



## Housing Subcommittee Proposal

The Establishment of Regional Housing Trust Funds  
and Creating a Regional Affordable Housing Funding Program

### Overview

Housing is one of the most consequential equity issues in California today. Housing in itself impacts a wide range of political, public health, and socioeconomic issues. To best address the ongoing crisis, Contract Cities calls for a local yet regional solution that demonstrates a local effort to a statewide crisis. The Contract Cities' Housing Proposal (Proposal) calls for the mandated establishment of Regional Housing Trust Funds, requiring all local governments to participate in a regional trust fund and allow for the creation of an opt-in tool for local governments to fund affordable housing developments.

The Proposal would mandate each local government participate in a regional Housing Trust Fund. Housing Trusts are defined by [California Health and Safety Code Section 50842](#). These Housing Trusts will be governed and provide oversight by local governments to a regional body, such as a joint powers authority and/or a council of government. Housing Trusts are not new concepts and have been in existence for years, allowing for regional collaboration to fund affordable housing developments across local jurisdictions. **However, these Trusts are often constrained by scarcity of resources. In order to address the scarcity of funding, the proposal also calls for the creation of a regional housing funding program.**

**The regional housing funding program would allow member agencies to opt-in to the program. Member agencies will be responsible for the collection of a regional housing development fee on new market-rate residential and/or commercial developments. The fees would be paid into the Housing Trust, creating a dedicated funding source for member agencies to build new affordable housing projects in their community. In addition, it would allow member agencies to support another member agency's projects through a "cap and trade" exchange program where a member agency's share of Trust Fund dollars would be used as credit toward their share of RHNA. The program would also allow a project expedited CEQA review, if a project met certain requirements outlined in the Proposal.**

**A continuous and sustainable source of funding is needed to accelerate the production of affordable housing. Existing efforts, including inclusionary zoning requirements, often face lackluster success in generating affordable housing, especially in an attempt to create mixed-income projects. The goal of the Proposal would help expand the supply of funding for affordable housing and expand the housing stock. Moreover, it would create more successful opportunities for local governments to address equity in housing and meet the objectives of RHNA.**



## Objectives

- I. Preserve existing affordable housing
- II. Create new affordable housing
- III. Support local government's efforts with Regional Housing Needs Allocation
- IV. Address the needs of individual local governments

## The Proposal

### I. Mandate

Requires all local governments to participate in a regional Housing Trust Fund. Existing statute governing Housing Trust Funds would remain the same, allowing a trust to seek funding for affordable housing programs by bonding for money, providing loans, and seek other funding sources, including public and private funding that would support affordable housing.

A region would be defined as two or more jurisdictions that share common characteristics, including but not limited to a contiguous border, proximity to another city, planning, or shared issues of mutual concern. The ultimate goal of the definition is to align regions with existing council of governments.

### II. Program

By establishing a regional Housing Trust Fund, local governments, as member agencies of a regional body, would be allowed to establish an affordable housing funding program and collect a regional housing development fee:

- A. Allow for the creation of a regional affordable housing fee that would apply to all member agencies in the regional body.
  1. The regional body would be allowed to determine an appropriate fee structure that best represents the needs of the region and that is equitable for all member agencies.
  2. A fee may be considered, but not limited to a fair and equitable contribution from each member agency, such as a fee imposed on new market rate developments (i.e. per square footage fee), in-lieu fees, or impact fees.
- B. If a fee is established by a regional body, member agencies may choose to participate in the program. Member agencies are not required to participate in the program.



- C. Authorize the regional body to collect the fees from member agencies, provide accounting of fees collected by each local government, and administer funds for qualifying projects.
- D. Establish a formula for qualifying affordable housing projects to receive funds from the Trust Fund.
- E. Establish a secondary funding formula for local governments to receive additional funding from the Trust, based on a member agency's contributions (shares) of Trust Fund dollars and create a "cap and trade" exchange funding program between local governments, based on a rate of RHNA for "x" dollars.
- F. Affordable housing multi-family developments would be exempt from the regional impact fee.
- G. Projects must meet a minimum percentage of affordable housing units, as established by the regional body, would be granted expedited CEQA Review.

### III. Requirements for Funding an Affordable Housing Development

Regional bodies, in partnership with member agencies, may establish additional guidelines to expand the success of the program and are in addition to the guidelines set forth below:

- A. A regional body, in partnership with member agencies, may establish a list of compatible affordable housing projects that would qualify for funding from the Trust Fund, including but not limited to front-end costs for new affordable projects, mixed-use developments, accessory dwelling units, for-rent, for-sale, and projects in inclusionary zoning.
- B. Projects must meet local development standards, local housing elements, and zoning requirements, as established by a member agency's jurisdiction, including but not limited to objective design standards, heights, and F.A.R ratio.
  - 1. **Project applicant can only receive funding from the Trust program through a request made by a member agency where the project is located.**



## IV. Funding Formula Requirements and Processes

A. A base amount of funding shall be centered on certain criteria, established by the regional body, which would encompass the following requirements:

1. Must meet a minimum percentage of a member agency's share of RHNA, specifically for low- to very low-income housing.
2. A member agency's shares of the Housing Trust Fund dollars

B. A formula for project funding would be based on, but not limited to:

1. A base percentage of the member agency's shares of Trust Fund dollars (i.e. 20% of the member agency's Trust Fund dollars).
2. A base percentage, less than the member agency's shares, that would come from other member agencies' share of Trust Fund dollars (i.e. 5%).
3. Establish a minimum and maximum limit to funding, based on a per-unit limit (i.e. project can receive funding for up to 20% of an affordable housing unit's costs)

C. A project may also seek additional funding from the Housing Trust Fund, specifically through a "cap and trade" exchange, if another member agency is willing to exchange its share of dollars from the Trust Fund, in exchange for a credit toward its RHNA.

1. **The exchange of RHNA for funding will be created by the regional body based on a list of criteria that includes but not limited to:**
  - a. **Priority given to member agencies with a significant amount of RHNA not met.**
  - b. **A member agency's that has not participated in an exchange for another project.**
  - c. **Minimum RHNA count equated to a percentage of funding or a dollar amount (i.e., 1 RHNA for 10% of a unit's costs, or \$50,000).**
  - d. **Minimum and maximum limits to exchange RHNA. (i.e. Agencies can only contribute funding for up to 5 units)**

D. The project applicant would be required to provide all necessary documentation to establish a project as an affordable housing development (i.e., covenants, etc.).



V. CEQA Expedited Review

Projects that meet certain requirements, established below, would be granted, at a minimum, expedited CEQA Review.

- A. Meets qualifications established in California Code of Regulations [15192](#), [15193](#), and/or [15194](#), and
- B. Meets a city's zoning and objective design standards, and
- C. Provides a minimum percentage of affordable housing, as established by the regional body.