



# **HOUSING TRUST FUND**

## **Administrative Guidelines**

Finance Department Housing Division

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## **CITY OF EUREKA**

# **HOUSING TRUST FUND ADMINISTRATIVE GUIDELINES**

### **I. EUREKA HOUSING TRUST FUND OVERVIEW**

#### **A. Purpose**

The purpose of the Eureka Housing Trust Fund (EHTF) is to combine funding from different sources to help achieve the City's General Plan goals, including those in the Housing Element, to develop and preserve affordable housing in the City of Eureka. To achieve this purpose, EHTF resources shall be used to provide loans, and in certain instances grants, to qualified developers, public entities, groups, and individuals to undertake activities that create, maintain, or expand the City's affordable housing stock.

#### **B. Funding Sources**

Inflow of resources EHTF may come from a variety of sources, which may include the following:

1. State non-entitlement Community Development Block Grant (CDBG) funds- Housing and Community Development Allocation.
2. State non-entitlement CDBG Program Income- payments of loan principal and interest due to the City from borrowers of previous CDBG-funded housing loans.
3. State non-entitlement Home Investment Partnerships Program (HOME) funds.
4. State non-entitlement HOME Program Income- payments of loan principal and interest due to the City from borrowers of previous HOME-funded housing loans.
5. Payments of principal and interest due to the City from borrowers of previous EHTF housing loans.
6. Donations and contributions from third-party benefactors.
7. Funds from other sources authorized by the City Council, the former City of Eureka Redevelopment Agency, and the voters.

#### **C. Management of Eureka Housing Trust Fund**

The Eureka Housing Trust Fund shall be a special revenue fund type or other fund type and category as determined appropriate by the City's Finance Director. Its activities are implemented by the Housing Division of the City's Finance Department. The Finance Director shall serve as Administrator of the EHTF. In accordance with Eureka City Code and financial management and budget policies, the City's Finance Director, or designee, in coordination with the EHTF Administrator shall be responsible for the disbursement of EHTF funds and collection of EHTF revenues, maintaining financial records for the EHTF, and maintaining and managing a separate account or accounts for the EHTF.

## II. DEFINITIONS

- A. Affordable Housing:** Housing that is affordable to households with gross incomes determined to be at or below the limit for “low-income,” as defined by the U.S. Department of Housing and Urban Development (HUD). See B3 below.
- B. Area Median Income or “AMI:”** Established for metropolitan areas or non-metropolitan counties by the U.S. Department of Housing and Urban Development, pursuant to 42 U.S.C. Chapter 1437 et seq., to establish local income classification levels. These classifications are also used in California housing law with respect to income eligibility limits. For current income limits, please refer to this web address: <https://www.huduser.gov/portal/datasets/il.html>. Income designations, along with descriptions, are below.
1. **Extremely-Low Income Household:** a household having an income not exceeding thirty percent (30%) of AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
  2. **Very Low-Income Household:** A household having an income not exceeding fifty (50%) percent of AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
  3. **Low-Income Household:** a household having an income not exceeding eighty (80%) percent of the AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development.
  4. **Moderate-income Household:** a household having an income not exceeding one hundred twenty percent (120%) of the AMI adjusted for household size and as defined by the U.S. Department of Housing and Urban Development. Households with income between 80% and 120% of AMI are considered “moderate income.”

## III. ESTABLISHMENT OF EUREKA HOUSING TRUST FUND

By a Majority/unanimous vote on Tuesday, April 16, 2024, the Eureka City Council established a special revenue fund type under the name of “Eureka Housing Trust Fund” to serve as a mechanism in support of City housing activities as part of a strategy to work with the development community in producing much needed affordable housing for low- and moderate-income Eureka residents.

### A. Notices of Funding Availability

Annually, during the first quarter of the calendar year, solely dependent upon funding availability, the Housing Division of the Finance Department shall release a Notice of Funding Availability (NOFA). All NOFAs will be require approval from the Eureka City Council. At a minimum, the NOFA will outline eligible activities, the amount of funding available, evaluation criteria, and any community objectives for that funding period.

## **B. Project Selection**

The City of Eureka, through the Housing Division, will release a NOFA annually during the first quarter of the calendar year. All applications for EHTF assistance will only be accepted during the identified time frame in the NOFA, and all applications shall be subject to an evaluation process. The City shall be under no obligation to fund projects. Projects rejected during one funding cycle may be resubmitted and reconsidered in a later funding cycle.

## **C. Department Administration and Monitoring**

Excluding any specific activity delivery or administration funding through the U.S. Department of Housing and Urban Development and the State Department of Housing and Community Development, specifically related to Federal and State funding sources not affiliated with the former Eureka Redevelopment Agency, the City of Eureka Department of Finance's Housing Division may, in each fiscal year, spend up to the greater of \$200,000 or 2%, of the combined value of land and loans and grants receivable for program administration and to monitor and preserve the affordability of units with affordability covenants.

## **D. Committed Use of EHTF**

All resources remaining in the EHTF at the end of any fiscal year, whether or not expended by the City, shall remain EHTF and classified as committed fund balance or other classification as determined appropriate by the Finance Director.

# **IV. DISTRIBUTION AND USE OF EUREKA HOUSING TRUST FUND ASSETS**

In accordance with all City codes, regulations, policies, and any other relevant state or federal statutes and regulations, distributions may be made to private or public, for-profit, or not-for-profit entities in the form of funding awards. Such awards will usually be in the form of below market long-term loans. In specific situations, and as described in Notices of Funding Availability, a limited number of grants may be available. Distributions may also be made to individuals in the form of below market loans, and in limited circumstances, grants.

## **A. Project Types**

Types of projects in which EHTF funding will be awarded includes, but may not be limited to, the following:

1. Creation of new affordable units;
2. Purchase of vacant and underutilized land (land assembly) for the purpose of facilitating future affordable housing production;
3. Assistance with multi-family housing rehabilitation projects;
4. Conversion of market rate units to affordable housing units;
5. Preservation of existing affordable housing;
6. Construction of accessory dwelling units;
7. First time homebuyer loans;
8. Single-family housing rehabilitation loans; and
9. Predevelopment assistance to non-profit and for-profit developers with project feasibility and preliminary design studies for potential affordable housing projects.

## **B. Funding Priorities**

Priority in all distributions shall be given first to housing projects that guarantee the perpetual affordability of such housing, and second, to housing projects that guarantee a term of affordability of greater than 15 years together with eventual recapture of the EHTF investment.

## **C. ETFH Income Group Priorities**

Subject to City Council amendment and future community objectives, and excluding State and Federal funding sources, the following income group priorities shall serve as guidelines for Notices of Funding Availability:

1. Extremely low-income (below 30% of area median income): Target 30% of EHTF funds.
2. Very low-income (30% to 50% of area median income): Target 25% of EHTF funds.
3. Low-income (50% to 80% of area median income): Target 15% of EHTF funds.
4. Moderate-income (80% to 120% of area median income): Target 15% of EHTF funds.
5. Contingency: Target 15% of EHTF funds. These funds can be allocated to provide for any of the identified categories above.

## **V. ANNUAL EVALUATION AND REPORTING**

After the end of each fiscal year or as soon as reasonably expected thereafter, the Administrator will report to the City Council on the status and performance of the EHTF. The report shall include:

## **A. Annual Evaluation**

1. A general evaluation of the use of the EHTF and its effectiveness at meeting stated objectives and General Plan Housing Element goals; and
2. The degree to which funded projects have helped meet the City's housing needs.

## **B. Performance Report**

1. A summary statement of all EHTF activity, including a summary of uses;
2. The total amount of state, federal and private funds leveraged;
3. The number of units assisted with EHTF funds, broken down by household income categories;
4. The per unit expenditure amount for the EHTF and by project;
5. The monthly rent of EHTF-assisted units or the sales prices of homeownership units.