

# Recommended Policy Changes for CDBG Program

## HUD's FOCUS

Funding should assist  
lowest income people  
who are at greatest risk.



# Recommended Changes to CDBG Program

- Recommendation One
  - Revamp the “Subsidy Committee” to create an Investment Committee
- Recommendation Two
  - City identify the most important priorities to focus on and make RFPs specific for types of housing or services

# Recommended Changes to CDBG Program

- Recommendation Three
  - Direct staff to apply for and administer other funding when beneficial to community, Non-profits unable to do so, *and* it fits with the function and current staffing of the CD Division.
- Recommendation Four
  - Develop plan to create a low interest revolving loan fund to assist low-income homeowners with sidewalk repairs, tree removal, etc.

# Recommended Changes to CDBG Program

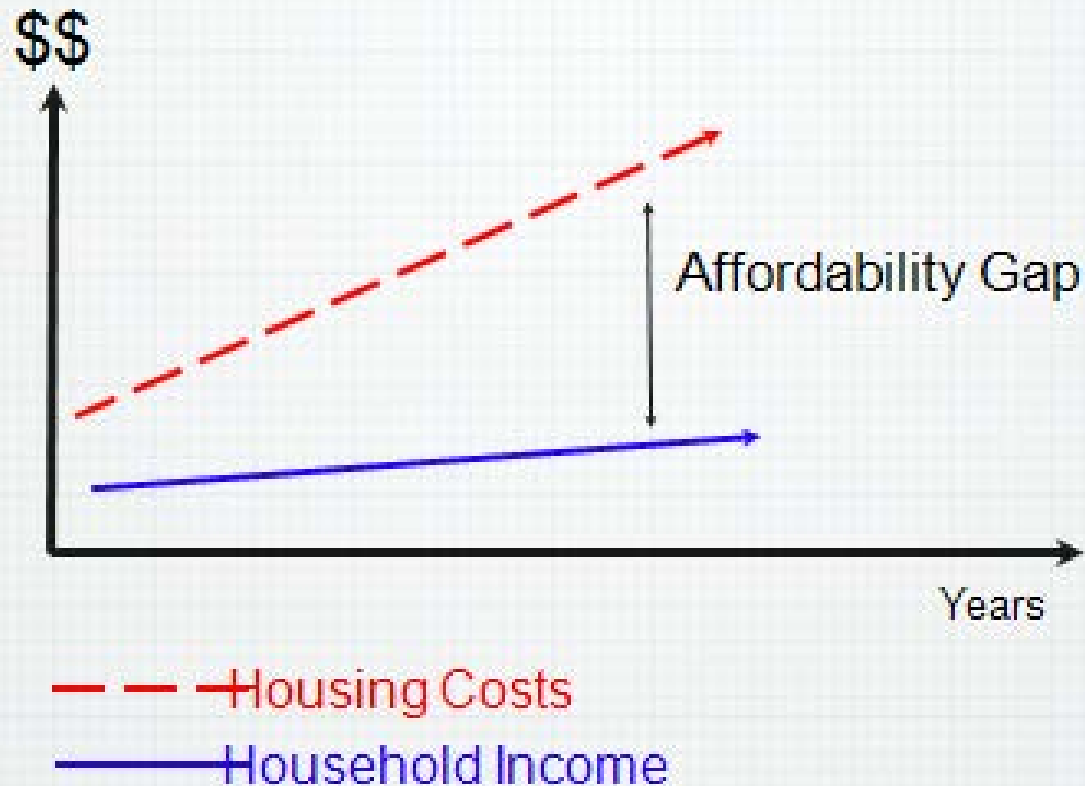
- **Recommendation Five**
  - Promote low-income housing development and permanent affordability of properties assisted with CDBG funds, TIF's, or Inclusionary Zoning.



# How?

- **Utilize funding (CDBG, or other City \$s) or Incentives ( such as TIF's) as rewards/encouragement/requirement to achieve goals for projects that:**
  - Place Land or Housing in a Land Trust for permanent affordability
  - Target specific high priority housing needs (i.e. SRO's)
  - Dedicate certain % of units (i.e. 25% ) for low-income households
  - Guarantee long term affordability of units – i.e. Land Trust or Mortgage or Indenture of Covenants, for Terms proportionate to funding level –i.e. 40-60 years.
  - Build low-income housing close to targeted transportation routes, services or areas.
  - Develop affordable one-level housing for persons with mobility issues, elderly, disabled on fixed incomes.
- **Offer density bonuses for permanent affordable housing.**
- **Rezone underutilized commercial zones, if any, within the City areas close to services.**

# Why Support A Land Trust?



# COMMUNITY LAND TRUST

## An Innovative, But Not New Solution

- \* Subsidy is provided to create - and preserve - an affordable selling price.
- \* Removes the land from speculative market.
- \* Separates ownership of the land from the home.
- \* Places long-term control of land in hands of local community.
- \* Remains affordable at same income level of first buyer, forever
- \* Provides a “stepping stone” into traditional homeownership

# Who Is Interested In Owning Land Trust Property?

- **Not** a buyer who **can** qualify for a mortgage in the price range of the typical starter homes.
- **Would be** a buyer with good credit who can only qualify at an amount \$10-\$40,000 *less* than the typical starter home.
  - Current buyer choice is to continue renting – accumulating no equity
  - Land Trust – accumulate *some* equity



# How the Community Land Trust works for single-family homeownership

- \* Subsidy used to reduce or remove land cost (and, in some cases, a portion of the cost of the home) from the purchase price.
- \* CLT owns and holds title to the land forever.
- \* CLT conveys use of lot to qualified homebuyer via a 99-year, inheritable, renewable ground lease.
- \* Homeowner owns home and all improvements.
- \* Ground lease (to land) and Deed (to home) are recorded in land records.

# How do CLTs keep single-family owner-occupied housing permanently affordable?

- \* Homeowners *share* with future homeowners the *affordability* that was created for them.
- \* CLT homeowners agree to limit the price at which they can sell their homes - per ground lease resale formula.
- \* The benefit of public and private subsidies are preserved for future generations

# Appraisal-based Resale Formula - *Example*

## **Purchase - Owner's Share of Appreciation to be = 25%**

- Original Value (by appraisal) = \$140,000
- Minus Subsidy (lot cost) = (\$35,000)
- **Original Purchase Price = \$105,000**

## **Resale 10 years later**

- Value at Resale (by appraisal) = \$160,000
- Increase in Value (\$160,000 - \$140,000) = +\$20,000
- **Owner's share (\$20,000 x 25%) = \$5,000**

**Plus HO tax advantages/deductions allowed over 10 years**

Renter's share after 10 years in Apt. = **\$0.00, maybe damage deposit**

## **Resale Price to New Buyer**

**Resale Price = \$110,000**

Original Purchase Price + Owner Share Equity  
(\$105,000 + \$5,000)

# Recommended Changes to CDBG Program

- Recommendation Six
  - Develop a plan for utilizing TIF's to support the development of affordable housing for low-income people (rental properties & ownership)
  - Examples
    - Tie a percentage of TIF funding and/or housing units to Affordable Housing
    - Provide Developer incentive payback for infrastructure for providing lower lot cost to low-income households
    - TIF use as incentive for mixed use/income developments

# San Francisco

- The Mayor's Office of Housing in San Francisco
  - At least 20 percent of the TIF funds that the city lends out are tied to building or preserving affordable properties,
  - at least 15 percent of the units built with TIF funds must be affordable.

# State of Maine's Housing Authority

- Affordable Housing Tax Increment Financing (AHTIF) used to support affordable housing and associated infrastructure costs
  - such as street improvements or
  - school construction to handle population increases.

# Portland, Oregon

- Passed a TIF set aside requirement that
  - mandates spending 30 percent of total TIF resources in its Urban Renewal Areas (districts that generate TIF money) for affordable housing
  - The set aside fund will support
    - affordable homeownership in support of families and
    - low-income rental housing for low income and formerly homeless individuals and families.

# Austin, TX

- **Homestead Preservation District**
  - Unique to the City of Austin, legislation authorizing the creation of HPDs was passed by the Texas state legislature
    - to "prevent the displacement of working and retired, lower income individuals and families from East Austin."(downtown area)
    - City is required to create a [community land trust](#), a [land bank](#) and a reinvestment zone (Texas' version of TIF) within a targeted geographic area.
      - Preserve the neighborhood's stock of single-family homes,
      - relieve the burden of rising property taxes, and
      - reduce the negative effects of gentrification



# Massachusetts

- TIF financing for affordable housing in commercial centers with a low population during non-business hours.
  - Municipalities must demonstrate the need for multifamily housing within the area they target, and
  - designate at least 25 percent of new housing units to be affordable.

# State of Utah

- Mandates municipalities that have adopted TIF after May 2000 and generate \$100,000 of annual tax increment must set aside at minimum 20% of the funds collected for:
  - affordable housing construction,
  - retention, or
  - development within TIF boundaries.
- Additional 20 % of TIF revenues can be used to replace homes lost to urban renewal and to housing preservation efforts outside of the TIF project area.