

Housing Trust Fund by Calvin Horne

What is a Housing Trust Fund?

Investments into affordable housing can take different forms. This handout will explore two examples. The first is from Ithaca, New York, where local governments and a university have partnered to create a dedicated fund for affordable housing projects. The second is from Lawrence, Kansas, which utilizes community partnerships and fundraising to offer affordable rentals and homeownership to eligible applicants.

The purpose of these examples is to offer multiple perspectives on what a housing or land trust could look like in Manhattan. Some programs are administered by private non-profits, while other cities connect the program more directly to local government. Regardless, these possibilities can always be better achieved through the support of city officials and elected leaders.

Example 1: Ithaca, New York

In 2009, the city of Ithaca, New York, along with Cornell University and the local county (Tompkins County) designed and created a housing trust fund, which they call the Community Housing Development Fund.

In 2009, the city, university, and county all pledged money to establish the fund. The fund was created to operate for 6 years. During that time, developers and housing non-profit organizations were invited to apply for funding of their housing projects, which included both new construction and rehabilitation of old properties.

The goal of the fund is to help finance affordable housing. Local officials, including Michael Lane, the Chair of the Tompkins County Legislature, noticed the need for greater affordability. He noted,

“Nearly 40 percent of all households in Tompkins County currently pay unaffordable portions of their incomes for housing, and both state and federal funds for affordable housing have been diminishing as demand for them grows. The Housing Fund's success in helping to increase the number of affordable housing units available makes it critically important for efforts to ensure that individuals and families of all income levels can live, work, and participate in community life within Tompkins County.”¹

¹ “Cornell University, Tompkins County, and City of Ithaca Extend Affordable Housing Partnership,” *TompkinsCountyNY.gov*, March 26, 2015, <http://tompkinscountyny.gov/news/cornell-university-tompkins-county-and-city-ithaca-extend-affordable-housing-partnership>.

In order to meet these goals, applicants seeking funding must demonstrate that their project will increase affordability. This can be accomplished in a number of ways. One applicant may pledge to keep a portion of their new units at a below-market rate for low- and moderate-income tenants, while others may have a plan to separate the unit from the land, keeping homes affordable in perpetuity (the Community Land Trust model, discussed further in the next example).

Based on the strength of each application, and how well it accomplishes affordability benchmarks set by the county, the fund's staff will decide which projects to fund, and how much funding each project will receive.

Between 2009 and 2015, the fund assisted in the construction of 124 affordable housing units, with each dollar awarded by the fund leveraging about 5 more dollars from grants and other sources. Those projects represent more than \$33 million in total development costs.

Seeing the success in the first cycle of the program, all three partners pledged additional funding to keep the fund running until 2021. Cornell University pledged \$1.2 million, Tompkins County pledged \$600,000, and the City of Ithaca pledged \$100,000 for the first year of the extended program.

Between 2009 and 2018, the fund has awarded over \$3.5 million, which has resulted in the development of 457 new units.

Example 2: Lawrence Community Housing Trust

The Lawrence Community Housing Trust (LCHT) is a non-profit located in Lawrence, Kansas. Since 1992, the organization has helped more than 350 families become homeowners. The LCHT also provides 68 affordable rental units, but this paper will focus on the homeownership program.

Homeownership in a Community Land Trust Model

The LCHT program offers a stock of affordable homes at subsidized sale prices to buyers with low or moderate incomes. It does this by following what is called the community land trust (CLT) model. A CLT typically buys up land, sometimes through fundraising but in other cases through a land donation or below-market sale from the local government. In 2015, there were over 280 CLTs operating in the United States.²

With this land, the CLT offers a long-term (typically 99-year) lease for the building on top of the land. In Lawrence, the LCHT also includes qualifications for owning one of its homes, which include income thresholds as well as having an acceptable credit score.

² Jake Blumgart, "Affordable Housing's Forever Solution," *NextCity.org*, August 10, 2015, <https://nextcity.org/features/view/affordable-housings-forever-solution>.

By separating the land from the house on top of it, a CLT is able to keep costs low for homeowners. In Lawrence, the LCHT offers homeowners a subsidized price of housing on one condition: that when they sell the home, it will be sold at an affordable price and go to another qualifying family. In this way, the LCHT can keep housing perpetually affordable for the units it owns, while still offering sellers a return on their investment. And the affordability is key: one study found that, in 2010, the foreclosure rate for CLT homes was about 10 times lower than the market rate.³

Community land trusts also tend to be governed by those who either own the home or who live in the surrounding neighborhood. This way, decisions made by a CLT's executive board reflect the interests and values of the people most affected by a CLT's actions.

Another feature of CLTs is a continued acquisition of new property. In Lawrence, the LCHT works to purchase, develop, and rehabilitate new properties every year, and now owns 164 properties.

³ Emily Thaden, "Stable Home Ownership in a Turbulent Economy: Delinquencies and Foreclosures Remain Low in Community Land Trusts," *Lincoln Institute of Land Policy*, 2011, https://www.lincolnst.edu/sites/default/files/pubfiles/1936_1257_thaden_final.pdf.