

# GRAND RAPIDS HOUSING FUND

Proposed Policy Overview

April 13, 2021

# HOUSING FUND HISTORY

- First recommended as part of the Great Housing Strategies initiative in 2015 – carried forward from there to Housing NOW! and to today
- Action taken in 2018 to approve a term sheet with the Grand Rapids Housing Commission for establishment of a Management Agreement and creation of a 501(c)(3). Progress was made on appointment of a fund board
- Work was paused in early 2019 after the closure of the Kent County Land Bank Authority in order to secure better data and coordinate housing strategy with the City's emerging strategic plan.
- The City's Strategic Plan provided a framework for development of the fund, Housing Next was retained to formulate strategic direction and market-based housing demand was established.

# DEFINING THE NEED

## GR Households

>30% of Income Spent on Housing

17,052 Renters (52%)

7,914 Homeowners (19%)

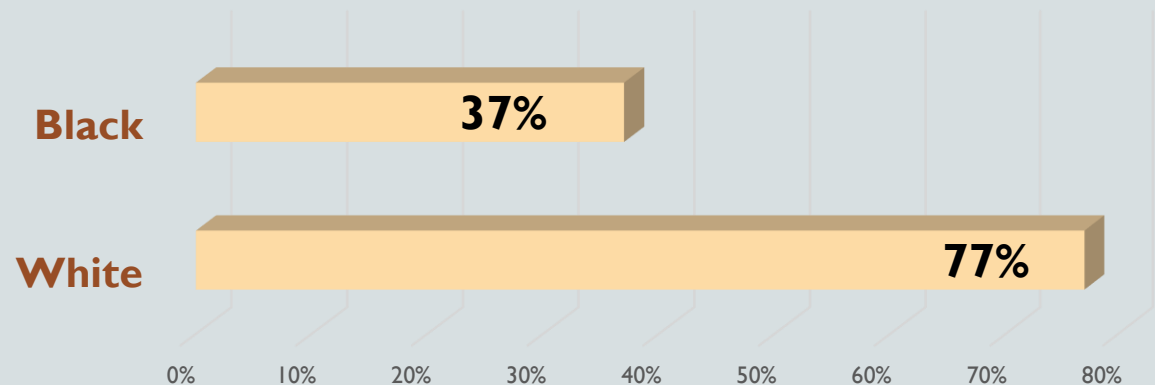
## GR Households

>50% of Income Spent on Housing

9,985 Renters (30%)

2,817 Homeowners (7%)

Homeownership Rate by Race



## Grand Rapids Rental Demand Estimates (2020 – 2025)

Income  
Category

0-30% AMI

30-50%  
AMI

50-80% AMI

80-120% AMI

120%  
AMI+

Overall Units  
Needed

**1,031**

**895**

**966**

**1,469**

**979**

## Grand Rapids For-Sale Demand Estimates (2020 – 2025)

Income  
Category

0-30% AMI

30-50% AMI

50-80% AMI

80-120% AMI

120% AMI+

Overall Units  
Needed

**254**

**346**

**949**

**1,569**

**430**

## TWO-PRONGED POLICY RECOMMENDATION

- **First, establish City Commission Policy for operation of the Grand Rapids Housing Fund, including:**
  - purpose,
  - board make-up and appointment process,
  - duties,
  - decision making process,
  - uses of funds for investment in housing, and
  - initial deposits and future deposits to the fund

## TWO-PRONGED POLICY RECOMMENDATION

- **Second, establish a fiduciary for stewardship of initial and future monies dedicated to this purpose.**
  - create a non-endowed designated fund at the Grand Rapids Community Foundation (GRCF) through an agreement with GRCF that:
    - establishes a reliable and proven framework for financial management and stewardship of assets for the purpose of supporting the greatest number of residents through development of the greatest amount of housing
    - creates opportunity to accept financial contributions from outside philanthropic, corporate, faith-based organizations from across the community

# HOUSING FUND BOARD

- **11-member body**
  - Three members appointed one from each ward nominated by ward Commissioners
  - One member appointed by the Mayor
  - One member appointed by the City Manager
  - One seat for the Executive Director of the Grand Rapids Housing Commission
  - Five members appointed from community through the Committee on Appointments
- **Emphasis on experience related to housing, finance, residential development, health & well-being, lived experience, social work, philanthropy & impact investing.**
- **Board alignment with Housing Commission, City Departments, & Local/Regional housing partners.**

# HOUSING FUND FIDUCIARY MANAGER

**The Grand Rapids Community Foundation has offered to manage the GR Housing Fund investments as a non-endowed designated fund.**

- **City appointed Housing Fund Board will make all capital spending and distribution decisions.**
- **GRCF would be the steward of the capital invested, allowing the City to benefit from highly experienced staff and experience at GRCF to support the long-term growth of the fund.**



# HOUSING FUND BOARD- RESPONSIBILITIES

- To make spending and distribution decisions designed to make housing more accessible to residents of the City; including:
- Accept on behalf of the Fund, funds from the City and other sources for purposes of carrying out the programming objectives of the Fund;
- Enter into development and grant agreements with public and private parties through the City
- Review the investment of funds in furtherance of the program recommendations;
- Support applications for supplemental grants and other funds for purposes of funding the approved programming;
- Provide an annual investment plan, written report and any recommendations for policy changes to support the City's affordable housing programs; and,

# HOUSING FUND BOARD- PROPOSED USES

**To make spending and distribution decisions designed to make housing more accessible to residents of the City; including:**

- Property acquisition, preservation, and pre-development loan funds for qualified and experienced non-profit housing partners.
- Gap-financing to support mixed-use, non-profit and for-profit development projects which include affordable housing;
  - income-qualified homeowner assistance grants/loans to support necessary repairs, reduced energy costs, and additions for accessory dwelling units;
- Gap-financing for development projects receiving funding from HOME, LIHTC, or other State or Federal funding or equity investment;
- Pay City fees required for the development of affordable housing i.e., water/sewer connection fees, development fees, LUDS Fees and permits;
- Incentivize small-scale and non-condo zero lot-line affordable housing development.

## HOUSING FUND – PROPOSED SOURCES

- **Initial seed investment of approximately \$900,000 – Goal of \$20M by 2025**
- **2% of PILOT payments made after 2019**
- **Unallocated sales proceeds from the sale of unrestricted public land**
- **Philanthropic contributions from public, private & institutional partners**

# TOTAL CAPITAL NEEDS

- **New rental housing development in GR will exceed \$1B in total investment & require gap-funding of ~\$250M+ to achieve the desired balance of market-rate & income-restricted units.**
- **New homeowner housing development will exceed \$780M in total investment & require gap-funding of ~\$110M+ to achieve desired ratio of market / restricted units.**
- **Additional capital of nearly \$100M in rental assistance would be required to reduce every household's expense to below 30% of gross income.**

## PRIORITIZE LIMITED FUNDS

- The Housing Fund Board must be prepared to work to serve the greatest number of households with housing needs while acknowledging that current funding resources cannot solve for every community need.
- Partnerships with other philanthropic, institutional and impact investment partners will be critical to coordinate resources and maximize impact whenever possible.

# FIDUCIARY FOR FUND STEWARDSHIP

- Create a non-endowed designated fund at the Grand Rapids Community Foundation (GRCF) through a proposed agreement that:
  - Establishes relationship with a reliable and proven partner for financial management and stewardship of assets for the purpose of supporting the greatest number of residents through development of the greatest amount of housing
  - GRCF manages investment of principal and interest for maximum return
  - Grand Rapids Housing Fund Board makes housing spending & disbursement decisions
  - Creates opportunity to accept financial contributions from outside philanthropic, corporate, faith-based organizations

## NEXT STEPS

- Consider adoption of City Commission Policy governing the Grand Rapids Affordable Housing Fund Board
- Consider approval of an agreement creating the City of Grand Rapids Housing Fund as a non-endowed designated fund at the Grand Rapids Community Foundation
- Consideration of any actions necessary to wind-down past initiatives with the Grand Rapids Housing Commission as the result of this direction.