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City of Gainesville Policy Program Preliminary Research & Analysis

TOPIC: Municipal Housing Bonds
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REQUESTED BY: Commissioner Gail Johnson

EXECUTIVE SUMMARY

Lack of adequate, safe, affordable housing is a nationwide crisis that many communities are confronting. This challenge, however, does not have a one-size-fits-all solution and requires a well-stocked toolbox and master planning in order to be effectively addressed. Housing touches nearly every policy area – land use, planning, infrastructure, environment, public safety, human services, education, economic development, and fiscal policy – and must be viewed comprehensively. Building new housing stock only addresses part of the problem. Other elements include tools that keep existing housing units affordable and in good repair, rental assistance programs, support for low-income earners who want to buy a home, and permanent supportive solutions for the community's most vulnerable residents.

Housing bonds are a way to fund a variety of projects, both capital and operational. The impact of this tool, however, would be multiplied if it were part of a global vision for transforming the housing landscape. To that end, many communities have developed housing master plans and frameworks. They, then, use bond funding to execute the steps within. These frameworks, which are developed with robust community engagement, are also useful for educating the community who will, ultimately, need to vote for the funding and pay any related increases. Repayment of housing bonds typically, but not always, comes from an increase to the locality's property tax rate.

HISTORY/BACKGROUND INFORMATION

Housing bonds are debt securities issued by state or local governments to raise money for affordable housing development and related programming, like rental assistance programs. This debt

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acquisition does not always require voter approval but when repayment involves taxpayer assistance, it is best practice to place a referendum on the ballot.

Florida state law grants municipalities the authority to issue bonds as a way to raise funds for various large-scale projects.¹ A referendum is placed on the ballot after a majority of the city commission passes a resolution to do so. A majority of votes for the referendum will approve the bond measure.² Before the funding process may begin, the jurisdiction should participate in the bond validation process via either the circuit³ or Florida Supreme Court⁴ to ensure legal sufficiency. The municipality is permitted to increase the property tax rate in order to repay the bonds.^{5,6}

Florida state law also allows every county to create a Housing Finance Authority. The [Housing Finance Authority of Alachua County, Florida](#), “provides tax exempt and taxable financing for the acquisition, construction, and/or rehabilitation of multi-family rental housing projects which satisfy the goals and requirements of the HFA and comply with applicable federal and state law.” Projects funded through this mechanism must be located in Alachua County.

PRELIMINARY RESEARCH AND FINDINGS

Lack of affordable housing is a crisis reaching the four corners of our country and every community is struggling to find the best approach for addressing it. Many acknowledge that the best first step is the creation of a Master Plan, Framework, or Comprehensive Business Plan that identifies a community’s housing needs, prioritizes the work, seeds the toolbox with a variety of options, and empowers an authority with the plan’s execution. At least twenty jurisdictions around the country and beyond have engaged in such an endeavor including [Alexandria VA](#), [Arlington VA](#), [Austin TX](#) (which also has a [Housing Justice Agenda](#)), [Boston MA](#), [Burlington VT](#), [Cambridge MA](#), [Charlotte NC](#), [Columbus OH](#), [Doral FL](#), [Ft. Collins CO](#), [Franklin MA](#), [Grande Prairie \(Canada\)](#), [Hopewell NJ](#), [Juneau AK](#), [Miami FL](#), [Newberg OR](#), [Oakland CA](#), [Palo Alto CA](#), [San Antonio TX](#), [San Diego CA](#), and [Sarasota, FL](#).

Several sizable housing bond measures have been approved by voters, nationwide, over the last four years. Some of the more notable include:

¹ http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0100-0199/0159/0159ContentsIndex.html

² http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0100-0199/0100/0100ContentsIndex.html. A simple majority at every stage advances the bond effort.

³ http://www.leg.state.fl.us/Statutes/index.cfm?App_mode=Display_Statute&URL=0000-0099/0075/0075ContentsIndex.html&StatuteYear=2018&Title=%2D%3E2018%2D%3EChapter%2075

⁴ <https://www.flcourts.org/Florida-Courts/Supreme-Court-of-Florida>

⁵ http://www.leg.state.fl.us/statutes/index.cfm?App_mode=Display_Statute&URL=0100-0199/0132/0132.html

⁶ This section is not intended as legal advice. For detailed instructions on engaging in the bonding process, we will work with the City Attorney’s office.

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[Alameda County, CA](#) (2016)

- \$580M bond for a \$50M down payment assistance loan program, \$25M homeowner housing development program, \$45M housing preservation loan program, \$425M rental housing development fund, and a \$35M innovation and opportunity fund.
- Bond will be repaid with an increase to the property tax, equating 12 to 14 cents per \$1,000 of assessed value.
- Approved by 73% of voters.

[Austin, TX](#) (2018)

- \$250M bond where \$100M will go to the Austin Housing Finance Corporation to buy land for affordable housing development, \$49M to rental housing assistance, \$28M to build houses for residents below a specified AMI,⁷ and \$28M to a home repair program in underserved communities. This bond was championed by city council members as part of their [Housing Justice Agenda](#) and included [robust community outreach and engagement](#).
- Bond will be repaid with an increase to the property tax, equating 20 cents per \$1,000 of assessed value.
- Approved by approximately 73% of voters.

[Chapel Hill, NC](#) (2018)

- \$10M bond to build and preserve more than 700 affordable homes and apartments.
- Bond will be repaid with an increase to the property tax, equating 10 cents per \$1,000 of assessed value.
- Approved by approximately 72% of voters.

[Charleston, SC](#) (2017)

- \$20M bond to create affordable housing through either new construction or via rehabilitation. More than 800 new rental units are expected through the bond.
- Bond will be repaid with rent revenue from the new homes, rather than a tax increase. This chicken/egg complication (they need constructed, rent-generating units to pay the debt service but can't build them without the debt) has [delayed issuance](#) of the bond for at least two years.
- Approved by over 70% of voters.

[Charlotte, NC](#) (2018)

- \$50M bond to support an affordable housing trust fund that will expand rental housing with programs that support low-income housing tax credits, fund strategic land buys, use federal CDBG money to help create mixed-income housing, establish a fund and tax relief program to preserve existing housing, and ensure publicly-funded developments set aside 20% of their units for families earning 30% AMI or less.

⁷ Area Median Income: the common tool used to quantify need in a geographically targeted way.

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[Emeryville, CA](#) (2018)

- \$50M bond to provide affordable housing, prevent displacements of vulnerable populations, provide permanent supportive housing for people experiencing homelessness, and to help low and middle-income households purchase homes and stay in the community.
- Bond will be repaid with an increase to the property tax, equating 49 cents per \$1,000 of assessed value.

[Los Angeles, CA](#) (2016)

- \$1.2B bond to provide permanent supportive housing for the chronically homeless, emergency shelters, and affordable housing for very-low income households. Projected to produce 1,000 units per year for 10 years.
- To seed the process and accelerate tangible results, the city offered 12 city-owned parcels for shovel-ready development.
- Bond will be repaid with an increase to the property tax, equating 10 cents per \$1,000 of assessed value.
- Approved by 76% of voters.

[Miami, FL](#) (2017)

- \$100M of the larger Miami Forever bond is designated for affordable housing.
- Bond will be repaid with proceeds from the property tax but, at the same time the city placed this referendum on the ballot, they also lowered the overall property tax rate. So, it is believed that property owners will see no property tax increase and may even see a reduction in their total bill.

[Portland, OR](#) (2016)

- \$258M bond to create 1,300 units of affordable housing. 950 of these units will be newly constructed and the other 350 will be acquired from existing private sector stock and preserved as affordable.
- Bond will be repaid with an increase to the property tax, equating 42 cents per \$1,000 of assessed value.
- Approved by 62% of voters.

[Portland, OR, metro area](#) (2018)

- \$652.8M regional bond to create as many as 3,900 homes affordable to households at 80% or less of AMI. Half of the money raised will go toward building new homes, the other half will go toward rehabilitating existing low-cost housing so it stays in use.
- Bond will be repaid with an increase to the property tax, estimated to cost the average Portland-area property owner about \$60/year.

[Santa Clara County, CA](#) (2016)

- \$950M bond for the creation/preservation of 4,800 affordable units. \$700M will go to multifamily rental programs for extremely low income households (below 30% AMI), \$150M will go to multifamily rental and homebuyer programs for moderate income households, (51-

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120% AMI), and \$100M will go to multifamily rental programs for very low income households (31-50% AMI).

- Bond will be repaid with an increase to the property tax, equating 12 cents per \$1,000 of assessed value.

[San Francisco, CA](#) (2015)

- \$310M bond for the construction, acquisition, improvement, rehabilitation, preservation, and repair of affordable housing for low and middle income households.
- Bond will be repaid with an increase to the property tax, if needed. Passage of this bond coincided with the retirement of existing debt service and an overall increase to the property tax base, so it was expected that taxpayers would see no actual increase. The city specified that landlords may pass up to 50% of any increase along to tenants.
- Approved by 74% of voters.

Not every bond effort has a happy ending. In 2018, [San Jose CA](#)'s \$450M bond effort failed when only 64% of voters approved it.⁸ In [Flagstaff AZ](#), a 2018 referendum on a \$25M bond failed when only 46% voters were in favor of it. On the other side of the coin, a [Chicago](#) foundation is in the midst of defaulting on its debt service for affordable housing bonds after allegations of mismanagement.

Other jurisdictions have recently funded affordable housing efforts without leveraging bonds. [Baltimore MD](#),⁹ [Bellingham WA](#), [Boston MA](#), [Greensboro NC](#), and [Vancouver WA](#) have all implemented a straight property tax levy to build up a fund. [San Mateo County CA](#) expects to raise about \$85M for affordable housing efforts from the extension of a current half-cent sales tax for an additional 20 years. [Charlottesville VA](#) and [Raleigh NC](#) are hoping to have affordable housing funding efforts on their next ballots.

Other mechanisms to fund affordable housing might be (where allowed by law):

- Impact fees, which must be tied to actual infrastructure impacts
- Housing trust funds, which are public funds dedicated to the preservation and production of affordable housing and increasing access to affordable opportunities
- Linkage fees, which are fees on new development. [Alachua County](#) is actively considering implementing this device. Denver, San Francisco, Oakland, San Diego, Seattle, Boston, and Santa Fe presently use them.
- Document recording fees and real estate transfer taxes. These are presently collected for the statewide affordable housing coffer, which is routinely diverted by the state legislature.
- Tax Increment Financing (TIF), which is particularly useful when a city expects future property value increases. With a TIF, the city identifies a geographic area and establishes a

⁸ California requires approval by 66.67% of voters for bond efforts.

⁹ Notably, Baltimore's proposal did not originate with their city council. Instead, it was an effort of advocates who gathered enough petition signatures to have the issue placed on the ballot.

tax baseline. As time moves forward, any amount collected over that baseline is placed in a designated fund.

- Hotel/short-term rental taxes, which could be earmarked for a particular purpose
- Land Banks, which are governmental entities or nonprofits focused on the conversion of vacant, abandoned, tax-delinquent properties into productive uses
- Community Land Trusts
- Other developer/landlord incentives and tax-breaks

PRELIMINARY COST/BENEFIT ANALYSIS

POTENTIAL BENEFITS:

- Dedicated funding sources to implement affordable housing priorities

POTENTIAL COSTS:

- Repayment of debt will require taxpayer contribution, generally in the form of increased property taxes

PRELIMINARY AND ILLUSTRATIVE LIST OF POTENTIAL STAKEHOLDERS

Will be developed as needed.

RECOMMENDED POINTS FOR FURTHER RESEARCH/DISCUSSION

Will be developed as needed.

RECOMMENDED PRIORITIZATION SCORE (BASED ON ATTACHED WORKSHEET)

PROPOSED TIMELINE FOR FURTHER ACTION

May be brought to the next available GPC for discussion.

ADDITIONAL RESOURCES

- Investopedia on Housing Bonds: <https://www.investopedia.com/terms/h/housingbonds.asp>
- National Council of State Housing Agencies on Housing Bonds: <https://www.ncsha.org/advocacy-issues/housing-bonds/>
- Report of the Alachua County Affordable Housing Workgroup: https://growth-management.alachuacounty.us/formsdocs/AffordableHousing/Affordable_Housing_Workgroup_Report_to_BoCC.pdf

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- National Low Income Housing Coalition Report on Housing Bonds:
https://nlihc.org/sites/default/files/AG-2017/2017AG_Ch05-S06_Housing-Bonds.pdf
- Enterprise Community Partners on Affordable Housing Fundraising:
<https://www.enterprisecommunity.org/blog/2017/03/how-local-governments-can-raise-much-needed-resources-affordable-housing>
- National League of Cities on “Local Tools to Address Housing Affordability”
https://www.nlc.org/sites/default/files/2019-03/SMLReport2019_FINAL_0306_32pgs.pdf