



## Housing Subcommittee Proposal

### The Establishment of Regional Housing Trust Funds and Creating a Regional Affordable Housing Funding Program

#### **Overview**

Housing is one of the most consequential equity issues in California today. Housing in itself impacts a wide range of political, public health, and socioeconomic issues. To best address the ongoing crisis, Contract Cities calls for a local yet regional solution that focuses legislation on improving financing for affordable housing development. The Contract Cities' Housing Proposal (Proposal) would require all local governments to participate in a regional housing trust fund. Additionally, the Proposal would establish guidelines for a new tool that local governments can utilize with other local governments in a regional housing trust fund to spur affordable housing in their region.

The Proposal would mandate each local government to participate in a regional Housing Trust Fund. Housing Trusts are defined by California Health and Safety Code Section 50842. These Housing Trusts will be governed and provide oversight by local governments to a regional body, such as a joint powers authority and/or a council of government. Housing Trusts are not new concepts and have been in existence for years, allowing for regional collaboration to fund affordable housing developments.

The second component of the Proposal is the establishment of a Regional Housing Needs Assessment (RHNA) Exchange Program (Exchange). The Proposal sets up standards and guidelines for local governments in a regional Housing Trust to collect fees and fund local affordable housing projects in the region. This would be accomplished by an exchange of funding for RHNA between local governments participating in the Exchange. The Exchange is independent of the mandate; however, it does not require a local government to participate in the exchange. The Exchange is voluntary and would require a local government to agree to the terms of the program before participating in the Exchange.

The Exchange would require that each participating local government would pay a reoccurring fee into the Exchange. The fee would be defined by the Housing Trust as any monetary contribution that a local government would contribute, such as existing impact fee and/or general fund contribution, or an agreement to participate in a regional affordable housing impact fee collection that would be established by the Housing Trust. The Housing Trust would account for each contribution made by each local government. These fees would then be used to support new affordable housing project in the region through a tiered funding system set up by the Housing Trust and as outlined by the Proposal. A base funding would be provided by the local government where the affordable housing project applicant is located, followed by a base funding from each agency participating in the Exchange.



If additional funding is needed to move the applicant's project forward, the applicant's city of jurisdiction may request additional funding from other local governments in the Housing Trust. Only participating agencies in the Exchange may be allowed to answer the request, notwithstanding limits and restrictions set by the Proposal and each regional Housing Trusts, and if a city of jurisdiction agrees to the terms. The city of jurisdiction has the right to reject the offer.

A continuous and sustainable source of funding is needed to accelerate the production of affordable housing. Existing efforts, including inclusionary zoning requirements, often face lackluster success in generating affordable housing, especially in an attempt to create mixed-income projects. The goal of the Proposal would help expand the supply of funding for affordable housing and expand the housing stock. Moreover, it would create more successful opportunities for local governments to address equity in housing and meet the objectives of RHNA.

## **Objectives**

- I. Preserve existing affordable housing
- II. Create new affordable housing
- III. Support local government's efforts with Regional Housing Needs Allocation
- IV. Address the needs of individual local governments

## **The Proposal**

### **I. Mandate**

Requires all local governments to participate in a regional Housing Trust Fund. Existing statute governing Housing Trust Funds would remain the same, allowing a trust to seek funding for affordable housing programs by bonding for money, providing loans, and seek other funding sources, including public and private funding that would support affordable housing.

A region would be defined as two or more jurisdictions that would share common characteristics, including but not limited to a contiguous border, proximity to another city, planning, or shared issues of mutual concern. The ultimate goal of the definition is to align regions with existing council of governments. Local governments do not necessarily have to create a trust through a joint power agreement, as some local governments have elected to create a non-profit benefit corporation to support these activities.



## II. Program

By establishing a regional Housing Trust Fund, local governments, as member agencies of a regional body, would be allowed to establish an affordable housing funding exchange program and collect a regional housing development fee:

- A. Allow for the creation of a regional affordable housing fee that would apply to all member agencies participating in the exchange program. A fee should be equitably weighted amongst participating members in the exchange program. A fee could be interpreted as, but not limited to:
  1. An impact fee that is charged on all new market rate residential and/or commercial developments (i.e., per square footage fee, in-lieu fees, etc.).
  2. A reoccurring monetary contribution from member agencies with existing local affordable housing impact fee or general fund dollars that can be equally weighted to the contributions of participating member agencies.
- B. If a fee is established by a regional body, member agencies may voluntarily participate in the exchange program. Member agencies are not required to participate in the program.
- C. Authorize the regional body to collect the fees from member agencies, provide accounting of fees collected by each local government, and administer funds for qualifying projects.
- D. Establish a formula for qualifying affordable housing projects to receive funds from the Trust Fund.
- E. Establish a secondary funding formula for local governments to receive additional funding from the Trust, based on a member agency's contributions (shares) of Trust Fund dollars and create a "cap and trade" exchange funding program between local governments, based on a rate of RHNA for "x" dollars.
- F. Affordable housing multi-family developments would be exempt from the regional impact fee.

- III. Projects must meet a minimum percentage of affordable housing units, as established by the regional body, would be granted expedited CEQA Review.



## IV. Requirements for Funding an Affordable Housing Development

Regional bodies, in partnership with member agencies, may establish additional guidelines to expand the success of the program and are in addition to the guidelines set forth below:

- A. Funding would be available to all types of projects, including but not limited to city-built projects, private development projects, public-private partnerships.
- B. A regional body, in partnership with member agencies, may establish a list of compatible affordable housing projects that would qualify for funding from the Trust Fund, including but not limited to front-end costs for new affordable projects, mixed-use developments, accessory dwelling units, for-rent, for-sale, and projects in inclusionary zoning.
- C. Projects must meet local development standards, local housing elements, and zoning requirements, as established by a member agency's jurisdiction, including but not limited to objective design standards, heights, and F.A.R ratio.
  - 1. Project applicant can only receive funding from the Trust program through a request made by a member agency where the project is located.

## V. Funding Formula Requirements and Processes

- A. Each project applicant may qualify for a tiered-base funding, which consist of a base-layer funding from an applicant's city of jurisdiction, followed by a nominal contribution from other member agencies in the Exchange program. If additional funding is needed to meet the project costs for affordability, a project applicant and the city of jurisdiction may request additional funding from other member agencies in the Exchange through an exchange of RHNA numbers.
- B. A base amount of funding shall be centered on certain criteria, established by the regional body, which would encompass the following requirements:
  - 1. Must meet a minimum percentage of a member agency's share of RHNA, specifically for low- to very low-income housing.
    - a. A formula for project funding would be based on, but not limited to:
      - a. A base percentage of the member agency's shares of Trust Fund dollars (i.e. 20% of the member agency's Trust Fund dollars).



- C. A second set of funding will be based on other Exchange member agencies' share of Trust Fund dollars, less than the member agency's shares (i.e. 5% each).
1. Establish a minimum and maximum limit to funding, based on a per-unit limit (i.e. project can receive funding for up to 20% of an affordable housing unit's costs)
- D. A project may also seek additional funding from the Housing Trust Fund, specifically through a "cap and trade" exchange, if another member agency is willing to exchange its share of dollars from the Trust Fund, in exchange for a credit toward its RHNA.
1. The exchange of RHNA for funding will be created by the regional body based on a list of criteria that includes but not limited to:
    - a. Agencies participating in the Exchange must have built an "x" number of affordable housing units or percentage of their share of RHNA before they can participate in the RHNA Exchange.
    - b. Priority given to member agencies with a significant amount of unmet RHNA numbers.
    - c. Priority given to member agencies that have not participated in a recent project exchange.
    - d. Minimum RHNA count equated to a percentage of funding or a dollar amount (i.e., 1 RHNA for 10% of a unit's costs, or \$50,000).
    - e. Minimum and maximum limits to exchange RHNA. (i.e., Agencies can only contribute funding for up to 5 units)
    - f. All member agencies partied to the exchange must agree to exchange before funds can be accepted.
- E. The project applicant would be required to provide all necessary documentation to establish a project as an affordable housing development (i.e., covenants, etc.).



VI. CEQA Expedited Review

Projects that meet certain requirements, established below, would be granted, at a minimum, expedited CEQA Review.

- A. Meets qualifications established in California Code of Regulations 15192, 15193, and/or 15194, and
- B. Meets a city's zoning and objective design standards, and
- C. Provides a minimum percentage of affordable housing, as established by the regional body.

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