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CATEGORY

ISSUE

STATE

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Detroit Establishes Affordable Housing Development and Preservation Fund

by Michael Anderson // 2017, Fall



On September 19, the City Council of Detroit established the Detroit Affordable Housing Development and Preservation Fund as part of a new inclusionary zoning policy. The Housing Development and Preservation Fund will create and preserve affordable homes for households with incomes up to 50% AMI, with a directive that not less than 70% of the funding serve households at or below 30% AMI. The ordinance dedicates annually at least 20% of the net receipts of all city-owned commercial property sales to the Affordable Housing Development and Preservation Fund, as well as committing \$2 million in surplus FY 17 revenues to capitalize the Fund.

“The most significant part of this win is that the majority of the funds will be directed to those who need it most,” said Aaron Handelsman of the Detroit People’s Platform. *“Many Detroit families have extremely low incomes—making them highly vulnerable to being priced out of the city as new investment come to Detroit, including a disproportionate percentage of African Americans who have long called our city home. For this policy to be a success, it needs to provide housing opportunities for these economically vulnerable families as a number one priority”*

Driving the advocacy effort is a coalition convened in the summer of 2016 by the Detroit People’s Platform. The coalition includes Community Development Advocates of Detroit (CDAD), Warriors on Wheels, Storehouse of Hope, Coalition on Temporary Homelessness (COTS), Capuchin Soup Kitchen, United Community Housing Coalition, and Authority Health. The coalition united around shared values for advancing a housing trust fund that would provide affordable homes for Detroit families at risk of being placed out of their city by new development and investment as well as long standing unmet need for Detroiters with extremely low incomes, many of whom also have one or more family members with

different abilities. The coalition brought forth recommendations for the Affordable Housing Development and Preservation Fund and continued to advocate for the policies through the winter and spring of 2017 to insert the language into the inclusionary zoning ordinance. Following a community educational forum in June, the coalition mobilized members and supporters to participate in a series of public hearings on the ordinance prior to the Council's passage of the ordinance in September.

The Affordable Housing Development and Preservation Fund will be administered by City of Detroit Housing and Revitalization Department (HRD). In addition to the income requirements, at least than 70% of Fund monies shall be allocated in areas that are located in areas of persistent poverty, as identified by the U.S. Census Bureau, and/or are located within identified HRD Multi-Family Target Areas. Eligible activities include, but are not limited to creation and preservation of affordable housing, home repair, homelessness prevention, neighborhood revitalization, and compliance with standards for accessible design and other activities under the Americans with Disabilities Act.

The ordinance requires that HRD provide an annual report to the Mayor and the City Council that includes the number of qualifying transactions presented to, approved by and denied by City Council in the preceding year as well as an itemized list of all Fund expenditures and the number of affordable homes created in the prior year. The report must also include data on the inclusionary zoning policy. The ordinance allows the City Council to create an advisory committee that may include a disability rights organization, fair housing experts, developers of extremely low income housing, an organization representing people experiencing homelessness, and affordable housing policy experts.

"While we are thrilled with the income targeting of trust fund resources, the Affordable Housing Development and Preservation Fund needs measures to ensure accountability to the community so we can make sure the funds are used as intended," said Nikki Carbonari, Impact Partner Coordinator at the Coalition on Temporary Shelter. *"We plan to advocate for the Advisory board as a key element of the successful implementation of the trust fund. Our work is far from done."*

In addition to advocating for increasing community accountability by seating the Advisory Committee, the Detroit Housing Trust Fund Coalition has three other top priorities to expand and improve the impact of the Affordable Housing Development and Preservation Fund: Increase the dedicated revenue to at least \$10 million annually, require that at least 50% of affordable homes created or preserved with the fund are accessible to people of different abilities, and that preference be given to projects with affordability requirements that are longer than the required 30 year baseline.

The inclusionary zoning policy created by the ordinance applies to multi-family developments of 20 or more rental homes that receive at least \$500,000 in subsidy support or that involve city land that is sold to the developer at lower cost than true cash value, requiring that such developments must make 20% of new rental homes affordable households at or below 80% AMI. The inclusionary policy requires that the affordability restrictions remain in effect for at least 30 years. The ordinance establishes as a penalty for noncompliance that the developer owner must pay to the City of Detroit the excess of actual rent received as compared to what should have been received if it the rent had remained within the restricted; a penalty of not less than 25% of the affordable monthly rent for each unit not in compliance; and enforcement costs of the city. Funds generated from assessed penalties will go to the Affordable Housing Development and Preservation.

To learn more about the Detroit Affordable Housing Development and Preservation Fund, contact Aaron Handelsman at aaron8008@gmail.com.



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