



Home Fund Advisory Board

Consideration of Request for Temporary Voucher Reserve for 2828 Martin Way

Agenda Date: 6/10/2020
Agenda Item Number:
File Number:20-0457

Type: decision **Version:** 1 **Status:** Not Approved

Title

Consideration of Request for Temporary Voucher Reserve for 2828 Martin Way

Recommended Action

Deny the request for a Temporary Voucher Reserve. Do not forward to General Government Committee for consideration.

Report

Issue:

Whether to authorize staff to proceed with development of a voucher reserve and draft an award letter for the Low Income Housing Institute's request.

Staff Contact:

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

Presenter(s):

Cary Retlin, City of Olympia

Background and Analysis:

The Low Income Housing Institute (LIHI) has requested that the City of Olympia provide a voucher reserve of \$366,792 in the event that 2828 Martin Way is not awarded Project Based Vouchers through the Housing Authority of Thurston County. The Housing Authority will not issue an award of Project Based Vouchers until after LIHI hopes to secure their tax credit investor and begin construction.

On its face, this is a reasonable request because staff and LIHI have high confidence that Project Based Vouchers will be awarded. This proposal would also help LIHI secure tax credit investors. Since it's a reserve commitment when the vouchers are awarded the city would be released of our obligation and the funds could support other affordable or supportive housing efforts.

However, in the very unlikely event that some or all of the vouchers are not awarded, Olympia would be obligated to cover the first year of the project's operating costs. That could over obligate all of Olympia's 1406 funds for that year - and potentially create pressure that the city solely support the operations in future years.

Olympia is very committed to support the 2828 Martin Way project - but if this reserve were needed for more than a year it could over obligate Olympia's 1406 revenue. At your August 2019 you approved a motion to create an operating reserve fund - but requested that staff provide smaller supportive housing operating subsidies to multiple projects. If this request were granted it creates conflict with that recommendation by potentially going all-in on this project.

If a reserve obligation is approved by the Home Fund Advisory - it should only be approved for \$330,000 (not the full \$366,792) because Olympia would not have the sales tax revenue to support the request if it were needed for more than a year.

Background on House Bill 1406 Revenue:

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 through House Bill 1406. 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 authorized projects.

Background on Project Based Vouchers:

Under the federal Project Based Voucher Program, a Housing Authority enters into an assistance contract with the owner of specified units and for a specified term. The Housing Authority and the project owner collaborate to fill vacancies. Because the assistance is tied to the unit, a household who moves from the project-based unit does not have any right to continued housing assistance. However, they may be eligible for a tenant based voucher when one becomes available.

Project Based Vouchers cover the difference between 30 percent of household's income and the gross rent for the unit.

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.

Options:

1. Deny the request for a temporary voucher reserve
2. Approve the request for a temporary voucher reserve
3. Take other action

Financial Impact:

Approval of this request could result in a \$366,792 obligation of Olympia's 1406 funds in 2023. 1406

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revenue was projected to generate around \$330,000 annually when the bill passed last year.

Attachments:

LIHI request draft
2828 Martin Way Budget