



TO: Elizabeth Pauli, City Manager
FROM: Felicia Medlen, Housing Division Manager, Community and Economic Development Department
Carol Wolfe, Interim Director, Community and Economic Development Department
COPY: City Council and City Clerk's Office
SUBJECT: Resolution – Affordable Housing Fund Agreement Amendment
DATE: March 11, 2025

SUMMARY AND PURPOSE:

Request for a resolution authorizing the execution of an amendment to increase the compensation under contract through the Affordable Housing Fund agreement with the Tacoma Community Redevelopment Authority (TCRA) whereby the TCRA carries out services on behalf of the City to administer a portion of the City's Affordable Housing Fund (AHF), by \$6,949,311 to enable expenditures budgeted from sales tax revenue generated annually from HB 1406 and HB 1590 which are sources designated exclusively for purposes of affordable rental housing and related housing supports, to a new amount of \$27,274,997.77 to effectuate the creation of new affordable housing units.

BACKGROUND:

This Department's Recommendation is based on the City's Affordable Housing Action Strategy (AHAS) first presented in September 2018 and subsequent program implementation to address the need for additional affordable housing in Tacoma.

On August 8, 2019, the City Council passed Substitute Ordinance No 28601 authorizing the maximum capacity of tax authorized under the provisions of Substitute Housing Bill 1406 establishing an annual revenue stream of approximately \$853,000 for affordable and supportive housing. On December 17, 2019, the Tacoma City Council adopted Resolution No. 40527 establishing activities and income criteria for the City's Affordable Housing Fund (AHF), that had been created by the Council to hold such public funds that would be used for affordable housing and that was initially seeded using \$1.2 million of general funds as part of the passage of the 2019-2020 Biennial Budget. In response to a worsening housing crisis affecting an unprecedented number of residents living in our Tacoma community, on March 30, 2021 Council also passed Ordinance No. 28747 authorizing collection of HB 1590 sales tax in the amount of one-tenth of one percent for affordable housing to be designated for (i) persons with behavioral health disabilities; (ii) veterans; (iii) senior citizens; (iv) homeless, or at-risk of being homeless, families with children; (v) unaccompanied homeless youth or young adults; (vi) persons with disabilities; or (vii) domestic violence survivors; and related services, to supplement the existing local funds.

On December 17, 2021 City Council awarded a contract (the "Agreement") to the Tacoma Community Redevelopment Authority (TCRA), with an initial contract amount of \$3,856,000, designating the TCRA to administer affordable housing funds being generated in accordance with the requirements of the individual funding sources that make up the AHF, including HB 1406, HB 1590, and any future sources of funds that City Council may want to allocate to be administered by the TCRA for affordable housing. The Agreement has an effective date of December 1, 2021 and a termination date of December 1, 2031. Activities allowable in the contract's scope of work include providing loans for the development (acquisition, rehabilitation and/or new construction) of affordable rental or ownership housing, and related costs of carrying out that housing program.

The City's strategic adoption of HB 1406 and HB 1590 has resulted in sustained generation of funds to be designated for affordable housing. Each year since 2020, in order to make a portion of the funds available for developers to carry out the AHAS goal of creating affordable units, the TCRA has advertised AHF funds as part of its



annual competitive Affordable Housing Notice of Funding Availability (NOFA) process. Applications are reviewed and underwritten by Housing Division staff with funding decisions made by the TCRA board for loan agreements issued to the developers for projects that create the most public benefit. Projects selected have a minimum 40-year affordability period, and loan terms include deferred payments with principal and accrued interest due in full back to the fund at the end of the affordability period. Households to be served must have incomes below 60% of Area Median Income (AMI), and some projects include lower income limits (below 50% AMI or below 30% AMI). Rent limits are set so that housing costs represent 30% or below household income for households at the top of the applicable income category.

Since the fund's inception, 147 new affordable rental units serving households with incomes below 60% of AMI have already been completed and occupied by eligible households and 16 units have received new furnace and/or water heater systems, 304 new affordable rental units serving households with incomes below 60% of AMI are currently under construction to be placed in service in 2025 or 2026, and approximately 257 new affordable rental units serving households with incomes below 60% of AMI have received financing commitments to allow the project developers to secure other sources of funds that may be contingent on the City's initial investment.

Listed below are the affordable housing projects that have been awarded financing under the Agreement and related amendments, including the amendment being recommended today. The table also includes the amount of AHF funds committed per project, and the number of units completed or anticipated.

Completed	AHF Committed	# of Units
Tyler Lifecycle – Furnace and Water Heater Systems Replacement only (Tacoma Rescue Mission)	\$118,954.77	16
Tahoma Place (KWA)	\$1,906,402.00	87
Shiloh New Life Apartments (Shiloh Baptist Church)	\$4,444,983.00	60
Subtotal	\$6,470,339.77	163
Under Construction		
Patsy Surh Place (Low Income Housing Institute)	\$1,422,702.00	77
Mercy Aviva Crossing (Mercy Housing Northwest)	\$6,000,000.00	129
Viridian Grove (Southport Construction)	\$2,000,000.00	98
Subtotal	\$9,422,702.00	304
Predevelopment		
Lincoln District Family Housing (Low Income Housing Institute)	\$4,000,000.00	72
Bridge Meadows Tacoma (Bridge Meadows)	\$1,432,645.00	39



South Yakima Senior Housing (HumanGood Affordable Housing)	\$3,700,000.00	66
35th and Pacific (Mercy Housing Northwest)	\$2,249,311.00	80
Subtotal	\$11,381,956.00	257
Total	\$27,274,997.77	724

To support these investments, two previous amendments have been executed to make resources available since the execution of the original Agreement in 2021: one effective November 1, 2022 adding \$3,852,421 for projects that were found to be competitive in the 2022 NOFA funding round, and the following year effective November 1, 2023 adding \$13,421,349 for projects that were found to be competitive in the 2023 NOFA funding round, with a current existing compensation amount of \$21,129,770. The recommendation today is to increase the compensation under the Agreement by \$6,949,311 for projects that were found to be competitive in the 2024 funding round and amending prior allocations to align with actual project funding commitments and expenditures, bringing the new contract amount to \$27,274,997.77.

Note about rental vs ownership

HB 1406 and HB 1590 funds were authorized by the state to use for the creation of rental housing and are not well suited for use on homeownership projects. The TCRA currently administers federal HUD HOME funds on behalf of the City of Tacoma that support the creation of ownership units through a federal subrecipient agreement also with the City. The amount of funds available from HUD is much lower than what is now being generated by these local sources for rental housing, and which in part allows the TCRA to target more of the federal money for homeownership than in the past. For the City to make an even greater investment in homeownership units, an additional revenue source would need to be identified, and that funding could then also be added to this contract to be administered in tandem with AHF sales tax generated rental housing resources and other TCRA administered funds for the development of affordable housing units.

COMMUNITY ENGAGEMENT/ CUSTOMER RESEARCH:

Households that will be directly affected by this proposal are those with incomes below 60% AMI who are searching for affordable housing, and who may be homeless or at risk of homelessness.

- In particular, persons who are vulnerable because of behavioral health disabilities, and/or who may be homeless, or at-risk of being homeless will benefit from the housing units created that are paired with supportive services.
- Families with children will benefit from some of the units receiving funding that have multiple bedrooms and will accommodate larger household size.
- Seniors and veterans will benefit because some of the projects are dedicated affordable senior housing with associated services and others are paired with VASH vouchers for veterans.
- In the 2024 Tacoma Survey, addressing homelessness and housing affordability were the top two issues selected by respondents as the most important issue to be addressed in their neighborhood.
- Stakeholder engagement has been conducted through City's Affordable Housing Action Strategy Planning process and the City's Consolidated Planning Process and has included outreach to partners such as the Tacoma Pierce County Continuum of Care and its members, the Tacoma Housing Authority and Pierce County Housing Authority, as well as to the Neighborhood Councils of the City of Tacoma and their



members. Results of the outreach has included input from underrepresented communities including from those with lived experience.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

As of the last reported U.S. Census Bureau American Community Survey 5-Year Estimates, 51% of people in Tacoma are experiencing renter cost burden, meaning they pay more than 30% of income on monthly housing cost expenses. These households may not be able to afford other critical and nondiscretionary costs such as health, food, and transportation. According to 2020 Comprehensive Housing Affordability Strategy (CHAS) data from HUD specifically for the City of Tacoma, Black and Pacific Islander households bear a significantly greater than average cost burden overall. Affirmative Fair Housing Marketing Plans by project will identify racial and ethnic composition of neighborhoods surrounding new affordable housing and will target marketing efforts to those households least likely to apply to increase equitable opportunities and diverse and inclusive neighborhoods.

Livability: *Equity Index Score:* Moderate Opportunity

Decrease the percentage of individuals who are spending more than 45% of income on housing and transportation costs.

Households with lower incomes are more likely to spend a higher percentage of their income on housing and be housing cost burdened. Projects selected for Affordable Housing Fund financing are required to provide residents with rental rates which result in monthly payments that including a reasonable utility allowance, are less than 30% of income. Units must be occupied by households with income 60% AMI or below. Some projects target rents to be affordable to lower income levels with thresholds at 50% AMI or 30% AMI.

ALTERNATIVES:

Alternative(s)	Positive Impact(s)	Negative Impact(s)
1. Do not approve the resolution	N/A	The City would need to administer these funds without the TCRA as a sub-recipient and would need to develop the necessary systems to do so.



EVALUATION AND FOLLOW UP:

The use of the Affordable Housing Fund is measured against the three metrics included in the AHAS and identified when the City Council authorized activities and income criteria for the City of Tacoma Affordable Housing Fund. Specifically, these are:

1. Number of units created
2. Number of units preserved
3. Number of households served

Since 2020 163 units have been completed using these resources and it is anticipated that 77 more households will be served with new units coming on-line in 2025, 227 households served with new units coming on-line in 2026, and 257 households will be served with new units coming on-line in 2027 or later from the funds being deployed today.

STAFF/SPONSOR RECOMMENDATION:

The recommendation today is to increase the compensation under the Agreement by \$6,949,311 for projects that were found to be competitive in the 2024 funding round and amending prior allocations to align with actual project funding commitments and expenditures, bringing the new contract amount to \$27,274,997.77, with an effective date of November 1, 2024.

FISCAL IMPACT:

Because the funds being directed to these projects are generated from existing legislation and are restricted by the State of Washington to be used for affordable and supportive housing purposes only, there is no fiscal impact on the City of Tacoma's General Fund.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 1195 – Affordable Housing	733001	4313285	\$27,274,997.77
TOTAL			

What Funding is being used to support the expense?

Sales tax revenue generated by HB 1406 and HB 1590 funds.

Are the expenditures and revenues planned and budgeted in this biennium's current budget?

YES

The revenues related to this resolution were received in 21-22 and 23-24 biennium. The expenses will be incurred in a phased manner depending on when the projects move to the development phase. The proportion of these revenues to be needed in the 25-26 biennium is included in the biennium budget.

Are there financial costs or other impacts of not implementing the legislation?

No

Will the legislation have an ongoing/recurring fiscal impact?

No



City of Tacoma

City Council Action Memorandum

Will the legislation change the City's FTE/personnel counts?

No

ATTACHMENTS:

- AHF Amendment 3 Document