

SPECIAL REPORT - Housing Trust Fund for Tempe

A promising beginning has been made toward establishing a sustainable housing trust fund for Tempe. On June 11, 2009, Tempe City Council appointed the City's first Housing Trust Fund Advisory Board which will have the responsibility of working with City staff and the community to identify a funding source to fill Tempe's Housing Trust Fund. Tempe once again led the way by adopting a resolution on January 22, 2009 that authorized the creation of a Housing Trust Fund for the purpose of funding affordable housing activities. This new Housing Trust Fund and the Advisory Board, whose charge is to actively seek revenue sources and promote affordable housing in Tempe, is a pivotal step in providing attainable housing stock that can maintain the diversity of population that has historically characterized Tempe.

The issue of affordable housing regularly arises in relation to Tempe human service reports. Those populations most in need, including: homeless, aging, people with disabilities, domestic violence victims, etc., list the need for more affordable housing. Often, concern is expressed about adequate workforce housing in Tempe, so people can live where they work.

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What is affordable housing?

Affordable housing means different things to different groups depending on a sliding scale of income (see figure 1). For those unable to afford market rate housing, an amount of subsidy is needed. The lower in the household income, the more subsidy is needed, reaching a subsidy of 100% for the homeless that are without resources.

Figure 1

Based on a Family of Four (4)

Median income for a family of 4 is \$64,000

Homeless \$0.00 income	60-80% median (low) \$38K-\$51K income
100% - 120% median (moderate) \$64K-\$77K income	Above 120% median (market rate) Above \$77,000 income

Affordability Indexes - For some time, the standard for housing affordability per the U.S. Department of Housing and Urban Development (HUD) has been the "30% rule". That is, the cost of housing (mortgage, utilities, maintenance and other housing costs) should not exceed 30% of the family's gross monthly income. In an attempt to capture a more realistic cost of living, some recent indexes take into account additional factors, such as transportation costs.

The Center for Neighborhood Technology (www.cnt.org) index suggests housing plus transportation costs equal around 45% of gross monthly income, varying by distances driven proximity of public transportation.

Other indexes compute how the local median income relates to the local median house cost. The National Association of Realtors Housing Affordability (HAI) Index says,

"A reading of 100 means a family earning the national median family income (reported by the Census Bureau) can qualify for a mortgage on a typical median-priced existing single-family home. An index above 100 signifies that a family earning the median income more than qualifies for a mortgage loan on a median-priced home, assuming a 20% down payment. Therefore, an increase in the Affordability Index shows that a family is more able to afford the median priced home."

The composite HAI index for the first quarter of 2009 is 172.5, up from 107.6 in 2006, reflecting that the recent decline of home prices due to the economic downturn has made for an optimal buyers market. Now is an ideal time for a Housing Trust Fund to help individuals and families achieve the dream of home ownership.

Need - According to a study by Eliot D. Pollack and Company, commissioned by the State of Arizona in 2002, Tempe had one of the largest affordability gaps in Maricopa County as a percentage of total households: **15%** (over 9,000 households) compared to 10.3% in Maricopa County as a whole.

Obviously, the housing situation has greatly changed since 2002, but Tempe continues to have affordable housing problems. The city is landlocked and land for new development is at a premium. A good deal of the existing housing stock is older and needs rehabilitation. Also, development around the Tempe Town Lake and in Tempe's downtown has resulted in skyrocketing land prices in that area and consequent gentrification pressures on nearby older neighborhoods. Light rail development along Apache Boulevard has resulted in several low income residents being dispossessed for new developments. Attainable housing is scarce for homeless and the working poor.

City of Tempe Efforts - Tempe has had ongoing efforts to facilitate more affordable housing in the city. We have a local community development corporation (CDC) in the form of *NewTown Community Development* which has grown its capacity significantly over the past several years. The only community

land trust in the local area was established through a coalition of NewTown, Tempe Community Council, Tempe Community Action Agency and City of Tempe, and recently was merged with NewTown. Even with the development of NewTown CDC and the creation of an affordable housing supervisor position with the City of Tempe, a number of local organizations are concerned that the need for adequate workforce housing is still great. Tempe has more jobs than those being held by its residents – many cannot afford to live where they work.

Affordable Housing Forums - Through the City Council Transportation, Housing and Environment subcommittee, chaired by Vice Mayor Shana Ellis, three community forums were held on affordable housing from October 2007 to May 2008. The first forum was open to the whole community and focused on reviewing current public and private affordable housing programs. The second focused on developers and the third forum brought together the faith community.

A number of people attending the first community forum expressed interest in continuing to discuss affordable housing issues. Vice Mayor Ellis asked Tempe Community Council to host an ongoing group, named “Keep the Ball Rolling”. The group met several times and collectively decided to focus on researching housing trust funds.

Mary Brooks of the Center for Community Change assisted in educating the “Keep the Ball Rolling” group by making a presentation about housing trust funds. This same presentation was made by the group to Vice-Mayor Ellis’ City subcommittee in February 2008 and led to the development of a draft proposal for a Tempe housing trust fund. Members from the “Keep the Ball Rolling” group formed a small working group and a brief proposal was developed and presented to the City subcommittee in April 2008. The recommendations were presented as followed:

“Approve the creation of an ordinance that would establish the Tempe Housing Trust Fund (HTF) by June 30, 2008; Mayor and City Council to appoint Advisory Board by September 1, 2008;

Future Step: Mayor and City Council to identify a dedicated revenue source to fund the HTF;

Future Step: based on the dedicated revenue source(s), set a realistic annual funding goal for the HTF.”

The subcommittee accepted the proposal and forwarded it on to City Council for consideration at an Issue Review Session in May 2008. The Council accepted the proposal and directed City staff to develop a draft ordinance for a housing trust fund and implement the recommendations which is now in progress. (read excerpts from the Housing Trust Fund below)

Tempe Housing Trust Fund –

Excerpts from the proposal for the Tempe Housing Trust Fund:

1. What is a Housing Trust Fund (HTF)?

A HTF is a dedicated funding source that is set aside for the housing needs of a community. The fund would provide financial support for affordable housing activities that address the needs of low and moderate-income Tempeans.

2. Why should the City establish a HTF?

Creating a HTF was one of the recommendations in the City's Affordable Housing Strategy Plan, which was adopted by City Council in spring 2007. The HTF and other recommendations of the Affordable Housing Strategy Plan are state-of-the-art strategies designed to complement each other and facilitate the City's ability to implement its housing goals and policy. The fund would provide a vehicle to implement the strategies identified in the plan and follow the mission stated: 'Support housing for low to moderate-income individuals and families that provides the greatest level of self-sufficiency, dignity, and independence. Invest in housing development that allows for maximum long-term affordability.'

3. How will the HTF benefit Tempe?

...the HTF will provide critical 'gap' financing essential to starting or completing affordable housing development. It will also be an important catalyst to leverage funding from other public and private sources.

Neighborhoods succeed when housing is affordable. When elderly residents can keep their older homes, young people can find their first apartment, and parents with children can put down roots in the community with confidence, then our whole community benefits.

In addition, it is useful to remember that the development of affordable and workforce housing becomes an economic engine for our community rather than a drain on its resources.

4. How will the HTF be funded?

The HTF would be authorized to accept funds, property, and other resources from public and private sources. Any fees collected or that will be collected from development projects should be placed in the HTF. These funds will not sustain the HTF over time; therefore, we would recommend establishing another dedicated revenue source. For example, other Housing Trust Funds across the country use one or more of the following sources:

- Developer fees/impact fees
- Real estate transfer tax
- Document recording fees
- Sales tax

A dedicated revenue source provides a steady stream of resources to allow the fund to leverage outside sources. On average, for every one dollar invested in the HTF, there is \$6.50 raised from other private and public sources.

The City of Tempe Community Development Department would be responsible for the administration and operation of the HTF. ...We would recommend that the City establish a 7-member Advisory Board, appointed by the Mayor, with the advice and consent of the City Council. The HTF Advisory Board serves as a recommending body to the Community Development Department with final approval by the Tempe City Council on all aspects of HTF program and operations, including reviewing applications for funding and making recommendations regarding funding awards. The process would mirror current policies and procedures already established for City advisory boards.

6. What types of activities will the HTF fund?

The HTF will fund primarily affordable housing development activities. In most cases across the county, development activities include new construction of sale or rental housing, rehabilitation of existing housing for sale or rent, new construction or rehabilitation of mixed-use buildings, acquisition of property, and adaptive reuse. Housing may be either single-family or multi-family. Housing trust funds are also used for operating support for nonprofit capacity building and housing for special need populations."

Bottom Line

While it is important to celebrate the accomplishments that have been made towards establishing a Housing Trust Fund and seating an Advisory Board, there is still much to do towards addressing affordable housing in Tempe.

There are still significant challenges to be resolved with the Housing Trust Fund; most particularly, what will be the dedicated source of revenue to fill the fund and how will these funds be allocated? Furthermore, how will this trust fund work with existing programs and services in order to create and maintain a permanent source of affordable housing for all Tempeans?