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COPY: Community Vitality and Safety Committee
SUBJECT: Affordable Housing Strategies
DATE: September 28, 2017

SUMMARY:

Utilizing the recommendations of the City's Affordable Housing Policy Advisory Group as a guide, the City's Housing Division has made an attempt to design programs and projects which will provide both short and long-term solutions to the growing need for affordable housing in Tacoma. The Affordable Housing Strategies represent an attempt to do just that.

BACKGROUND:

Affordable housing remains a significant issue facing the City of Tacoma and the Puget Sound region. Tacoma has long struggled with some of the lowest family income rates in the region (see Table 1).

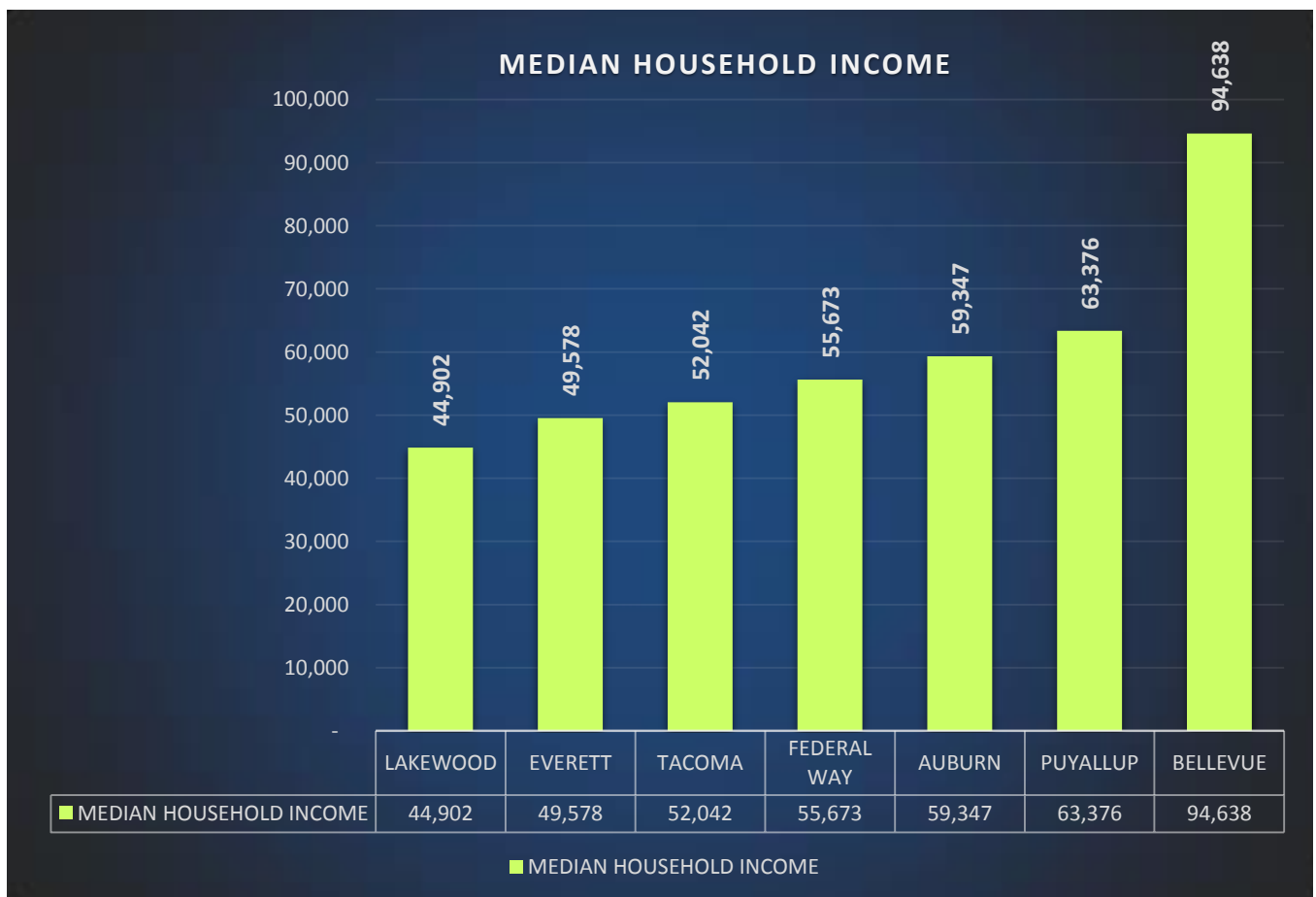


Table 1 – Median Household Income for Select Cities



Despite this, Tacoma is the 3rd costliest city in the State for housing. Since exiting the Great Recession, Tacoma like many communities in the region has experienced significant increases in home values and rents. For example, the number of units that rented under \$1000 dropped 19% from 2010 to 2017. During that same timeframe, the number of units that rented over \$1000 increased by 78% and those rented over \$2,000 increased by 31%. (See Table 2)

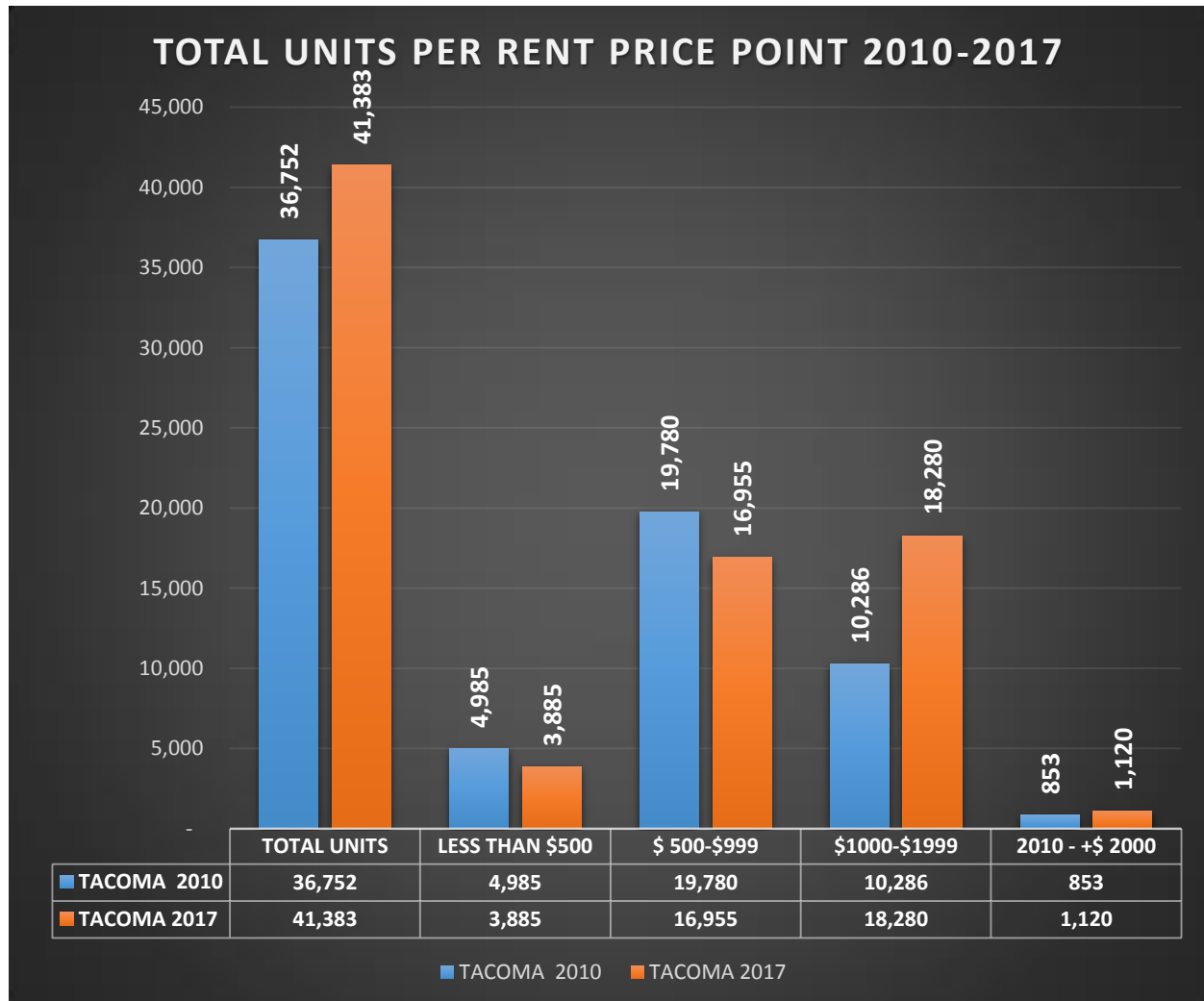


Table 2: Rents per Price Point

This has created a gap of availability of affordable housing. As a result, the August 2016 City of Tacoma Needs Assessment found that in 2015 27% of all rental households spent more than 50% of their gross income on rent and were therefore “severely cost burdened”.

The same issue applies to the purchase price of homes. As noted in Table 3, prices have increased significantly in the region over the last year. Among the cities referenced, Tacoma experienced the 4th largest increase in home prices. These increases have made the dream of homeownership out of reach for many especially those with the lowest incomes.

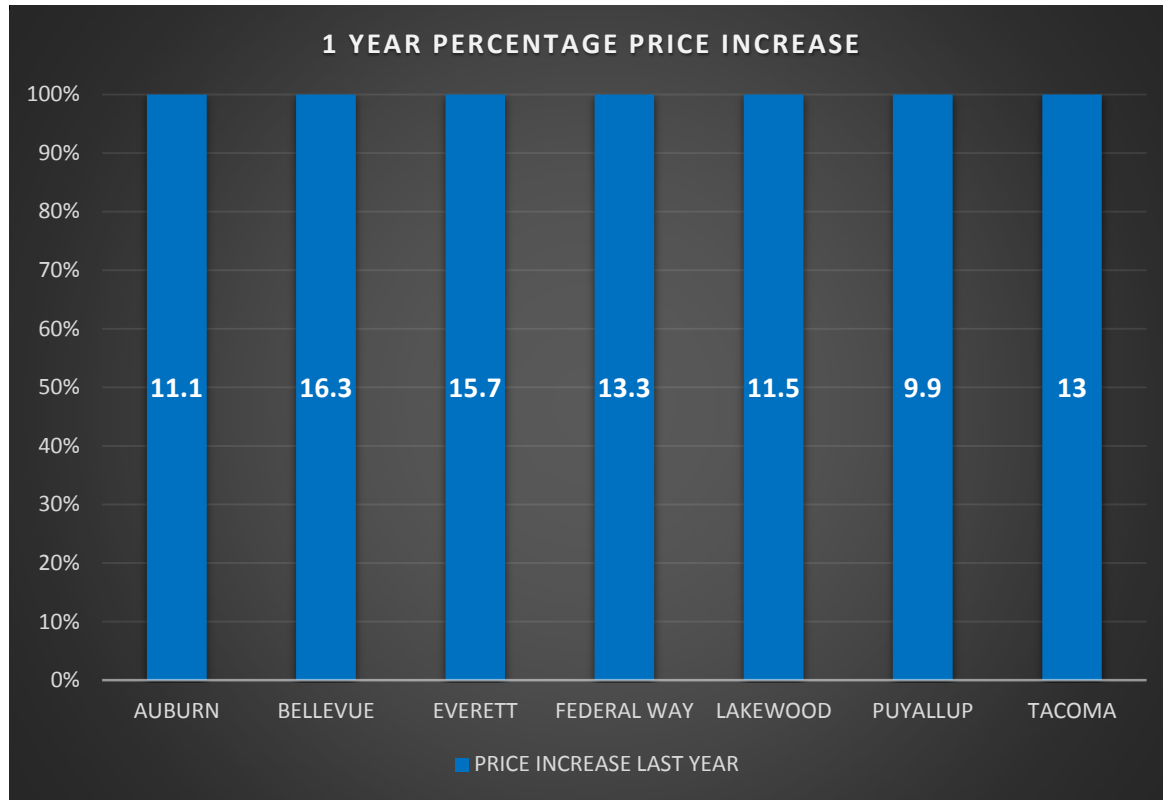


Table 3: Year over Year Percentage of Home Price Increases

ISSUE:

As housing prices and rents continue to escalate in Tacoma and throughout the region, the affordability crisis worsens locally and regionally. Funding at the State and Federal levels is limited and targeted toward specific groups. For example, the Washington State Housing Commission through its allocation process for federal tax credits is currently focusing on homeless housing and housing for very low income households in order to address the homeless crisis. However, this makes it difficult for traditional affordable housing developers such as Tacoma Housing Authority (THA) to compete and fund development projects to support households earning between 30-80% area median income. In addition, federal funding received from HUD remains at risk and continues to decline. For example, the City's HOME fund has reduced by 47% since 2007. As a result, affordable housing funding is becoming scarcer and scarcer. In fact, over the past five years, only the following affordable housing projects have been developed in Tacoma:

Agency	Project	Number of Units	Year Completed
Tacoma Housing Authority	Bay Terrace I	70	2014
Mercy Housing	New Tacoma II	40	2015
Catholic Community Services of Western Washington	Nativity House	50	2015
Vaughn Bay Construction	Mason Avenue	105	2016
Vaughn Bay Construction	Oak Trace	60	2017
Tacoma Housing Authority	Bay Terrace II	74	2017



RECOMMENDATIONS:

As a result, the City's Housing Division has prepared the Affordable Housing Strategies for the CVS to consider (See Attachment A). The Strategies are presented in order of suggested priorities and listed as either short or long-term. Some strategies involve homeownership and others rental. Some involve new construction while others represent acquisition and rehabilitation of existing properties.

With limited housing dollars available, a variety of potential funding sources are identified. These include the use of General Funds, the creation of Affordable Housing Impact Fees and Inclusionary Housing requirements that can be coupled with in-lieu fees. Ultimately, Tacoma's ability to address or manage the affordable housing challenges will require a long-term stable flow of revenues beyond just the limited resources currently available. Likewise, the City can't expect private multi-family developers to deliver any substantial amount of affordable housing.

The CVS Committee is asked to confirm the top three short-term and top three long-term strategies it wishes staff to pursue.

ALTERNATIVES:

The Committee could choose to devise alternative strategies, request staff to conduct additional research or take no further action.

FISCAL IMPACT:

There is no immediate fiscal impact related to recommending proposed strategies. As staff moves forward with future City Council action items it will reference the applicable fiscal impact for each. Recommended strategies include potential impacts to both General Fund and non-General Fund dollars.

Attachment A: Affordable Housing Strategies