



Home Fund Advisory Board

Approval of New Affordable Housing Revenue Recommendation

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Title

Approval of New Affordable Housing Revenue Recommendation

Recommended Action

Move to approve the recommendation to create a new rent assistance and supportive housing operations program funded by HB 1406 revenue.

Report

Issue:

Whether to authorize staff to recommend a new rent assistance and supportive housing operations program funded by HB 1406 revenue.

Staff Contact:

Cary Retlin, Home Fund Manager, Community Planning & Development, 360.570.3956

Presenter(s):

Cary Retlin

Background and Analysis:

Background

During the 2019 legislative session the state approved a local option to retain existing sales tax revenue and retain it locally for specific affordable housing uses. This local sales tax authority is a credit against the state sales tax, so it does not increase taxes for consumers.

The bill incentivizes cities to pass local levies like the Home Fund and rewards cities that have already taken that step. Because Olympia has passed a 'qualifying local tax' in the Home Fund, it can claim the higher increment of 0.0146 percent of local sales and use tax for up to 20 years. A city with similar revenue would only be able to withhold half the revenue from the state without a 'qualifying tax'.

The revenue must be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Cities can also issue bonds to finance the authorized projects.

The Washington State Department of Commerce is still developing rules that will detail the use of the funds. While rules are being drafted staff have already begun the process to ensure Olympia can begin to collect revenue as soon as possible. City Council approved a resolution of intent on August 5th and will hear an ordinance later this month.

Analysis

During recent local affordable housing funding cycles like the 2019 Olympia Home Fund round and the 2019 Community Investment Partnership (which distributes state, county and federal funds in Thurston County) it was clear that rent assistance and operating were major challenges for sustaining new supportive housing (more so than construction funds). A Voucher Roundtable hosted by the Housing Authority of Thurston County in July conveyed a similar message.

Staff Recommendation

Based on recent local information and state and national trends, staff recommend that new HB 1406 revenue be targeted toward a rent assistance and supportive housing operating program.

Program funding priorities will be:

1. Project-based rent assistance to Olympia Home Fund supportive housing projects that have rent gaps caused by a shortage of project-based and tenant-based vouchers.
2. If funds are available, they can also fund operating costs ineligible for Medicaid or other funding (like front desk staff). These funds will be limited by project and the limits will be reviewed by the Home Fund Advisory.
3. Remaining funds can be used for scattered site or tenant-based supportive housing rent assistance.

Staff will ensure all fund uses will be compliant with the new law created by HB 1406 (under RCW 82.14) and compliant with new rules adopted by the Department of Commerce.

Neighborhood/Community Interests (if known):

Passage of the Home Fund levy was a sign that there is broad community support for dedicating tax revenue to local affordable housing investments. However, siting affordable housing can be controversial.

Options:

1. Forward the staff recommendation to Council
2. Amend the recommendation and forward it to Council
3. Take other action

Financial Impact:

None at this time. If passed the city ordinance would result in approximately \$330,000 in 2020 for new revenue for specific affordable housing uses in Olympia.

Attachments:

AWC 1406 Handout
1406 Session Law