



CITY COUNCIL AGENDA REPORT

City of Anaheim HOUSING & COMMUNITY DEVELOPMENT DEPARTMENT

DATE: APRIL 2, 2024

FROM: HOUSING & COMMUNITY DEVELOPMENT

SUBJECT: DISCUSSION OF BENEFITS AND POTENTIAL STRUCTURE OF
A LOCAL HOUSING TRUST FUND

ATTACHMENT (Y/N): NO **ITEM # 11**

GOVERNMENT CODE § 84308 APPLIES: NO

RECOMMENDATION:

That the City Council, receive information regarding the benefits and potential uses of a Housing Trust Fund that may be used to expand the availability of affordable housing in the City; and by Motion, if appropriate, direct the Housing and Community Development Department to develop appropriate guidelines for the future adoption of a Housing Trust Fund for the City.

DISCUSSION:

As has been widely documented, the State of California has a statewide housing affordability crisis which also manifests at the local level. While the issue has received much media and political attention in recent years, it has been developing for decades. The shortage of housing stock is often cited as the root cause for rising housing costs, increased homelessness, and other social and economic problems.

Historically, the City of Anaheim (City), through a variety of programs and incentives, has provided a broad spectrum of housing options for persons who live and/or work in Anaheim. Since 1978, the City's efforts have resulted in the creation of over 6,000 units, both rental and homeownership, including 4,332 affordable units. In 2005, the City Council adopted the Affordable Housing Strategic Plan (the "Strategy"), which set a goal of constructing 1,200 affordable housing units for very low to moderate-income households. City staff met this goal and subsequently, the goal was adjusted to 2,700 units to be delivered in the period of 2009 through 2014. The City was well on track to meet and possibly even exceed that goal when a significant funding stream, the Redevelopment Housing Set-Aside fund, was eliminated.

On February 1, 2012, the State of California dissolved Redevelopment Agencies (RDA) in California. Prior to the dissolution, the City of Anaheim generally received approximately \$15 million per year from tax increment funds for affordable housing production. In the aftermath of the dissolution, there has been a dearth of resources to

continue affordable housing production at the scale that previously was possible. To put this into context, the only remaining, reliable source of funding for affordable housing production in the decade that followed dissolution of the RDA was the federal HOME Investment Partnerships Program (HOME). However, the HOME program also experienced a significant disinvestment during roughly the same period, that is, program funding was reduced by 50 percent between FY 2010 and FY 2016, such that the Anaheim allocation went from \$2,240,380 to \$1,067,408. For FY 2023, the City's HOME allocation is \$1,665,695.

Following significant industry advocacy to re-establish some sort of local recurring fund, State legislators passed the Building Homes and Jobs Act (SB 2, 2017), establishing a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. These funds established the Permanent Local Housing Allocation (PLHA) fund, which generates approximately \$3 million annually for Anaheim as of 2019. When combined with HOME funds, annual recurring sources of funds for housing productions total approximately \$4.6 million annually. The Anaheim cash contribution, also known as gap financing, based on the cost of two latest affordable housing developments, Finamore Place (completed in February 2023) and Mira Flores Apartments (expected to open in June 2024) is averaging \$6 million. Please note that there are additional City costs associated with the production of affordable housing such as site acquisition and environmental mitigation actions that are not part of the gap financing figure as these are generally incurred in advance of providing the soft financing assistance. It is also further noted that HOME funds can be used for various housing interventions and a large portion of these funds are presently committed to aiding persons exiting homelessness in the form of tenant-based rental assistance.

Local Need

There are presently over 30,480 households on the combined Anaheim Section 8 Housing Choice Voucher program waiting lists and over 4,122 households on the Affordable Housing interest list.

To better understand local needs, staff reviewed these housing waiting lists and ran affordability scenarios for two highly representative groups, seniors and low wage workers. According to the Social Security Administration, the average Social Security monthly income for a senior is \$1,767. Based on recent data available on Rent.com and Rent Café, the average rent for a studio in Anaheim is \$1,992.

The average rent for a one-bedroom apartment in Anaheim is currently \$2,055. For individuals working a minimum-wage job, or \$16/hour, assuming full time work, the average rent for a one-bedroom apartment represents 74 percent of gross earnings. For housing costs to be considered affordable, a household's total housing costs should not exceed 30 percent of household income, according to the U.S. Department of Housing and Urban Development.

Housing Trust Fund Background

At the March 26, 2024 City Council meeting, staff and the HR&A consultant team reviewed the final draft of an affordable housing study that provides information on programs and policies that have been used by localities to advance their affordable housing production goals. The report included a review of the use of housing trust funds.

Nationwide, and in California in particular, cities, counties, business entities, and nonprofits have formed housing trusts in an attempt to close the gaps in affordable housing production, provide tenant-based rental assistance, eviction prevention, and make homeownership a possibility for moderate-income families. Housing trust funds provide a flexible source of funding that can be used to support a variety of affordable housing activities. Because a trust fund can be a vehicle to coordinate a complex array of housing funds, it is uniquely able to address the City's local needs and conditions.

There are several ways to form and fund a housing trust. Below is a discussion of the points to be considered when implementing a housing trust.

Type of Housing Trust: Public or Public/Private Partnership

For the City of Anaheim to form a housing trust, there are generally two models to be considered, which may be implemented in various ways. The first model is a Public fund. This type of housing trust fund is administered and governed by a government body. For example, the City of Anaheim would administer the fund and the City Council would be the governing body. However, City Council is not required to be the governing body. Another appointed or elected body could be created.

Typically, Public models are funded solely through public funds. For example, in 2022 there were 28 housing trust funds created by cities throughout California. All of them were of the Public model, where funding came from public sources and the fund was administered by the City's housing department, while the City Council served as the governing body.

These City housing trust funds were funded through a variety of public monies:

- Impact fees: 54%
- Inclusionary: 32%
- Tax increment: 21%
- Transit Occupancy Tax: 14%
- Other taxes (real estate transfers, housing excise tax, short-term rental tax, etc.): 14%
- Bonds: 11%
- General fund commitment: 7%
- Other fees (building fees, parking fees, etc.): 7%

See chart attached.

Approximately 36% of these trust funds combined two or more of the sources above to ensure ongoing funding into their trust funds. However, the type of funding that goes into the trust fund would be determined by the City of Anaheim and could possibly include private sources as well, subject to compliance with all applicable rules and regulations.

This model may be implemented through either a resolution or an ordinance, as trust funds are primarily affected as funds the City Council orders created in the City's treasury. The city housing trust funds in California have been created using either method, however, one method does not appear to be used more frequently than the other.

The other housing trust model is the Public/Private Partnership model. This model is generally governed by a joint board made up of government agency staff or officials and individuals from the private sector.

The Public/Private Partnership model is typically a nonprofit entity. This model is typically used by counties, rather than cities, because it works well for the multiple jurisdictions within the county. Every entity who wished to have access to the funding would be required to apply to the nonprofit that administers the housing trust fund. The board, often made up of officers of private industry and officials from multiple jurisdictions eligible under the trust, would all have a say in who received the money.

Since the City will be the sole entity implementing the Housing Trust Fund, staff recommend creating a Public housing trust fund. If this option is preferable to the City Council, staff will seek direction from the City Council regarding designation of the City Council, Housing Authority, or another commission as the governing body for the housing trust.

Activities of the Housing Trust

Once the mechanism of implementing the trust is determined, deciding what activities the trust may engage in, or the needs it will attempt to meet, is the next key decision point.

Most housing trust funds provide grants and loans for affordable rental housing production in the various stages of development. Several also provide first-time homebuyer loans, home repair programs, housing stabilization programs, and neighborhood infrastructure grants.

The activities of a housing trust may change over time and may start with only one purpose. As funding sources change, the fund's activities may also change.

Staff will seek input from the City Council for the desired activities to be included within the housing trust.

Ongoing Funding Sources

A major concern when implementing a housing trust fund is what type of funding will go into it, how much, and whether it will be enough to accomplish the goals set out for the trust.

For example, the City has few ongoing funding sources for housing available at present. HOME is one source of funding, however, its ever-shrinking nature will not provide the kind of assistance needed in Anaheim. Additionally, PLHA is an ongoing source of funds, but has not been available. Once the City can access those funds, they may only allow the staff to help develop an affordable project every two to three years based on the current gap financing needs. Additionally, these limited funds do not provide sufficient resources to continue to acquire future opportunity sites, which has been the basis of the Anaheim model, that is, the provision of land and gap financing.

One-time private investments into the fund will assist the City in reaching a bigger goal of affordable housing production in the short-term but will not allow us to continue this work as needed to address the crisis that exists for our unhoused, seniors, and low and moderate-wage earners.

Without multiple, consistent, ongoing funding sources, the consideration of trust fund activities may be solely academic. Accordingly, staff will seek guidance from the City Council on possible ongoing funding sources for the housing trust.

Recommendations

After reviewing the information above, staff requests your guidance and direction on forming and implementing a housing trust fund for the City of Anaheim.

IMPACT ON BUDGET:

There is no budgetary impact.

Respectfully submitted,

Grace Ruiz-Stepter
Housing and Community Development Director

Attachments:

1. California Cities Housing Trust Funds 2022
2. California Cities Housing Trust Fund Funding Sources