no more than 30% of the area median income. This investment will allow Philadelphia to increase housing production by at least 80%.

Supporting housing preservation will also be an important purpose of the housing trust fund. At least \$5 million each year will be designated for housing preservation programs, with a portion targeted toward existing or new developments or to neighborhoods where a community-based organization is working on a broader revitalization strategy. As many as 1,000 homeowners will be aided each year.

The housing trust fund will be administered by existing City housing agencies, with trust fund revenues coordinated with other housing and community development funding, to maximize impact. To ensure accountability and flexibility a nine-member Oversight Board will be appointed by the Mayor with approval of City Council. Members will come equally from three sectors: lower income residents and community based organizations; business and philanthropic organizations; and representatives at large, including community leaders, religious leaders, and public officials. The Board will set criteria for awarding trust fund dollars, review trust fund awards, review trust fund program priorities, issue a public report on the fund's accomplishments, and seek private sector support to leverage the fund.

The proposal outlines several po-

tential revenue sources which include:

- **Inclusion in the State's Act 137 Document Recording Fee.** Philadelphia is currently the only county excluded from participation in the state's Optional County Affordable Housing Trust Fund Program. An amendment to this state legislation would enable Philadelphia to join 51 other counties in the state that have opted to take advantage of the legislation that enables county commissioners to approve a doubling of the County's document recording fee. Adding a \$30 surcharge to deed and mortgage recording fees in Philadelphia would raise up to \$5.5 million per year.

- **Existing Real Estate Transfer Tax.** Philadelphia has experienced a substantial windfall in revenues from its real estate transfer tax. Tapping 10-15% of the existing transfer tax revenues could raise as much as \$14.9 million per year; and

- **State Housing and Redevelopment Assistance Appropriation.** Pennsylvania increased the state Housing and Redevelopment Assistance appropriation from \$15 million to \$25 million in FY2004 and Governor Ed Rendell has committed to an increase to \$50 million a year statewide by FY2006. Philadelphia's share could add another \$5 million to the housing trust fund from the \$10 million increased appropriations that Philadelphia could receive.

Together these sources could raise more than \$25 million annually in

**FUNDING**

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new revenue for affordable housing in Philadelphia.

While Philadelphia's housing needs are immense, the City has put very little of its own resources into housing production. Relying almost entirely on federal resources, the City has witnessed a decline of more than 60% in the city's housing production investment over the last decade. The City could both leverage existing state funds better and gain access to additional funds, such as the Brownfields for Housing Program, which is used to match the Optional County Affordable Housing Trust Fund Program.

Philadelphia's Neighborhood Transformation Initiative focuses on eliminating blight and preparing land for redevelopment and has brought renewed attention to the need for more resources for housing production. In its second year,



*Rehabilitation of a vacant home in North Philadelphia is part of an 18-unit affordable homeownership initiative by Project H.O.M.E. Philadelphia has approximately 30,000 vacant buildings.*

the Initiative has made it clear that additional resources must be found to make it possible to build affordable housing on the vacant land being acquired and prepared for redevelopment.

The Coalition's proposal for a housing trust fund presents a complete

outline of the components for a successful trust fund. While to succeed, they will need to secure both state legislation and the city's approval, the broad-based support for this initiative demonstrates the timeliness of this campaign. ■

Contact: Sue Sierra, Philadelphia Association of CDCs, P.O. Box 22641, Philadelphia, PA 19110 (215-732-5829).

## Organizations Endorsing the Philadelphia Housing Trust Fund

ACORN Philadelphia  
Advocate CDC  
Asociacion de Puertorriquenos en Marcha  
Beneficial Savings Bank  
Better Days  
Blueprint to End Homelessness  
C.O.L.T. Coalition  
Commerce Bank  
Community Design Collaborative  
Community Ventures  
Consumer Counseling Credit Services  
Diamond Associates  
Dignity Housing  
Eastern Philadelphia Organizing Project  
Eighteenth Street Development Corporation  
Fair Hill Burial Ground Corporation  
Fern Rock-Ogontz-Belfield CDC  
Frankford CDC  
Friend's Rehabilitation Program  
Greater Olney Circle of Friends CDC  
Greater Philadelphia Urban Affairs Coalition  
Group G. LLC  
Habitat for Humanity Philadelphia  
Hispanic Assoc. of Contractors and Enterprises

Homeless Advocacy Project  
Homeownership Counseling Association of the Delaware Valley  
Horizon House, Inc.  
Housing Alliance of Pennsylvania  
Impact Services Corporation  
Inglis Housing Corporation  
Inter-Community Development Corporation  
Kensington Action Now/Kensington Area  
Revitalization Project  
Kensington South CDC  
Korean Cmty. Development Services Center  
Local Initiatives Support Corporation  
Mayfair CDC  
Mt. Airy USA  
Natl. Congress for Cmty. Econ. Development  
New Kensington CDC  
Nicetown CDC  
Nueva Esperanza, Inc.  
Office for Community Development-Archdiocese of Philadelphia  
Ogontz Avenue Revitalization Corporation  
Pennsylvania Environmental Council  
Pennsylvania Horticultural Society

People's Emergency Center CDC  
Philadelphia Area Jobs With Justice  
Philadelphia Chinatown Development Corp.  
Philadelphia Higher Education Network for Neighborhood Development  
Philadelphia Workforce Development Corp.  
Philadelphians Concerned About Housing  
PNC Bank  
Project H.O.M.E.  
Roxborough Development Corporation  
Sherick Project Management, Inc.  
Snyderville CDC  
Society Created to Reduce Urban Blight  
South of South Neighborhood Association  
South Philadelphia H.O.M.E.S.  
Southwest CDC  
Sovereign Bank  
The Partnership CDC  
United Communities CDC  
Universal Companies  
West Oak Lane CDC  
Wilson Associates, Inc.  
Yorktown CDC

# Jersey City Affordable Housing Advocates Win Linkage Ordinance

The Jersey City Affordable Housing Coalition, ACORN, and others have succeeded, after nearly three years of hard work, in convincing City Council to pass a linkage ordinance for the City. The ordinance will be the foundation for an affordable housing trust fund to provide resources for affordable housing development throughout the City. The ordinance, passed in October of 2003, will require all developers who receive tax abatements from the City to pay linkage fees into the affordable housing trust fund.

Residents of Jersey City, situated across the Hudson River from New York City, have watched the City's waterfront be redeveloped into luxury housing and commercial meccas. Yet the residents of low and moderate-income neighborhoods have seen little benefit as their rents increase.

There had been an informal policy encouraging developers to make payments in exchange for tax abatements. Funds raised were used to support affordable housing. However, when development pressures increased, the City allowed these funds to be used for more than affordable housing. Thus, the linkage ordinance not only creates a formal requirement, but ensures the funds will be used for affordable housing needs in Jersey City.

The Jersey City Affordable Housing Coalition was created in 1997 as a coalition of nonprofit developers, tenant advocacy groups, social service providers and banks. In December 2001, the Jersey City Affordable Housing Coalition, ACORN and others began to negotiate with the soon-to-be Mayor Glenn Cunningham, to build support for the linkage ordinance.

Jersey City ACORN approached developers undertaking major commercial or luxury housing projects to develop a pilot project. Not finding any takers, they announced a major action at a city council meeting to block the vote for a tax abatement proposal. The result—fifty units of affordable housing are being developed in conjunction with a major commercial project as a demonstration project.

During a mayoral candidate forum with 350 low and moderate income people watching, candidates were asked to sign a document indicating their support for a linkage ordinance. The only candidate that signed won the election—Mayor Glenn Cunningham. Nine months after taking office, he signed an executive order requiring developers building luxury homes or commercial developments to develop affordable housing. But this was not an ordinance, and housing advocates wanted more structure and concrete requirements.

In August, Mayor Cunningham introduced the ordinance which passed City Council on an eight-to-one vote. The ordinance requires builders receiving tax abatements from the City to provide to the trust fund \$1,500 per market-rate residential unit, \$1.50 per sq.ft. for commercial developments, and \$0.10 per sq.ft. for industrial space. Urban renewal developers that incorporate 15% or more of their units as affordable to low and moderate-income households are exempt from the requirements. One



*The Jersey City Episcopal Community Development Corporation provides after school programs, new housing, and recreational opportunities for seniors. In its third year of operation, JCECDC administers three affordable housing projects and renovates and builds houses for sale to low and moderate income families.*

third of the linkage fee is due by the date of the financial agreement; another third due by issuance of the construction permit; and the final third by the date of any certificate of occupancy. Any late payments are due with interest.

All linkage fees are placed into the Affordable Housing Trust Fund and can be used solely for the rehabilitation or construction of low or moderate-income affordable housing. With this victory, the Jersey City Affordable Housing Coalition, ACORN and others now have two tasks before them: improve the linkage ordinance and establish and implement the Affordable Housing Trust Fund itself.

Even before the passage of the ordinance, the Coalition wrote a letter to Mayor Cunningham thanking him for his role in getting the ordinance underway and suggesting ways the ordinance could be improved. These include:

**(1) Increase the developer’s contribution requirements.** The Coalition points out that the State’s Council on Affordable Housing proposed regulations released this year recommends doubling developer fees collected and suggests that the proposed linkage fees in Jersey City be doubled accordingly.

**(2) Clarify the mechanics of the Affordable Housing Trust Fund.** The Coalition calls for specifics to be developed controlling how the funds would be distributed, including what types of projects would be funded; who would have the authority to distribute the funds; and what process would be used for making decisions about the awards made.

Jersey City, New Jersey Housing Affordability for Renters			
Two-Bedroom Apartment			
Fair Market Rent	Income Needed to Afford	Percent of Renters Unable to Afford	Hourly Wage Needed to Afford
\$1,061	\$42,440	54%	\$20.40

*Source: Out of Reach, National Low Income Housing Coalition.*

**(3) Share information about the distribution of the Affordable Housing Trust Fund with the public.** In the past, the use of funds collected from developers was not customarily public information. The Coalition would like for the activities of the Affordable Housing Trust Fund to be completely transparent.

**(4) Require inclusionary development.** The Coalition believes builders of market-rate housing should also be required to set aside at least 10% of their developments for low income households to ensure that affordable housing is part of Jersey City’s future.

**(5) Increase the exemption threshold.** The Coalition also asked that the set-aside for urban renewal developers of 15% affordability be increased to at least 20% before developers are able to obtain an exemption.

**(6) Ensure compliance with COAH regulations.** The State’s Council on Affordable Housing has developed regulations for monitoring housing trust funds created in municipalities throughout the state.

The Coalition believes these rules should be incorporated into the ordinance.

Reportedly, some members of City Council are open to revisiting the ordinance and considering some of the recommendations of the Coalition. To further its campaign, in October, the Jersey City Affordable Housing Coalition held an affordable housing event and used the forum to urge consideration of their recommendations to improve the ordinance. They are also developing recommendations for the administration and operation of the Affordable Housing Trust Fund. ■

Contact: Veronica Sutton, Jersey City Affordable Housing Coalition, c/o Urban League Affordable Housing & CDC, 253 Martin Luther King Drive, Jersey City, NJ 07305 (201-451-8888).

# Housing Trust of Sonoma County, California Releases Operating Guidelines

The Sonoma County Housing Coalition, the Community Foundation of Sonoma County, and the Marin Community Foundation have come together as partners to create the Housing Trust of Sonoma County. Beginning in 2001, more than 80 housing interests in Sonoma County began to explore how to best address affordable housing needs in the county. The effort includes representatives from businesses, unions, faith-based organizations, nonprofit and for-profit developers, environmental groups, housing advocates, and foundations.

From these explorations, the Sonoma County Housing Coalition Consensus Council was formed and agreed to establish a housing trust fund in Sonoma County. In the summer of 2003, the Sonoma County Board of Supervisors allocated \$1 million for affordable housing activities, of which \$250,000 is a set-aside for Consensus Council projects. The Housing Trust of Sonoma County has been established as a 501(c)(3). And now, the Consensus Council has just released its strategies for governance, funding, and programming through the publication of *“Housing Trust of Sonoma County: Funding Affordable Housing, Investing in Community—Operating Guidelines.”*

The goal of the Housing Trust of Sonoma County is to raise and distribute funds to increase the number of permanently affordable housing units in the County. The Housing Trust will:



BURBANK HOUSING DEVELOPMENT CORPORATION

*Bellevue Ranch contains 54 self-help homes in Santa Rosa. The development was sponsored by the Burbank Housing Development Corporation. Since 1980, BHDC has developed more than 2,000 units of housing.*

- Design programs that can assist employers and other organizations to utilize directed-housing funds from contributing providers.
- Develop lending programs that provide predevelopment funding for projects including short-term development assistance for activities such as site control, technical assistance, site acquisition, and project feasibility.
- Develop financing programs that will support an expanded supply of affordable housing options in Sonoma County.
- Assist in the development of permanent local funding sources for the Sonoma County Housing Trust, including government and business funding.

To address the most critical needs, 30% of funds will be used for rental housing affordable to very low and low income households; 25% for special needs housing, such as facilities serving the homeless and very

low or low income youth or individuals living with disabilities; and 25% to low, very low, or moderate income homeownership. The remaining 20% would be allocated among these three areas based upon written criteria, including the specific needs for housing funds and the delivery of available housing units within a given year.

Potential funding sources that will be explored for the Housing Trust of Sonoma County include:

- One or more tax measures on the ballot which would be dedicated to funding the Housing Trust of Sonoma County;
- Expanded use of the real estate transfer tax—this could mean an increase in the rate at which the tax is levied on home sales and/or an expansion of the tax to include all commercial real estate transfers;
- A housing impact fee;
- A portion of the existing or an

increased Transient Occupancy Tax (hotel/motel);

- A Jobs-Housing Linkage fee;
- Opportunities for corporate and private donations;
- Increase the redevelopment tax increment set-aside beyond the 20% minimum; and
- New or increased housing in-lieu fees.

The Housing Trust will also be capable of accepting directed funds from the private sector within the general goals of the Trust.

The Housing Trust of Sonoma County has created an initial 12-member Board that can potentially be expanded to a full complement of 21 trustees. Representation on the Board includes seven members from the private sector: two from the Consensus Council; one each from the business community, the nonprofit housing community, labor, the environmental community; and an at-large appointment. Public sector representation will include five appointments: three members from the entitlement jurisdictions of Sonoma County, Santa Rosa, and Petaluma, and two members from the Sonoma County Mayors and Council Members' Association.

The Board will establish an initial goal for funding for its first ten years of operation. The Housing Trust will also compete for funds from the state's Local Housing Trust Fund program. The Board intends to establish a Technical Advisory Committee to make funding recommendations to the Board of Trustees.

The vision for the Housing Trust of Sonoma County is that it would coordinate financial resources of public and private sector entities

## Petaluma Passes Linkage Ordinance

Petaluma, California is the first city in Sonoma County to pass a linkage ordinance and create a local housing trust fund. On December 1, 2003, the City Council voted 6-1 to enact a Jobs-Housing Linkage fee in Petaluma. Many environmentalists, labor leaders, housing advocates and neighborhood activities witnessed the vote and gave the Council a standing ovation.

The Jobs-Housing Linkage fee is a per square foot impact fee on new commercial development that is intended to help build homes for working families unable to live in Petaluma. The fees will be implemented in January 2005 but will be phased in through January of 2007 when the full fee will be: \$2.08/sq.ft. for commercial space; \$2.15/sq.ft. for industrial space; and \$3.59/sq.ft. for retail space. Developers can agree to provide affordable housing in some other way approved by the City and receive a credit against the total amount of fees they owe.

Prior to its enactment by City Council, the Council decided to seek the opinion of the local Chamber of Commerce about the proposed linkage ordinance. Although many reportedly expected the Chamber to squash the idea, they did not. Instead they proposed conditions, including: that the fee be phased in over three years and be levied at 50% in redevelopment areas. With the Chambers support, it was clear that affordable housing is seen as vital to Petaluma's future.

Funds collected through the Jobs-Housing Linkage fee will be used to implement the City's adopted Housing Element and will be used for the development of affordable rental or owner-occupied housing for households earning between 80-100% of the area median income. Eligible activities may include: acquisition, pre-development costs, construction, rehabilitation, subsidy, counseling or assistance to other governmental entities, private organizations or individuals to expand affordable housing opportunities. The funds may be distributed as equity participation loans, grants, predevelopment loan funds, participation leases, loans to develop affordable housing or other public/private partnership arrangements.

The City of Petaluma currently uses 20% of its Redevelopment set-aside funds; a housing in-lieu fund; Community Development Block Grant and HOME funds for affordable housing. However, even with these available sources of revenue for housing, the projected gap in revenue over the next ten years to address the City's housing needs is \$137 million. Over the next ten-year period, it is projected that the Jobs-Housing Linkage fee could help address nearly \$11 million of that need.

Housing advocates have pledged to work to make sure that Petaluma is not the only city in Sonoma County with a jobs-housing linkage ordinance in place.

interested in addressing the critical, regional need for affordable housing. The Housing Trust will encourage a collaborative approach among the cities, the County, nonprofits, the private sector, and

the community at-large in resolving the housing crisis in the County. ■

Contact: Sonoma County Housing Coalition, P.O. Box 402, Santa Rosa, CA 95402 (707-573-4916) [www.schousingcoalition.org](http://www.schousingcoalition.org).

# Delaware Housing Advocates Propose Five-Year Strategic Housing Plan for the State

A coalition of financial services and nonprofit housing community organizations has come together in Delaware to propose a Five-Year Strategic Housing Plan. Their timing could not be better. Not only has Delaware been unable to meet the demand for affordable housing, but the state finds itself in the enviable position of a budget surplus ... \$242 million by the latest estimate.

The proposal is in the form of a letter to Governor Ruth Ann Minner asking her to advance the proposed five-year plan to address the affordable housing crisis in Delaware. To bolster their arguments, the group has engaged the School of Business at the University of Delaware to produce an economic impact report on the beneficial effect of an increased investment in affordable housing in Delaware.

The state's Housing Development Fund (a housing trust fund supported through document recording fees) has been seriously underfunded, relative to the need, since 1986. The Five-Year Strategic Housing Plan proposes three elements to address the affordable housing crisis in Delaware. These include:

**I. Increased Housing Funds from the Current Available Surplus.** A special cash infusion of \$25 million allocated over two years into the Housing Development Fund from the surplus funds that have become available to the state this year.



*This affordable housing development in Wilmington is one of many that NCALL has provided technical assistance to. NCALL assists locally based nonprofit housing sponsors to develop multi-family housing serving low and very low income persons.*

**II. Enhanced and Dedicated Revenue Source for the Housing Development Fund.** Last year, the Housing Development Fund received \$3.4 million—the lowest amount in more than ten years. With an initial \$4 million in FY2005, rising to a level of \$20 million annually by the fifth year, more than \$17 million would be added to the Housing Development Fund expenditures over five years.

**III. Strategic Use of Funds to Address Critical Needs.** Five measures are proposed to ensure that available funds are used to address the most critical housing needs in the state. These include:

- *Homes for Families: Capital grants for new very low-income housing production and permanent affordability.* The Homes for Families measure dedicates funds to be used over the next five years to provide capital grants primarily to

nonprofit developers to eliminate debt service on a proportion of units in new rental communities. This measure has the merit not only of making these units affordable for very poor families through a one-time grant, but also helps to eliminate some debt service on the entire project. Public funds go directly to base housing costs, rather than helping to pay interest.

- *Livable Towns and Cities: Funds for housing and neighborhood renewal in municipalities.* This measure establishes a new statewide housing component to complement and enhance the Governor's Livable Delaware Initiative, support the revitalization efforts of Delaware's mayors and municipal leaders, and create affordable homeownership options within Delaware's towns and cities that will encourage future business growth in these areas. The Livable Towns and Cities fund is for use by the Dela-

ware State Housing Authority to help underwrite the cost of acquiring, renovating and reselling vacant land and seriously deteriorated single family homes within Delaware's municipalities.

• **Promoting Homeownership: Down payment, settlement, and homeownership counseling aid.**

This measure recognizes and supports the network of homeownership programs that allow these households to achieve and maintain the dream of homeownership. It gives even more Delaware families the financial support to become first-time homebuyers and fosters the knowledge and skills needed to keep and maintain this major life investment, including consumer education, counseling to reduce debt, and help securing loans.

• **Affordable Rental Housing Production: Low income housing tax credit program and housing preservation.**

The low income housing tax credit program is the only major source of funding to produce moderately affordable rental units. In addition, it has recently become the primary resource for preserving existing affordable rental housing with federal subsidies. Funds to meet this need should be secured over the long term.

• **Innovative Housing Initiatives: Flexible funds for special purposes.**

There are a number of immediate and proposed special uses of funds that could be supported through this measure. They include: single-room occupancy housing for poultry workers in the Georgetown area; existing and new manufactured housing communities that need infrastructure and financial help to create cooperatively run ventures;

the Delaware Rural Housing Consortium; community land trusts; unexpected critical housing situations; and housing needs of special populations.

While the Five-Year Strategic Housing Plan proposes bold programs for the state, it is equally confident in demonstrating why the State should agree. As the letter states, the proposed plan is "... *simple and geared to the greatest identified needs. The amounts proposed are modest in light of real dollar needs. It balances urban and rural concerns, as well as promoting both affordable homeownership and rental housing. The additional funds provide a flexibility in meeting needs that has been missing from the HDF for several years. What is more, these funds will have a double impact, meeting needs that will only get*

*worse and cause compounded problems in the long term, while also contributing greatly to our economy."*

The letter is signed by representatives from the West End Neighborhood House; Deutsche Bank Trust Company, Delaware; MAK Associates; NCALL Research, Inc.; Fannie Mae, Northeast Region; Interfaith Housing Delaware, Inc.; the Delaware Housing Coalition; and J.P. Morgan Chase. ■

Contact: Ken Smith, Delaware Housing Coalition, P.O. Box 1633, Dover, DE 19903-1633 (302-678-2286).

### Housing Development Fund Five-Year Allocations

#### Source of Funds (in millions)

	Fiscal Year				
	2005	2006	2007	2008	2009
Current HDF Allocation (projected)	\$3.4	\$3.4	\$3.5	\$3.5	\$3.6
Additional Fund Proposed for HDF	\$0.6	\$2.6	\$3.5	\$4.5	\$6.4
Commitment of One-Time Funds	\$13.0	\$12.0			
Total Annual HDF Fund	\$17.0	\$18.0	\$7.0	\$8.0	\$10.0

#### Uses of Funds

	Fiscal Year				
	2005	2006	2007	2008	2009
Homes for Families	\$2.0	\$6.0			
Livable Towns and Cities	\$1.0	\$1.0	\$2.0	\$2.0	\$2.0
Promoting Homeownership	\$1.0	\$1.0	\$1.0	\$1.0	\$2.0
Rental Housing Production	\$12.0	\$9.0	\$3.0	\$4.0	\$4.0
Innovative Housing Initiatives	\$1.0	\$1.0	\$1.0	\$1.0	\$1.0
Total Annual Investment (proposed)	\$17.0	\$18.0	\$7.0	\$8.0	\$10.0

# Homeless and Housing Coalition of Kentucky Releases Report on Potential Revenue Sources for the State's Affordable Housing Trust Fund

The Homeless and Housing Coalition of Kentucky has just released its report, *“Keeping the Promise: A Report on the Need for New Dedicated Revenue Sources for Kentucky’s Affordable Housing Trust Fund.”* The report comes at a time when it is not at all clear that the state is willing to fulfill its promise to provide housing affordable to very low-income Kentuckians. The Affordable Housing Trust Fund lost its key source of funding in the 2003 General Assembly session when the unclaimed lottery funds were diverted away from the Trust Fund. Now, there is the challenge of finding another dedicated source of funding.

The Kentucky Affordable Housing Trust Fund was created in 1992 to address the unmet housing needs of the poorest citizens of the Commonwealth. In its early years, the Fund received only \$200,000 in appropriated funds to match the Kentucky Housing Corporation’s Housing Assistance Fund for a total of \$400,000 annual funding.

In 1998, however, a broad-based coalition, which included Kentucky’s Home Builders’ Association, the Kentucky Bankers’ Association, the Kentucky Manufactured Housing Institute, the Kentucky Association of Realtors, and the Mortgage Bankers Association, along with the Homeless and Housing Coalition of Kentucky, worked with the State Housing Policy Advisory Committee and recom-

mended an increase in the deed transfer tax combined with a surcharge on the registration of deeds. However, a new source of revenue, annual unclaimed lottery awards, was substituted for the Committee’s recommendations and any unclaimed lottery revenue above \$6 million was appropriated to the Affordable Housing Trust Fund. These funds contributed between \$2.5 and \$5 million annually to the Trust Fund. During 1998 to 2002, the Kentucky Department for Mental Health and Mental Retardation Services also contributed \$800,000 annually for housing for the very low-income with serious mental illness, mental retardation and developmental disabilities.

The 2003 Kentucky General Assembly diverted these funds away from the Trust Fund in response to the economic recession and state fiscal woes. Through an expression of bipartisan support for the Trust Fund, \$3 million was appropriated to the Fund. Regardless, the signal is clear ... a dedicated source of public funding for the Affordable Housing Trust Fund is the only way to ensure on-going revenues to address critical housing needs in the State. The Coalition’s report presents a very strong case for doing just this.

In the nine years of its operation, the Affordable Housing Trust Fund has created more than 4,500 new or rehabilitated affordable housing units with an investment of \$23

million. Of those units, 62% benefited Kentuckians living below the poverty level. Every one dollar from the Affordable Housing Trust Fund has leveraged an average of seven dollars from other sources bringing an additional investment of more than \$153 million into the state for affordable housing. This housing is located in 104 of the state’s 120 counties.

The report presents a compelling argument for a dedicated source of revenue as the missing link in how the state could address its critical housing needs.

Those providing this housing identify four key advantages of the Affordable Housing Trust Fund for their work:

- The AHTF provides the missing piece that makes projects work.
- The AHTF allows housing providers to leverage diverse funding sources.
- The AHTF provides the additional subsidy to reach the lowest income households.
- The AHTF is flexible and can be used in a range of areas within a project, allowing the provider to determine where the funds are most needed.

Second, there is a healthy infrastructure of nonprofit housing enterprises in rural and urban areas of the state, as well as, a core of private developers willing to invest in affordable housing. They are capable of coordinating housing,

homeless and special needs service providers, along with local governments. The state can boast a progressive State Housing Finance Agency. And the state has an excellent history of nonprofits able to set aside their own issues and work to advance the goal of addressing critical housing needs.

The report also addresses some concerns that have been expressed about dedicating state revenue to support the Affordable Housing Trust Fund.

*(1) Housing-based dedicated revenue sources wrongly single out one industry for a wider social problem.* The study provides comparative information from South Carolina, which increased its transfer tax in 1992 to create a state housing trust fund. Evidence from the state shows that

throughout the period from 1992 to present, the state has consistently outperformed the nation in existing home sales.

*(2) Most of the benefit from the Affordable Housing Trust Fund goes to nonprofit builders and developers.* Using the Department of Commerce's Regional Input/Output Modeling System II, the total investment in affordable housing since 1994 from the Affordable Housing Trust Fund has led to the creation of 15,773 jobs and produced more than \$96 million in wages. The total increase in economic output attributable to funded projects is estimated at nearly \$360 million.

The report concludes that by creating real opportunities for homeownership, the state contributes to

capital accumulation and by creating affordable rental housing, resources are freed for investment in education or in health care. By investing in housing, the state is creating jobs and revenue.

The report actually estimates what kind of investment would be required to address the current affordable housing needs in the state and concludes that the challenge for the Affordable Housing Trust Fund is to meet 5% of the gap in low-income housing resources—slightly more than \$9 million. To meet this goal, the report examines three potential dedicated sources of revenue:

- **Deed Transfer Tax.** The current tax on the transfer of a deed when the title to real property is transferred is \$0.50 per \$500. Raising this to \$0.70; \$0.80; or \$1.00 per

*continued on page 12*

## Kentucky Affordable Housing Trust Fund

The Kentucky Housing Corporation has just released a pamphlet entitled, "Improving Lives . . . Promoting Progress" that outlines the importance of supporting the state's Affordable Housing Trust Fund.

The three-fold 11x17 layout tells the story of 70 year old Verla Frazier in Clay County who has been able to reduce her monthly heating costs by a third when the Affordable Housing Trust Fund supported the Daniel Boone Development Council's rural rehabilitation work. And tells the story of Rebecca Moberly in Madison County whose life has flourished through the work of Habitat for Humanity. Not realizing she could ever own a home on her own for herself and young daughter, she now feels part of a community and pride for her contribution to the street she lives on. And Robert Brown of Lewis County's story who has moved from homelessness to self-sufficiency in his own apartment, with the help of People's Self-Help Housing. Through courses and other services, he hopes to complete his GED and improve his computer skills enough to work in an office.

The brochure gives a quick visual overview of the success of the Affordable Housing Trust Fund and reviews the funding it has received from the state since 1994. An overview of poverty in Kentucky and a summary of existing housing needs underscores the need for a well-funded state housing trust fund. Fourteen percent of Kentucky's population lives below poverty, including one in five of its children.



\$500 would raise a low of \$4.6 million to a high of \$11.60 million for the Affordable Housing Trust Fund. At maximum, it would add no more than \$105 to the closing cost of a median existing home in Kentucky.

- **Revision of Deductibility of Mortgage Interest.** Because the mortgage interest deduction is such a large housing subsidy, as revenue forgone by government, the report suggests a re-evaluation of this policy. Kentucky extends parallel deductions to payers of the Kentucky income tax who itemize. If itemizers were allowed to deduct 95% instead of 100% of their mortgage interest, it would raise nearly

\$8 million for the Affordable Housing Trust Fund. The average reduction in tax subsidy would range from \$7.00 to \$64.00.

- **County Clerk's Legal Processes Fees.** The state currently authorizes counties to collect taxes on five registrations: marriage licenses; powers of attorney to convey real or personal property; mortgages, financing and security agreements; conveyances of real property (deeds); and liens and conveyances of mineral rights. All fees are currently \$3.00, except for marriage licenses for which the fee is \$3.50. In 1982, a \$10.00 surcharge was added to registration of marriage

licenses to support a spouse abuse shelter fund. Following this example, a \$10-20.00 surcharge to each deed registered would raise from \$1.8-\$3.7 million annually for the Affordable Housing Trust Fund.

By presenting this report to the State, the Homeless and Housing Coalition of Kentucky offers a tremendous opportunity for Kentucky to do good on its promise. ■

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