

REGIONAL HOUSING TRUST

A Proposal

DRAFT

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SUMMARY

The Elected Official Steering Committee of the Roaring Fork Regional Housing Authority Initiative is recommending that the communities of the Lower Roaring Fork Valley create a regional housing trust that would increase the resources and capacity to develop affordable housing in the area.

The creation and staffing of a Regional Housing Trust would support the development of affordable housing by the private, nonprofit and public sectors in several important ways, including:

- ▶ Creating a strong foundation of local funding for affordable housing
- ▶ Leveraging state and federal funds for local affordable housing projects as well as arranging favorable construction and long-term financing for such developments;
- ▶ Supporting housing projects through grants and loans that would ensure permanent affordability;
- ▶ Creating a mechanism to hold land for future affordable housing development (land banking);
- ▶ Increasing non-dedicated and dedicated local revenue sources for housing;
- ▶ Supporting and enhancing the capabilities of existing affordable housing organizations;
- ▶ Facilitating housing solutions to address local housing needs and potential projects; and
- ▶ Complimenting and enhancing current inclusionary zoning requirements at the local level.

The projected annual budget to staff and capitalize the Regional Housing Trust Fund is approximately to \$150,000. This amount will cover Trust operations and provide a degree of programmatic funding to leverage local, state, and federal funding to help develop affordable housing. This budget would initially be funded through contributions from each local government, (i.e., payment in lieu fees and / or general fund). The Elected Official Steering Committee is recommending that the local governments and the regional housing trust explore a sales tax ballot question in November 2004 or 2005, but given the opportunities for affordable housing in the region, they believe the Trust can becoming self-funding after two years. Consequently, the Elected Officials Steering Committee is recommending that local governments make a two-year funding commitment to the Regional Housing Trust Fund.

BACKGROUND

Why a Housing Trust Fund (HTF)?

A Housing Trust Fund is a dedicated source of revenue that is used exclusively to promote and preserve housing for low to moderate-income households. A variety of funding sources may be used for a trust, including general funds, in-lieu fees, local taxes, foundation dollars, contributions from employers etc. The most successful trusts have a dedicated public revenue source that is committed through legislation or ordinance.

Why a regional housing trust for the Lower Roaring Fork Valley?

A regional housing trust fund would fill in the "missing piece" in the affordable housing puzzle. The communities of the Lower Roaring Fork Valley have several tools to foster the development of housing for working families. Local governments have adopted inclusionary zoning ordinances, there is a regional nonprofit community development organization, and a county housing authority that administers Section 8

rent subsidy, as well as deed restrictions, qualifying buyers and conducting lotteries for both Garfield County's and Glenwood Springs inclusionary zoning programs.

The key elements are in place to support more affordable housing – sound policy, zoning requirements, administrative support and a willing non-profit developer. What is missing is a source of revenue that is devoted to housing production for the Lower Roaring Fork Valley. The costs of housing development in our area are substantial and we have consistently heard about housing options that could be pursued if only there were financial resources available to support the development of these projects.

A regional housing trust fund would provide a dedicated source of funds that would increase the funding needed to support the development of more permanently affordable housing (such housing would be above and beyond that which will be made available through local regulations). It would also help increase the capacity of existing local private, public (such as the Garfield County Housing Authority and Carbondale Housing Authority), and nonprofit affordable housing developers (such as Mountain Regional Housing Corporation) by structuring partnerships, providing predevelopment funding, leveraging local dollars with state and federal funding sources for affordable housing, and funding the gap for worthwhile housing projects. In other communities where a trust fund exists, financial resources are leverage on an average of \$7 to every \$1 from the trust fund.

How is a Housing Trust different from a Regional Housing Authority?

A regional housing trust and a regional housing authority differ in name and scope. They would be created using the same state enabling legislation (CRS – 29-1-204.5). While a regional housing authority could have a number of broad functions (like county housing authorities) and number of potential local revenue sources (unlike county housing authorities), a regional housing trust has a more focused work program - raising and leveraging local, state, and federal money for affordable housing. Since both organizations are created under the same enabling legislation, a regional housing trust can be thought of as a regional housing authority with a different name to reflect its more focused function, although it would maintain the ability to use the tools made possible through the state enabling legislation (such as sales tax or bonding authority).

Why a trust and not an authority?

Our area doesn't need another housing authority. We already have organizations filling critical roles in the affordable housing puzzle (such as Garfield County Housing Authority and Mountain Regional Housing Corporation); we don't need to replicate the services they offer. Creating a regional housing trust can increase the resources, capacities, and opportunities to existing public, nonprofit, and private organizations to increase the number of permanently affordable housing units in the region without duplicating services. In other words, existing housing organizations would have more resources to *expand* their current services and develop new services as appropriate.

Why a new organization?

The elected official steering committee is recommending the creation of the Regional Housing Trust as a new organization (rather than fitting the Trust within an existing organization) for the following reasons:

- While municipalities in the Roaring Fork Valley portion of the county have adopted their own inclusionary zoning requirements in recognition of the need for affordable housing, municipalities in the Colorado River Valley/I-70 corridor have not. It is unlikely Colorado River Valley/I-70 corridor citizens would support a tax initiative for something they do not see as a problem in their communities. Furthermore, Garfield County's inclusionary zoning requirements do not apply to the entire county. They apply only to Study Area 1, which includes the Roaring Fork Valley from Glenwood Springs to the Eagle County line.
- The service boundaries of both the Garfield County Housing Authority and the Mountain Regional Housing Corporation extend well beyond the Basalt to Glenwood Springs area. Both organizations would have to go through bylaw changes to enable them to use the funding mechanisms in the

multi-jurisdictional housing authorities law. Since there is no guarantee that a tax question would pass in the Basalt to Glenwood Springs area, the risks of such changes to existing organizations outweigh the rewards to either organization.

- Creating a fund for affordable housing as a new organization makes it more clear that existing affordable housing organizations such as the Garfield County Housing Authority and Mountain Regional Housing Corporation can be applicants to the new funding entity without conflicts of interest over how the fund is managed.

What is the Trust's relationship to existing organizations?

Based on the comments of the elected official steering committee members and managers there is the expectation that there will be significant and ongoing cooperation between the Trust and existing housing organizations, particularly the Garfield County Housing Authority. The Trust does not want to administer deed restrictions or income qualify buyers or renters, nor does it want to own and/or manage affordable housing. This is especially true for administration since the Garfield County Housing Authority is already providing that service to local governments. Furthermore, the Trust does not want to build affordable units. It wants to be a mechanism to get affordable housing projects financed and subsequently built by nonprofit, public and private developers.

Who benefits from the creation of a regional housing trust?

Ideally everyone benefits from the creation of the trust - residents, local governments, and businesses. Private, public, and nonprofit entities interested in building affordable housing will benefit from the creation of a regional housing trust – in the form of grants or predevelopment money for their affordable housing projects, while others will benefit from the increased affordable housing stock and the management and resale of the deed restrictions. (Note: All affordable housing units developed with resources from the Regional Housing Trust would be deed restricted and managed through agreement with the Garfield County Housing Authority.) Local governments and school districts will benefit from a potential funding source to create housing for police and fire personnel, teachers, and local government staff. The private sector will benefit from a source of money to “fund the gap” to make their projects permanently affordable. Finally, all employers in the Lower Roaring Fork Valley will benefit from a more stable and locally housed workforce.

What if a tax initiative does not pass?

There are several examples of Housing Trust Funds that do not have dedicated revenue sources or public dollars. For example, Polk County Iowa has a fund that was established in 1995 by a consortium of six non-profit organizations. It uses HUD Funds, state dollars and private sector funding from more than 25 foundations, corporations and individuals. Another trust was created in Santa Clara County California with funding from area employers, county funds, local governments, private foundations and other organizations. A third example, in Bellevue Washington - ARCH (A Regional Coalition for Housing) - uses general fund, community development block grants, fee waivers, and fees-in-lieu to support a \$1.2 million trust fund that has built \$100 million in affordable housing units over the last 10 years.

These examples illustrate that dedicated tax revenue is not a requirement for a housing trust to be successful. Consequently, creating a regional housing trust in the Lower Roaring Fork Valley makes sense with or without a successful sales tax question.

The steering committee knows that any tax question to support affordable housing will be difficult to pass, especially in the current economic climate. Fortunately, they believe that the responses of the banking community and the RE-1 School District to the Trust concept creates potential funding mechanisms that could enable the Trust to finance and/or leverage other resources such as land, that promote the development of more affordable housing *without* asking a ballot question. A tax question will be a tool in the Trust's toolbox, but it is one everyone would like to avoid trying to use.

Why create a regional housing trust now?

Although there is a slow-down in the economy and increases in the cost of housing have slowed somewhat, a lull in the market is where we can make our greatest gains in housing affordability. This is true for several reasons:

- ▶ There are currently better opportunities to acquire modestly priced existing housing in the area than when the market is hot;
- ▶ Housing markets are cyclical and will eventually improve. We will be in a better position to take advantage of changing conditions (and increasing costs) with a Housing Trust Fund in place that has clear goals
- ▶ New developments can take two to three years to receive all necessary approvals and arrange financing. These projects can be planned during this lull and take advantage of lower costs today that will translate into housing that is more affordably priced in the future; and,
- ▶ Several groups, including the Roaring Fork Valley School District, Mountain Regional Housing Development Corporation and private sector developers are exploring ways to add more affordably priced housing to the area now, and could use the support of a Trust.

How do local governments set up a regional housing trust?

Through an Intergovernmental Agreement (IGA) that details the purpose, board structure, and powers of the trust (the components of the IGA are detailed in the state enabling legislation). The IGA will also detail the funding agreements between participating jurisdictions.

What would an IGA to create a Regional Housing Trust include?

The elected officials steering committee has made the following recommendations for an IGA to create a regional housing trust:

PURPOSE

The primary purpose of the Regional Housing Trust Fund will develop and provide financial resources to address the housing needs of low and middle-income households in the Lower Roaring Fork Valley (Basalt to Glenwood Springs). The Trust will accomplish this mission by developing local funding and leveraging state and local funding to increase the stock of affordable housing units in the region.

The goal behind using the state multi-jurisdictional housing authority legislation is to increase the resources and capacity to develop affordable housing in the Basalt to Glenwood Springs area of the Roaring Fork Valley. The proposal to create a regional housing trust fund uses the state legislation while recognizing that there are already organizations working hard on affordable housing issues in our region.

BOUNDARIES

Currently, the proposed boundaries will be from Basalt to Glenwood Springs, including portions of unincorporated Eagle and Garfield Counties. These are essentially the boundaries of the RE-1 School district minus the portion of Basalt in Pitkin County.

ORGANIZATIONAL STRUCTURE

The board of the regional housing trust would consist of city, town, and county managers from the jurisdictions participating in the creation of the trust plus the executive director of the Garfield County Housing Authority (there may also be some non-voting members as appropriate).

The elected official steering committee made this suggestion (rather than having elected officials serving on the board) because the demands on elected officials in the region have increased significantly over the last few years and it is likely that the number of demands on their time will continue to increase. Furthermore, city, town, and county managers are the local officials most likely to understand a community's budget and resources. Because development approvals on a housing project will come before local elected boards for final approval, the elected official steering committee felt that it is not as necessary to have elected officials on

a regional housing trust board since it is not set up as a quasi-regional government, but a funding mechanism to create more affordable housing in the region. This board structure ensures that the Trust is an extension of the local governments, reflects regional cooperation and commitment, and is not a stand-alone entity.

A community advisory board, made up of citizens and professionals with housing experiences would also be created. This board would help review funding proposals, assist with local marketing and fund development, and provide input regarding regional housing priorities and the work plan for the housing trust fund.

STAFFING

A Regional Housing Trust Fund director would be hired on a two-year contract (preferably through one of the local governments or the Garfield County Housing Authority). The director's responsibilities will be to build a housing trust fund through private (employer contributions) and public (local government contributions and dedications, sales tax initiative) means.

The director will also work with a number of housing projects currently in the development process that must meet local inclusionary zoning requirements as well as public efforts to create affordable housing (for example RE-1 School District). The director will work to broker additional permanently affordable within these projects by providing funding through the trust fund and/or accessing state and federal funding and leveraging other resources. Consequently, the director position will require a person with development experience and an entrepreneurial approach to leverage initially limited funds within the housing trust. An initial commitment of programmatic funds (outlined later in this proposal) will increase the director's effectiveness in working with projects in development as well as in building potential private sector partners and developing the case for a ballot initiative.

The director will also oversee allocation of dollars in accordance with the agreements established in the IGA. Initially, this may occur as interested parties complete an application for funding that would support housing developments. In the future, as the housing trust fund grows it will likely use a request for proposals process. In both cases, the goal is to allocate funding for housing developments that support local needs and priorities.

Although there are no guarantees when trying to hire a person for a specific job, there are a number of individuals in Colorado capable of performing the role of Trust Director. The steering committee believes it is extremely important to hire someone with significant housing finance and development experience.

BUDGET

A Regional Housing Trust would have a budget with operating and programmatic functions. The operating budget would be funded through local government contributions, while the programmatic budget would be funded through general funds local fund raising efforts, the use of existing federal resources, and a possible ballot initiative. (If successful, both the Trust operating and programmatic budgets could be funded through a ballot initiative).

The elected official steering committee feels that creation of the trust should not jeopardize existing resources currently committed to affordable housing organizations or programs. The goal of the trust is to collaboratively increase the resources for affordable housing efforts in the region, not increase the competition for already scarce housing resources. Robbing Peter to pay Paul is not an acceptable option in their minds.

The following provides an estimated budget for 2004, and 2005. The 2003 budget reflects costs associated with searching for and hiring the Trust Executive Director, establishing the Trust office, and working with the RE-1 School District on the Land Lease they want to set up with the Trust for affordable housing development on school district property. The miscellaneous/contracts in 2004 includes approximately \$15,000–20,000 for a survey to evaluate a ballot initiative. This line item will also cover some costs, such as professional liability insurance, board training, and expenses that have not yet been priced or anticipated. The 2004 and 2005

budgets assume a 3% increase in wages and other costs. The programmatic expenses reflect the opinion that a ballot initiative and the Trust in general will be more successful if an initial affordable housing project could be created using financial support (pre-development money or limited subsidy) and expertise from the Trust before asking a ballot question. Rather than develop a project from scratch, the Trust would work to structure partnerships among developers, non-profits, and public organizations to create a project to illustrate the role and value of a housing trust fund.

Table 1 – Trust Operating and Programmatic Budget

| Categories | 2003 | 2004 | 2005 |
|--|-----------------|------------------|------------------|
| Operating Expenses | | | |
| Salaries | | | |
| Director | | \$60,000 | \$61,800 |
| Benefits | | \$13,800 | \$14,214 |
| Sub-total Salaries & Benefits | \$0 | \$73,800 | \$76,014 |
| Legal | | \$2,500 | \$2,575 |
| Travel | | \$2,500 | \$2,575 |
| Training | | \$2,400 | \$2,472 |
| Telephone | | \$1,000 | \$1,030 |
| Supplies | | \$1,200 | \$1,236 |
| Printing | | \$600 | \$618 |
| Postage | | \$600 | \$618 |
| Organizational setup & hiring | \$15,000 | | |
| Miscellaneous/Contracts/Survey | | \$15,000 | \$15,600 |
| Total Estimated Operating | \$15,000 | \$25,800 | \$26,724 |
| Programmatic Expenses | | | |
| Mtn. Regional Housing Corp. | | \$20,000 | \$20,000 |
| Grants, Loans to affordable housing projects | | \$20,000 | \$20,000 |
| Total Programmatic Expenses | | \$40,000 | \$40,000 |
| Total Budget Estimate | \$15,000 | \$139,600 | \$142,738 |

Assumptions

- Executive director hired through a local government (\$60,000 plus benefits – two year contract)
- Shared office space in Glenwood with Garfield Housing authority

COST SHARING

One of the advantages of setting up a Regional Housing Trust fund is local governments can get housing finance and development services at a much reduced cost. In many ways, this approach illustrates how the Trust will continuously work to leverage of resources (including land) to financing more affordable housing in the Lower Roaring Fork Valley. Table 2 contains a cost sharing methodology created through discussions by the Elected Officials Steering Committee. It tries to balance each local government's need for affordable housing with its resource based and ability to support the Regional Housing Trust.

Table 2
Cost Sharing Methodology
Regional Housing Trust Fund

| | Population | | Valuation | | Emp. by Zip | | Total Annual Revenues | | Range | | | Proportional Share |
|--------------------------|---------------|-------------|----------------------|-------------|---------------|-------------|-----------------------|-------------|------------|-------------|-------------|--------------------|
| | Pop. | % | Valuation | % | Emp. | % | Amount | % | Low | Ave. | High | |
| Garfield County | | | | | | | | | | | | |
| Carbondale | 5,196 | 21% | \$78,196,509 | 15% | 4,143 | 28% | \$7,714,630 | 18% | 15% | 20% | 28% | \$25,259 |
| Glenwood Springs | 7,736 | 31% | \$135,047,635 | 26% | 8,589 | 57% | \$30,870,894 | 71% | 26% | 46% | 71% | \$57,489 |
| Unincorporated | <u>4,276</u> | <u>17%</u> | <u>\$169,813,312</u> | <u>33%</u> | = | = | = | = | <u>17%</u> | <u>25%</u> | <u>33%</u> | \$30,992 |
| Subtotal for RE-1 | 17,208 | 70% | \$383,057,456 | 74% | 12,732 | 85% | \$38,585,524 | 88% | 58% | 92% | 131% | |
| Eagle County | | | | | | | | | | | | |
| Basalt | 1,952 | 8% | \$61,133,630 | 12% | 2,226 | 15% | \$5,098,059 | 12% | 8% | 12% | 27% | \$14,329 |
| Unincorporated | <u>5,466</u> | <u>22%</u> | <u>\$76,347,330</u> | <u>15%</u> | = | = | = | = | <u>15%</u> | <u>18%</u> | <u>22%</u> | <u>\$22,855</u> |
| Subtotal for RE-1 | 7,418 | 30% | \$137,480,960 | 26% | 2,226 | 15% | \$5,098,059 | 12% | 23% | 30% | 49% | |
| Total | 24,626 | 100% | \$520,538,416 | 100% | 14,958 | 100% | \$43,683,583 | 100% | 81% | 122% | 180% | \$150,923 |
| County Totals | | | | | | | | | | | | |
| Eagle | 41,659 | 100% | \$2,042,993,630 | 100% | 28,686 | 100% | \$71,054,680 | 100% | | | | |
| Garfield | 43,791 | 100% | \$817,673,220 | 100% | 15,693 | 100% | \$55,379,000 | 100% | | | | |

Source: 2000 US Census; Eagle and Garfield Assessor's Office; Municipal Finance Departments, Economic & Planning Systems, Inc.