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Housing Trust Fund Project

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Dear Jim:

I promised during the meeting last week to get something to you on revenue sources relevant to county housing trust funds. I was unsure of what to expect from this meeting and wasn't real sure that you were very satisfied with the outcome. I hope the foundation was laid for continuing work on a county fund.

There were clearly some unsettled issues, chief among these must be the issue of how the incorporated cities would relate to a county housing trust fund. Most county housing trust funds work only in the unincorporated areas of their counties. Unfortunately, we had not discussed this prior to the meeting and I did not know what you anticipated. This issue, of course, has a lot of bearing on the question of possible revenue sources.

Also left hanging was the issue of which revenue sources. I did not know what you wanted to happen regarding a broader discussion of possible revenue sources since you've proposed one that seems to have a lot of promise. Additionally, I had not intended to get into a more specific discussion of possible revenue sources, since I had not thought this group was prepared to do this. Nonetheless, the information I've pulled together below has to do with county housing trust funds and I hope this will be helpful if the group decides to pursue this discussion. As always, I'd be glad to help out if you think it appropriate.

There are now seven county housing trust fund around the country. I've listed these below and the revenue source(s) they use:

- Sacramento County, California -- linkage fees (collected fees are still being held in escrow pending a court case; a recent decision supported the City's linkage fee).

- Dade County, Florida -- documentary stamp surcharge (a fee of $0.45 per $100 value of deed transfers applies to all documents taxable by a certain state statute on the sale of land, commercial and residential property, except single family residential, condominium, and cooperative units; they receive somewhere between

$9-12 million annually). This is considered a very successful program; however, statewide efforts to expand the state legislation that enabled the Dade County program has failed, I believe, two years in a row now.

• Howard County, Maryland -- real estate transfer tax (the base tax is 1.0% of the sales price of all property transferred in the county; 12.5% is contributed to the County's Community Renewal Fund; other amounts are contributed to other funds, including open space, agricultural preservation, storm drainage, and fire stations). I do not have a good contact (meaning someone that will return my phone calls) on this program; however, I had heard that they were considering a change in the legislation that would enable the fund to support both housing and economic development.

• Montgomery County, Maryland -- they have committed a transfer tax on conversion of rental residential units to condominium or cooperative ownership (4% of the value of the consideration for the intital transfer paid by the transferor; they've collected over $20 million since the program began, but as conversions slowed, revenue declined); they have also commited some county-owned land to the fund (or proceeds from the sale); later the County voted to require that buyers of homes produced under its Moderately Priced Dwelling Unit Program pay a portion of any sales profit into the Fund (it varies depending on how long they've owned the home); and the County has also committed General Fund revenue to the county fund.

• St. Louis County, Missouri -- state legislation passed last year enabling counties, with voter approval, to establish funds based on an additional $3 fee on recordings and filings. St. Louis County passed such a vote (and Jackson County is scheduled for a vote). They've just begun to put the program together. (They passed the measure in November and collected some $82,000 as of March 1991).

• Fairfax County, Virginia -- the fund receives proffers (cash contributions from developers in exchange for density bonuses to meet their affordable housing obligations). The Board is looking for additional revenue sources, as well. According to the last report I have from them, they have collected $8.7 million from proffers, a transfer from the General Fund, interest earnings, and CDBG appropriations. I'll call them to see if they've made any progress in evaluating additional revenue sources.

• King County, Washington -- revenue from their real estate excise tax is appropriated to the Fund. The County stated its intention to program 50% of future net real estate excise tax revenues to the fund, which would amount to some

$7.7 million over a three year period. Recently, the County Council approved a regional housing levy report that will result in drafting an ordinance to place a proposed levy on the ballot by February 1992. The $150 million levy would cost about $28 per year on a $155,000 home. This would decline, however, over the subsequent 8 years as the region's tax base expand.

There are a couple of county housing trust funds in the works ... some very close to passage. These include:

- Toledo/Lucas County, Ohio. Toledo just passed an ordinance creating a housing trust fund and now wait for Lucas County to follow suit. At this time, the City has committed some funds to the Fund, but potential revenue sources being considered include: $1/$1000 conveyance fee increase (would be passed by the County); Summit Center Garage Operating Surplus (City); city land sales proceeds; interest earnings on funds held and loan repayments, and City General Funds to support administrative costs. Their goal is $1 million a year.

- Knoxville/Knox County, Tennessee. With a severe budget crisis at the county level, their efforts have been put on hold. They've received support for the concept of a housing trust fund, but the revenue sources are still under debate. They had hoped for a commitment of general revenues from the County equal to a portion of the property tax and this may still be a possibility.

- Lehigh and North Hampton Counties, Pennsylvania. I have not heard anything from this effort for awhile and believe they're probably working on other issues, but they proposed state legislation that would enable chartered counties to increase the realty transfer tax to create housing trust funds. The proposed law would have permitted home rule counties to increase the tax on commercial or residential real estate transactions by 0.25%, from 2.0% to 2.25%.

There are ten or so other counties around the country with varying interests in a housing trust fund. None of these has progressed far enough for me to be able to report on their proposals. In addition, I have been contacted by at least five counties in California with interest in a housing trust fund. To my knowledge, none of these has progressed very far yet.

I have no studies on file that have been done specifically for counties to explore possible revenue sources. Most look at available taxes, repayments on loans, developer fees or other regulatory fees. Since you have already reviewed Rosen's report for the City of San Diego, there is no point in my reiterating what you already know from that report.

I hope this is helpful. If you would like to discuss any of these further or want additional information about them, please give me a call. Also, please let me know if there is any other way I can assist in the process. I'm always available to come to San Diego. I look forward to hearing about what's next.

Sinderely,

Mary

Mary E. Brooks