

Funding Strategy and Implementation Plan

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 Trust's 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 San Bernardino Regional Housing Trust (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 Funding Strategy and Implementation Plan builds upon supplemental documentation and research conducted for the Trust, including but not limited to the Housing Trust White Paper, the Strategic Plan, the Housing Needs Assessment, and the Funding Program Recommendations Memo. These documents provide essential supplemental information that lay the foundation for this Funding Strategy and Implementation Plan.

Housing trust funds often take several years from inception to show measurable success because they are built on long-term stability, rather than quick returns. The purpose of this plan is to establish actions that the Trust can take over the next 5 years in order to obtain initial funding and lay the groundwork for ongoing success. This 5-year look ahead provides the Trust with a strategy for program development, fundraising, administering funding programs, monitoring progress, and maintaining the agency. Because the Trust has flexibility in how it approaches fundraising the housing activities it chooses to fund; the manner in which it chooses to provide financing; and additional options in its monitoring, administration, and maintenance; this plan organizes the strategy for the Trust in a manner that establishes the lowest risk and highest feasibility actions in the near term and increases in complexity in the long term. This is because over time, the Trust would likely become more efficient, which would enable the Trust to expand its strategy over time.



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Affordable Housing Financing

Across the nation and throughout California, housing trust funds typically play a vital role in the financing of affordable housing, often being one of several funding sources of a given affordable housing development. The most common form of financing for affordable housing development in California involves Low Income Housing Tax Credits (LIHTCs). This funding source typically provides the largest financial contribution as part of what is called the “capital stack,” or the full set of funding sources an affordable housing development depends on to cover its costs. Housing trust funds, including the Trust, can play the role of a gap funder, helping fill the gap in financial need between a project’s total costs and what can be covered by LIHTC or another major capital financing source.

Most affordable housing developments have numerous funding sources at various stages of the development process. The range of categories of permanent financing that an affordable housing development relies on typically includes:

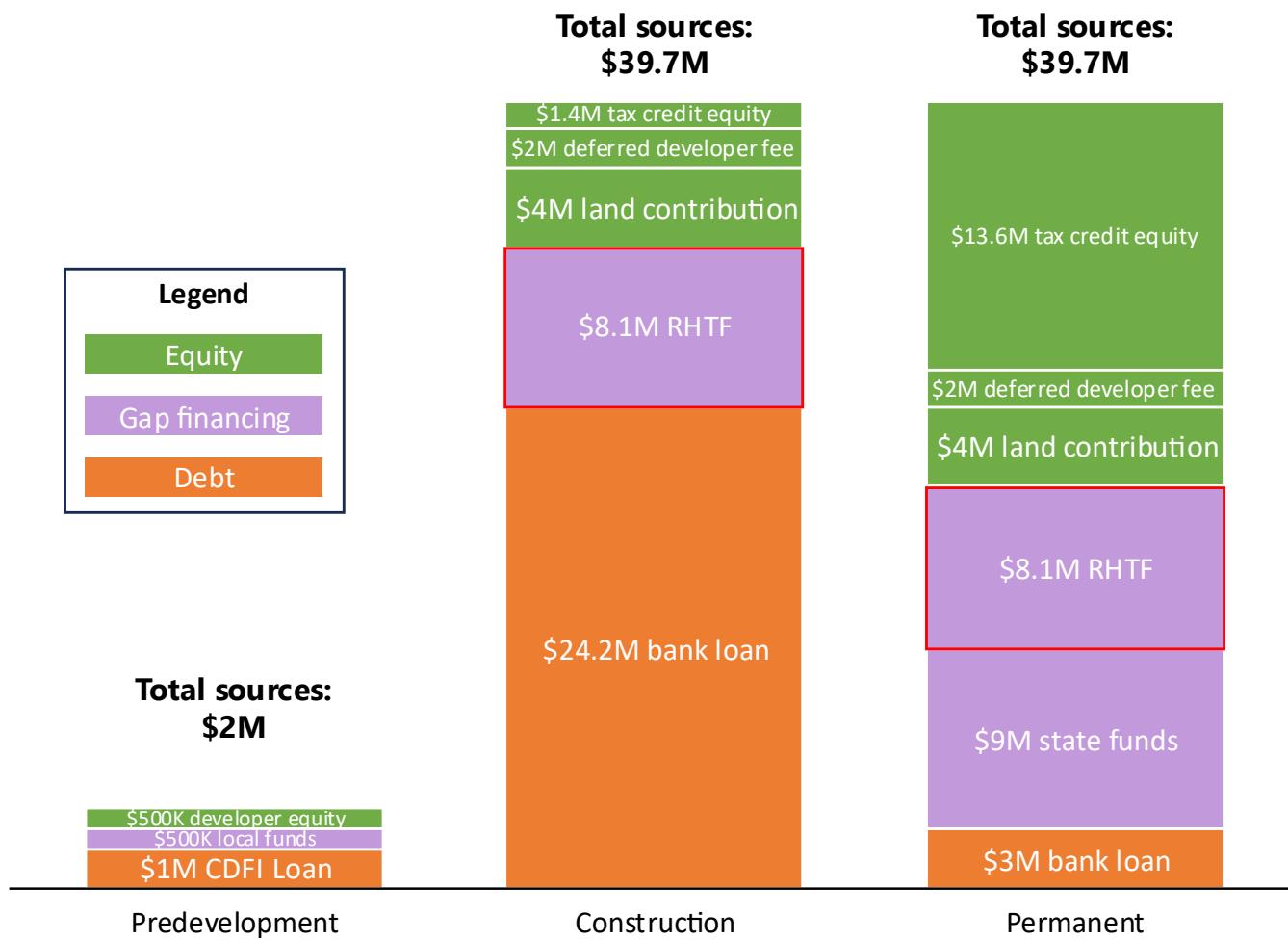
- **Equity:** LIHTC equity or other capital subsidy
- **Gap Financing:** Additional funds from philanthropic or mission-driven entities, public agencies, and others
- **Debt:** Short-term (predevelopment, construction, or rehabilitation) or permanent loans from financial institutions

Within this broad framework, a typical affordable housing development relies on numerous sources of funding at three distinct stages of development:

- **Predevelopment:** When site control is sought, due diligence is required, and the project is being designed and financed
- **Construction/Rehabilitation:** During the construction process, when short-term loans are typically needed to pay for development costs
- **Permanent:** When a new housing development is completed and long-term debt, equity, and gap financing is brought in to subsidize operational costs

Figure 1, Typical Affordable Housing Development Capital Stack, shows the capital stack of a typical affordable housing development at each of the three stages outlined above, with the critical role of a regional housing trust fund shown as a gap funding source outlined in red in the construction and permanent phases:

Figure 11: Typical Affordable Housing Development Capital Stack



Providing financing through a grant or low-cost or forgivable loan on the order of magnitude of 15% to 20% of the per unit development cost, or about \$90,000 to \$120,000 for a \$600,000 per-unit development cost, can make a significant impact in meeting affordable housing needs at the regional and local level. As detailed in the Needs Assessment, local agencies in San Bernardino have a strong track record of having provided gap funding to affordable housing development at an average of \$75,000 per-unit, but the need for more funding can be further supported by the Trust. Local funding is also critical to a project's success of being awarded LIHTCs and other public subsidies; the state department governing the funding programs insists on regional investment to augment and leverage the tax credits. To produce new affordable housing, this amount of funding can support developments that rely on LIHTCs as one of several other funding sources. To acquire and rehabilitate existing housing, especially unsubsidized housing, developments that have expiring rent and income restrictions, or naturally occurring affordable housing that is at-risk of becoming unaffordable to lower-income residents, the developer can pair financing provided by the Trust and other sources with permanent debt to cover the entire cost of a project. The

inclusion of multiple funding sources strengthens a project's application for LIHTC awards by proving it's financial feasibility and leveraging additional support. In this sense, the Trust can help localities meet housing needs both by making LIHTC projects more competitive by providing a local funding match, and by providing flexible capital to support qualifying projects. Moreover, the Trust can maintain flexibility by providing financing such as loans or grants wherever either can be more impactful.

Funding Strategy

By providing gap financing to affordable housing developments, the Trust will play a vital role in helping the region meet its housing needs. This plan paves the way to raise the necessary funds to implement the Trust's goals and priorities.

The Trust currently has a \$5 million Regional Early Action Planning (REAP) grant from the Southern California Association of Governments. This funding is anticipated to be allocated as gap funding to select affordable housing developments by June 2026. Aside from the awarded Regional Early Action Planning funds, the Trust has not yet secured any funding. Beyond this funding, the Trust is anticipating future funding coming from membership dues, the region's Vehicle Miles Traveled (VMT) Mitigation Bank, and pursuing funding through grants and budget earmark pursuits. These future funding sources are an important starting point but alone do not set the Trust up to be a substantial, ongoing financer of affordable housing in the San Bernardino region. Therefore, this plan identifies numerous steps to help the Trust access additional funds. This includes the following thematic strategies:

- Legislative advocacy for more state funding
- Implementing the San Bernardino County Transportation Authority's VMT Mitigation Bank and other innovative methods to generate funds locally
- Fundraising from private philanthropy, major regional institutions, and other entities

In implementing the Trust's funding program, it is vital that the Trust establishes a process and infrastructure to make funding available for affordable housing developments and other housing-related activities the Trust seeks to support. This process and the infrastructure it establishes will begin by making its Southern California Association of Governments Regional Early Action Planning funds available through a Notice of Funding Availability (NOFA), or similar process, and awarding selected projects. Because these projects have already been selected, they will not need to be evaluated; however, evaluation criteria should be developed to inform the selection of submissions under future NOFAs. This process can be refined, adapted and expanded in the future as the agency continues to implement this plan, making funds available in the most efficient and accountable manner possible for a given affordable housing program.

The funding strategy is organized below within three broad timeframes for actions: near-term (Years 1–2), medium-term (Years 2–4), and long-term (Years 5 and beyond). While years are assigned, these may change, as the trust should only move on to medium- and long-term strategies once it has secured significant funding to expand its administrative abilities to support additional strategies. Within each time period there are a set of actions the Trust can undertake, organized within the following headings:

- **Housing Activities:** The recommended housing activities, as indicated in the Trust's Program Recommendations document, that are to be introduced or considered during the given timeframe.

- **Fundraising:** Strategies to secure new funding sources for the Trust to be able to finance its housing activities and agency operations. As noted above, beyond pursuing conventional public financing sources, this plan is focused on three thematic strategies to pursue new funding sources: Legislative advocacy for more state funding; implementing the VMT Mitigation Bank and similar programs that can generate funding locally; and fundraising from private philanthropy, major regional institutions, and other entities.
- **Administering Financing:** Steps the Trust would need to take to create and administer its financing for its housing activities.
- **Progress Monitoring:** How the Trust can monitor progress toward its goals during the specified time frame.
- **Administration and Maintenance:** Organization and administrative steps the Trust should take to ensure appropriate staffing and infrastructure for its funding program.

Finally, it is important to emphasize that this strategy is being developed at a specific point in time considering existing resources and practices to fund affordable housing. The fundamentals of affordable housing finance and the need for additional funding resources as described in the Affordable Housing Financing section above will likely persist for years to come; however, the specific interventions necessary to address the financing needs are dynamic and constantly evolving. Therefore, the strategies below underscore the need for the Trust to regularly assess the region's affordable housing funding needs. This includes regularly reviewing the Trust's Housing Needs Assessment and affordable housing development pipeline, engaging with affordable housing developers and practitioners in the region, and to annually reassess the funding needs landscape in this light.

Near Term (Years 1–2)

Years 1–2 are essential for determining the Trust's formation needs, including determining and building staffing capacity and partnerships, garnering interest from the community, and securing and leveraging initial funding to administer the Trust. Funding from membership dues should be utilized for administration, so that external funding can be pursued.

Housing Activities

- **Gap Funding for New Affordable Housing Development** – The Trust should prioritize providing gap funding for new affordable housing developments. Gap funding is a well-established practice for entities such as housing trusts to issue their funds, and have a strong track record of supporting affordable housing developments, primarily those seeking LIHTC awards. This activity could be established as an early win for the Trust while more complex funding activities are being established or considered.
- **Housing and Supportive Services for those Experiencing Homelessness** – Given regional needs and priorities, the Trust can prioritize gap funding for housing for those experiencing homelessness as well as funds to support operational needs. This presents an opportunity to partner with the County to leverage existing funds to support such efforts in the region. As funding and operating subsidies are more limited for this housing type, the Trust can fill this need in the near-term. A 2023 report by the UC Berkeley Terner Center for Housing Innovation found the average annual operating cost for a homeless housing unit was \$17,000, based on data from 2019 to 2022. This number offers a meaningful starting estimate to determine the potential per-unit operating subsidy needed for such units.¹

¹ UC Berkeley Terner Center for Housing Innovation, "Permanent Supportive Housing as a Solution to Homelessness: The Critical Role of Long-Term Operating Subsidies." <https://ternercenter.berkeley.edu/wp-content/uploads/2023/06/PSH-Paper-June-2023-Final.pdf>

- Issue a Request for Qualifications to create a “bench” of pre-qualified developers and gain insight into current affordable housing development activity occurring in the Region. Creation of a “bench” could provide an expedited pathway for developers to secure funding from the Trust, particularly for acquisition funding to purchase unrestricted affordable housing assets traded on the open market. The purpose of the bench would be to have pre-qualified developers who could access funds on an as-needed basis for projects that meet clearly stated criteria, rather than awarding funds competitively and giving developers narrow windows of time to apply for the funds. This would allow the Trust to approve developers who are qualified and experienced to be able to access the funds when they become available and are needed. Then, a developer on a pre-qualified bench could apply to the Trust when they have a suitable project. This way funds can be available on a rolling basis as projects arise. While the Trust would not have financing available on a rolling basis in the near-term, the creation of the bench is the first step in establishing such a process.

Fundraising

- Create a “power map” of potential funding partners, listing the private and philanthropic sectors. Use this list to guide outreach and inform relationship building. This can begin by identifying opportunities to work with major employers in the region, especially businesses in the logistics/warehouse industry such as Amazon, FedEx, and others, as well as other philanthropic or social-impact oriented entities. There are often local Anchor Institution Coalitions formed with major employers and institutions which are dependent upon the local work force. These anchor institutions are heavily reliant upon a qualified, steady workforce and investment into housing would be beneficial to all.
- Pursue membership dues to cover administrative costs. Membership dues should be based on an approved methodology
- Explore and pursue funding that provides one-time or recurring sources of funding (e.g., grant funding, legislative appropriations, member contributions, philanthropic donations, fees, etc.)
- Work with lobbyists to seek State and Federal funding. This could be through State budget allocations, or through additional funds for new or existing grant programs such as the Local Housing Trust Fund Program. Local Housing Trust Fund funding has been fully allocated, and the 2025–26 state budget did not renew funding for this vital program. However, its renewal should be a legislative priority for the Trust. Furthermore, many regional employers, nonprofits, and public agencies utilize lobbyists, and consideration could be given to leveraging their findings with those of the Trust.
- Work with other housing trusts across California, as well as nonprofit affordable housing development associations (e.g. Southern California Association of Nonprofit Housing), to advocate for State funding. Joining or creating an association of these like-minded entities for regular communication and relationship building to share data and information would have lasting impact.
- Pursue non-profit partners and establish a partnership to set up a donor fund for the receipt of charitable donations and other contributions. This will allow for tax-exempt contributions to the Trust.
- Apply for eligible federal, state, and regional grant funding. Applying for grant funds should be a key function of housing Trust staff.
- Pursue mechanisms that can generate funds locally such as the VMT Mitigation Bank, special taxes, or similar measures.

Administering Financing

- Update the Trust's Housing Needs Assessment. Structure funding programs that best serve the overarching housing priorities, aligning capital deployment and financing terms with efficiency in mind.
- Create NOFA documents including funding terms and conditions, application guidelines, and application evaluation criteria.
- Review and fund 1st year NOFA projects, including issuance of enforceable commitment letters.
- Update and issue 2nd year NOFA.
- Review and fund 2nd year NOFA projects, including issuance of enforceable commitment letters.

Progress Monitoring

- Begin tracking progress of affordable housing developments (especially those in predevelopment seeking funding) in the Trust's area of operation. Track funding gaps and the reasons why projects are getting "stuck" to better understand how the Trust can intervene to expedite production. Lean on bench of developers for insight.
- Establish and maintain a webpage for the Trust. This should include projects funded by the Trust as well as regional progress in meeting housing needs.
- Prepare and submit an annual report to the Trust Board and members
- Prepare annual review and update of the strategic plan

Administration and Maintenance

- Determine staffing needs and hire contract-based staff to support the administration of the Trust. Based on experiences of similar agencies, a modest startup staff of one to three full-time professionals would be needed with additional consultant support to establish and administer the funding award process. This could be internal. The Trust has currently retained its consultant team of Dudek and LeSar to administer the funding award process for Year 1. The consultant cost for reviewing underwriting funding applications varies depending on the scope and scale of the Trust's available funding, but in general public agencies spend \$100,000 to \$380,000 per year on this outside expertise. The cost of administering loans could be built into each loan's financing terms, meaning the costs would not be borne by the Trust itself.
- Submit the annual report to non-member jurisdictions in the region
- Solicit non-member jurisdictions to join the Trust
- Promote the Trust through the webpage, email blasts, speaking opportunities, and through meetings with the Board of the Council of Governments

Medium Term (Years 2-4)

The strategy pursued in the medium-term should build upon, and where possible, expand upon the actions taken in the near term. The steps provided in the medium-term should preferably be pursued once the near-term actions have been taken, and when the Trust's administrative and financing capacity has expanded.

Housing Activities

- **Deed-Restricted Housing Preservation or Rehabilitation** – Funding aimed at preserving at-risk affordable housing due to extreme disrepair or expiring affordability covenants: This strategy requires coordination with existing property owners to repair housing and extend affordability covenants.
- **Unrestricted Affordable Housing Prevention** – Funding to acquire and rehabilitate unrestricted affordable housing and apply long-term covenants: This would involve investment in existing property in exchange for deed-restricted affordability. Funding should be made available quickly and flexibly for affordable housing developments to compete in the private market.
- **Operating Subsidy** - Works in conjunction with Gap Funding awards or acts independently to alleviate operational expense burdens and, in some instances, leverage additional debt financing. This strategy is most effective when regenerating a substantial pool of funds over time.
- **Local Programs Support** – Funding provided to local governments to support their housing programs through block grants, matching fund programs, or performance-based agreements.
- **Technical Support** – Technical assistance to help local governments may include trainings and draft ordinances that facilitate housing development.

Fundraising

- Examine the established non-profit partnership to determine if the Trust should file for 501c3 (or other) status. Under this scenario, the Trust may receive tax-deductible donations.
- Pursue contributions from organizations such as Enterprise and LISC, including those who may be eligible for Community Impact Notes. This is funding provided as a loan from Community Development Financial Institutions and requires the recipient to repay them, typically at market rate, meaning these funds would have similar terms to conventional bank debt.
- Continue to work with lobbyists to seek State and Federal funding.
- Continue to seek contributions from philanthropic donors, employers, and organizations.
- Apply for eligible federal, state, and regional grant funding.
- If loans are to be issued, consider how interest garnered can support administrative costs and financing.
- Continue to pursue mechanisms to generate long-term funding locally such as the VMT Mitigation Bank or other local measures.

Administering Financing

- Update the Trust's Housing Needs Assessment and determine how to be most efficient with utilizing grants, soft debt, and hard debt.
- Structure funding programs that best serve the overarching housing priorities, aligning capital deployment and financing terms with efficiency in mind.
- Assess the amount of capital available to the Trust to determine the type of funding (e.g. grants or loans) deployed via the NOFA process.
- Update and issue 3rd and 4th year NOFAs.

Progress Monitoring

- Perform compliance monitoring for awarded projects in accordance with the Trust NOFA awards.
- Continue to update and maintain the webpage to track progress made by the Trust as well as regional progress towards housing goals.
- Prepare and submit an annual report to the Trust Board and members.
- Prepare annual review and update of the strategic plan.
- Budget for new staff or consultants in next fiscal cycle, based upon Administration and Maintenance, below.

Administration and Maintenance

- Consider internal staff and hire contract-based staff to support the administration of the Trust.
- Submit the annual report to non-member jurisdictions in the region.
- Solicit non-member jurisdictions to join the Trust.
- Promote the Trust through the webpage, email blasts, speaking opportunities, and through meetings with the Board of the Council of Governments.

Long Term (Years 5+)

The strategy pursued in the long-term should be built upon, and where possible, expanded upon the actions taken in the near- and medium-term. The steps provided in the long-term should only be pursued once the near- and medium-term actions have been taken and if the Trust's administrative and financing capacity are able to address.

Housing Activities

- **Land Acquisition** – The purchase of suitable and advantageous lands for future affordable housing purposes. Acquisition loans could be structured as a recycled loan program. This would allow the agency to re-issue loans when repaid, further described below. Acquisition funds could also be used to capitalize a ground lease.
- **Predevelopment Activities** – Funding distributed to determine project feasibility and readiness, which includes studies such as environmental assessments, site surveys, and zoning analysis. Predevelopment loans could be structured as a recycled loan program.
- **First-Time Homebuyer Program** – A homeownership assistance program that reduces upfront financial barriers for qualified homebuyers. Services can include low-interest and long-term loans to provide down payments or closing cost assistance.
- **Community Land Trusts** - Nonprofits that create permanent affordable tenure by retaining ownership of the land while selling the housing unit at an affordable price.

Fundraising

- Continue to work with lobbyists to seek State funding.
- Continue to seek contributions from philanthropic donors and organizations.

- Apply for eligible grant funding.
- Evaluate interest received from loans.

Administering Financing

- Update Trust's Housing Needs Assessment. Structure funding programs that best serve the overarching housing priorities, aligning capital deployment and funding program terms with efficiency in mind.
- Update and issue 3rd and 4th year NOFAs.
- Evaluate administrative capacity of the Trust to establish a revolving loan fund. By issuing low-interest or soft loans, the Trust can generate new funding from interest received.

Progress Monitoring

- Perform compliance monitoring in accordance with the Trust NOFA awards.
- Continue to update and maintain the webpage to track progress made by the Trust as well as regional progress towards housing goals.
- Prepare and submit an annual report to the Trust Board and members.
- Prepare annual review and update of the strategic plan.

Administration and Maintenance

- Consider internal staff and hire contract-based staff to support the administration of the Trust.
- Submit the annual report to non-member jurisdictions in the region.
- Solicit non-member jurisdictions to join the Trust.
- Promote the Trust through the webpage, email blasts, speaking opportunities, and through meetings with the Board of the Council of Governments.