

COMPARED VERSION
NEW ORDINANCE TO CODE BOOKS

ORDINANCE NO. 210873

Amending Chapter 2, Code of Ordinances, by repealing Section 2-1693, “Housing trust fund” and replacing it with a new Section 2-1693 of like title, for the purpose of establishing a governing body to review Housing Trust Fund (“HTF”) applications, with reporting requirements, funding allocation direction and prioritization of fund use; and requiring the application process to begin within 90 days.

WHEREAS, the City Council established a Housing Trust Fund through passage of Committee Substitute for Ordinance No. 180719 on December 20, 2018, to help implement neighborhood revitalization, housing development, and preservation projects; and

WHEREAS, on June 20, 2019, by Committee Substitute for Resolution No. 190022, the City Council adopted the Five-Year Housing Policy, which set forth five bold Ideas to include the creation/preservation of 5,000 additional single family and multifamily housing units by December 2023 and to establish a \$75 million catalytic housing development (trust) fund to create and preserve units; and

WHEREAS, on January 28, 2021, the City Council adopted Committee Substitute for Ordinance No. 201038, as amended, requiring projects which are primarily residential in nature and are seeking economic incentives in the nature of the capture and redirection, abatement or exemption of taxes or other City financing contain a minimum number of affordable housing units; and

WHEREAS, the City Council adopted the City’s stimulus spending plan “RecoverKC” on May 27, 2021, pursuant to Committee Substitute for Ordinance No. 210392, in which the City Council allocated \$12,500,000.00 to the Housing Trust Fund; and

WHEREAS, persons of low and moderate-income experience continued difficulty in locating and maintaining adequate, safe and sanitary affordable housing within the City, and the housing crisis has been exacerbated by the COVID-19 pandemic; and

WHEREAS, there is a need for Council to establish procedures and policies for administering the HTF; NOW THEREFORE,

BE IT ORDAINED BY THE COUNCIL OF KANSAS CITY:

Section 1. That Chapter 2, Code of Ordinances, is hereby amended by repealing Section 2-1693, “Housing trust fund” and replacing it with a new Section 2-1693 of like title and subject matter, said section to read as follows:

Sec. 2-1693. Housing Trust Fund.

(a) *Creation and Purpose.* The Housing Trust Fund (“HTF”) is created for the following purposes:

- (1) To promote, preserve, and create long-term affordable housing for very low, low, and moderate-income households;
- (2) To abate large scale displacement of low-and moderate-income persons caused by gentrification, historical trends, or other development;
- (3) To provide opportunities for tenants and/or public entities to purchase rental housing in order to maintain perpetual affordability of that housing;
- (4) To provide broad opportunities for persons to transition from rental to ownership of housing;
- (5) To promote the rehabilitation and avoid, where possible, demolition of housing for low-and moderate-income persons;
- (6) To distribute grants or loans to organizations that promote, retain, or create long-term affordable housing;
- (7) To distribute "capacity grants" to community development corporations (CDC) and other nonprofit entities exempt from federal income tax obligations under 501(c)(3) of the Title 26 of the United States for the purpose of creating or preserving housing for very low, low, and moderate income households;
- (8) To distribute grants or loans to nonprofit organizations that provide representation in court to the public in housing-related issues, including but not limited to matters involving evictions and the Abandoned Housing Act;
- (9) To promote the general welfare by providing a direct and immediate benefit to the public through aiding low- and moderate-income persons by offering methods to acquire safe and healthy affordable housing benefits as the need is ever present and the federal funding source on which the city has relied for several decades is depleting;
- (10) To promote the general welfare by removing, where possible, blighted, dilapidated and substandard properties from the city's inventory and offering rehabilitation opportunities, thus reducing the city's ongoing maintenance costs and adding additional tax revenue for the city;
- (11) To promote the general welfare by stabilizing and improving property values in those areas where property rehabilitation and occupancy of vacant housing occurs

and through the creation of jobs through housing rehabilitation and expanding opportunities to leverage additional public and private investments; and

- (12) To aid in blight remediation through the rehabilitation and construction of safe and viable housing for low- and moderate-income persons and to reduce the number of dilapidated and substandard housing.

(b) *Administration by Housing and Community Development Department.* The Housing and Community Development Department shall be responsible for developing and updating an application process for the use of the HTF. Up to 5% of the annual allocation to the HTF may be utilized for administrative expenses to manage applications, reporting, and compliance.

(c) *Applications and Award.*

- (1) Applications shall be accepted on at least a bi-annual basis, with projects reviewed as part of a competitive bi-annual RFP process. All projects shall submit proposals to be reviewed during the annual window(s).
- (2) The application evaluation criteria shall prioritize projects that maximize the following:
 - (a) Number of units created per HTF dollar invested;
 - (b) Total number of months of affordability, with longer periods of guaranteed affordability given higher priority; and
 - (c) Affordability threshold, with higher priority for projects at lower income levels.
- (3) *Funding Allocation Minimums.* The following sets forth the funding allocation that shall be followed by the City in determining awards to applicants:
 - (a) A minimum of 20% of awards shall be made for Affordable Rental Preservation, at or below 60% Average Median Income (AMI).
 - (b) A minimum of 20% of awards shall be made for Affordable Rental Creation, at or below 60% AMI.
 - (c) A minimum of 10% of awards shall be made to create/support Dedicated Transitional Housing for the Homeless; and
 - (d) A minimum of 10% of awards shall be made for Homeownership support programs and/or retention programs for residents of distressed census tracts at income levels below 60% AMI. Programs that provide a path for resident tenants to transition to ownership shall be eligible.

(4) *Maximum Awards.*

- (a) The maximum award given to for-profit developers is 20% of the development cost (loan) or 10% for a grant.
- (b) The maximum award given to non-profit developers is 30% of the development cost (loan) or 15% for a grant.

(5) *Affordability requirement.* All units using HTF funds to support, preserve, or create such units shall be kept affordable for at least 20 years in accordance with the following definition: “Affordable housing shall be defined as housing that a household having income at or below sixty percent (60%) of the HUD Median Family Income (“MFI”) for all households within the Kansas City metropolitan area would be able to afford if it were to expend not more than thirty percent (30%) of such income for the mortgage or rent, including utilities.”

(6) Funds may be deployed in projects that include market rate units, solely for an eligible use.

(7) Awards may be made in form of a grant or low or zero-interest loan.

(8) All funded projects must be started within one year of when funding is received; or else award recipient must promptly return all received HTF funds to City.

(d) *City Council.* Once applications are evaluated, HTF recommendations shall be presented to the City Council, which may accept, reject or adjust recommendations. In no case shall HTF funding be provided to any project which did not submit an application through the designated application process.

(e) *Annual Report to Council.* The Housing and Community Development Department shall provide a written annual report to Council and the City Manager, which includes the following information:

- (1) Number of applications received and funded;
- (2) Descriptions of the funded projects;
- (3) Number of units funded (total units and at various income levels) and unit sizes;
- (4) Total cost to residents based on subsidy, commuting time and utilities;
- (5) Cost per unit created/preserved;
- (6) Average timeline for the unit to become available once funded;
- (7) Remaining years of affordability for previously funded units (averages and totals);

- (8) Percentage of awards that go to non-profit/community organizations vs. commercial developers; and
- (9) Recommendations for change to future application processes, guidelines and program governance.

Section 2. That the Housing and Community Department shall open the initial application process no later than 90 days after the passage of this ordinance.

Approved as to form and legality:

Joseph Guarino
Assistant City Attorney