City of Tacoma **City Council Action Memorandum**

TO:	**Hyun Kim, Interim City Manager**
FROM:	**Felicia Medlen, Housing Division Manager, Community and Economic Development Department**
	Tanja Carter, Director, Community and Economic Development Department
COPY:	**City Council and City Clerk's Office**
SUBJECT:	**Resolution – Affordable Housing Fund Agreement Amendment**
DATE:	**October 28, 2025**

SUMMARY AND PURPOSE:

Request for a resolution authorizing the execution of an amendment to the Affordable Housing Fund agreement with the Tacoma Community Redevelopment Authority (TCRA) whereby the TCRA administers a portion of the City's Affordable Housing Fund (AHF). This amendment would increase the total value of the agreement by $10,897,544, to a new amount of $38,172,541.77 to facilitate 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, 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, 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 TCRA, to administer a portion of the AHF for the development of affordable housing units. The Agreement is effective December 1, 2021 through December 1, 2031. Activities allowable in the contract's scope of work include providing financing for the development (acquisition, rehabilitation and/or new construction) of affordable rental or ownership housing, and administration.

The City's strategic implementation of an AHF has resulted in a sustained availability of funds designated for affordable housing. Each year since 2020, 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 agreements issued to the developers for projects that are most competitive. Projects selected have a minimum 40-year affordability period, and loan terms typically 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, 224 new affordable rental units serving households with incomes below 60% of AMI have been completed and 16 units have been provided major systems upgrades, 227 new affordable rental units are currently under construction to be placed in service in the next 1-2 years, and approximately 257 additional new affordable rental units have received funding commitments that will enable the project developers to leverage funds from other sources.

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

Projects financed by Affordable Housing Fund		
Completed	**AHF Committed**	**# of Units**
Tyler Lifecycle (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
Patsy Surh Place (Low Income Housing Institute)	1,422,702.00	77
Subtotal	7,893,041.77	240
Under Construction		
Viridian Grove (Southport Construction)	2,000,000.00	98
Mercy Aviva Crossing (Mercy Housing Northwest)	6,000,000.00	129
Subtotal	8,000,000.00	227
Predevelopment		
Lincoln District Family Housing (Low Income Housing Institute)	4,000,000.00	72
Bridge Meadows Tacoma (Bridge Meadows)	6,329,500.00	39
South Yakima Senior Housing (HumanGood Affordable Housing)	4,700,000.00	66
35th and Pacific (Mercy Housing Northwest)	7,250,000.00	80
Subtotal	22,279,500.00	257
Total	**38,172,541.77**	**724**

To support these investments, three amendments to the original Agreement for $3,536,218.77 have been executed: Amendment 1 added $3,368,119; Amendment 2 added $13,421,349; and Amendment 3 added $6,949,311 for a current agreement value of $27,274,997.77. The recommendation today is to increase the compensation under the Agreement by $10,897,544 for projects that were awarded funds by the TCRA in the 2025 funding round, which would bring the new contract amount to $38,172,541.77.

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 will benefit because some of the projects are dedicated affordable senior housing with associated services.

In the 2024 Tacoma Community Survey, addressing homelessness and housing affordability were two of the top issues selected by respondents as the most important issue to be addressed in their neighborhood. More recent engagement efforts have included outreach to partners such as the Tacoma Pierce County Continuum of Care and its members, the Tacoma/Pierce County Affordable Housing Consortium and its members, the Tacoma Housing Authority and Pierce County Housing Authority, as well as Neighborhood Councils in the City. Results of the outreach has included input from underrepresented communities including from those with lived experience of homelessness.

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.

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	none	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 resources is measured against the two 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: 708
2. Number of units preserved: 16

STAFF/SPONSOR RECOMMENDATION:
The recommendation today is to increase the compensation under the Agreement by $10,897,544 for projects that were awarded funding commitments by the TCRA in the 2025 funding round, bringing the new contract amount to $38,172,541.77, with an effective date of November 1, 2025.

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	733000	4313290/6530600	$853,000
2. 1195 – Affordable Housing	733001	4313285/6530600	$10,044,544
TOTAL			$10,897,544

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 in 2024 and 2025 and the proportion of these revenues to be needed in the 25-26 biennium are included in the current 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

Will the legislation change the City's FTE/personnel counts?
NO

ATTACHMENTS:
- AHF Amendment 4 Document