

# STATE AND LOCAL HOUSING TRUST FUNDS

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State and local housing trust funds advance the way the U.S. supports affordable housing by guaranteeing that revenues are available each year to provide housing to the most economically vulnerable community members. Established by legislation, ordinance, or popular vote, housing trust funds direct public revenue to meet specifically identified local housing needs. Cities, counties, and states have developed proven models that support innovative approaches to all aspects of addressing affordable housing and homelessness. Housing trust funds demonstrate that state and local governments can commit important resources to provide decent, affordable homes if communities are willing to do so. Establishing a state or local housing trust fund is a proactive step that housing organizers and advocates can take to make systemic change in their community.

## History and Purpose

Since the 1980s, state and local housing trust funds have committed public funds to address communities' most critical affordable housing needs. With more than 848 housing trust funds in cities, counties, and states, those funds have become core elements in housing policy throughout the United States. A recent NLIHC survey found that just 89 trust funds alone generated more than \$1.6 billion for affordable homes. The popularity and proliferation of housing trust funds is due to their flexibility, sustainability, and success in addressing critical housing needs. Housing trust funds are distinct funds that ideally receive ongoing, dedicated sources of public funding to support the preservation and production of affordable housing and increase access to decent affordable homes through rental assistance. Housing trust funds systemically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue. While housing trust funds can also be a repository for private donations, they are not public/private partnerships, nor

are they endowed funds operating from interest and other earnings.

Forty-eight states, the District of Columbia, and the territories of Guam and Puerto Rico have created sixty-four state housing trust funds. Ten states, Connecticut, Illinois, Kentucky, Maine, Massachusetts, Nebraska, Nevada, New Jersey, Oregon and Washington, have created more than one state housing trust fund—reflecting a recognized value in committing public revenues to accomplish precise objectives, such as addressing homelessness or developing rural housing. NLIHC is aware of 596 city housing trust funds in 38 states, including 131 city housing trust funds, bolstered by another 147 housing trust funds created by Massachusetts's Municipal Affordable Housing Trust Fund Law, and 318 local housing trust funds created by New Jersey's 1985 Fair Housing Act, two examples of state-enabling legislation that provide support for local trust funds. Currently, 177 county housing trust funds are available in twenty-four states, including 49 county housing trust funds in Pennsylvania and 39 county housing trust funds in Washington State created under state-enabling legislation.

## Issue Summary

Three key elements to any state or local housing trust fund are:

1. Administration and oversight: Most housing trust funds are administered by a public or quasi-public agency. Although alternatives exist, such as a nonprofit or Community Development Financial Institution administering the fund, there are very few examples of such models. In the long run, elected officials should accept ownership and responsibility for addressing critical housing needs and designate the housing trust fund as one way in which they intend to do this. A best practice of housing trust funds is the creation of an appointed oversight board or advisory committee. According to NLIHC's 2025 State and Local Housing Trust Fund survey, over 75% of the 133 housing trust funds that participated in the survey have

an oversight board, an advisory committee, or both. These entities are typically broadly representative of the housing community, including banks, realtors, developers, nonprofit development organizations, housing advocates, labor, service providers, and low-income residents. These boards can be advisory, but it is preferable to delegate some authority to them, including at least advising, if not determining, which projects receive funding; overseeing policies; and evaluating and reporting on the performance of the fund. An oversight board provides considerable expertise in the operation of the trust fund and maintains a connection and avenue for accountability to the community.

2. **Programs:** The ordinance or legislation that establishes the fund should prioritize the needs of the community, by outlining clear objectives such as who the trust fund will serve and what projects will be prioritized. Definition ensures that the key operating components of the trust fund are not subject to the whims of changing administrations. Staff and board members will need to develop an application cycle, program requirements, and administrative rules.
3. **Funding:** A housing trust fund results from securing a dedicated revenue source, which is a source of funding committed by law to generate funds for the housing trust fund. Thus, by resolution, ordinance, or legislation, public funds are automatically deposited in the housing trust fund each year. Securing a dedicated revenue source for a housing trust fund is a significant advance in the way low-income housing has historically been funded. With a dedicated revenue source, advocates no longer have to argue about scarce resources with city council members, county commissioners, or state legislators during the annual budget process. They will no longer have to compete with other worthy causes in a budget process that is generally neither fair nor generous towards low-income housing. The dedicated revenue source guarantees a regular, but possibly fluctuating, source of funds.

## KEY DECISIONS

Several decisions must be made about a housing trust fund's implementation, including identifying eligible applicants, eligible activities, and requirements that

must be met to receive funding. Eligible applicants typically include nonprofit developers, for-profit developers, government entities, Native American Tribes, and public housing agencies. Eligible activities are usually broadly defined, including new construction, rehabilitation, acquisition, emergency repairs, accessibility, first-time homeownership, operating and maintenance costs, homeless services, rental assistance, and many others. A majority of housing trust funds provide loans and grants through a competitive application process. Grants are important to ensure that housing can meet the needs of those with the lowest incomes.

Among the most important decisions to be made regarding implementation of a trust fund are defining the specific requirements proposals must meet to be eligible for funding. Chief among these is the income level of those who benefit from the housing provided. According to NLIHC's State and Local Housing Trust Fund Survey, 57% of housing trust funds who responded serve populations earning no more than 80% of the area median income (AMI). Some housing trust funds serve lower-income households either entirely or in part by setting aside a portion of the funds to serve those populations. Eighteen percent of housing trust funds have set asides to serve households earning 50% of AMI or below. Without such set-asides, households with the lowest incomes are unlikely to be served, given that it is easier and less expensive to provide housing for those with higher incomes. Serious consideration should be given to set-asides, maximum income limits, and application prioritization that enable funding for those with the most critical housing needs.

Another key decision is long-term affordability. Many state and local housing trust funds require that housing supported through the trust fund remain affordable to the targeted population for a defined amount of time, or in perpetuity. Of housing trust funds surveyed by NLIHC, 66% have long term affordability requirements ranging from ten to 60 years. Housing advocates may push for additional requirements or prioritizations, including accessibility for people with disabilities, mixed-income development, green housing and energy-efficiency principles, transit-oriented housing, rural housing, and housing-related services.

## REVENUE SOURCES

Identifying public revenue sources for a housing trust fund is always a significant challenge. Different revenue sources are available to different jurisdictions, because each jurisdiction controls specific taxes and fees. Research must be done to identify appropriate funding sources.

According to the [State and Local Housing Trust Fund Database \(https://tr.ee/9n3jwm\)](https://tr.ee/9n3jwm), the most common revenue source for city housing trust funds is a developer impact fee, sometimes implemented in conjunction with a zoning ordinance. Impact fees are most often placed on non-residential developers to offset the impact that the development's employees may have on the housing supply. The second most common revenue source for city housing trust funds are inclusionary zoning in-lieu fees. Other cities have committed various fees, such as condominium conversion fees or demolition fees, along with taxes, including property taxes, real estate excise taxes, and hotel and motel taxes (including Airbnb). Revenues from tax increment districts are an increasingly popular revenue source for housing trust funds.

The most common revenue source for county housing trust funds is a document recording fee, a fee paid upon filing various types of official documents with a state or local government. Other sources used by counties include sales taxes, developer fees, property taxes, real estate transfer taxes, and real estate excise taxes.

State housing trust funds are most commonly funded by real estate transfer taxes, followed by document recording fees. Other options include revenue from state-held funds (such as unclaimed property funds), interest from real estate escrow or mortgage escrow accounts, and general obligation bonds.

Often, housing advocates study alternative revenue sources and propose the best options when proposing a housing trust fund. Relying on elected officials to identify a potential revenue source is not typically a

productive strategy. Suggesting alternatives for their consideration is a strategy with a much greater track record of success. Some housing trust funds were created through specially designated task forces with responsibility for doing background research and making recommendations on how best to fund and implement the proposed housing trust fund.

Each state is unique in its treatment of taxes and fees. Research into what the state constitution and statutes permit regarding dedicating public revenues to a specific purpose must be conducted. Research should determine what, if any, limitations are placed on specific revenue options, including any caps imposed on tax or fee rates, any limitations on the uses to which the revenue may be applied, and any commitments already imposed on the revenues collected. Although an increase in a tax or fee is the most common way to create a housing trust fund, it is also possible to dedicate the growth in revenue from a current tax or fee or dedicate a portion of the existing revenue without imposing an increase.

Advocates or city officials should identify a revenue goal each year for their housing trust fund. This goal can be based on actual need, a realistic assessment of what can be secured, or an evaluation of the jurisdiction's capacity to use new funds. This goal will be the measure by which each potential revenue source will be judged as sufficient. A combination of revenue sources may be necessary to reach the goal.

The funding focus should be on dedicated sources of public funding that will provide an ongoing stream of revenue for the housing trust fund. Other alternatives are possibilities, such as a one-time appropriations, bond revenues, or private sources, but advocates must keep their sights on establishing an ordinance or legislation that will dedicate public funds over time. Several trust funds have been created with one-time initial funding, which can be used to demonstrate the impact of the trust fund to build support for on-going dedicated public revenues.

## REPORTING

Once a housing trust fund is established and becomes operational, the administering agency, the oversight board, and/or housing and homeless advocates should report annually on the accomplishments of the fund. This helps ensure sustained, if not increased, funding, and improves the understanding and support for effective affordable housing programs. These reports typically not only show how the trust fund made advances in specific affordable housing or homeless objectives but also highlight the impact these expenditures have in creating jobs, adding to the tax base, and extending economic benefits. Many such reports have included stories sharing the impact of a safe, affordable home on individual families.

## RELATIONSHIP BETWEEN STATE AND LOCAL HOUSING TRUST FUNDS

One of the most innovative advances in the housing trust fund field is state legislation that enables local jurisdictions to create housing trust funds. States can enact legislation that opens a door for local housing trust funds by providing matching funds to encourage and support local housing trust fund efforts, enabling cities or counties to utilize a specific revenue source for local housing trust funds, sharing a new public revenue source with local jurisdictions, or establishing a process whereby local jurisdictions can decide to commit specific funds to a local housing trust fund. More than 70% of the housing trust funds in the United States are in states where enabling legislation encourages cities and counties to advance local housing trust funds, including communities in Massachusetts responding to the state's "Municipal Housing Trust Funds Law" and localities in New Jersey complying with the state's "Fair Housing Act." Legislation in Washington State and Pennsylvania enables counties to use document recording fee revenues for local housing trust funds. Iowa's state housing trust fund provides matching funds locally, which has generated funds in 22 locations throughout the state. Fourteen states have passed legislation to encourage local housing trust funds.

## Wins in 2025

The following are among the state and local housing trust fund victories celebrated by housing and homeless advocates in 2024 (in alphabetical order by state):

- In Santa Cruz, California, 56.1% of voters approved [Measure C \(https://tr.ee/feKeG9\)](https://tr.ee/feKeG9) that creates a \$96 parcel tax on most lots throughout the city, and a graduated real estate transfer tax for home sales above \$1.8 million, set to expire in 20 years. Eighty-seven percent of the revenues generated by the taxes will go to the City of Santa Cruz Affordable Housing Trust Fund.
- Daytona Beach, Florida's City Commissioners passed the [Essential Housing Linkage Fee Ordinance \(https://tr.ee/R8dxeJ\)](https://tr.ee/R8dxeJ), establishing linkage fees which will be assessed on new construction and then transferred into the city's housing trust fund. The fees won't be assessed until a building permit is about to be issued, and developers can avoid paying fees by creating affordable housing units.
- The Maine legislature enacted [LD 210 \(https://tr.ee/D4DcRA\)](https://tr.ee/D4DcRA), which adds an additional tax at the rate of \$3.80 for each \$500 of the value of real property transferred that exceeds \$1 million. Starting in fiscal year 2026-27, the revenue from the tax will first go to meeting Maine State Housing Authority's bond obligations. The remaining revenue will be distributed to various housing and homelessness funds including the Housing Opportunities for Maine (HOME) Fund, which will receive 32% of the revenues, and a new Housing Production Fund, which will receive 30%. The Housing Production Fund will support the low-income housing tax credit program, and the housing authority's rural affordable rental housing program and affordable homeownership program.
- County Boards in Meeker County and Sherburne County, Minnesota approved two ordinances creating housing trust funds in their jurisdictions. The [Meeker County \(https://tr.ee/ulHYHy\)](https://tr.ee/ulHYHy) Housing Trust Fund will be funded by a one-time match of state housing trust fund money in addition to the County's Economic Development Association's funds. [Sherburne County's Trust Fund \(https://tr.ee/hXl2nw\)](https://tr.ee/hXl2nw) will be supported by the county's tax levy fund.

- Ohio housing advocates [defeated an amendment](https://tr.ee/kBlqGn) (<https://tr.ee/kBlqGn>) that would have defunded the Ohio Housing Trust Fund by no longer requiring 50% of the fees collected by county recorders to go to the trust fund.

## Tips for Local Success

Although elected officials can easily nod toward the need for more affordable homes, committing precious resources to make them happen requires an active campaign. Advocates face the challenge of making affordable housing enough of a priority so that elected officials can make the right decision. Housing trust fund campaigns have made important contributions in reframing affordable housing as a policy priority that is integral to the success of every community. Housing has a [direct relationship](https://tr.ee/DBY1QS) (<https://tr.ee/DBY1QS>) to jobs, the local economy, education, health, the environment, and neighborhood quality. In addition, personal stories and connections to real family experiences give the issue a face that is far more powerful than statistics reflect. Campaigns have created effective communication strategies based on the value frame that everyone deserves a place to call home.

Housing trust fund campaigns have found numerous ways to boast about what housing programs can accomplish, pointing to thousands of remarkable and outstanding examples of good, well-managed, integrated affordable housing. Housing advocates have an obligation to educate the public and elected officials about the face of affordable housing. Rarely have housing trust funds been created without public pressure applied by a campaign. Housing advocates have succeeded in making the point that providing decent, safe, affordable homes is an ongoing, essential part of every community that is no less important than streets, sewers, health centers, police and fire protection, schools, and other basic components of a viable community.

Although housing trust funds are numerous, securing adequate resources to build and maintain affordable homes can be a challenge. Fortunately, there are many creative and successful examples of effective campaign strategies including coalition building to cultivate [allies](https://tr.ee/PBULhN) (<https://tr.ee/PBULhN>) in sectors related to housing such as education, health, and economic development, and organizing [people impacted](https://tr.ee/0OHVMC) (<https://tr.ee/0OHVMC>) by the lack of affordable homes.

## For More Information

[Housing Trust Fund Project | National Low Income Housing Coalition](https://nlihc.org/housing-trust-fund-project) (<https://nlihc.org/housing-trust-fund-project>)