

Funding Program Recommendations Memo

Purpose

The San Bernardino region is facing a housing crisis, driven largely by a shortage of available affordable housing in the region. The drivers of the crisis and the broader housing needs are detailed in the San Bernardino Regional Housing Trust (Trust) Housing Needs Assessment. The San Bernardino region has made an important commitment to help meet the need for more affordable housing. This commitment is in the form of the establishment of the Trust. The Trust is one of many throughout California that will provide much needed funding to help increase the amount of affordable housing. The process of establishing the Trust has been underway since 2022, and the agency has reached an important point in planning for its financial future. This memorandum builds upon supplemental documentation and research conducted for the Trust, including but not limited to the Housing Trust White Paper, the Strategic Plan, and the Housing Needs Assessment. These documents provide essential supplemental information that lay the foundation for this memo.

The purpose of this memo is to establish a common understanding of potential housing trust funding sources, approaches to financing, housing activities that could be supported by a housing trust, and provides recommendations about which types of funding sources to prioritize. This memo serves as the foundation for the subsequent Funding Program Strategy and Implementation Plan, which establishes a 5-year strategy of actions the Trust should take to pursue funding, support projects, and administer the Trust.



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Funding Sources

Housing trusts can be funded by a variety of funding sources such as grants, loans, donations, taxes, and fees. Funding sources can generally be categorized into the following categories:

- Local Agency Public Revenue Sources
- State and Federal Sources
- Private and Philanthropic Contributions

Some housing trusts will receive a majority of their funding from one funding source, such as fees, but many seek out a variety of funding sources. A variety of funding sources is ideal for the long-term success of a housing trust, as various funding sources can help to ensure long-term funding security, can help build capital, and can provide increased flexibility for the types of projects awarded by housing trusts. Furthermore, it helps minimize reliance on any one source that could be negatively impacted in the future.

Local Agency Public Funding Sources

Local agency public funding sources are typically established through ballot measures or local ordinances that are established by a city, county, or council of governments and can include taxes, linkage or impact fees, bonds, or other sources. This can also include housing trust membership dues or direct budget allocations. Public funding sources, generated locally, act as a mechanism to raise funding which can then be used to pay for affordable housing production. Such revenues are the most reliable and impactful means of funding housing at the regional scale, creating a permanent local source of funds while avoiding the complex and frequently changing availability of outside funding sources. In general, there are various means by which public agencies can raise and allocate funds for affordable housing production and preservation.

Crucially, all these public funding sources come with various requirements for how they are used, including, for example, prevailing wage requirements. Below is a list of the principal methods by which public agencies typically raise funds for affordable housing. Because the Trust will have the authority to exercise powers that are common to all its members, the Trust itself can work with its member agencies to establish mechanisms to raise funds for the Trust, and in other cases localities may pool their resources and dedicate them to the Trust

Tools to Raise Revenues without a Ballot Measure:

- Many localities use residual receipts payments on existing public agency affordable housing loans. Residual receipts refers to the surplus (or “residual”) cash flow an affordable housing development earns from rental income after all maintenance and operations expenses and hard debt payments are made. In this sense, residual receipts payments are only paid when a project has income in excess of its operational and debt service costs. Soft debt loans, which are usually low-interest and are paid only when the project has surplus cash flow. San Diego County, for example, raised an estimated \$5 million a year over a 4-year period. While this is not a recommendation for the near-term of the Trust, this is something the Trust can consider as its funding sources become more secure over time.
- Similar to residual receipts payments, some localities leverage the value of publicly owned land to enter into ground lease agreements with affordable housing developers who then make upfront and/or ongoing

ground lease payments. Leveraging publicly owned lands for affordable housing presents the Trust with a unique opportunity to significantly reduce the cost of development without expending significant resources. The Trust can consider working with member agencies to have publicly owned lands transferred to the Trust to manage land leases or dedications.

- Many cities and counties receive a Permanent Local Housing Allocation through 2017's Senate Bill 2 that can be used for a wide range of affordable housing development efforts. The use of Permanent Local Housing Allocation funds is up to the cities and county that are recipients of such funds. These funds are eligible to be used for Trust membership dues.
- Though resources at the Federal level are being cut, allocations to localities (cities and counties) from the Department of Housing and Urban Development can be pooled together to help leverage additional state-administered funds.
- Local public agencies with inclusionary housing ordinances often collect in lieu fees which can go to an affordable housing fund. The Trust may work within its membership to establish inclusionary housing requirements that could contribute in-lieu fees to the Trust. Alternatively, cities and counties may contribute such funds to a housing trust to help such funds go further and reduce local administration costs.
- Similar to inclusionary ordinances, the Trust can also work with its member agencies to create commercial linkage fees that could be used to generate funds for affordable housing. San Jose, for example, has projected their fee will raise around \$6 million a year.
- Enhanced Infrastructure Financing Districts can raise funds to support affordable housing development. However, Enhanced Infrastructure Financing Districts are complex to form, used in limited settings, and do not have an extensive track record of implementation. Most significantly, by relying on tax increments, they essentially divert future property tax revenue from a local public agency's general fund to geographically specific projects, and do not generate new revenues. While this may be an option for the Trust to support the establishment of Enhanced Infrastructure Financing Districts, it is not recommended that the Trust pursue this strategy at this time as the benefits will be too localized.

Ballot Measures

Housing Trusts can generate funds through ballot measures that would enable the Trust to issue bonds, levy a special tax, or generate other funds that typically require voter approval. If a local tax is considered, California Revenue and Taxation Code Section 7251.1 must also be considered, as this may require special approval by the State legislature, similar to the process for Measure H in Los Angeles. Below are examples of general obligation bonds and taxes that have been established to raise funds for affordable housing. The amounts included were approved by voters in the years shown. If new taxes can be supported, they could provide a significant long-term funding source for the Trust, contributing to housing throughout the region.

General Obligation Bonds:

- Santa Clara County (2016, Measure A): \$950 million
- San Francisco County (2019, Proposition A): \$600 million
- Alameda County (2016, Measure A1): \$580 million
- Oakland (2022, Measure U): \$350 million of a total \$850 million housing/infrastructure bond
- San Francisco County (2024, Proposition A): \$300 million

Real Estate Transfer Tax

- Los Angeles City (2022): \$413 million in FY 2024-25, according to [ULA Revenue Dashboard](#)
- San Jose (2020): \$50 million project revenue for housing and homelessness uses in FY 2024-25, according to [City plan](#)

Sales Tax

- San Mateo County (Measure K resulted in [\\$50 million for housing and homelessness prevention in FY 2023-24](#))
- Los Angeles County (Measure H brought in about [\\$527 million in FY 2022-23](#) and Measure A is projected to raise more than \$1.1 billion/year)

Transient Occupancy Tax

- Santa Monica (increased in 2022)
- Palm Springs (2002)

Vehicle Miles Traveled Mitigation Bank

The Trust has a unique opportunity to generate funding locally by aligning its efforts with the region's efforts to establish a Vehicle Miles Traveled (VMT) Mitigation Bank. The San Bernardino County Transportation Authority is currently developing a VMT Mitigation Bank that will collect credits from projects that reduce VMT and sell those credits as mitigation for projects that increase VMT. Funds collected can then be used towards efforts that reduce VMT such as rewarding residents that choose public transit or development projects that reduce the need to drive. Housing development has the potential to reduce VMT, when designed and located strategically. Particularly, affordable housing presents a strong opportunity for reducing VMT, as residents of affordable housing tend to drive less due to lower car ownership rates. Additionally, the California Environmental Quality Act allows developers to claim VMT reduction credits in exchange for affordable housing. Further, the Western Riverside Council of Governments has identified a correlation between affordable housing and VMT mitigation, stating that providing gap financing for one to two affordable housing projects can mitigate an interchange project¹.

The Trust presents an opportunity to both contribute to the VMT Mitigation Bank in the form of affordable housing VMT credits and capitalize on funding generated by the VMT Mitigation Bank to fund affordable housing in the region. It is likely that projects eligible for funding from the regional VMT Mitigation Bank will also be competitive for the state's Affordable Housing and Sustainable Communities program, the latter being one of the most reliable and dynamic statutory State funding programs. Affordable Housing and Sustainable Communities funds both affordable housing developments and associated greenhouse gas reduction capital projects, relying on funding from California's Cap-and-Trade auction proceeds.

Establishing the region's VMT Mitigation Bank as a regular funding source for the Trust is a promising avenue for long-term funding for the Trust. It can be particularly valuable to finance affordable housing developments that are in infill or otherwise VMT efficient areas, as well as improve transportation infrastructure to reduce VMT and greenhouse gas emissions. More analysis is needed to understand the scale of revenue that can be anticipated.

¹ WRCOG VMT Mitigation Program presentation. January 7, 2025. <https://calcog.org/wp-content/uploads/2025/01/wrcog-vmt-mitigation-program-affordable-housing-01072025.pdf>. Accessed 9

The VMT Mitigation Bank is anticipated to be established in 2026 and opportunities will become apparent in its early years as it begins to generate funds.

State and Federal Funding Sources

There are many grant and subsidy programs available from both state and federal sources that could support the housing trust. State and federal funding levels can change on an annual basis, varying according to political support, economic trends, and other factors.

Funding Outlook

Based on the 2025–26 California State Budget, totaling \$322.2 billion, there is no new funding allocated to the State's Local Housing Trust Fund program. The Local Housing Trust Fund program has been a significant and reliable funding source for housing trusts throughout the state, including regional trusts that are operating in a model similar to what is being conceptualized for San Bernardino. This pause in investment underscores the importance of local action and innovation in addressing housing needs absent state support.

The act of establishing a local housing trust demonstrates that local jurisdictions are not waiting for State intervention; they are stepping up with solutions. This proactive leadership strengthens the case for future State support by showing readiness, commitment, and capacity.

In the most recent funding round (2023), the Local Housing Trust Fund program awarded \$53.4 million to 15 local and regional housing trusts, including both new and established entities. Notably, 15% of those funds were reserved for newly formed trusts, signaling the State's interest in supporting emerging local efforts.

There is also power in collective action. As more jurisdictions create housing trusts, they form a network that can advocate more effectively for renewed State investment and expanded funding sources. Local housing trusts not only serve their communities directly but can also help shape the broader housing policy landscape.

Beyond the Local Housing Trust Fund, some housing trusts in California have seen some success in receipt of budget earmarks through local agency, State and Federal budgets. These housing trusts include the following:

- Orange County Housing Finance Trust: in 2023, the Orange County Housing Finance Trust received a federal budget earmark of \$3 million. Additionally, they are the recipient of annual contributions from the County of Orange. The County of Orange is responsible for administering the Mental Health Services Act funds. The County Board of Supervisors has dedicated \$20.5 million in Mental Health Services Act funds to the Trust to be distributed annually over a period of 5 years (2020–2025).
- San Diego Innovative Housing Trust Fund: in 2017 the San Diego Innovative Housing Trust Fund was established through a \$25M general fund appropriation by the County of San Diego, with an additional \$25M investment in 2019. The San Diego Innovative Housing Trust Fund is managed by the County's Health and Human Services Agency, and Housing and Community Development Services. The County's investment has resulted in a total community investment of over \$569M and the construction of 1,398 affordable housing units.
- San Gabriel Valley Housing Trust: in 2022 the San Gabriel Valley Housing Trust received a State budget earmark of \$7.8 million; and in 2021 they received a State budget earmark of \$20 million.

- Burbank–Glendale–Pasadena Housing Trust: In 2022 the Burbank–Glendale–Pasadena Housing Trust received a State budget earmark of \$23 million.
- Lift to Rise, Coachella Valley Catalyst Housing Fund: In 2022 Lift to Rise received a State budget earmark of \$15 million Private and Philanthropic Contributions.

Housing trusts can seek donations from both corporations and non-profit organizations. This could include funds that may be incentivized by tax deductions, or direct contributions. Both corporations and non-profits may have interest in the housing supply as this can impact issues such as workforce availability, socio-economic conditions, and environmental sustainability.

To accept such contributions, the housing trusts should consider establishing a mechanism by which donations can be made to a non-profit organization. Donors will be more likely to make contributions to a non-profit organization because such donations may be considered tax deductible. Housing trusts can establish a non-profit component by either filing 501c3 status or by partnering with an already established non-profit so that it may receive tax-exempt donations to fund affordable housing.

Financing

Housing trusts administer funding to provide financing for qualifying projects that support the objectives of the housing trusts. Project financing could include:

- **Grants** – Non-repayable funds awarded to developers or nonprofits. Grant awards are ideal for projects that are serving the greatest unmet need and providing a significant percentage of affordable housing units for populations with special housing needs or those lowest income earning households. Grants can be used to support projects through gap financing, land acquisition, or predevelopment costs. Grants should require deed restrictions or other suitable measures to ensure that criteria are met for a prolonged period of time.
- **Loans** – Loans could be issued in the form of deferred payment loans or interest-bearing loans and may be converted to grants in the event that certain project criteria are met. This includes traditional bank loans that must be paid back on a given schedule, known as hard debt, as well as loans typically made by public agencies that are only required to be paid back if and when projects have excess cash flow, also known as residual cash flow; loans that pay only when there is residual cash flow are known as soft debt, and those payments are called residual receipts payments. Loans can be used as gap financing to support project development costs and can be used as leverage to help secure further funding. If interest-bearing loans are awarded, interest received can be put into a revolving loan fund to act as a funding source for the housing trust. The intent of revolving loan funds is to finance projects, as they are seeded by funding sources and money received is recycled into new loans. However, over time, revolving loan funds can also act as a funding source for housing trusts. They are seeded by funding sources and money received is recycled into new loans. However, over time, revolving loan funds can also act as a funding source for housing trusts.
- **Equity Investments** – Housing trusts may facilitate or take an ownership stake in a project through equity investments; however, this is most appropriate for long-standing housing trusts. Equity investments would allow the Trust to become a co-owner of housing that it helps to buy or build. Instead of lending money like a bank, equity investments would allow the Trust to share in profits (or losses) as the property value increases. There are forms of equity which do not include ownership or voting rights, and this should be considered carefully before embarking on this path. Generally, this is a high-risk activity and should not be a priority for the Trust in its early years.

Housing Activities

Beyond the mechanisms by which a housing trust finances projects, housing trusts have some flexibility in what types of housing activities it chooses to fund. Housing activities are tailored to the specific objectives of each respective housing trust and can be prioritized based on local needs and gaps in the housing market. Such activities can include:

- **Gap Financing for Housing Construction** – Housing trusts can provide grants or “soft” loans for gap financing to assist developers in closing the gap between the market-rate rents or sales prices needed to make a project feasible, bringing the rent or sale of housing down to levels that low- and moderate-income households can afford. Further, gap financing can provide affordable housing developers with a competitive advantage, as they can leverage funds to acquire additional funding through state and federally administered programs. Gap financing for developments financed through Low Income Housing Tax Credits (LIHTC) was identified as a potential priority in the Trust’s Strategic Plan. The Plan’s analysis suggested that the Trust aim to provide between \$90,000 and \$120,000 per housing unit (15% to 20% of the per-unit development cost) in gap financing to support the delivery of housing units throughout the San Bernardino region. Gap financing in this amount would result in approximately eight housing units for every \$1 million in funds allocated to gap financing from the Housing Trust. Funding from local agencies, including a Regional Housing Trust, makes affordable housing developments more competitive for State funding programs, including LIHTC.
- **Rent and Operating Subsidies** – Affordable housing developments often need financial support after construction to ensure that the housing units can remain affordable for tenants. This is because the rents that are considered affordable to some lower-income households do not generate enough rental income for the project to cover its operating costs, including maintenance, staffing, debt service, and other payments. As such, funds may be needed to assist with ongoing operations of affordable housing such as maintenance and repairs and staffing. Housing trusts can provide support to offset these costs in the form of rent and operating subsidies. Housing trusts may consider implementing a rental and/or operating subsidy program to ensure long-term affordability for extremely low-income households. This intervention may supplement capital investments in affordable housing by stabilizing project cash flow and filling the gap between what tenants can afford to pay and the cost of developing and operating housing.
- **Housing Preservation or Rehabilitation** – Preservation or rehabilitation of existing structures is often a lower-cost alternative to new construction. Housing trusts can help fund these activities to help maintain the existing housing stock and minimize housing displacement. This can include a focus on two types of preservation: 1) preserving existing deed-restricted affordable housing in need of rehabilitation or nearing the expiration of their affordability covenants, or 2) acquiring and placing affordability restrictions on previously unrestricted affordable housing, sometimes known as naturally occurring affordable housing.
- **Land Banking** – Housing trusts can acquire and assemble properties and even look within existing public land inventories to seek key opportunity sites suitable for housing development. Development rights can then be passed to developers through various mechanisms, allowing developers to leverage the value of land alleviating the development cost burden. Housing trusts can support affordable housing developments, housing rehabilitation or preservation, or even shared-equity models such as community land trusts and co-operatives through land leases, land grants, or land loans.

- **Housing and Services for those Experiencing Homelessness** – Housing trusts can support the development and ongoing operation of emergency shelters, transitional, supportive, or permanent housing and accompanying supportive services for individuals experiencing or at-risk of experiencing homelessness.
- **Predevelopment and Acquisition Activity Support** – Funding can be provided for critical early-stage activities such as land acquisition, site assessments, architectural and engineering studies, environmental reviews, and permitting. These funds help reduce upfront risk for affordable housing developers and can accelerate project timelines by making developments more “shovel-ready” and competitive for additional funding sources. Under the most common affordable housing financing structures (e.g., LIHTC), developers are not paid until financing closes, so much of the upfront due diligence lies with the developer and financial assistance at this critical stage of development is welcomed.
- **Local Agency Program Support** – Housing trusts can provide funds to support existing local programs such as first-time homebuyer programs, homelessness programs, fair housing programs, or other programs that may need bolstering to support the housing need.
- **Community Land Trust (CLT) Partnerships** – Resources can be allocated to collaborate with or fund CLTs to support permanently affordable housing. This can include acquisition of land, development subsidies, or technical assistance. By separating land ownership from housing ownership, CLTs ensure long-term affordability and community stewardship, making them a powerful tool for equitable development and anti-displacement strategies. Establishing CLTs requires a significant initial commitment to create a governance structure, build the organization’s capacity, and other important aspects of the partnership.
- **Facilitation of the Welfare Tax Exemption** – The housing trust may act as facilitator of the welfare tax exemption (i.e., property tax relief on qualifying affordable housing units) on behalf of developers, reducing administrative complexity and ensuring eligible properties and housing units receive the financial relief. Securing the Exemption can take months of coordination between the state and County assessor’s offices, during which the property continues to be subject to property taxes on its market value. The Exemption reduces property tax burdens, freeing up cash flow and allowing income to be directed into other vital operational expenses and assisting with the reduced rents for the residents.
- **Technical Assistance** – Housing trusts can utilize resources to provide local technical support at the regional scale. This can include training, draft ordinances, and other guidance to help localities implement best practices for programs that can build housing funds, coordinate community benefits agreements, or other resources that can support housing related activities.

Recommended Funding Program

The recommended funding program is organized to prioritize those activities of the Trust which should take place in the early phases of the Trust. Only once the Trust becomes more established over time should it embark upon expanding its activities. For example, in its most simplistic form, the Trust should provide gap financing in the form of grants to eligible affordable housing developments that apply for such funding.

Based upon the Trust’s current administrative and funding circumstances and the housing needs previously described, it is recommended that the Trust prioritize its housing activities first to fund eligible new housing production and preservation and rehabilitation projects; then consider other programs and priorities.

In general, these categories should be considered the core functions of a regional housing trust because they supplement or enhance the similar activity of state and federal agencies in their affordable housing financial

investments, thereby leveraging resources at all three levels of government to maximize production. Each category can be assigned shares of available funding from the Trust. However, it is important that the Trust Board of Directors have flexibility to allocate funds to affordable housing activities as it sees fit to remain flexible to respond to changing priorities and eligible projects in the region.

Moreover, it is vital that the Trust maintains a vision of providing gap financing for affordable housing as described in the Strategic Plan. The Trust can access various public funding sources to help finance its activities. Its funding would be available to applicants alongside numerous other affordable housing funding sources, including the following notable programs available from the state and federal governments:

- LIHTCs
- HOME Investment Partnerships
- Affordable Housing and Sustainable Communities
- Transformative Climate Communities
- Multifamily Housing Program
- Veterans Housing and Homelessness Prevention Program
- HomeKey

Within each of these categories, Tables 1 to 3 below show a detailed list of potential housing activities. Table 1 shows the highest priority activities recommended for the Trust to establish in the near term, or 1 to 2 years. Table 2 shows other important activities recommended for medium-term implementation, or 2 to 4 years. Table 3 shows lower-priority activities that could be considered for future assessment and implementation as organizational priorities evolve in at least five years.

Together, these efforts shaped the recommendations in Tables 1 to 3, which outline a set of activities the Trust can pursue to address housing challenges across the region.

For each activity, Tables 1 to 3 identify key implementation considerations, appropriate financing mechanisms, potential public and private funding sources, target populations, and phasing information. Each potential activity informs which funding sources the Trust should pursue. In turn, the program requirements of those sources, such as eligibility criteria, allowable uses, and regulatory constraints, will influence the financing mechanisms utilized and the target populations served.

- **Phasing Information** – The tables are organized by implementation phase. The column in each table includes comments on the administrative readiness, complexity, and funding requirements.
- **Near-Term** activities are those that can be launched within the first one to two years of the Trust's formation, often requiring minimal infrastructure.
- **Mid-Term** activities are expected to be implemented between years two and four, once the Trust's operational capacity has expanded.
- **Long-Term** activities are strategic in nature and may require sustained funding, advanced planning, or multi-agency coordination, making them more suitable for years four and beyond.
- **State and Federal Funding Sources** – This provides a list of existing funding sources that a Regional Housing Trust could access, with one notable exception. California's Local Housing Trust Fund program has been a reliable source of funding for numerous trusts over the last several years. While this program's funding was

not renewed in the state's 2025-26 budget, it is still noted as a potential public source because of its history and widespread support by housing throughout the state.

- **Other Funding Sources** – These may theoretically support a broad range of housing-related activities; however, in the context of the Trust and in this memo, they have been assigned strategically – particularly for activities where state and federal support is sparse or highly competitive. These include *Predevelopment Activities*, *Land Acquisition*, *Community Land Trusts (CLTs)*, and *Technical Support*, all of which often lack direct funding streams from public agencies and are best served by flexible, locally driven resources.
- **Special taxes** – Where special taxes are approved, these revenues may be earmarked to support affordable housing. These funds are especially useful for activities with ongoing or recurring needs, such as revolving loan funds or local program support.

Table 1. Recommended Near-Term Funding Activities

The following activities are recommended for the Trust to fund in the near-term (1 to 2 years) with its initial Regional Early Action Planning 2.0 funding from the Southern California Association of Governments. These near-term recommendations are based on the project team's overall assessment of each proposed activity's overall feasibility, track record, and risk. Broadly, these are funding activities with a strong feasibility and track record, and as such low risk, that would make them a priority for implementation in the San Bernardino Region.

| Activity | Category | Implementation information | Financing Mechanism ² | Public Funding Sources ³ | Other Funding Sources | Target Population ⁴ | Phasing Information |
|---|----------------|--|--|---|---|--|--|
| Gap Funding for New Housing Development Funding to help developers close the gap between project costs and secured funds. | New production | Funds to support gap resources can be released through NOFAs that are awarded based on a competitive basis. The funds can be offered either as one-time grants or deferred/ forgivable loans or as repayable loans through a revolving fund. A revolving loan fund would allow funds to be continually cycled but require future project revenues to make debt payments. | Grants, deferred/ forgivable loans (i.e., "soft" debt), or repayable loans with deed restrictions. Generally, loans are a stronger mechanism because they do not reduce a project's eligible LIHTC funding and could generate future revenues for the Trust to fund additional projects. | <ul style="list-style-type: none"> ▪ Permanent Local Housing Allocation – HCD ▪ Local Housing Trust Fund – HCD ▪ National Housing Trust Fund - HCD (Federal) ▪ REAP | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Community Reinvestment Notes⁵ ▪ VMT Mitigation Bank ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Other Local Ordinances ▪ Philanthropic or other social impact investors, including employers | Lower-Income Households, Special Needs Population, Workforce Housing. | Ideal for projects that are shovel-ready or nearly ready and can demonstrate timely impact with minimal lead time. |
| Homelessness Housing Development of Transitional and supportive housing. Funds could help support needed services | | Funds to support housing and services for those experiencing homelessness can be released through notices of funding availability (NOFA) that are awarded based on a competitive basis. | Grants (for capital and services), possibly blended with operating subsidies or deferred/ forgivable loans (i.e., "soft" debt), | <ul style="list-style-type: none"> ▪ Local Housing Trust Fund – HCD (State) ▪ National Housing Trust Fund - HCD (Federal) ▪ Permanent Local Housing Allocation – HCD ▪ REAP | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Community Reinvestment Notes ▪ VMT Mitigation Bank ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax | Persons Experiencing Homelessness, Individuals with Mental Illness or Substance Use Disorders, Veterans, People with Disabilities. | Funding for capital and service-enriched housing can be structured similarly to gap financing and deployed early, particularly when aligned with existing programs like HomeKey. |

Notes: NOFA = notices of funding availability; LIHTC = Low Income Housing Tax Credit; HCD = placeholder; VMT = Vehicle Miles Traveled; REAP = Regional Early Action Planning.

² Financing mechanisms will ultimately be determined by the eligible uses established by each funding source.

³ Most housing trust funding sources are not exclusive to a single activity and can be allocated across several eligible uses. Ultimately, funding sources will be pursued based on funding availability and the activities prioritized at that time.

⁴ Target population will ultimately depend on the funding sources used to fund the activity.

⁵ CRA Notes are Community Reinvestment Notes may only fund activities that directly benefit low- and moderate-income individuals or neighborhoods located within a bank's CRA assessment area.

Table 2. Recommended Medium-Term Funding Activities

These medium-term (2 to 4 years) recommendations are based on the project team's overall assessment of each proposed activity's overall feasibility, track record, and risk. Broadly, these are funding activities with a moderate feasibility and track record, and generally lower risk, that would make them a priority for later implementation in the San Bernardino Region. These are activities that likely would serve the Trust well, after it has an established track record of executing the near-term funding activities.

| Activity | Category | Implementation information | Financing Mechanism ⁶ | State and Federal Funding Sources ⁷ | Other Funding Sources | Target Population ⁸ | Phasing Information |
|---|-------------------------------|--|--|---|--|---|---|
| Deed-Restricted Housing Preservation or Rehabilitation Funding to preserve affordable housing at risk due to severe disrepair or expiring covenants. | Preservation | Funds to support housing preservation or rehabilitation can be released through NOFAs that are awarded based on a competitive basis. Local jurisdictions would be eligible applicants that could tap into these funds to support existing preservation and rehabilitation efforts | Grants, deferred/forgivable loans (i.e., "soft" debt), or low-interest revolving loans | <ul style="list-style-type: none"> ▪ Local Housing Trust Fund – HCD ▪ Permanent Local Housing Allocation – HCD | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Impact Fees ▪ Community Reinvestment Notes ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Other Local Ordinances | Lower-Income Households, Special Needs Population | Requires coordination with existing property owners and local rehab programs; implementable once administrative capacity is in place. |
| Unrestricted Affordable Housing Preservation Funding to acquire and rehabilitate unrestricted affordable housing and apply long-term covenants. | Preservation | Funds to support unrestricted affordable housing acquisition and rehabilitation can be made available over-the-counter so developers can respond quickly to opportunities. Such properties are typically made available in the real estate market, and affordable housing developers would likely be competing with private investors. Therefore, making funding available quickly and flexibly is important to ensure affordable housing developers can be competitive on the private market. Potential users of the fund could be approved through a prior RFQ application process that ensures only qualified developers are able to use such a fund. | Grants, deferred/forgivable loans (i.e., "soft" debt), or low-interest revolving loans | <ul style="list-style-type: none"> ▪ Local Housing Trust Fund – HCD ▪ Permanent Local Housing Allocation – HCD | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Impact Fees ▪ Community Reinvestment Notes ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Other Local Ordinances | Lower-Income Households | Requires establishing a bench of qualified developers and creating a program that is sufficiently underwritten and flexible |
| Operating Subsidy | Other programs and priorities | Operating subsidies can be packaged with Gap Funding awards or awarded independently to help alleviate operational expense burdens and, in some applications, leverage additional debt financing. | COSR's or voucher-based subsidies | <ul style="list-style-type: none"> ▪ Local Housing Trust Fund – HCD (State) ▪ National Housing Trust Fund – HCD (Federal) ▪ Permanent Local Housing Allocation – HCD | <ul style="list-style-type: none"> ▪ Impact Fees ▪ Transient Occupancy Tax ▪ Local Ordinances ▪ Philanthropic or other social impact investors, including employers | Low-income renters | Best contemplated as a medium-term strategy, requiring a reliable or ongoing source of revenue to build-up a meaningful pool of funds. |
| Local Programs Support Funding provided to local governments to support their housing programs—such as ADU grants, homebuyer assistance, or rehab programs. | Other programs and priorities | Funding can be allocated through block grants, matching fund programs, or performance-based agreements, depending on local capacity and alignment with Trust priorities. | Grants | <ul style="list-style-type: none"> ▪ CalHome Program – HCD ▪ Local Housing Trust Fund – HCD ▪ Permanent Local Housing Allocation | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Impact Fees ▪ Loan Repayment Fees ▪ Inclusionary in-lieu fees ▪ Community Benefits Agreement | Lower-income homeowners and renters, multigenerational families, seniors aging in place, individuals with disabilities and other special needs, missing middle, workforce housing | This can be launched relatively early by providing flexible funding to local jurisdictions for existing local programs; however, full implementation may require the Trust to develop a consistent framework for oversight, equity allocation, and program coordination across diverse jurisdictions. |

⁶ Financing mechanisms will ultimately be determined by the eligible uses established by each funding source.

⁷ Most housing trust funding sources are not exclusive to a single activity and can be allocated across several eligible uses. Ultimately, funding sources will be pursued based on funding availability and the activities prioritized at that time.

⁸ Target population will ultimately depend on the funding sources used to fund the activity.

| Activity | Category | Implementation information | Financing Mechanism ⁶ | State and Federal Funding Sources ⁷ | Other Funding Sources | Target Population ⁸ | Phasing Information |
|---|-------------------------------|---|--|--|--|--------------------------------|---|
| Technical Support Technical assistance to help local governments include trainings and draft ordinances that facilitate housing development. | Other programs and priorities | Funding can be distributed through direct grants, mini-grants, technical assistance vouchers or pooled consultant services. | Direct technical assistance or capacity-building/planning grants | ▪ REAP ▪ Permanent Local Housing Allocation | ▪ Community Impact Notes ▪ Impact Fees ▪ Inclusionary in-lieu fees ▪ Community Benefits Agreement | Local Governments | Low-cost, high-leverage support to help jurisdictions prepare zoning, ordinances, and applications. |

Notes: NOFA = notice of funding availability; RFQ = PLACEHOLDER; COSR = capitalized operating subsidy reserve; ADU = accessory dwelling unit; REAP = Regional Early Action Planning.

Table 3. Potential Long-Term Funding Activities

The following funding activities could be considered by the Housing Trust in at least five years. For various reasons, these activities are not recommended as priority steps for the Trust, but are notable housing funding activities, nonetheless. These long-term (5 or more years) recommendations are based on the project team's overall assessment of each proposed activity's overall feasibility, track record, and risk. Broadly, these are funding activities with a lower feasibility and track record, and may have some risk, that would make them a lower priority for implementation in the San Bernardino Region. These activities should be further examined by the Trust after 2-3 of operation before being considered more fully.

| Activity | Category | Implementation information | Financing Mechanism ⁹ | State and Federal Funding Sources ¹⁰ | Other Funding Sources | Target Population ¹¹ | Phasing Information |
|---|----------------|---|--|--|--|--|--|
| Land Acquisition Land purchases for future affordable housing development. | New production | Many agencies in the region may have publicly-owned lands that are suitable for housing development. The Housing Trust can use its regional connections to conduct a county-wide inventory of lands and seek opportunities for holding properties for future housing development. Further, the Housing Trust could purchase available lands in areas most advantageous for future housing. Available lands can be noticed through RFPs. | Grants, deferred/forgivable loans (i.e., "soft" debt), revolving loan fund, or direct land banking | ▪ Local Housing Trust Fund - HCD ▪ Permanent Local Housing Allocation - HCD | ▪ Community Impact Notes ▪ VMT Mitigation Bank ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Inclusionary in-lieu fees ▪ Community Benefits Agreement | Lower-Income Households, Special Needs Population, Workforce Housing, Missing Middle | Dependent on fully established Trust with administrative capacity to manage long-term loans. |
| Predevelopment Activities Provides funding for early-stage project costs that are critical to determining project feasibility and readiness. Eligible uses include feasibility studies, environmental assessments, site surveys, architectural and engineering design, zoning analysis, entitlement costs, and legal or permitting expenses. | New production | Local program support can provide a range of funding opportunities to support local housing-related priorities. Through this activity, the Housing Trust can release funds on a competitive basis for participating member jurisdictions. | Grants, deferred/forgivable loans (i.e., "soft" debt), or loans | ▪ Local Housing Trust Fund - HCD ▪ Permanent Local Housing Allocation - HCD | ▪ Community Impact Notes ▪ Community Reinvestment Notes ▪ VMT Mitigation Bank ▪ Impact Fees ▪ Loan Repayment Fees ▪ Inclusionary in-lieu fees ▪ Community Benefits Agreement | Lower-Income Households, Special Needs Population, Workforce Housing, Missing Middle | Predevelopment funding carries significant timing and entitlement risks. These activities should be pursued once the Trust can manage longer project timelines and higher uncertainty. |

⁹ Financing mechanisms will ultimately be determined by the eligible uses established by each funding source.

¹⁰ Most housing trust funding sources are not exclusive to a single activity and can be allocated across several eligible uses. Ultimately, funding sources will be pursued based on funding availability and the activities prioritized at that time.

¹¹ Target population will ultimately depend on the funding sources used to fund the activity.

| Activity | Category | Implementation information | Financing Mechanism ⁹ | State and Federal Funding Sources ¹⁰ | Other Funding Sources | Target Population ¹¹ | Phasing Information |
|---|-------------------------------|--|---|--|---|--|---|
| First-Time Homebuyer Program A homeownership assistance program that expands access to housing by reducing upfront financial barriers for qualified buyers. | Other programs and priorities | Housing Trust funds can be used to issue low-interest loans for qualifying first-time homebuyers. Loans can provide down payment or closing cost assistance, as well as long-term loans. | Low-interest loans, deferred payment loans | <ul style="list-style-type: none"> ▪ First Time Homebuyer Revolving Loan Fund ▪ Local Housing Trust Fund – HCD ▪ HOME Investment Partnership Programs (Federal) | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Impact Fees ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Inclusionary in-lieu fees | Moderate and Lower-Income First-Time Homebuyers | Requires sustained revenue sources; suitable once Trust lending systems are established. Also, many localities and other entities have existing first-time homebuyer programs, and this may not be a priority need in the region over creating new affordable rental housing. |
| Community Land Trusts CLTs are nonprofits that create permanently affordable tenure by retaining ownership of the land. The home is either sold or rented to a household at an affordable price. CLTs ensure long-term community stewardship and affordability. | Other programs and priorities | Funds for land acquisition, initial staffing, legal structuring, and co-development support. Housing Trust can act as land aggregator, funder, or technical assistance partner. | Grants for initial land purchase; possible equity contributions | <ul style="list-style-type: none"> ▪ Transformative Climate Communities (Implementation Grants) | <ul style="list-style-type: none"> ▪ Community Impact Notes ▪ Community Reinvestment Notes ▪ Impact Fees ▪ Local Sales Tax ▪ Loan Repayment Fees ▪ Transient Occupancy Tax ▪ Inclusionary in-lieu fees ▪ Community Benefits Agreement | Lower-Income Households, Historically Disadvantaged Communities, First-Time Homebuyers | Complex to establish; best pursued with nonprofit partners and long-range planning. May require philanthropic or local land contributions. |

Notes: HCD = placeholder; VMT = Vehicle Miles Traveled; RFP = request for proposal; CLT = Community Land Trust; TA = placeholder.

Appendix: Recommended Funding Activities

| Activity | State and Federal Funding Sources | | | | | | | Other Funding Sources Used by Local Agencies | | | | | | | | |
|--|-----------------------------------|------|------|---------|------|--|-----------------|--|------------------------|------------------------------|---------------------|-------------|---------------------|---------------|--|--|
| | LHTF | NHTF | PLHA | CalHome | REAP | First Time Homebuyer Revolving Loan Fund | HOME Investment | Transformative Climate Communities | Community Impact Notes | Community Reinvestment Notes | VMT Mitigation Bank | Impact Fees | Loan Repayment Fees | Special Taxes | Local Ordinances (inclusionary, impact fees, etc.) | Philanthropic/ Social Impact Investors |
| Gap Funding for New Housing Development | ✓ | ✓ | ✓ | | ✓ | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Housing and Supportive Services | ✓ | ✓ | ✓ | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Deed-Restricted Housing Preservation or Rehabilitation | ✓ | | ✓ | | | | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| Unrestricted Affordable Housing Preservation | ✓ | | ✓ | | | | | | ✓ | ✓ | | ✓ | ✓ | ✓ | ✓ | |
| Operating Subsidy | ✓ | ✓ | ✓ | | | | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ |
| Local Programs Support | ✓ | | ✓ | ✓ | | | | | ✓ | | | ✓ | ✓ | | | |
| Technical Support | | | ✓ | | ✓ | | | | ✓ | | | ✓ | | | | |
| Land Acquisition | ✓ | | ✓ | | | | | | ✓ | | ✓ | ✓ | ✓ | ✓ | | |
| Predevelopment Activities | ✓ | | ✓ | | | | | | ✓ | ✓ | ✓ | ✓ | ✓ | | | |
| First-Time Homebuyer Program | ✓ | | | | | ✓ | ✓ | | ✓ | | | ✓ | ✓ | ✓ | | |
| Community Land Trusts | | | | | | | | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ | | |

Notes: LHTF = Local Housing Trust Fund; NHTF = PLACEHOLDER; PLHA = Permanent Local Housing Allocation; REAP = Regional Early Action Planning.

Conclusion and Next Steps

While there are many options in what funding sources the San Bernardino Regional Housing Trust chooses to seek, as well as approaches to financing projects, and a variety of housing activities the Housing Trust could support; it is important that the Trust remain flexible as external factors change while pursuing a program that is aligned with the vision, goals, and objectives of the Housing Trust. The activities and mechanisms identified here offer a menu of options that can be tailored over time, depending on the Trust's administrative capacity, revenue generation, and evolving community priorities. In its early phases, the Trust should prioritize providing gap financing grants to local affordable housing projects. Projects should be those that respond to any notice of funding availability provided by the Trust, and should be ranked in accordance with the scoring criteria provided by the Trust. Sources of funding sought by the Trust should be widespread, with emphasis on programs that can generate funds within the region, to provide long-term flexible funding. In its early phases, the Trust should focus on pursuing funding and partnerships that can help secure the long-term success of the Trust. Once the Trust has secured significant funding, it can expand its administrative capabilities to additional activities and may consider other financing options such as soft loans or low-interest loans. The subsequent Trust Funding Strategy and Implementation Plan provides a 5-year strategy for laying a strong foundation for the trust through: fundraising, financing, monitoring the progress of the trust, and the ongoing maintenance of the trust.