

ATTACHMENT A

DRAFT - City of Phoenix Housing Trust Fund Policy

Purpose

This policy is intended to outline the administration and use of the City of Phoenix's Housing Trust Fund. The Housing Trust Fund is intended to accelerate and support the creation and preservation of affordable housing within Phoenix.

Background

While the City has long prioritized increasing the supply of housing for families at all income levels and family sizes, there remains a great need for additional housing resources for low-income and extremely low-income families. The City's 2024 Housing Needs Assessment concluded that there was an affordable rental housing gap of approximately 59,000 affordable and available units for households at or below 50 percent of the area median income.

Arizona State statutes restrict the use of tools other jurisdictions utilize to increase the supply of affordable housing like housing-related impact or linkage fees, tax increment financing and inclusionary zoning. These restrictions, coupled with fluctuations in federal and state funding levels, increased competition for low-income housing tax credits and existing affordable housing units reaching the end of their required affordability period, necessitate additional investment in the creation and preservation of affordable housing within Phoenix.

Understanding the need for additional funding tools, Phoenix City Council created a Housing Trust Fund on May 21, 2025.

Funding

The Housing Trust Fund may be funded by any source available to the City, including but not limited to, the following:

- General Fund contributions as designated by City Council
- American Rescue Plan Act (ARPA) interest earnings
- Government Property Lease Excise Tax (GPLET) project payment in-lieu contributions
- Rezoning project payment in-lieu contributions
- Bond proceeds
- Proceeds from the sale or lease of real property
- Philanthropic donations designated for the Housing Trust Fund

Administration

The Housing Trust Fund will be administered by the Housing Department.

The Housing Department will be responsible for developing and implementing the procedures to execute disbursement of approved fund activities. These responsibilities include the necessary program development, agreement management, project monitoring and affordability compliance to ensure prudent investment of Housing Trust Fund resources. Accordingly, a small portion of funds, not to exceed 15 percent of the total fund annually, may be utilized for Housing Department administrative expenses.

Disbursement and use of Housing Trust Fund funds must be consistent with this policy and any developed programmatic guidelines. All funding award recommendations will be brought to City Council for approval prior to agreement execution.

Funding distribution priorities will be prepared by the Housing Department and periodically reviewed by City Council for consistency with current housing needs.

Use of Funds

Use of Housing Trust Fund funds should accelerate and support the creation or preservation of affordable housing within Phoenix. The following list of permissible uses is designed to provide flexibility in addressing Phoenix's housing needs, while providing consistency with Housing Phoenix Plan policy initiatives.

- *Homeownership Activities*
 - Expanding efforts to advance affordable homeownership through further investment in established Open Doors Down Payment Assistance and Community Land Trust programs
- *Preservation and Strategic Acquisitions*
 - Enabling the acquisition of existing residential developments for purposes of preservation or transitional housing and/or strategic land purchases for the purposes of affordable housing creation
- *Affordable Housing Pre-Development and Construction Short-Term Loans*
 - Supporting development projects through a revolving loan fund that provides low-interest, short-term loans for pre-development and/or construction periods
 - Funds provide a substitute source for higher-cost equity in a project's capital stack to enable more projects to come to fruition

- *Gap Financing for City Affordable Housing Development Projects*
 - Strengthening efforts to redevelop City-owned property with affordable housing and community amenities through Choice Neighborhoods, Housing Phoenix Plan-affiliated sites and other identified redevelopment projects
- *Gap Financing for Private Affordable Housing Development Projects*
 - Furthering the impact of the existing federal HOME-funded Affordable Rental Housing program, funding will be used to partner with non-profit and for-profit affordable housing developers to create or preserve affordable rental or homeownership units in projects of all sizes
 - Funds are permitted to support a project's plan review, permit or impact fees in addition to development costs
 - Eligibility not limited to low-income housing tax credit (LIHTC) projects
- *Other Uses Meeting Housing Trust Fund Policy Intent*
 - Providing additional adaptability to support creative housing solutions, as determined by the Housing Director and approved by City Council

Funding Priorities

Recommendations for project funding will need to demonstrate consistency with outlined funding priorities. Funding priorities have been developed to address the needs identified in the 2024 Housing Needs Assessment, ability of projects to leverage City funds and enhanced project design.

- *Affordable Housing Needs* – Funding is intended to assist households at or below 80 percent of the area median income. Additional consideration will be given for projects that integrate mechanisms to serve households at or below 50 percent of the area median income, which is the greatest need identified in the 2024 Housing Need Assessment. An exception for the creation of ADUs may be permitted.
- *Leverage of City Funds* – The City's Housing Trust Fund is a finite source of funding. As such projects, where feasible, should seek to leverage other funding sources or community partnerships to enhance the lives of residents.
- *Enhanced Project Design* – Projects that seek Housing Trust Fund assistance should integrate thoughtful and enhanced design features. Features can include units that provide inclusivity for larger families, sustainability elements designed to support lower utility costs and/or accessibility features to enhance quality of life for seniors or persons with disabilities.

Expectations for consistency with funding priorities will be further outlined in program documentation based on project type and level of funding.

Funding Parameters

Funding programs will encompass the below funding parameters. As applicable, parameters are designed to be consistent with the City's existing affordable housing funding programs.

For non-city affiliated projects, detailed information on specific funding parameters will be outlined in developed program documentation and communicated to project applicants.

- *Funding Limits*
 - Minimum and maximum subsidies per unit or per project that are regularly updated based on current housing costs
- *Distribution of Funding*
 - Funding provided as low-interest loan, forgivable loan or grant, as appropriate based on applicant entity and funding source
- *Minimum Affordability Terms*
 - Prescribed based on use and amount of funding provided, based on existing funding programs:
 - 40 years for gap financing
 - 5 to 15 years for down payment assistance
 - In perpetuity for the community land trust
 - 5+ years for other programs
- *Affordability Restrictions*
 - Secured via land use restrictive agreement (LURA), deed of trust or other deed restriction