

Staff Summary Report



Council Meeting Date: 1/22/09

Agenda Item Number: _____

SUBJECT: Request approval of a resolution authorizing the creation of a Housing Trust Fund for the purpose of funding affordable housing activities.

DOCUMENT NAME: 20090122cdch02 **COMMUNITY DEVELOPMENT (0403-01)** Resolution No. 2009.08

SUPPORTING DOCS: No

COMMENTS: None

PREPARED BY: Craig Hittie, Affordable Housing Supervisor (480/350-8960)

REVIEWED BY: Liz Chavez, Housing Services Administrator (480/350-8958)

APPROVED BY: Chris Salomone, Community Development Manager (480/350-8294)

LEGAL REVIEW BY: Teresa Voss, Assistant City Attorney (480/350-8814)

FISCAL NOTE: The Housing Trust Fund will currently be funded with fees negotiated through development agreements and will not have a fiscal impact on the City's general fund.

RECOMMENDATION: Staff recommends approval of Resolution 2009.08

ADDITIONAL INFO: The creation of a housing trust fund (HTF) was one of the recommendations in the City's *Affordable Housing Strategy Plan*, which was adopted by City Council in spring 2007.

Throughout its history, the City of Tempe has offered a diverse housing stock that permitted families of varying income levels and with various housing needs to reside in the community. In recent years, economic forces have discouraged a diverse housing stock. A growing percentage of Tempe residents are unable to meet or maintain the household income level necessary to continue residing here, therefore, must look to other communities for housing. With the exception of housing constructed and/or rehabilitated in partnership with the City's non-profit developers, the privately developed new residential housing being built in the City generally is not affordable to families earning less than 120 % of the area median income. The City recognizes the need to provide alternative housing opportunities in order to maintain the diversity of population that has historically characterized Tempe.

The HTF and other recommendations of the *Affordable Housing Strategy Plan* are state-of-the-art strategies designed to complement each other and facilitate the City's ability to implement its housing goals and policies.

On May 15, 2008, the HTF proposal was presented to City Council at an Issue Review Session. After discussion, the consensus from the Mayor and Council was to proceed with establishing the Housing Trust Fund. The accompanying Resolution furthers that direction.

RESOLUTION NO. 2009.08

**A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF TEMPE, ARIZONA, ESTABLISHING THE
CITY OF TEMPE HOUSING TRUST FUND.**

WHEREAS, throughout the City of Tempe, home prices and economic forces have outpaced household incomes resulting in housing that is unaffordable to many residents; and

WHEREAS, without proper planning and preparation, anticipated growth from regional economic development activities, as demonstrated in other areas of the state, will likely exacerbate housing affordability problems for many residents, including, but not limited to, workforce households, seniors, and young families; and

WHEREAS, our community wishes to preserve and create housing that is affordable over the long-term for a wide range of existing and future residents; and

WHEREAS, to the extent possible, our community wishes to address housing affordability needs by working cooperatively with other municipalities located within Maricopa County; and

WHEREAS, the preservation and creation of long-term housing affordability is consistent with sound regional planning and smart growth principles; and

WHEREAS, in order to adequately address housing affordability needs, sound planning mechanisms and appropriate financing sources are necessary.

WHEREAS, the policies and procedures for administration of the Housing Trust Fund establish eligible uses, eligible applicants, the method by which funds are awarded, and selection criteria.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF
THE CITY OF TEMPE ARIZONA, as follows:**

There is hereby established the City of Tempe Housing Trust Fund to assist in the development of long-term housing affordability solutions.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF
TEMPE, ARIZONA, this _____ day of _____, 2009.

MAYOR

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

EXHIBIT 1

The Policies and Procedures of the Housing Trust Fund are described as follows:

A. Purpose and intent.

The housing goals outlined in the City's *Affordable Housing Strategy Document* emphasize the City's commitment to promote public safety, welfare and self sufficiency by encouraging high quality affordable housing throughout the community. Throughout its history, the City of Tempe has offered a diverse housing stock that permitted families of varying income levels and with various housing needs to reside in the community. In recent years, economic forces have discouraged a diverse housing stock. A growing percentage of Tempe residents are unable to meet or maintain the household income level necessary to support residing in Tempe and, therefore, must look to other communities for housing. With the exception of housing constructed and/or rehabilitated in partnership with the City's non-profit developers, the privately developed new residential housing being built in the City generally is not affordable to families earning less than 120% of the area median income. The City recognizes the need to provide alternative housing opportunities in order to maintain the diversity of population that has historically characterized Tempe.

The creation of a housing trust fund ("HTF") was one of the recommendations in the City's *Affordable Housing Strategy Plan*, which was adopted by City Council in spring 2007. The HTF and other recommendations of the *Affordable Housing Strategy Plan* are state-of-the-art strategies designed to complement each other and facilitate the City's ability to implement its housing goals and policy. The HTF will provide a vehicle to implement the strategies identified in the plan and follow the mission stated:

"Support housing for low to moderate-income individuals and families that provides the greatest level of self-sufficiency, dignity, and independence. Invest in housing development that allows for maximum long-term affordability."

B. Housing Trust Fund Established.

- 1) Management and Administration. The City, by and through its Community Development Manager, shall be responsible for the day to day management of the HTF. The day to day fiscal maintenance and management shall be undertaken pursuant to the approved investment policies and practices used by the City for other similarly held funds. No disbursements of the HTF shall be made except unless directed by the Community Development Manager, or his or her designee, upon the written direction of the City Council.
- 2) Purpose. The purpose of the HTF is to provide financial resources to address the affordable housing needs of individuals and families of low and moderate income households; providing housing related services to low and moderate income

households, and providing support for non profit organizations that actively address the affordable housing needs of low and moderate income households.

- a. Low income households are those whose gross income does not exceed eighty percent of the area median income adjusted for family size.
- b. Moderate income households are those whose gross income does not exceed one hundred twenty percent of the area median income adjusted for family size.

- 3) Distribution and Use of Housing Trust Fund. The City Council shall be solely responsible for the distribution of the HTF resources and funds in accordance with the requirements of this Section. Distribution of funds from the HTF shall be in the form of grants or loans or such other funding mechanisms that support the purposes of the HTF. Any HTF money unused at the end of any fiscal year shall remain in the HTF for future eligible activities, pursuant to the requirements of Section D.

C. Housing Trust Fund Operations.

The City of Tempe Community Development Department, Housing Services Division, shall have responsibility for the operation of the HTF, including, without limitation, the following:

- 1) Recommending HTF goals and reporting and presenting those goals to the City Council;
- 2) Recommending policies, funding priorities, HTF program requirements, procedures for disbursing HTF awards, and an annual budget to be reported to the City Council prior to the beginning of each fiscal year of the HTF;
- 3) Recommending HTF awards for eligible activities;
- 4) Monitoring eligible activities funded by the HTF;
- 5) Evaluating HTF activities;
- 6) Accepting donations and grants, except that any grant agreement shall be subject to approval of the City Council;
- 7) Actively exploring opportunities to leverage funds with other government agencies, non profit organizations, corporate sponsors or employers and;
- 8) Amending HTF policies and procedures to ensure HTF dollars are utilized to meet the City's changing housing needs.

D. Eligibility Requirements.

- 1) Purpose of Eligible Activity. Each eligible applicant shall be required to demonstrate that the requested eligible activity will advance and support the purpose of the HTF, as set forth in this Section.
- 2) Eligible Applicants. Developers, non profit organizations and housing owners/operators shall be eligible applicants for HTF resources. The Community

Development Manager, or designee, shall develop and issue eligibility guidelines, program requirements, and application forms for HTF grants and loans. The HTF Advisory Board shall seek proposals from eligible applicants and make awards for eligible activities based on the preferences set forth in Section D(4) and on the eligibility guidelines, program requirements, and processes established by the Community Development Department.

- 3) Types of Eligible Activities. The following housing related activities are the types of activities that may receive HTF resources provided the household income of the proposed beneficiaries does not exceed 120% of the area median income:
 - a. Housing production, including, without limitation, new construction, rehabilitation and adaptive re-use.
 - b. Acquisition and disposition, including, without limitation, vacant land, single family homes, multi-unit buildings, and other existing structures that may be used in whole or part for residential use.
 - c. Any other activity that the HTF Advisory Board determines would address the City's affordable housing needs, including, without limitation:
 - Rental assistance
 - Homeownership assistance
 - Preservation of existing housing
 - Weatherization
 - Emergency repairs

- 4) Preferences for HTF Awards. Among multiple proposals for eligible activities that otherwise meet established program requirements and eligibility criteria, preference shall be given to:
 - a. Applications for projects that provide the longest term of affordability
 - b. Applications that maximize the use of leveraged funds
 - c. Other such applications that the HTF Advisory Board deems appropriate and further the policies outlined herein.

E. Review and Approval of Applications.

All complete applications for HTF awards shall be submitted to the HTF Advisory Board. The HTF Advisory Board shall review and make recommendations to the Community Development Manager, or his or her designee, to approve or deny an application. After reviewing the HTF Advisory Board's recommendations, the Community Development Manager, or his or her designee, will submit a recommendation for funding to the Mayor and City Council for consideration.

F. Conditions.

As a condition to any HTF award for any eligible activity, the eligible applicant shall first, among other applicable requirements as established from time to time by the City Council, execute and record such agreements, conditions, and restrictive covenants, or other similar instruments, as shall be required by the City Council. Among other requirements, these conditions may bind the eligible applicant and the property, if applicable, to the requirements of this resolution and provide that all awards shall be used in strict compliance with the requirements of the City Council and the conditions. The conditions may also include a requirement that if the property or development is no longer being used for affordable housing pursuant to the requirements of the specific award, the eligible applicant or successor owner of the property or development may be required to reimburse the HTF for up to 100 percent of the award.

G. Sources of Housing Trust Fund Monies.

The HTF may consist of funds derived from the following:

- (a) Payments made to the City for the purpose of affordable housing programs pursuant to a private development agreement;
- (b) Lawful private and public cash contributions designated for the HTF;
- (c) Matching funds from a federal affordable housing trust fund;
- (d) Principal and interest from HTF loan repayments and all other income from HTF activities;

Any other appropriations as determined from time to time by legislative action of the City Council.