



Workforce Affordable Housing Committee

Toolkit

DRAFT 7/30/07

<p>Subject:</p>	<p>AFFORDABLE HOUSING TRUST FUNDS</p>
<p>Definition:</p>	<p>A local housing fund may be established as part of a locality’s affordable housing dwelling unit program to assist in achieving the affordable housing goals. The local housing fund may be a dedicated fund within the other funds of the locality, with any funds received to be used for achieving the affordable housing goals of the locality. (Section 15.2-2305 of the Code of Virginia)</p>
<p>Potential Benefits:</p>	<p>Money from the trust fund can be used for building or rehab, subsidizing low and moderate-income families' mortgages or rents, support non-profit housing organizations, and help finance construction of new housing.</p> <p>The trust fund can be tailored to a locality’s needs and interests, and should allow flexibility to adjust goals and priorities. For example, an initial program may subsidize low-income first-time homebuyers, but subsequent priorities may include purchasing land for affordable rental unit development.</p> <p>During 2007 Virginia General Assembly session, legislation was introduced to revitalize and fund the State’s Housing Trust Fund. This legislation provided that 25 percent of the fund would be used to provide matching funds to localities that have established a local housing fund and where such localities provide ongoing financial support to the local housing fund through the appropriation of local moneys. This legislation was a recommendation of the Virginia Housing Commission. Although the legislation did not pass, it is expected to be introduced again in the 2008 Session. If the State Housing Trust Fund is funded in the future, counties and towns with a local trust fund are likely to receive a larger distribution of state funds.</p>

<p>Considerations and Potential Costs:</p>	<p>Source of Funds - A trust fund earmarked for a community's housing needs can be made up of local general fund tax dollars, developers' contributions, repayments of CDBG loans, sale of municipal owned property, higher building permit fees, town and city capital budget appropriations, inclusionary zoning payments made in lieu of providing on-site units, and annual repayments of loans made by the housing trust fund.</p> <p>Public versus private funds – Some definitions of Housing Trust Funds include only funds from public sources. This excludes funds from corporations, foundations, or bank commitments.</p> <p>Dedicated funding sources – Many funds, on the state as well as local level, dedicate a continuing revenue source for the fund. A proposal in Prince William County, 'Penny for housing', for example, would allocate one cent of the property tax to the housing trust fund. Other revenue sources may include development proffers, other fees or taxes, retained interest or earnings from the trust fund, or interest and principal payments from trust fund loans. The benefits of a dedicated funding source are apparent, including the ability to plan for future needs, and avoiding the uncertainties of budget cycles.</p> <p>In addition to revenue sources, the trust fund should define the following:</p> <ul style="list-style-type: none"> ⇒ short-term and long-term goals and objectives ⇒ intended beneficiaries ⇒ eligible applicants ⇒ fund uses ⇒ who will administer the fund <p>Ease of administering the fund depends on the specificity of its design. Goals and objectives should define short-term and long-term purposes. It is also useful to prioritize the objectives.</p>
<p>Potential Barriers:</p>	<p>Section 15.2-2305 of the Code of Virginia, which authorizes establishment of a housing trust fund, specifies that it will be part of an affordable dwelling unit program, as defined in the section.</p> <p>Local opposition to a housing trust fund usually centers on the source of funding. There also may be differing opinions about priorities, target populations, and administration of the fund. Chances of success in establishing a trust fund can be enhanced by a well-structured proposal and backing of a broad coalition of community representatives, including businesses, housing advocates, and local government.</p>

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Examples and Best Practices:	<p>Arlington County supports an Affordable Housing Investment Fund, which provides low-interest secondary loans as an incentive for developers to provide affordable homes.</p> <p>Fairfax County reports that in its 15 year history, on average, every \$1 of housing trust fund money has leveraged \$7 from outside sources to create and preserve affordable housing.</p> <p>Note: Both Arlington and Fairfax Counties are H.U.D. “urban entitlement areas” and have access to additional sources of housing funding not available to the counties in PD 9. Also, their Affordable Dwelling Unit ordinances are regulated under a different section of the Code of Virginia.</p>
Further Information:	<p>Policy Link’s Equitable Development Toolkit provides a national perspective on developing and administering Housing Trust Funds.</p> <p>The Virginia Housing Coalition is promoting development of the State Housing Trust Fund.</p>