

Vancouver Affordable Housing Fund

Administrative and Financial Plan

May 2016

Introduction

In January 2016, following eight months of discussion by the City of Vancouver's Affordable Housing Task Force, City Council reviewed several recommendations to address Vancouver'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 2016.

After exploring potential revenue sources for an affordable housing fund, a property tax levy was identified as the most practical and timely option. 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 Vancouver, defined as earning up to 50% of the area median income ("AMI").

The proposed levy would raise \$42 million over seven years (\$6 million per year) for affordable housing and services available to very low-income residents. This Administrative and Financial Plan ("Plan") lays out objectives for the Vancouver Affordable Housing Fund and describes how funds would be managed and spent if approved by voters.

Timeline

In accordance with state regulations at 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 2016 – Ballot measure put before voters
- December 2016 – Deadline to adopt Administrative and Financial Plan
- January 2017 – Property tax increase effective January 1st (if measure passes)
- 2018 – Affordable Housing Fund awards spent on community projects

Program Objectives

Four primary objectives will guide implementation of the Vancouver Affordable Housing Fund. The City will strive to:

- Create and preserve affordable homes for residents 50% AMI or lower, promoting housing opportunity and choice throughout the City.
- Contribute to efforts to end homelessness by providing housing and services for 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.

Levy Amount, Tax Rate, and Duration

The proposed levy could generate \$42 million over seven years (\$6 million annually) for Vancouver Affordable Housing Fund projects.

Based on current assessed values, a levy of \$6 million annually translates to additional taxes of approximately \$0.36 per \$1,000 of assessed value for property owners. For a home valued at \$250,000, this is equal to \$90 in additional taxes per year.

The amount of funds collected would be capped at \$6 million annually. As the city's assessed value changes due to shifts in property values or the number of taxable properties in Vancouver, the levy rate may also change to generate \$42 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 Vancouver Affordable Housing 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 Vancouver Affordable Housing Fund may only be 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 2016 income levels established by HUD are:

- 1-person household - \$25,700
- 2-person household - \$29,350
- 3-person household - \$33,000
- 4-person household - \$36,650

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 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 Vancouver Affordable Housing Fund may be used for three 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.
- **Homelessness Prevention:**
 - Provide funds to non-profit service providers for rent vouchers and stability services.
 - Provide funds to non-profit service providers to build shelters and housing serving people who are homeless.
- **Implementation:** Resources for staff to develop contracts, manage the program and conduct annual monitoring for compliance.

Program Goals

The City estimates serving approximately 330 households annually. However, this number does not include additional units or households that may be created or served by leveraging Vancouver 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 2017-2023	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 Revenues	\$6,000,000	-	-	-	\$42,000,000	-
USES						
Housing Production	\$2,400,000	40%	\$50,000	48 units	\$16,800,000	336 units
Housing Preservation	\$1,620,000	27%	\$25,000	65 units	\$10,500,000	454 units
Homelessness Prevention						
Rent Vouchers and Services	\$1,500,000	25%	\$7,000	214 households	\$10,500,000	1,500 households
Temporary Shelter	\$300,000	5%	TBD	TBD	\$2,100,000	# beds TBD
Implementation	\$180,000	3%	-	-	\$1,260,000	-
TOTAL	\$6,000,000	100%	-	332 units/households	\$42,000,000	2,290 units/households plus # shelter beds TBD

Leveraging Additional Dollars/Units

The number of units and households listed above will be directly impacted. The funding awarded for housing production will leverage additional units both market rate and affordable.

For example, in 2015, the City provided \$200,000 of federal funds to leverage an additional 6 million dollars resulting in 30 units of affordable housing.

Household Eligibility

In accordance with RCW 84.52.105, the Vancouver Affordable Housing Fund will be limited to serving very low-income households, defined as earning up to 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.

Very Low-Income (50% AMI) 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
\$25,700	\$643	\$29,350	\$734	\$36,650	\$916

Funding Priorities

Several higher-need populations exist among Vancouver’s very low-income households. To best meet the needs of these residents, the Vancouver Affordable Housing Fund will prioritize projects and programs serving:

- Senior households (must include one or more individuals age 62 or over);
- People who are homeless;
- Families with children; and
- People with special needs, including but not limited to:
 - Individuals with disabilities;
 - Individuals with mental/behavioral health or substance abuse issues;
 - Victims of domestic violence; and
 - Veterans.

Geographic Focus

The program is not targeted to specific neighborhoods. Funds will be available to housing projects located within the city limits of Vancouver and to programs serving Vancouver residents.

Award Process

Awards will be allocated through an annual application process in combination with the Community Development Block Grant (CDBG) and HOME Investment Partnerships Program (HOME) awards. The program year begins July 1st and runs through June 30th of the following year. Applications may be provided on a rolling basis if the need arises.

The application is being developed and will be available online.

Eligible Costs

Funds will be disbursed to awardees on a 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
- Environmental assessments and fees
- Inspections and surveys
- Insurance
- Interest
- Financing fees

- Replacement reserves
- Professional services
- Purchase/acquisition
- Rental assistance
- Case Management costs for services
- 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. The Vancouver Housing Authority (VHA).
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 a 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 Vancouver, Habitat for Humanity, or other program as approved by the program manager.

Financing Methods

Housing production and preservation

Financing through the Vancouver Affordable Housing 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
 - Deferred grant.

- **Affordability Requirement** - The property will be secured by a deed of trust that states the units will be available to a household at 50% AMI for 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.

The incentive structure for private property owners to convert existing market-rate units to affordable units is currently under review.

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 Vancouver Affordable Housing 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 to 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 Vancouver Affordable Housing Fund dollars are being used to assist households at or below 50% AMI.

Plan Amendments

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