



TO: Elizabeth Pauli, City Manager
FROM: Daniel Murillo, Housing Division Manager, Community and Economic Development Department
Jeff Robinson, Director, Community and Economic Development Department
COPY: City Council
SUBJECT: Affordable Housing Fund Criteria Resolution
DATE: 12/2/2019

SUMMARY & PURPOSE:

A resolution authorizing the type of activities and income criteria for the City of Tacoma Affordable Housing Fund.

BACKGROUND:

The Department's Recommendation is Based On: the City Council's approval of a one-time \$1.2 million allocation in the 2019 – 2020 Biennial Budget and receipt of approximately \$853,000 annually in sales tax revenue authorized by Substitute House Bill 1406 (SHB 1406). The first action represented an initial investment into what is now known as the "Affordable Housing Fund" (AHF) [formerly "Housing Trust Fund"]. The latter action took place following the passage of SHB 1406, which remits back to the City a portion of sales tax revenue that would otherwise go to the State. Revenue from SHB 1406 is available for 20 years effective October 1, 2019.

Prior to allocating resources from the AHF, criteria is necessary to allocate these limited resources per the recommendations contained within the Affordable Housing Action Strategy (AHAS). These criteria will both establish proposed uses as well as proposed eligibility requirements for a project to receive funds. These uses and requirements were first presented at the City Council's November 12, 2019 Study Session meeting as part of the quarterly update on the AHAS.

COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH):

The ability for residents to afford housing is becoming more and more difficult. The need for the City to address this through targeted investment is an increasing necessity. This feedback from community members and partner organizations has come in many forms over the last several years and led to the development of the AHAS received by the City Council in September 2018. Some of the areas of engagement include:

- Affordable housing is a priority for the community, as demonstrated in Tacoma 2025 feedback
- The City of Tacoma's 2017-2018 community survey identified that 42% of respondents think affordable housing, overcrowding, housing shortage and growth are the major issues facing Tacoma over the next 10 years.
- Community listening sessions and survey data through development of the AHAS
- Affordable housing a priority for City Council as demonstrated by 2018-2019 City Council priorities
- Affordable Housing Action Strategy Technical Advisory Group (TAG) [development of AHAS]
- Affordable Housing Action Strategy Implementation TAG (implementation of AHAS)

2025 STRATEGIC PRIORITIES:

Livability: *Equity Index Score:* Moderate Opportunity

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



Through targeted investments, the City can provide funding for the most housing cost-burdened residents in Tacoma, those making 50% of Area Median Income (AMI) or below. These investments will create and preserve additional affordable units of housing, especially along high-opportunity transit corridors. This action will also implement Action 1.9 as found in the AHAS.

ALTERNATIVES:

Alternative	Positive Impacts	Negative Impacts
1. Establish no criteria	Funds will support a cross section of projects to no particular population.	Funds will not support projects that serve high need populations and that maximize impact of limited resources.
2. Different criteria (I.e. higher AMI level, any type of affordable housing project eligible)	Will expand the types of projects that are eligible for funding.	Does not target resources to those more acutely impacted by the growing housing affordability problem. Does not provide a level of specificity for developers to determine competitive strength of a proposed project.

EVALUATIONS AND FOLLOW UP:

The use of the funds will be measured against the three metrics included in the AHAS. Specifically these are:

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

Staff will update the City Council on projects or programs funded on a biannual basis during the same time as the delivery of the second and fourth quarter overall AHAS updates.

STAFF RECOMMENDATION:

The recommendation will establish the following eligible use:

1. Augment existing projects that may have funding shortfalls and in which an award from the AHF will expedite the project timeline.
2. Place emphasis on Permanent Supportive Housing projects.
3. Allow for some, or all, funding to address the current homeless state of emergency, including potential service funding.
4. Provide as site acquisition capital for projects that meet eligibility requirements noted below.

The recommendation will also establish the following eligibility requirements:

1. Target households that make 50% of Tacoma’s Area Median Income (AMI).
2. Require projects to have other funding committed prior to AHF investment.
3. Require projects to spend down funds within an 18-24 month period.



These recommendations are applicable to the existing AHF through the revenue sources identified above. Should a future action result in a significant increase of funding, staff will evaluate the uses and requirements to determine what, if any, changes are necessary. For example, a more resourced AHF could possibly support projects at slightly higher AMI levels to include funding for affordable homeownership projects.

FISCAL IMPACT:

Please provide a short summary of the fiscal impacts associated with the grant, agreement, policy action, or other action.

Fund Number & Name	COST OBJECT (CC/WBS/ORDER)	Cost Element	Total Amount
1. 1195 - Affordable Housing	733000	5310100	\$1,066,339.00
2. 1195 - Affordable Housing	733000	5330100	\$1,200,000.00
TOTAL			\$2,266,339.00

What Funding is being used to support the expense?

Funding used to support these expenses include a one time contribution from the City's General Fund of \$1.2 Million and recurring funding from the State via HB-1406.

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

YES
The initial \$1.2 million in the AHF was budgeted as part of the final 2019 - 2020 biennial budget. The \$1.06 million revenue from SHB 1406 was budgeted as part of the mid-biennial budget modification process.

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

YES
Not implementing this action will result in less targeted investments that do not serve those residents who are most negatively impacted by this growing problem.

Will the legislation have an ongoing/recurring fiscal impact?

YES

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

No
Implementation of this legislation will take place through existing staff resources.

ATTACHMENTS:

None