



TO: Elizabeth Pauli, City Manager
FROM: Council Member Anders Ibsen and Council Assistant Claire Goodwin
COPY: City Council and City Clerk
SUBJECT: Council Contingency Fund Request – Home Sale Survey – December 17, 2019
DATE: December 5, 2019

SUMMARY:

The U.S. Department of Housing and Urban Development’s (HUD) established maximum home values eligible for assistance through the HOME grant program is below what the actual median sales prices are for the City. In order to make the HOME grant program more widely accessible for those who qualify based on income, the City should take action towards requesting a revision to HUD. The recommendation before you provides the City’s Housing Division up to \$5,000 from the Council Contingency Fund to conduct a survey of home sale prices over a two to three month period of time and take needed steps towards requesting that HUD revise the area-median sales prices on existing homes and new construction in order to submit the changes with the Fiscal Year 2020-2021 Annual Action Plan with an effective date of July 1, 2020.

COUNCIL SPONSORS:

- CM Anders Ibsen
- CM Chris Beale
- CM Keith Blocker
- CM Lillian Hunter

STRATEGIC POLICY PRIORITY:

- Ensure all Tacoma residents are valued and have access to resources to meet their needs.
 - This policy will increase equity by providing more opportunities for low-middle income households to receive down payment assistance.

BACKGROUND:

The City of Tacoma offers down payment assistance to income-eligible residents through the federal HOME Investment Partnerships Program (HOME) administered by HUD. The Washington State Housing Finance Commission (WSHFC) manages the program on the City of Tacoma’s behalf. The program provides a maximum loan of \$20,000 with \$10,000 coming from HOME funds and the other \$10,000 coming from WSHFC. In 2019, the City allocated \$75,000 to the program. Eligibility is based on income (households that make up to 80% area-median income) and maximum purchase price of the home to be purchased. HUD determines this amount annually and limits it to 95% of the area-median sales price using Federal Housing Administration (FHA) single family mortgage program data. For Fiscal Year 2020 (July 1, 2019 – June 30, 2020), HUD determined the maximum amounts were \$285,000 for existing homes and \$354,000 on new construction. HOME regulations allow a local jurisdiction to request a change to these amounts through an administrative action. This action requires a survey of sale prices over at least a two-month period. The survey includes both new and existing housing sales prices and includes sales only within the city limits of Tacoma. Based on this survey and analysis, the jurisdiction can recommend approval from HUD of the new amounts. The request is reviewed by the local HUD office in Seattle and is allowable during the city’s “program year” (July 1 – June 30). At the December 3rd Study Session, Council Member Ibsen shared a Council Consideration request related to the use of \$5,000 of Council Contingency Funding for the survey.



ISSUE:

The problem to be solved is that HUD’s established maximum home values eligible for assistance through the HOME grant program is below what the actual median sales prices are for the City. The formula HUD uses to establish the area median sales price is flawed. In order to make the HOME grant program more widely accessible for those who qualify based on income, the City should take action towards requesting a revision to HUD. This begins by moving forward with a survey of home sales prices over at least a two-month period of time to include the revised sales prices in the Annual Action Plan for the next program year beginning in July 2020.

ALTERNATIVES:

1. No action could be taken. This would result in the maximum allowable home sale price to be below the actual average sale price in the City and continue an under-utilization of the down payment assistance program.
2. The Housing Division could be directed to proceed within existing resources. This would result in the Housing Division having to reduce costs in other budgeted activities to fund the home sale survey.

The option to fund the home sale survey through the Council Contingency Fund is the strongest option because it solves the problem of increasing the maximum home sale price through use of an existing reserve to fund a home sale survey without asking the Housing Division to absorb the cost.

RECOMMENDATION:

Provide up to \$5,000 from the Council Contingency Fund to the City’s Housing Division to conduct a survey of home sale prices over a two to three month period of time and take needed steps towards requesting that HUD revise the area-median sales prices on existing homes and new construction in order to submit the changes with the Fiscal Year 2020-2021 Annual Action with an effective date of July 1, 2020.

FISCAL IMPACT:

EXPENDITURES:

FUND NUMBER & FUND NAME *	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1030 Council Contingency Fund	660000	5310100	\$5,000.00
TOTAL			\$5,000.00

* General Fund: Include Department

REVENUES:

FUNDING SOURCE	COST OBJECT (CC/WBS/ORDER)	COST ELEMENT	TOTAL AMOUNT
1030 Council Contingency Fund	660000	6311010	\$5,000.00
TOTAL			\$5,000.00



FISCAL IMPACT TO CURRENT BIENNIAL BUDGET: \$5,000

ARE THE EXPENDITURES AND REVENUES PLANNED AND BUDGETED? Yes.

IF EXPENSE IS NOT BUDGETED, PLEASE EXPLAIN HOW THEY ARE TO BE COVERED. NA