



There's lots of information swirling around about the Housing Production Trust Fund and whether the Mayor's plan is a good one for the city. The Affordable Housing Alliance has looked carefully at the Mayor's proposal, and answers **"No."** **Here's why:**

1. First, the Administration admits that they cut the Fund **in half** to balance the FY 2005 Budget. The Fund is supposed to receive **\$40.5 million** this year, and the Mayor's budget only proposes **\$20 million**. That cut represents approximately 2,000 units of affordable housing for next year alone.
2. The Administration would **permanently** cut funding for the Trust Fund. The Mayor has pledged to fund it at a maximum of \$20 million a year. **But the fine print shows that he would actually change the Housing Production Trust Fund law altogether, with no guarantee of future funding.** Right now the Fund is supposed to get dedicated revenue every year – 15% of the deed recordation and transfer taxes paid when property is sold -- and if the Mayor wants to cut it, he has to try to change the law and get the Council to agree with him. Under his proposal, this situation would be completely reversed: he could issue bonds and pledge money to the Trust Fund to support them, but nothing requires him to do so. That is worth repeating: under the Mayor's plan, there is no guarantee that he will commit ANY money to the Fund for affordable housing, either for FY 2005 or beyond.
3. Even if the Mayor does commit money to the Fund, **he doesn't have to use it in ways required under the current law.** Remember all those debates about income targeting and who should benefit from the Fund, and how much of it should be spent on rental housing and homeownership? **That's all out the window.** The Mayor's proposal lets him spend revenue from bonds to accomplish "certain purposes" of the Trust Fund. Again, **there's no guarantee that it would be spent to produce or preserve affordable housing for those residents who need it the most.**
4. Even if we made the language in his proposal stronger to require the Mayor to put \$ into the Fund and to use it under the terms of the current law, is "securitizing" the Fund under the Mayor's proposal a better way to get affordable housing? No, for a few reasons:
  - a) **We lose lots of \$ to interest payments.** The Administration characterizes the plan as putting \$20 million in and getting \$275 now. But that's incomplete – we have to put in \$20 million for 20-25 years – **at least \$400 million** – to get \$275 now. That means that at least \$125 million would go to pay interest to the investors who buy the bonds, and not to affordable housing.
  - b) **The Administration has no plan to spend the money right away.** The Mayor's deputy admitted at a Council hearing last week that they don't have a plan that requires them to raise large amounts of cash right now. So why borrow and pay interest just to have the money sit there, or to spend it over 20 years, when that's what we could do with dedicated revenue and without losing so much to interest payments? If we want to securitize a piece of the Fund, let's do it when necessary for a specific project, after a plan has been carefully created and assessed.
  - c) **If the Administration did have a plan to spend all that money in a year or two, that would be it – there'd be no more \$ for affordable housing.** Remember that the Mayor's plan is to raise money up front by pledging to pay it back over 20 years. That 20 year pay back is considered the city's investment in affordable housing, but we won't be able to support new projects with it, we'll just be paying off the old ones.
  - d) **With FULL funding, we can fund big, new projects to revitalize neighborhoods AND still have money to do new stand-alone projects and support tenant purchase. With the Mayor's cuts, we can't do both.**
  - e) **Dedicated revenues for the Fund are projected to be more than \$40 million for at least the next 5 years, and the 15% funding formula will help our investment keep pace with the skyrocketing real estate market.**

**What does "securitizing" the Fund mean?**

The law currently requires that 15% of revenues from deed recordation and transfer taxes (fees paid when property is sold) are supposed to go into the Fund each year. The Mayor would instead raise about \$250-275 million up front by issuing bonds (a private investment tool). The bonds would then be paid back using part of the revenue from the recordation and transfer taxes over a 20-25 year period.