

MEMORANDUM

CITY OF GRAND RAPIDS

Date: November 14, 2017

To: Mayor Bliss and City Commissioners

From: Gregory Sundstrom, City Manager

Subject: **Housing Advisory Committee Recommendation—
Affordable Housing Fund**

The City seeks to ensure all people have an opportunity to live in healthy and safe housing in mixed-income neighborhoods. Our goal is a citywide housing inventory mix of 70% market rate and 30% affordable housing with a mix of homeownership and rental opportunities that accommodate various household sizes, abilities, and needs.

The City seeks to address significant personal income disparities and long-term equity issues by promoting personal wealth creation through homeownership. Consequently, the City seeks to engage the philanthropic and non-profit communities to establish an Affordable Housing Fund to provide incentives and tools to develop long-term affordable housing for eligible Grand Rapids residents.

The Affordable Housing Fund would be established with a partner, capable of creating and managing a fund, administering the uses of the fund, and minimizing administrative and overhead costs to maximize benefits for those with housing needs in our community.


The purpose of the Affordable Housing Fund is to invest in the creation and preservation of affordable housing units, both owned and rented. The Fund would leverage dedicated City revenues, private contributions, and interest earnings to maximize the creation of affordable housing development.

The Affordable Housing Fund board shall provide recommendations for policy changes to support affordable housing programs, allocate funding within the City Commission's priorities to applicants, and manage the application, allocation, and reporting processes for allocations from the Affordable Housing Fund.

Attached is a proposed City Commission policy—Affordable Housing Fund.

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CITY COMMISSION POLICY

 <p>GRAND RAPIDS MICHIGAN</p>	<p>NUMBER:</p>	<p>HISTORY FILE # DATE</p>
	<p>DATE: November 14, 2017</p>	
	<p>FILE NUMBER:</p>	
	<p>DEPARTMENT: Executive</p>	

Affordable Housing and Preservation Fund

SUBJECT AFFORDABLE HOUSING FUND

PURPOSE

Grand Rapids is experiencing a significant economic growth with historic levels of investment, both private and nonprofit, in housing. Historically, Grand Rapids has had a comparatively low cost of living which, combined with sound City financial management, great quality of life, low housing costs, short commutes, quality educational options, employment opportunities, and changing generational proclivities toward urban living, have created an acute housing shortage of all types and price points for rent and for purchase within Grand Rapids.

The City of Grand Rapids seeks to:

- Ensure all people have an opportunity to live healthy and productive lives in safe housing;
- Encourage mixed-income neighborhoods with a citywide housing inventory mix of 70% market rate and 30% affordable housing units;
- Provide a variety of housing choices that support a mix of homeownership and rental opportunities that accommodate various household sizes, abilities, and needs;
- Address significant personal income disparities and long-term equity issues by promoting personal wealth creation through homeownership;
- Establish an Affordable Housing Fund to provide incentives and tools to develop long-term affordable housing for eligible Grand Rapids residents;
- Engage the philanthropic and nonprofit communities to support the Affordable Housing Fund;
- Create multiple sustainable revenue sources and use other City resources, e.g., CDBG, HOME, City employee homebuyer assistance, to leverage the Affordable Housing Fund;
- Target Affordable Housing Fund resources to individuals and families of greatest need;
- Begin with two years of significant City financial investments, then use multiple funding mechanisms for the Affordable Housing Fund to ensure long-term sustainability; and
- Minimize administrative and overhead costs to ensure that the Affordable Housing Fund is utilized to provide maximize benefit for those with housing needs in our community.

The purpose of the Affordable Housing Fund is to:

- Invest in the creation and preservation of affordable housing units, both owned and rented, using dedicated revenues, private contributions, and interest earnings;
- Support investments that leverage and maximize the creation of affordable housing development for low and extremely low income renters, and provide financial assistance and incentives for low to moderate income homebuyers and extremely low to moderate income housing developers;

POLICY

Affordable Housing Definition

The City recognizes housing as being affordable when its annual cost is no more than 30% of the tenant's or homeowner's annual income.

The City seeks to incent the creation of rental housing for residents with household incomes of 60% or less of Area Median Income, and homeownership with financial assistance for residents with household incomes of 80% or less of Area Median Income. The Area Median Income is determined annually by the Federal government. It is an income level that has one-half of residents with higher income and one-half of residents with lower income.

Governance of the Affordable Housing Fund

The Affordable Housing Fund shall be overseen by the Affordable Housing Board. The Affordable Housing Board shall:

- Be comprised of fifteen voting members and up to five for-profit or nonprofit housing developers as ex officio non-voting members. The voting members shall have experience or expertise in affordable housing. The members shall be chosen as follows:
 - ◆ Each City Commissioner shall nominate one City resident or City property owner as a voting member;
 - ◆ The Mayor shall nominate one City resident or City property owner and three City Commissioners as voting members, and up to five for-profit or nonprofit housing developers as non-voting members;
 - ◆ The City Manager shall appoint a City staff person with accounting expertise to serve as Treasurer on the Affordable Housing Board; and
 - ◆ The Administrator of the Affordable Housing Fund shall appoint up to four City residents or property owners who have an understanding or experience with affordable housing programs as voting members;
- Be led by a Chair designated by the Mayor;
- Elect a Vice Chair and Secretary to join the Mayor's designated Chair and the City Manager's appointed Treasurer;

Duties of the Affordable Housing Board

The Affordable Housing Board shall:

- Meet as needed, no less than twice annually;
- Post its meetings with the date, time, and location of their meetings, and minutes of actions decided in their meetings;

- Make recommendations to the City Commission through the City Manager for funding appropriations and policy recommendations; and
- Provide an annual written report each April, reporting on their activities and any recommendations for policy changes to support the City's affordable housing programs.
- Receive annual funding priorities from the City Commission;
- Allocate funding within the City Commission's priorities to applicants;
- Make recommendations to the City Commission for future funding priorities;
- Manage the application, allocation, and reporting processes for allocations from the Affordable Housing Fund;
- Review affordable housing policies and best practices across the country to make recommendations to the City Commission;
- Review and report on data on the state of affordable housing in our community;

Uses of the Affordable Housing Fund

The City Manager shall work with the Affordable Housing Board and City to coordinate City housing programs with the projects supported by the Affordable Housing Fund.

Eligible applicants shall include nonprofit and for-profit affordable housing developers, and public housing authorities. For homeownership financial assistance, individuals are eligible.

All projects receiving Affordable Housing Fund funding shall provide annual reports for ten years to the Affordable Housing Board that demonstrate maintaining the affordable housing units which received Affordable Housing Fund dollars.

During the first two years, significant investments from the initial seed funding in the Affordable Housing Fund should be made to address immediate housing issues. Beginning in the third year and thereafter, no less than 85% of the Affordable Housing Fund balance at the end of a fiscal year, including interest earnings and contributions, must be retained each year and may not be programmed for expenditure in that year.

The Affordable Housing Fund shall be used to:

- Create affordable rental housing or homeownership;
- Incentivize mixed-use and for-profit development projects which include affordable housing;
- Incentivize investment in affordable rental housing for residents with household incomes at or below 60% of Area Median Income;
- Incentivize homeownership for residents with household incomes at or below 80% of Area Median Income;
- Incentivize small scale and non-condo zero lot-line affordable housing development;
- Layer support for projects receiving HOME, LIHTC, or other State or Federal funding;
- Give priority to projects located adjacent to City Commission designated transit corridors;
- Fund project costs, including: pre-development, acquisition, construction, and other related costs, as well as, homeownership educational programs. The funding could provide matching funds, bridge or gap financing, grants, or loans; and
- Subsidize City fees required for developing affordable housing, i.e., water/sewer connection fees, Planning Commission fees, Board of Zoning Appeals fees, LUDS fees, and permits.

Sources for the Affordable Housing Fund

The City's goal for the Affordable Housing Fund is to provide sustainable annual appropriations from multiple sources to build and stabilize a fund corpus to generate revenue for annual affordable housing investments. This approach is intended to provide reliable and long-term sources of funding to address affordable housing.

City annual appropriations to the Affordable Housing Fund shall be based on City Income Tax growth and the health of the General Operating Fund. The City Manager shall provide a report demonstrating all new City Income Tax growth derived from projects containing housing as a component which are supported by City economic development incentives.

The Affordable Housing Fund shall:

- Be held by a community partner and invested by that entity according to their normal practices;
- Accept contributions from private individuals, philanthropic organizations, State of Michigan, County of Kent, Grand Rapids Housing Commission, federal grants, or other organizations that seek to further the creation and sustainability of affordable housing;
- Receive annual appropriations from the City of Grand Rapids. The amount of the appropriation shall be determined by a formula based on one year of the projected City Income Tax growth from each project containing housing as a component that is supported by economic development incentives. The amount from each project shall be appropriated in the fiscal year following approval of the development incentive and issuance of a Certificate of Occupancy for the development, whichever is later;
- Receive 100% of future General Operating Fund PILOT payments, appropriated in the fiscal year following approval of the PILOT and issuance of a Certificate of Occupancy for the development, whichever is later;
- Receive 20% of revenues that exceed expenditures in the General Operating Fund, based on the City final annual audit each year, appropriated in the following year; and
- Receive 100% of Affordable Housing Fund agreements, based on the value of a 2% PILOT payment year, appropriated in the fiscal year following issuance of a Certificate of Occupancy for the development.