

Olympia Affordable Housing Fund

“Home Fund”

Administrative and Financial Plan

June 20, 2017

INTRODUCTION

The growing urgency and impact of homelessness and the effect of cost-burdened households is evident throughout Thurston County and in Olympia in particular. Last winter's Warming Center saw nearly 200 people per day pass through its doors (Interfaith Works Warming Center 2016-17 Season Report). According to the United Way of Thurston County's ALICE Report over 35% of Thurston County residents and 41% of Olympia's residents struggle to afford basic necessities. These necessities include: housing, food, child care, health care and transportation.

HUD's Comprehensive Housing Market Analysis (HMA) for the Olympia-Tumwater HMA reports that as of September 2016, the average apartment rent in the HMA increased 10 percent from September 2015, to \$1,022, with average rents of \$900, \$1,175, and \$1,264 for one-, two-, and three-bedroom apartments, respectively. These rents exceed levels attainable for low-income households (\$668 or less for a one person household). Rents are likely to continue to increase during the forecast period as new construction lags behind market demand.

The Office of the Superintendent of Public Instruction reports that countywide 1,526 students were identified as homeless in the 2014-2015 school year; up from 889 in 2009-2010, a 71% increase. School age homelessness continues to impact our region with over 444 students being identified as homeless in the Olympia School District and 754 in the North Thurston School District. Of the 1,526 students identified as homeless in 2014-2015, 85 were identified as unsheltered.

Thurston County's 2017 Point In Time Count (PIT) identified 579 people as being homeless in Thurston County on January 26, 2017. This number is comparable with the 586 reported in 2016 and the five year average of 576. Current measures and approaches have not resulted in a significant decrease in the number of people experiencing homelessness in our community.

Olympia is home to many of the region's most vulnerable (defined as those most likely to die on the streets as a result of compounded health risks and other factors) homeless citizens. The lives of these individuals are threatened by a lack of a targeted and adequately funded response. These individuals also have significant impacts on City and regional services as well as collateral impacts on downtown businesses and property. A response to this challenging problem is needed. While by no means a panacea, the Home Fund will provide a source of revenue to begin to address these problems.

Other communities in Washington have taken steps to address this issue by creating Home Funds of their own. The City of Bellingham approved a fund in 2012 and the City of Vancouver approved one in 2016. The Cities of Everett, Tacoma and Seattle have also taken recent action to address homelessness in their communities. These efforts are summarized below.

Community	Levy	Date	Amount/ 7 years	Target
Seattle	Yes	2009, 2016	\$290,000,000 (\$41million per year)	Production, Preservation, Rental Assistance/ Homelessness Prevention
Everett	No	2014	NA	Community Streets Initiative 63 recommendations
Bellingham	Yes	2012	\$21,000,000 (\$3 million per year)	Production, Preservation, Rental Assistance/ Homelessness Prevention
Vancouver	Yes	2016	\$42,000,000 (\$6 million per year)	Production, Preservation, Rental Assistance/ Homelessness Prevention
Tacoma	No	2017	NA	Immediate Shelter

The actions of the Cities of Bellingham and Vancouver are most similar to the [Olympia's local](#) Home Fund proposal and have served as an excellent source of information about this effort and approach to addressing homelessness. [The chart below contrasts these three cities by total population, homeless count, projected total Home Fund revenues and the projected costs per capita. While the revenues are not exactly proportionate to needs identified by the respective homeless counts or the individual costs per capita, this comparison is useful for consideration of a Home Fund as a new- fiscal tool:](#)

Municipal Housing Levy Comparisons <u>2016</u>						
City	City Pop	County Pop	PIT Homeless Count	Fund Amount	Cost Per Capita	Cost Per PIT
Bellingham	84,850	212,540	720	\$21,000,000	\$247	\$29,167
Vancouver	173,500	461,000	688	\$42,000,000	\$242	\$61,047
Olympia	51,600	272,690	586	\$16,000,000	\$310	\$27,304

Affordable housing, workforce housing, transitional housing, permanent supportive housing, emergency shelter, and day center are all part of the full spectrum of affordable housing and services needed in our region to respond to and prevent

homelessness and its impacts. Resources are limited for these services and facilities while the need for these services is high, thus resources must be allocated in a well-coordinated and strategic manner to have the maximum benefit.¹² Funds from the Olympia Home Fund will be targeted at services and facilities designed to serve the most vulnerable in our community whose income is less than 50% of the area median income.

While moving people into permanent supportive housing is the primary goal of this effort, well-run emergency shelters and day centers can serve as a pipeline for associated supportive housing facilities. In 2013 the County's Homeless System Gaps Analysis recognized the need for a low barrier shelter in the community. It identified this need as one of the "Top Five Gaps in Thurston County's Homeless System." Nationally, The U.S Interagency Council on Homelessness suggests that to maximize resources and get the best results, communities should shift their model from sheltering people over night (with late entry and early exit) to a model that provides a place for someone to be 24/7.

This type of shelter provides a place for people to store belongings, access employment services and healthcare, and quickly move on to permanent housing. Emergency shelters and day centers, when coupled with effective coordinated entry, low barrier and day shelters can play a critical role in the overall success of the system and address the more immediate needs seen daily on the streets of downtown Olympia. Shelters and other facilities and services should be sited in a manner that allows for effective access and use by targeted populations while minimizing the impacts to the surrounding properties, businesses, residences and neighborhoods.

The City's Comprehensive Plan provides guidance and support for this initiative. Some of the most relevant goals include:

GS5: Special needs populations, such as people with developmental disabilities, the homeless, the frail elderly, and others who have difficulty securing housing, have adequate, safe, and affordable housing.

GS6: Our community is safe and welcoming and social services are accessible to all who need them.

GS7: There is enough emergency housing, transitional housing and permanent housing with support services and independent affordable housing.

- Encourage a strong network of emergency shelter resources for homeless and at-risk families with children, childless adults, unaccompanied youth, and victims of sexual and domestic violence.

GS8: The existing low-income housing stock is preserved.

GS9: New low-income housing is created to meet the demand.

Housing affordability and homelessness have been issues that have been a concern for the City of Olympia and community for many years; however, these issues have recently risen to the fore through the City's Downtown Strategy process and grassroots community efforts. The [County's Draft Five Year Homeless Housing Plan identifies a "triple impact-of" as affecting, 2\) individuals experiencing homelessness on the lives of individuals, on; 2\) limited government resources; and, 3\) neighborhood impacts on local businesses, residences and property owners is, all of which are significant](#). In 2015 the Thurston County Economic Development Council interviewed 105 small businesses owners in downtown and their number one concern was the impact of homelessness. Thurston County's Community Investment Partnership and Olympia's Community Development Block Grant program routinely receive more proposals than can be funded, and our homeless citizens continue to impact our emergency response system while suffering the effects of living unsheltered.

In March of 2017 the City formed the Ad Hoc Committee on Housing Affordability to examine these issues. In addition the City commissioned a community survey aimed at gauging the community's interest and understanding of these issues. In June of 2017, following four of months of consideration by the City of Olympia's Ad Hoc Committee on Housing Affordability (AHCOHA), City Council reviewed several recommendations to address Olympia's lack of affordable housing options. Creating a locally controlled affordable housing fund was identified as the first high priority option to move forward in 2017 [and address this housing emergency](#).

Public Safety and Housing Survey

[Elway Research Inc., conducted a telephone and online survey between May 16, 2017 and June 2, 2017 and heard from a total of 636 Olympia Residents. In this poll, Elway Research asked respondents, "what is the most significant issue facing the City of Olympia at this time?" Over 50% of the participants responded that homelessness was the most significant issue. No other issue was mentioned by more than 15% of the participants. When asked, "If a housing proposal including all these features were put before the voters, would you be inclined to \(Definitely Oppose, Probably Oppose, Probably Support, Definitely Support, Undecided\) this proposal?" 78% of the participants said that they would support or strongly support the measure.](#)

After exploring potential revenue sources for an affordable housing fund, a property tax levy was identified as the most practical and timely option (or sales tax RCW 82.14). The State of Washington allows cities to enact a property tax levy for affordable housing if such a measure is approved by a majority of voters (RCW 84.52.105). Funds raised must serve very low-income households in Olympia, defined as earning up to 50% of the area median income (“AMI”).

The proposed levy would raise approximately \$16.3 million over seven years (\$2.29 million per year) for affordable housing and services to very low-income residents. This Administrative and Financial Plan (“Plan”) lays out objectives for the Olympia Affordable Housing Home Fund and describes how funds would be managed and spent if approved by voters.

Timeline

In accordance with state regulations in RCW 84.52.105, a final version of the Plan must be adopted by Council prior to any levy funds being generated. The following is an estimated timeline based on a general election ballot measure:

- November 2017- Ballot measure put before voters
- December 2017- Deadline to adopt Administrative and Financial Plan
- January 2018- Property tax increase effective January 1st (if measure passes)
- 2019 - ~~Affordable Housing Home~~ Fund awards spent on community projects

Other options include:

2018 Election Dates:		
Ballot options	Resolution due to County	City deadline
13-Feb	15-Dec-17	8-Dec-17
24-Apr	23-Feb	20-Feb
Aug 7 (primary)	11-May	8-May
Nov 6 (general)	7-Aug	31-Jul

Program Objectives

~~Every community~~ Most communities are-is comprised of a wide array of different housing types spanning the range from luxury to itinerate. Likewise ~~all~~ most communities are comprised of a wide range of people who range from housing secure to unhoused. The primary objective of this fund will be to help to provide housing and services to those who are at the far end of this spectrum -- those without housing, those who are burdened with mental and physical disabilities and those who are chronically living on the streets and need help in managing daily living.

Four primary objectives will guide implementation of the Olympia Affordable Housing

| Fund. Through the Home Fund the City of Olympia will strive to:

- Create and preserve affordable homes for Olympia's most vulnerable residents at 50% AMI or lower, promoting housing opportunity and choice throughout the City and the region.
- Contribute to efforts to end homelessness by providing housing, shelter and services for vulnerable individuals and families who are homeless or at risk of homelessness.
- Collaborate with nonprofit and for-profit developers and agencies to promote a variety of housing choices, including units in mixed-income developments.
- Leverage City investments with other funding sources to maximize the number of quality affordable housing units that are created or preserved each funding cycle.
- Reduce the impacts of homelessness on Olympia's downtown and neighborhoods.

Levy Amount, Tax Rate, and Duration

The proposed levy could generate \$16.3 million (\$2.29 million per year) over seven years (RCW 84.52 allows levies to be in place for up to 10 years) for Olympia affordable housing projects and support services.

Based on current assessed values in Olympia, a levy of \$2.29 million annually translates to additional taxes of approximately \$0.36 per \$1,000, costing the average Olympia homeowner approximately seven dollars per month.

Seniors (61 and older) and people with disabilities who make less than \$40,000 are eligible for a property tax exemption and will not be affected by this levy.

~~The amount of funds collected would be capped at \$2.29 million annually. As the city's assessed value changes due to shifts in property values or the number of taxable properties in Olympia, the levy rate may also change to generate \$16.3 million over the seven-year period. For example, if there is an overall increase in property values, the rate charged to each property owner would adjust downward accordingly.~~

| Taxes collected for the Olympia Affordable HousingHome Fund will be held in a dedicated account that is separate from the City's general fund. The money may be spent only on eligible uses and cannot be diverted to cover other City expenses.

Eligible Fund Uses

| The Olympia Affordable HousingHome Fund may be only used to serve households at 50% AMI or below. Collected funds will be deposited into a restricted account that can only be used for housing and services for this population. The 2017 income levels established by HUD are:

HUD 2017 Annual Income Levels for Thurston County (50% AMI)
1-Person Household - \$26,750
2-Person Household - \$30,550
3-Person Household - \$34,350
4-Person Household - \$38,150

This plan will be amended periodically to reflect changes in the area median income and to align programs and services with eligible projects and changing populations.

The City will provide funds to community partners (for-profit and non-profit developers, property owners and housing/service providers) for acquisition, construction, and preservation of rental housing, supportive housing and assistance to very low-income homeowners to make critical repairs. The money will also support shelter, housing and services for people who are homeless or at risk of becoming homeless.

The ~~Olympia Affordable Housing Home~~ Fund may be used for four activities serving households at 50% AMI or below:

- **Housing Production:**
 - Provide funds to developers (non-profit and for-profit) for construction of new affordable rental housing (state prevailing wages apply).
 - Provide funds to developers (non-profit and for-profit) for acquisition/purchase of land or property for affordable housing development.
 - Provide incentives to property owners to convert existing market-rate units to affordable units.
- **Housing Preservation:**
 - Provide funds to property owners to rehabilitate existing multifamily housing to correct health, safety and livability problems.
 - Provide funds to very low-income homeowners to make basic repairs and accessibility improvements.
 - Provide funds to publicly subsidized projects (e.g. 20-year affordable tax credit project) with expiring affordability periods to ensure continued affordability.
- **Homeless Prevention:**
 - Provide funds to non-profit service providers for rent vouchers and stability services.
 - Provide funds to non-profit service providers to build and operate shelters, including day centers and supportive housing and provide services to people who are homeless or at risk of homelessness.
- **Implementation:**

- Resources for staff to develop contracts, manage the program and conduct annual monitoring for compliance.

Specifically, the Olympia Affordable HousingHome Fund proposes to use funds as follows:

- **Increase Housing Supply (72%):** Through a competitive grant process, the levy provides funds to developers and nonprofits to rehabilitate, preserve, and build new affordable housing, supportive housing and shelter space for Olympia's most vulnerable homeless and at risk of homelessness citizens.
- **Operations & Support Services (15%):** Provides funds to operate the newly constructed units and facilities and to provide case management and other support for vulnerable adults and children.
- **Rent Assistance (5%):** Provides funds for rent vouchers and self-sufficiency services, primarily via rapid rehousing and shelter diversion programs.
- **Implementation Program Management (8%):** Resources for staff to develop contracts, manage the program, and conduct monitoring for compliance.

Program Goals

~~The City estimates creating/serving approximately 36 new affordable or supportive housing units/35 households annually. Many more will be served through rental assistance and rental rehabilitation. The City anticipates creating a minimum of 250 supportive and shelter units over the seven year life of the measure. Reaching this number is dependent on the availability of other funds from federal, state, not for profit and for profit partners. Funds will also be used to help over 1000 additional households through provide supportive services and for rental assistance and homelessness diversion. However, this number does not include additional units or households that may be created or served by leveraging Olympia Affordable Housing Fund investments with other funding sources.~~

The chart below describes the proposed allocation of funds among eligible uses and estimated number of units and households assisted. If the pool of projects in a given award cycle does not support this funding breakdown, allocations may be shifted between uses as appropriate.

	Annual Funding 2018-2024	Funding breakdown by use	Amount per unit or household	Annual units or households assisted	Total funding (7 years)	Total units or households assisted (7 years)
Levy Revenue	\$2,290,000				\$16,030,000	250
USES						
Increase Housing Supply	\$1,648,800	72%	\$45,800	36	\$11,541,600	250
Operations and Support Services	\$343,500	15%	\$9,542	36	\$2,404,500	

Rent Assistance	\$114,500	5%	\$670	171	\$801,500	1,200
Implementation	\$183,200	8%	XX	XX	\$1,282,400	
TOTAL	\$2,290,000	100%			\$16,030,000	1,450

The Olympia Home Fund anticipates a leverage rate of approximately two additional dollars for each dollar raised by the Home Fund.

Alt 1 Includes Shelter Funding:

	Annual Funding 2018-2024	Funding breakdown by use	Amount per unit or household	Annual units or households assisted	Total funding (7 years)	Total units/ households assisted (7 years)
Levy Revenue	\$2,290,000				\$16,030,000	
USES						
Housing Supply Production	\$1,030,500	45%	\$50,000	21	\$7,213,500	144
Housing Supply Preservation	\$458,000	20%	\$25,000	18	\$3,206,000	128
Shelter	\$160,300	7%			\$1,122,100	40 beds
Operations and Support Services	\$343,500	15%	\$9,542	36	\$2,404,500	
Rent Assistance	\$114,500	5%	\$670	171	\$801,500	1200
Implementation	\$183,200	8%	XX	XX	\$1,282,400	
TOTAL	\$2,290,000	100%			\$16,030,000	1512

The Olympia Home Fund anticipates a leverage rate of approximately two additional dollars for each dollar raised by the Home Fund.

Leveraging Additional Dollars/Units

The number of units and households listed above will be directly impacted by the ability to leverage dollars from other sources. The funding awarded for housing production will leverage additional units that are both market rate and subsidizedaffordable subsidized. Specifically, while the levy would generate \$2.29 million in direct revenue annually, it is anticipated that it will leverage \$4.5 million annually. (For example, in 2014 the City of Olympia provided approximately \$500,000 of its Community Development Block Grant funds for the Family Support Center's Pear Blossom Place project. The Family Support Center used these funds and the City's donation of the property to leverage an additional \$1.4 million dollars in other funds to create 50a mixed use property offering 13 total units (seven (7) units of affordable permanent supportive housing and six (6) family shelter spacesuites) that house over 60 homeless family members.)

Household Eligibility

In accordance with RCW 84.52.105, the ~~Olympia Affordable Housing Home~~ Fund will be limited to serving very low-income households, defined as earning 50% of the area median income (AMI). Very low-income limits are provided annually by the U.S Department of Housing and Urban Development. See chart below for current income limits and rents.

2017 Thurston County Very Low-Income (50% AMI) Income Limits and Rents					
1-Person Household		2-Person Household		4-Person Household	
Annual Income	Max. Affordable Rent	Annual Income	Max. Affordable Rent	Annual Income	Max. Affordable Rent
\$26,750.00	\$668.75	\$30,550.00	\$763.75	\$38,150.00	\$953.75

Funding Priorities

Several higher-need populations exist among Olympia's very low-income households. To best meet the needs of these residents, the ~~Olympia Affordable Housing Home~~ Fund will prioritize projects and programs serving the most vulnerable members of our community:

- Senior households (must include one or more individuals age 62 or over);
- People who are experiencing homelessness chronically homeless, unsheltered and need supportive services; particularly those living in or near downtown
- Families with children; and
- People with special needs, including but not limited to:
 - Individuals with disabilities;
 - Individuals with mental/behavioral or substance abuse issues;
 - Victims of domestic violence; and
 - Veterans.

Geographic Focus

While the program is not targeted to specific neighborhoods it is the objective of this fund to measurably reduce homelessness within Olympia and to significantly reduce the impacts of homelessness on downtown and neighborhoods. Funds will be available to housing projects, facilities and services located located within the city limits of Olympia and to programs serving Olympia Residents. Projects located outside the bounds of Olympia may be considered if housing and services would benefit Olympia's most vulnerable residents.

Award Process

Awards will be allocated through an annual application process in combination with the Community Development Block Grant (CDBG) awards. The program year begins (September 1st) and runs through (August 31st) of the following year. Managing the Home Fund simultaneously with the CDBG annual process would allow for a more efficient use of staff resources and would offer the City Council the opportunity to leverage CDBG funds accordingly. Applications may be provided on a rolling basis if the need arises..

Eligible Costs

Funds will be disbursed to awardees on reimbursement basis for eligible costs, which include but are not limited to:

- Appraisals
- Architectural fees
- Closing costs
- Construction, including sales tax
- Development fees and permits
- Engineering fees
- Environment assessments and fees
- Inspections and surveys
- Insurance
- Interest
- Financing fees
- Replacement reserves
- Professional services
- Purchase/acquisition
- Rental assistance
- Case Management costs for services
- Ongoing operations and maintenance
- Rent buy-down

Eligible Fund Recipients

Through the City selection process, priority will be given to applicants with a demonstrated ability to develop, own, and/or manage affordable housing. Applicants that do not have previous experience in these areas will be expected to propose an appropriate relationship with an entity that does have this experience.

Eligible fund recipients are:

1. **Nonprofit agencies:** Eligible nonprofits must have a charitable purpose. The City's preference is to provide funding to nonprofit borrowers that have established housing as a primary mission. Private nonprofit agencies will be required to submit articles of incorporation and an IRS letter as proof of nonprofit status.
2. **Any corporation, limited liability company, general partnership, joint venture, or limited partnership** created and controlled by a nonprofit or public corporation in order to obtain tax credits or for another housing-related objective approved by the City.
3. **Housing Authority of Thurston County**
4. **Private for-profit firms/property owners:** Eligible for-profits must have experience developing, owning, and managing multifamily rental housing. Private for-profit firms can include partnerships between one or more firms, such as a building contractor and a property manager. Private for-profit firms may also partner with nonprofit or public agencies as needed to provide sufficient capacity to develop, own and operate housing on long-term basis.
5. **Homeowners:** Low-income homeowners where projects are managed and overseen through a housing and/or rehabilitation program operated by the City of Olympia, Habitat for Humanity, or other programs as approved by the program manager.

Financing Methods

Housing production and preservation

Financing through the ~~Olympia Affordable Housing Home~~ Fund for acquisition and capital projects will be made available as half grant/ half loan, secured by the property unless otherwise allowed. Loan conditions are meant to promote and

encourage long-term use of properties for low-income housing. The City may deviate from the loan terms and conditions depending on the cash flow of the project.

- **Loan terms**- The loan terms for capital projects may be in the form of either:
 - 50% grant and 50% loan at 1% simple interest repaid over 10 years; or
 - Differed [payment loan grant](#).
- **Affordability requirement**- The property will be secured by a deed of trust that states the units will be available to households at 50% AMI for not less than 20 years.
- **Covenant**- A covenant will be recorded against the property that requires continued use of the property for very low-income housing for the period of affordability and for any period for which the loan is extended.

Homelessness Prevention

Funding for services and rental assistance will be in the form of a grant. Funding for capital projects for people who are homeless will be negotiated based on project needs.

Use of funds owing to the City

Sale of a project during the loan term requires City consent. Loan payments to the City will be deposited into the ~~Olympia Affordable Housing Home~~ Fund. Payments will be reallocated by the City to very low-income housing projects according to priorities established in the current Administrative and Financial Plan.

Affordability Period

There will be a required affordability period of up tonot less than 20 years for units built or preserved with levy funds. The affordability period will be secured with a covenant. If a property is sold during the affordability period, the award must be paid back proportionally.

Monitoring

Projects will require initial and ongoing monitoring to ensure that all ~~Olympia Affordable Housing Home~~ Funds are being used to assist households at or below 50% AMI.

Plan Amendments

The ~~Olympia Affordable Housing Home~~ Fund Administrative and Financing Plan will be monitored and updated as needed. All changes will be approved with consultation of the Olympia City Council.

How Will We Measure Success

This fund will allow the City to have a greater impact on homelessness and to begin to more proactively manage this crisis in our community. While the home fund may not eliminate homelessness, without it the problem is only going to continue to grow.

The City of Olympia is a Community Development Block Grant entitlement community and receives approximately \$350,000 in federal funds annually to assist low to moderate income households. These funds, while helpful in addressing some needs, cannot be used to construct new affordable housing and can only be used in a limited way to support service providers. These funds have also been proposed to be eliminated by the President's 2018 budget proposal. A new revenue source is needed.

If passed these funds will allow Olympia to assist those who are the most vulnerable - the chronically unhoused mentally and physically disabled, seniors and families. It will allow us to work towards finding a housing solution that meets their needs.

In coordination with Thurston County, Olympia will strive to reduce homelessness in our community. To be successful a well-functioning coordinated entry system is critical. The data generated through the coordinated entry process will serve as the benchmark we will use to gage our success. In addition to the data from the coordinated entry system and the point in time count, Olympia will develop methods to count the number of homeless living on its streets and to use this data to assist in making management and funding decisions. When better data is available more specific goals and measures will be added to this plan.

Olympia will measure and report on the success of the Home Fund in coordination with its annual Consolidated Annual Plan Evaluation Report (CAPER). This report will detail the projects and activities funded by the fund and measure progress towards stated objectives and goals. Olympia will also monitor all project partners on no less than an annual basis to ensure that funds are being used to assist Olympia's most vulnerable.