



UNDERSTANDING HOUSING TRUST FUNDS

WHAT IS HOUSING TRUST FUND?

A Housing Trust Fund (HTF) is a dedicated pool of public or private funds created to support affordable housing initiatives. It serves as a flexible financial tool to address housing needs within your community. A HTF can be administered at the city, county, or state level. The entity administering the fund determines eligible activities, which vary widely from community to community.

In Michigan, the Michigan State Housing Development Authority (MSHDA) administers the State's Housing Trust Fund. This fund complements existing state efforts to enhance affordable housing availability for extremely low- and very low-income households. MSHDA allocates HTF resources to various activities, including:

- **New Construction:** Building new affordable housing units.
- **Rehabilitation:** Renovating existing structures to maintain or increase affordable housing stock.
- **Acquisition:** Purchasing properties for affordable housing development.
- **Operating Cost Assistance:** Providing funds to cover operating expenses for rental housing projects.

The HTF in Michigan places a strong emphasis on serving extremely low-income households, defined as those earning at or below 30% of the area median income.

The specific model of HTFs can vary from community to community, but a dedicated stream of revenue is essential for maintaining the trust fund in the long-term.

KEY FEATURES AND BENEFITS OF HTFS:

HTFs provide a stable, ongoing source of revenue dedicated to affordable housing initiatives, enabling comprehensive and innovative programs that might not be feasible through traditional funding sources.

Key Features of Housing Trust Funds:

- **Stable Funding:** HTFs offer consistent financial support, allowing for long-term planning and implementation of housing programs.
- **Local Control:** These funds are tailored to meet the specific needs and circumstances of the community, ensuring that housing solutions are relevant and effective.
- **Diverse Revenue Sources:** HTFs are typically financed through new income streams, such as fees from inclusionary zoning ordinances, general fund allocations, property taxes, proceeds from land sales, interest from held accounts, as well as private donations from philanthropic organizations or individuals.

WHY DO YOU NEED A HOUSING TRUST FUND?

Establishing a Housing Trust Fund (HTF) in your community is a proactive solution to address the growing challenges of housing affordability and stability. Many communities are experiencing a critical housing shortage, with low-income households disproportionately affected. HTFs provide a locally controlled, dedicated funding source to support affordable housing initiatives tailored to meet community-specific needs.



HTFS PROVIDE:

- 🏠 **Dedicated Funding for Affordable Housing and unmet Housing Needs**
- 🏠 **Stability:** HTFs provide a stable, reliable source of funding that to address local housing challenges.
- 🏠 **Flexibility to address local priorities** since HTFs can be tailored to meet the specific housing needs of a community.
- 🏠 **HTFs can bridge gaps in existing funding.**

Most housing trust fund (HTF) revenue comes from new sources, such as newly implemented taxes or fees, meaning it does not divert funding from other programs. Additionally, housing trust funds (HTFs) are distinct from Community Land Trusts (CLTs); in fact, HTFs can provide financial support to CLTs.

HOW DO YOU CREATE A HOUSING TRUST FUND?

Define the HTF purpose, guidelines, target populations and income thresholds, priorities.

Identify funding sources: Local Revenue Sources, State and Federal Matches, Private Contributions

Determine WHO will administer the fund: an existing public office or nonprofit organization, or whether a new entity will be established.

Determine how will awards be structured (grants, loans, credits) and how applications will be structured and evaluated.

Establish the legal and administrative framework including legislation and state requirements, adopt ordinances and oversight.

Launch your HTF!

HTF'S EXAMPLES IN MICHIGAN

- City of Ann Arbor: Established a housing trust fund in 1999, funded by fees from developers who utilize density bonuses through the city's Planned Unit Development (PUD) process. Developers can either include a certain amount of affordable housing in their projects or contribute financially to the city's HTF. This fund is managed by the city's community development department and has significantly financed low-income housing projects, primarily new constructions.
- City of Kalamazoo: In 2003, the city committed \$250,000 to initiate a housing trust fund, encouraging participation from other jurisdictions. By 2006, Kalamazoo County matched the city's contribution, and the Michigan State Housing Development Authority (MSHDA) provided \$500,000 in matching funds. Administered by the Kalamazoo County Public Housing Commission (KCPHC), the fund supports activities such as new permanent affordable housing, property purchase or rehabilitation, seeding a long-term endowment, and homelessness prevention.
- City of Grand Rapids: The Grand Rapids Affordable Housing Fund (AHF) supports affordable housing development and preservation for low- and moderate-income residents, funded through city allocations, federal ARPA funds, and philanthropic contributions, with a \$25 million target by 2025 to finance initiatives like property acquisition, gap financing, and homeowner assistance.