Housing Trust Fund Policy Revisions

City Council

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Key Takeaways

- The Affordable Housing Advisory Committee (AHAC) has made recommendations to revise the Housing Trust Fund (HTF) Policy.
- Staff have evaluated these recommendations and have made revised recommendations.
- HTF Policy revisions include a few substantive changes along with a number of updates to clarify language.
- AHAC made recommendations for changes to the scoring rubric, but staff have not yet had enough time to test and evaluate those potential revisions.

Housing Trust Fund Background

- Housing Trust Fund was established by City Council in 2000.
- City Council last updated the HTF Policy in December 2022.
- Annual City allocation of $500,000 for the past 5-10 years.
- Between 2001 - 2019, the HTF has loaned approximately $15 million and produced 1,300 units.
- In the last cycle, City Council allocated $4,387,850 towards the construction of 239 units.

Upcoming Schedule for HTF Applications

- December 15, 2023 - Call for Applications
- January 31, 2024 - Applications Deadline
- March - Initial review by HCD Committee
- April - Final recommendations from HCD
- April - Council makes final funding decisions

There is approximately $4.1 Million available in the Housing Trust Fund for allocation in the next cycle.

Affordable Housing Advisory Committee (AHAC) Recommendations

AHAC met on November 2, 2023, and voted unanimously (8-0) to recommend the policy changes to the HCD Committee. In summary, those changes included:

- Revised priorities for the use of the Housing Trust Fund Dollars
  - More units, deeper affordability, accepting vouchers, and longer affordability periods are the highest priorities

- A recommendation to realign the HTF scoring with the priorities
  - Develop separate scoring for ownership and rental projects
  - Set a minimum score requirement for receiving special loan terms

- Updating language and organization of content to help with the policy's clarity

Substantive Policy Recommendations

Section	AHAC	Staff Recommendation	Implication
Priorities	Changed the wording for the priorities to make them general priorities, and eliminated a few priorities.	Agree with AHAC's recommendation	Longer list of priorities, but captures the City's goals in multiple areas.
Eligible Uses	Allow offsite infrastructure improvements as an eligible expense.	Allow offsite infrastructure improvements if demonstrate that they only benefit the affordable development.	Ensures that City funds go directly to the development, and not other unrelated projects.
Affordability	Added definition of affordability period for Downpayment Assistance	Agree with AHAC's recommendation	Adds clarity to the policy
Loan Terms	No recommendation	Changing maximum loan amount from 10% of Total Development Cost to 10% of total development cost **per affordable unit.**	No change for 100% affordable projects, but reduces loans for mixed income developments. Also aligns with Buncombe County's policy.

Substantive Policy Recommendations

Section	AHAC	Staff Recommendation	Implication
Underwriting & Post Closing	None	Removing these sections to a procedure document that will be shared with applicants and the public. These are operational items, not council-approved policy items.	A cleaner, more concise policy that is aligned with Council goals.
Scoring	General recommendations about increasing the importance of affordability levels, voucher set-asides, and affordability periods. Did not make full recommendations for the entire scoring rubric.	Overall, staff recommends amending in the spirit of AHAC's recommendations, however, more time is needed to assess the recommendations.	Scoring is one tool used to evaluate applications and will be more important if there are more requests than funding available. For now, staff recommends a thorough assessment of how changes to the scoring rubric would incentivize different development types. No further changes are recommended to the rubric at this time.

Policy Considerations

Pro(s):

Clarifications to the policy will help applicants and decision-makers with applications and decision-making.

Change to the loan term to funding only affordable units ensures good use of City funds.

Con(s):

More time is needed to assess AHAC's recommended changes to the scoring rubric.

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Committees

- The Affordable Housing Advisory Committee (AHAC) voted 8-0 to approve the revisions at their November 2 meeting.
- Housing & Community Development met on November 27 and voted 3-0 to recommend approval.

Staff Recommendation and Suggested Motion

Staff Recommendation

Staff recommends approval to adopt the Housing Trust Fund Policy as outlined in the revised policy document.

Suggested Motion:

Move to approve the revised Housing Trust Fund Policy.

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