

Information Item

Date: September 26, 2018

To: The City Manager

From: Patrice Toney, Budget and Evaluation Director

Subject:

Update on Housing Finance Assistance Fund and Affordable Housing Funding

Strategic Focus Area: Livable Neighborhoods

Strategic Objective: Expand Housing Assistance Programs

Strategic Plan Action Item: No

Key Work Item: No



Housing Finance Assistance Fund Projection

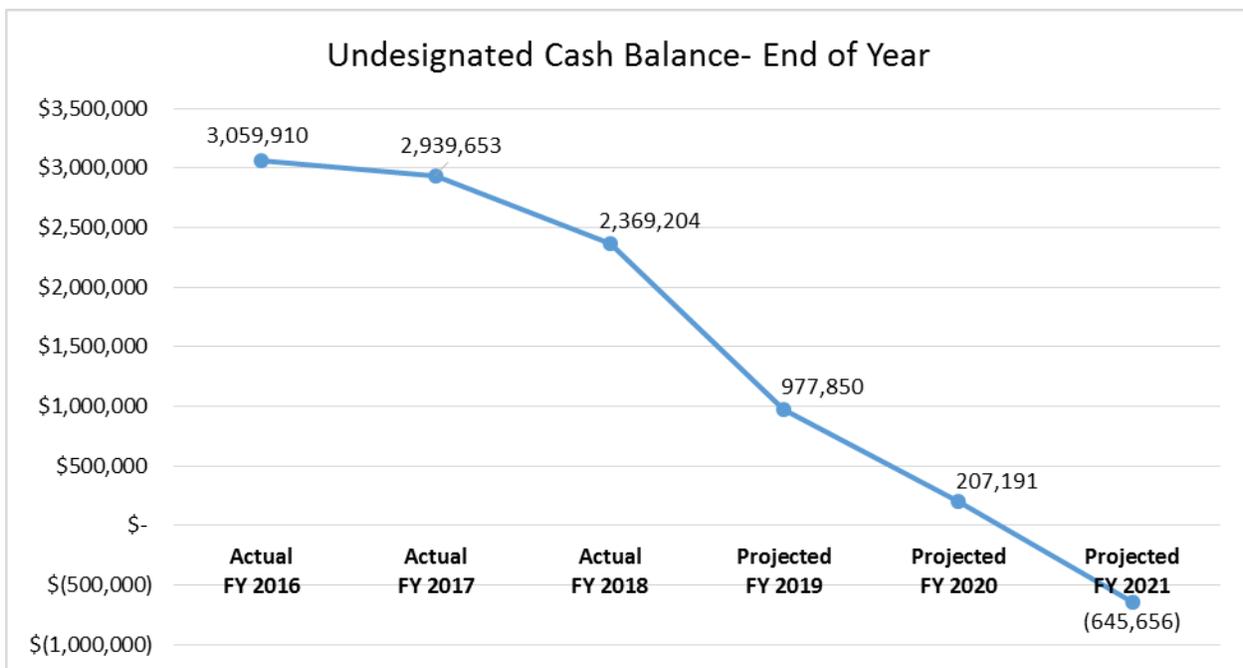
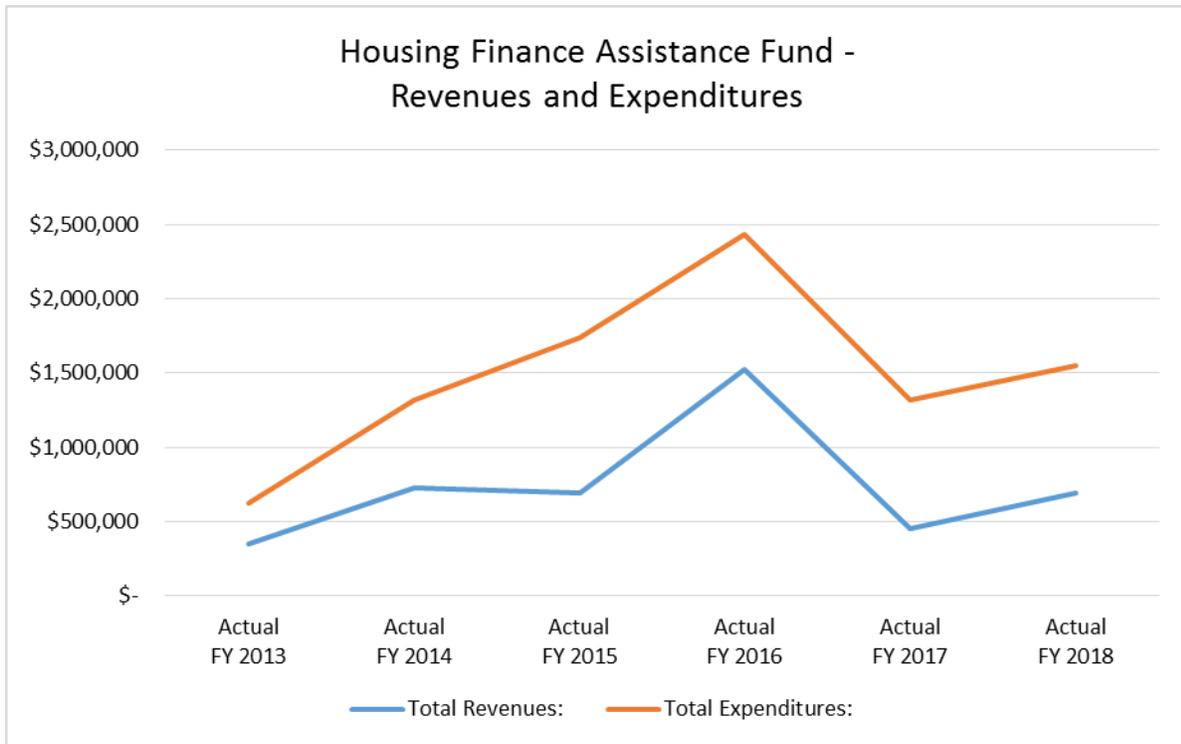
The Housing Finance Assistance Fund accounts for City funds that are used for housing development activities, including homebuyer assistance, new housing construction, neighborhood revitalization, and housing rehabilitation. The primary sources of revenue for this fund come from housing loan repayments and investment income. In the 1980's and 1990's, 20% of the Article 40 one-half cent local sales tax was allocated to this fund, until the state budget crisis in 2002.

On March 28, 2016, the Mayor and City Council approved changes to the financial policies for the City of Winston-Salem. Those changes included the following:

- Increase the minimum unassigned general fund balance policy to 14% of the estimated expenditures.
- Transfer the annual increase in unassigned fund balance to the Housing Finance Assistance Fund and the Economic Development Project Fund an amount equal to 25% of the annual increase to each fund. The remaining 50% increase would remain in the General Fund and be available for appropriation.

At the end of FY 2014-2015, the unassigned general fund balance increased by \$2,894,437. Under the new financial policy, 25% of this increase was transferred to the Housing Finance Assistance Fund.

The graphs below summarize expenditures and revenues in the fund for the past five years, and provide a snapshot of the undesignated cash balance in the fund at the end of each fiscal year:



Attachment A shows a five-year history of expenditures, revenues, and cash balance, along with a three-year projection for the fund.

Other Funding Sources for Affordable Housing in Winston-Salem

In addition to the Housing Finance Assistance Fund, the City has funded affordable housing development and rehabilitation through the following sources:

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018
Home Investment Partnership (HOME) Fund	\$ 889,939	\$ 1,031,615	\$ 2,051,645	\$ 741,437	\$ 625,193
Community Development Block Grant (CDBG) Fund	1,366,684	1,137,271	1,276,621	1,278,630	1,528,968
Capital Projects Fund	25,705	389	-	-	8,084
TURN Program	-	-	-	403,569	672,870
2014 GO Bonds	-	-	-	2,434,539	1,074,405
Total	\$ 2,282,328	\$ 2,169,275	\$ 3,328,266	\$ 4,858,175	\$ 3,909,520

Affordable Housing in Other North Carolina Cities

Many municipalities fund affordable housing using a dedicated portion of the property tax. The table below shows a breakdown of the proposed FY 2018-19 tax rates for five of North Carolina's largest cities.

	Charlotte	Durham	Greensboro	Raleigh	Winston-Salem
General	\$0.3816	\$0.3329	\$0.4906*	\$0.4182**	\$0.4746
Debt	0.0951	0.1272	0.0950*	**	0.0730
Transit	-	0.0356	0.0350	**	0.0498
Housing	-	0.0200	0.0069	0.0100	-
Other^	0.0120	0.0629	0.0050	0.0100	-
Total	\$0.4887	\$0.5786	\$0.6325	\$0.4382	\$0.5974

Notes

*Greensboro: General fund rate includes a transfer equivalent to 9.5 cents to the debt service fund.

** Raleigh: General fund rate includes transfers to pay debt service on authorized bonds and transit operations.

^Charlotte: Allocated to Pay-As-You-Go

^Durham: Allocated to Solid Waste Fund

^Greensboro: Allocated to Economic Development

^Raleigh: Allocated to Street Resurfacing

The brief analysis below provides a high level summary of whether benchmark cities have a dedicated local fund for affordable housing, and if so, provides information on how it is funded. It is by no means an exhaustive list of all affordable housing initiatives. Some municipalities may be doing more to fund affordable housing than what is listed below.

City of Charlotte:

- Charlotte's Housing Trust Fund, created in 2001, is a local financing tool currently providing \$50 million in gap financing for acquisition, new construction, and rehabilitation of affordable multifamily units. It is funded from general obligation bonds for housing approved every two years. To be eligible for funding, developers must receive a North Carolina Housing Finance Agency (NCHFA) Tax-Credit award for new construction or rehabilitation. The funds are provided as a loan or grant.

City of Durham:

- City of Durham has a Dedicated Housing Fund, established in FY 2012-13 for activities related to affordable housing. Currently, two cents of the property tax rate are dedicated to the fund.

City of Greensboro:

- The City of Greensboro created the Nussbaum Housing Partnership Revolving Fund for programs related to housing services and administration, homelessness prevention, and asset management. Currently a dedicated 0.69 cents of the property tax rate goes toward the fund for operating and capital expenditures.

City of Raleigh:

- The City of Raleigh has a created a Housing Development Fund, which primarily relies on revenue from a one-cent property tax increase since 2016. The City's taxes are collected in the General Fund and appropriated to the Housing Development Fund for various programs to increase available affordable housing. Other revenues include program income.
- The City also has a Housing Bond Reserve Fund, for housing development programs, which relies on general obligation bond proceeds in addition to revenues from program income and proceeds from the sale of property.

City of Asheville:

- The City of Asheville established an Affordable Housing Trust Fund in 2000 to provide a local source of funding for affordable housing development. Assistance is provided in the form of repayable loans at a low interest rate. The FY 2018-19 budget continued the annual \$500,000 contribution from the General Fund, in addition to an appropriation of \$2 million from general obligation (GO) bonds approved in November 2016.

Other Strategies:

Many municipalities in North Carolina rely on partnerships with outside agencies and housing developers to utilize the following strategies:

- **Low Income Housing Tax Credits**
 - o Federal tax incentives for private developers to include affordable units in multifamily housing developments.

- **Local incentives for housing developers to include affordable units**
 - Durham offers a targeted Affordable Housing Bonus to private developers for including affordable units in multifamily housing developments that fall within designated locations along public transportation corridors.
 - Asheville has a Land Use Incentive Policy which allows the City to provide incentives for development projects that address strategic goals set by Council.
 - Charlotte offers private developers a density bonus to incentivize private sector development of affordable housing, and encourage mixed-income housing developments in targeted areas of the city.

- **Community Land Trusts**
 - Durham works with partners at Durham Community Land Trustees to expand affordable housing stock.
 - Asheville is working closely with the board and steering committee to create the Asheville Buncombe Community Land Trust which expects to be operational in 2019. Recently, the city allocated \$1 million from a \$25 million general obligation bond for housing passed in November 2016.

- **Utilizing city-owned land for affordable housing development**
 - Asheville prioritizes using vacant or underutilized city-owned land to develop affordable housing. The City created a database of all the property it owns and categorized based on potential use.