

Fund

Funding a local housing strategy



There are many policies that cities, towns, and counties can adopt to generate funding for the creation and preservation of dedicated affordable housing. These policies are a subset of broader housing policies to preserve and expand the availability of affordable housing (see the [Housing Policy Library](#) for details on all the funding policies).

Revenue-generating local policies

Housing trust funds: Housing trust funds are a flexible source of funding that can be used to support a variety of affordable housing activities. City-, county-, or state-generated revenue that is used to support affordable housing is often deposited into a housing trust fund. [Learn more about housing trust funds.](#)

Dedicated revenue sources: Dedicated revenue sources provide a committed, renewable stream of revenue for affordable housing that can help to mitigate the risks associated with reliance on annual appropriations decisions by the U.S. Congress or state legislature. [Learn more about dedicated revenue sources.](#)

Linkage fees/affordable housing impact fees: Linkage fees/affordable housing impact fees are fees assessed on new commercial or residential development that can be dedicated to addressing the housing needs associated with economic growth. [Learn more about linkage fees/affordable housing impact fees.](#)

Demolition taxes and condominium conversion fees: Demolition taxes and condo conversion fees are levied on property owners when they demolish residential buildings or convert rental housing to condominiums and can be used to compensate for the loss of homes that tend to rent or sell for less than the homes that replace them. [Learn more about demolition taxes and condominium conversion fees.](#)

General obligation bonds for affordable housing: General obligation bonds for affordable housing are government-issued bonds that are used to fund affordable housing activities. They are backed by the full faith and credit of the issuing entity and repaid from state or local general funds or a small dedicated tax. [Learn more about general obligation bonds for affordable housing.](#)

Tax increment financing: Tax increment financing uses increases in property tax revenue to support a range of activities in targeted areas, including the development or preservation of affordable housing. [Learn more about tax increment financing.](#)

Transfers of development rights: Transfers of development rights are voluntary programs that allow the owner of an affordable housing development to sell unused development capacity to the owner of a second property, generating revenue that can be reinvested in the property to maintain affordability and quality. [Learn more about transfers of development rights.](#)

Support for employer-assisted housing programs: Support for employer-assisted housing programs increases the pool of resources available for affordable housing as additional employers provide rent or home-buying assistance to their employees (including public-sector employees). [Learn more about support for employer-assisted housing programs.](#)

Increased use of multi-family private activity bonds to draw down 4 percent LIHTCs: Increased use of multifamily private activity bonds to draw down 4 percent LIHTCs is a strategy that provides developers with guaranteed access to LIHTC credits to support the preservation or development of affordable housing. While not as generous as the 9 percent LIHTC credits awarded through a competition, 4 percent credits can nevertheless provide an important source of equity for dedicated affordable housing. [Learn more about increased use of multi-family private activity bonds to draw down 4 percent LIHTCs.](#)

State tax credits for affordable housing: State tax credits for affordable housing provide incentives for individuals or organizations to invest in affordable housing in the form of credits that can offset income or other state or local taxes otherwise due. [Learn more about state tax credits for affordable housing.](#)

Activation of housing finance agency reserves: Activation of housing finance agency reserves makes available accumulated funds that can be tapped to provide subsidies for the development or preservation of affordable housing. [Learn more about activation of housing finance agency reserves.](#)

Uses for locally generated housing funds

Local resources help to ensure that affordable housing projects are economically feasible, often providing an essential layer of financing that closes the gap between available funds and the project's cost. This brief describes the different roles that local resources play in funding affordable housing, underscoring the importance of supplementing federal funding with local resources. [Learn more about uses for locally generated housing funds.](#)

Federal funding sources

While cities, towns, and counties have an important role to play in the funding process for affordable housing, most of the financial support for affordable programs comes from the federal government. [Learn more about federal funding for affordable housing.](#)

Related Content

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[Video: How do you fill the gap in funding for affordable housing?](#)

[What is a local housing strategy and why is it important?](#)

[Explore external resources on funding for affordable housing](#)

In addition to considering ways to raise revenue at the local level, cities, towns, and counties should also consider a range of other housing policies that support the creation and preservation of dedicated affordable housing without requiring the collection of locally generated revenue. These policies include, among others, [density bonuses](#), [inclusionary requirements or incentives](#), and [tax abatements](#).

[Learn more about the section of the Housing Policy Library that addresses incentives or requirements for affordable housing.](#)