Uses for locally generated housing funds

This brief describes the different roles that local resources play in funding affordable housing, underscoring the importance of supplementing federal funding with local resources.

Supplement limited federal resources to provide gap financing, meet matching fund requirements, or expand the reach of federal programs

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. Some federal housing and community development programs also require a local match, making locally-generated resources a prerequisite to draw down program funds. Finally, local funds can increase the impact of federal programs by expanding their reach—for example, by providing additional subsidies that allow project sponsors to provide deeper affordability for a portion of units in LIHTC developments.

Cover activities that play a critical role in the success of federal programs but are ineligible for federal funding

Locally-generated funding can often be used for a broader range of activities than federal housing funding. This flexibility enables cities, towns, and counties to spend local resources on activities that are not generally eligible to be covered under federal housing programs but are nonetheless important for those programs to succeed. For example, local funds can be used to provide incentives for landlords to participate in the Housing Choice Voucher program, such as a guarantee to cover one month’s rent if the tenant leaves without notice or the cost of repairing any damages to the unit. These types of incentives can increase landlord participation, making it easier for voucher holders to find units where their voucher will be accepted.

Address housing needs among households that are not eligible for federal assistance

Federal housing programs have specific eligibility requirements, including limits on household income. In high-cost cities, towns, and counties in particular, households with incomes above the limits for federal assistance often still have difficulty finding affordable rental housing. Locally generated funds can be used to support a program that helps to address these challenges, for example through rent subsidies that offer a
more modest level of assistance than deep federal rental subsidies like Section 8 or through capital subsidies that help make workforce housing developments feasible.

**Provide targeted assistance to address local challenges**

Subject to the limitations of state law, locally-designed housing programs can be tailored to address any housing-related activity that the city or county identifies as a priority. This flexibility allows local funds to be focused on specific populations, such as young people transitioning out of foster care or former inmates, or specific activities, such as creating an after-school enrichment program for children at a local affordable housing development.