


CITY COMMISSION POLICY

GRAND RAPIDS  MICHIGAN	NUMBER: 900-62	HISTORY	
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	DEPARTMENT: Executive		

SUBJECT GUIDANCE FOR ESTABLISHMENT, OPERATION AND LONG-TERM INVESTMENT IN THE CITY OF GRAND RAPIDS AFFORDABLE HOUSING FUND

PURPOSE AND BACKGROUND

One of the City's critical strategic plan objectives is to establish a fund to promote the development of affordable housing in the community. Plans were paused in late 2018 due to a variety of circumstances. The City's Strategic Plan provided a framework for development of the fund. Housing Next was retained to formulate strategic direction and housing demand was established through a Housing Needs Assessment which indicated a need for over 9,000 rental and for-sale housing units at all price points over the next five years.

This work has provided a strong foundation for next steps and continues to build upon the Great Housing Strategies and Housing NOW! initiatives. An agreement for financial management of the City of Grand Rapids Affordable Housing Fund will be executed with the Grand Rapids Community Foundation.

This City Commission Policy establishes the framework for the City of Grand Rapids Affordable Housing Fund, including the composition of the governing board that will determine housing impact investments in the community and provide for operation of the fund.

This policy provides guidance for establishment, operation, and long-term investment from a variety of City sources.

The City of Grand Rapids seeks to:

- Lead with equity by taking measures to help ensure all people have an opportunity to live healthy and productive lives in safe housing. Measures will include but will not be limited to orientation of members of the City of Grand Rapids Affordable Housing Fund Board and reviewing housing investments through an equity lens;
- Encourage mixed-income neighborhoods with a citywide goal for a housing inventory mix of approximately 70% market rate and 30% affordable housing units;
- Provide a variety of housing choices that support a mix of homeownership and rental opportunities and accommodate various household sizes, abilities, and needs;
- Address significant income disparities and long-term systemic racism through promotion of homeownership to foster personal wealth creation.
- Establish the City of Grand Rapids Affordable Housing Fund to provide incentives and tools to ensure long-term housing affordability for Grand Rapids residents including increasing the overall housing supply;
- Engage the philanthropic and nonprofit communities to support the City of Grand Rapids Affordable Housing Fund;
- Engage the for-profit community to support the City of Grand Rapids Affordable Housing Fund;
- Create multiple sustainable revenue sources and use other City resources, such as Community Development Block Grant (CDBG) and HOME Investments Partnership Program, to leverage the City of Grand Rapids Affordable Housing Fund;
- Begin with initial years of significant City financial investments of various types, then use multiple funding mechanisms for the City of Grand Rapids Affordable Housing Fund to ensure long-term sustainability;
- Minimize administrative and overhead costs to ensure that the City of Grand Rapids Affordable Housing Fund is utilized to provide maximum benefit for those with housing needs in our community;
- Make long-term, strategic investments to support the creation and preservation of affordable housing units, both owned and rented, using dedicated revenues, private contributions, and interest earnings;
- Support investments that leverage and maximize the creation of affordable housing development for low- to moderate-income renters;
- Provide financial assistance and incentives for development of housing for low- to moderate-income renters earning at or below 80% of area median income and homebuyers with incomes at or below 80% of the area median income, with the ability to provide financial assistance and incentives for development of home ownership opportunities for homebuyers with incomes at or below 100% of the area median income with approval of the City Commission;
- Support an expanded ecosystem of developers of color and female developers.

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Affordable Housing Definition

The Area Median Income (AMI) is determined annually by the Federal government. It is an income level that has one-half of residents with higher income and one-half of residents with lower income.

The City recognizes housing as being affordable when its annual cost is no more than 30% of the tenant's or homeowner's annual gross income or when the total cost of housing and transportation does not exceed 45% of the household annual gross income.

The City seeks to incent the creation of additional rental housing for residents with household incomes at or below 80% of AMI.

The City seeks to incent the creation of additional housing for homeowners with incomes at or below 100% of AMI with a preference for households earning at or below 80% AMI.

Investments in products, projects or services for homeownership households earning above 80% AMI but not to exceed 100% AMI will require separate approval by the City Commission

Governance of the City of Grand Rapids Affordable Housing Fund

This City Commission Policy establishes an 11-member City of Grand Rapids Affordable Housing Fund Board.

The Board shall be appointed by the Mayor and City Commission through the Appointment Committee process. Membership shall include:

- City Commissioners from each ward shall collaborate to nominate one appointment to represent their ward.
- The Mayor shall nominate one appointment.
- The City Manager shall nominate one appointment and may serve in this capacity if they desire.
- The Executive Director of the Grand Rapids Housing Commission shall be a member.
- The remaining six members shall be selected through the city's appointments process following an invitation to the community, partner organizations and community groups to submit nominations. Each nominee will be asked to include the name of the organization or community group they are representing, if any, a description of the nominee's experience in the housing sector or related field, and an understanding of the challenges faced by low- and moderate-income households and examples of the nominee's leadership role within the community.
- The demographics of the Board should be reflective of the racial and ethnic diversity of the Grand Rapids community at the time of appointment.

Board activities shall be coordinated by a Fund Advisor designated by the City Manager as provided for in this Policy and in the agreement with the Grand Rapids Community Foundation for management of the Grand Rapids Affordable Housing Fund.

Duties of the City of Grand Rapids Affordable Housing Fund Board

The duties of the Housing Fund Board shall include:

- A. Recommend investments designed to make housing more accessible to low- and moderate-income residents of the City. These programs may include, but not be limited to:
 - i. Property acquisition, preservation, and pre-development loan funds for qualified and experienced non-profit housing partners.

- ii. Gap-financing to support affordable and mixed-use/mixed-income development projects which include income-restricted housing;
 - iii. Income-qualified homeowner assistance grants/loans to support necessary repairs, reduced energy costs, and additions for accessory dwelling units;
 - iv. Gap-financing for development projects receiving funding from other City, State, or Federal programs, or equity investment and including income restrictions pertaining to qualified residents;
 - v. Subsidize City fees required for the development of affordable housing i.e., water/sewer connection fees, development fees, LUDS Fees and permits;
 - vi. Incentivize small-scale and non-condo zero lot-line affordable housing development.
 - vii. Access to capital and training for emerging Black, Indigenous, People of Color, and women owned development entities seeking to contribute to the city's affordable housing needs.
 - viii. Potential direct investment of a projected \$5 million in ARPA funds as envisioned in the FY2022 Fiscal Plan as may be allowed under Federal rules to stimulate development or preservation of affordable housing now.
- B. Accept on behalf of the Fund, funds from the City and other sources for purposes of carrying out the programming objectives of the Fund;
 - C. Recommend entering into development agreements with public and private parties;
 - D. Invest funds in furtherance of the program recommendations;
 - E. Apply for grants and other funds for purposes of funding the approved programming;
 - F. Approve the management of investment programs;
 - G. Adopt Standing Rules to guide operations to address matters such as meetings, agendas, voting, conflict of interests, attendance, quorum, compliance with applicable City, State and Federal, rules, regulations, laws, and other relevant matters of procedure.
 - H. Provide an annual written report each April, reporting on their activities, presenting their annual investment plan, describing any recommendations for policy changes to support the City's affordable housing programs, and having all data disaggregated by race, ethnicity, gender identity and geographic location whenever applicable; and,
 - I. Make recommendations to the City Commission through the City Manager or the City Manager's designee for annual funding appropriations and policy recommendations.
 - J. Make policy recommendations to the City Commission through the City Manager or their designee.

Uses of the City of Grand Rapids Affordable Housing Fund

The City Manager or their designee shall work with the City of Grand Rapids Housing Fund Board to coordinate City housing programs with the projects supported by the City of Grand Rapids Affordable Housing Fund.

The Board of the City of Grand Rapids Affordable Housing Fund shall establish guidelines for investment of City of Grand Rapids Housing Affordable Fund proceeds, eligibility requirements, application for use of funds, reporting requirements, as community conditions may indicate from time to time consistent with this Policy and supporting agreements.

The Board of Directors shall also approve an annual program of investments which, when approved by the Board of Directors shall be transmitted to the City Commission.

The Fund Advisor of the City of Grand Rapids Affordable Housing Fund appointed by the City Manager will transmit direction to the Grand Rapids Community Foundation per the agreement and the GRCF will transmit payment for the total of recommended projects for that period to the City of Grand Rapids.

The City Commission will review the recommendations of the Board of the City of Grand Rapids Affordable Housing Fund and consider approving those investments as recommended by the Board or as may be modified by the City Commission. Once approved, City staff designated by the City Manager will prepare and administer contracts required to complete the investments.

Initial Investments in the City of Grand Rapids Affordable Housing Fund

The Fund will be seeded with an initial investment of roughly \$875,000. This represents the amount remaining from the \$1.1 million investment envisioned in the FY2021 Fiscal Plan less the amount invested to in the La Lucha Fund to support undocumented residents of Grand Rapids during the pandemic. The Fund will operate with a target goal of \$25M by 2025.

Future investments in the City of Grand Rapids Affordable Housing Fund

The City's goal for the City of Grand Rapids Affordable Housing Fund is to provide sustainable annual appropriations from multiple sources to build and stabilize a fund balance to generate revenue for annual affordable housing investments. This approach is intended to provide reliable and long-term sources of funding to address affordable housing.

The City of Grand Rapids Affordable Housing Fund may be augmented on an annual or more frequent basis through:

- Contributions from private individuals, philanthropic organizations, State of Michigan, County of Kent, Grand Rapids Housing Commission, federal grants, or other organizations that seek to further the creation and sustainability of affordable housing
- Partnerships with private sector institutions including banks, community development financial institutions and other entities
- Annual appropriations from the City of Grand Rapids from certain specified sources when conditions concerning those appropriations have been met, including but not limited to:

1. **2% Voluntary Payments in Lieu of full Pilot Payments:** Receive 100% of annual 2% voluntary payments designated for the City of Grand Rapids Affordable Housing Fund appropriated in the fiscal year following issuance of a Certificate of Occupancy for the development and when the funds are received under this section for this purpose. The estimated amount to be paid under this section shall be appropriated in the annual fiscal plan in Department 261 General Administration.
2. **Unallocated and available sales proceeds** resulting from the sale of publicly owned property.