

CITY COUNCIL STUDY SESSION**HB 1590 Work Plan Stakeholder Analysis and Early Funding Opportunities**

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DIRECTION NEEDED FROM COUNCIL**DIRECTION**

Staff will provide an update on preliminary stakeholder outreach and analysis. Additionally, Staff is seeking Council direction to initiate a Request for Proposals (RFP) process to identify behavioral health services and housing-related services to fund with Revised Code of Washington (RCW) 82.14.530 funds "HB 1590 funds".

RECOMMENDATION

Provide direction to staff to initiate an RFP process to identify behavioral health services and housing-related services to fund with HB 1590 funds. Provide any preliminary feedback on other topical areas of information covered in the presentation.

BACKGROUND & ANALYSIS

The City Council enacted Resolution No. 9826 on October 12, 2020, which allows the City to collect monies under RCW 82.14.530. The Legislature adopted House Bill 1590 during the 2020 legislative session to amend RCW 82.14.530, which allows for an increase of up to 0.1 percent sales and use tax to be imposed for housing and related services. During the 2021 legislative session, the Legislature adopted House Bill 1070, which modified RCW 82.14.530 by expanding the allowed uses of local tax revenue for housing and related services. These changes are detailed below in the next section of the memo.

At least 60 percent of the funds must be allocated and/or spent for the following:

- Constructing or acquiring affordable housing, which includes emergency, transitional, and supportive housing, and new units of affordable housing within an existing structure, or acquiring land for these purposes;
- Constructing or acquiring facilities providing housing-related services, or acquiring land for these purposes;
- Constructing or acquiring behavioral health-related facilities, or acquiring land for these purposes;
- Funding the operations and maintenance costs of new units of affordable housing;
- Funding the operation and maintenance costs of facilities where housing-related programs are provided; or

- Funding the operation and maintenance costs of newly constructed evaluation and treatment centers.

In addition, RCW 82.14.530 mandates the above funding related to the affordable housing and facilities providing housing related services in section 2(a)(i) of that RCW must serve only the following individuals whose income is at or below 60 percent of the area median income (AMI) of the county where the tax is imposed:

- Persons with behavioral health disabilities;
- Veterans;
- Senior citizens;
- Persons who are homeless or at risk of being homeless, including families with children;
- Unaccompanied homeless youth or young adults;
- Persons with disabilities; or
- Domestic violence survivors.

The remainder of the moneys collected (no more than 40 percent) must be used for the operation, delivery, or evaluation of: (1) behavioral health treatment programs and services or (2) housing-related services. The AMI requirements and population requirements do not apply to the 40 percent spending parameters.

Legislative Amendment

During the 2021 legislative session, House Bill 1070 was passed and became effective on April 14, 2021. The expanded uses of local tax revenue for housing and related services through the amended RCW 82.14.530 includes:

- Acquiring affordable housing, facilities providing housing-related services or behavioral health related facilities or acquiring land for these purposes;
- Affordable housing may include emergency, transitional, and supportive housing;
- The specific populations served under RCW 82.14.530 was expanded from homeless families with children to “persons who are homeless,” which includes families with children; and
- “Mental and behavioral health” is now referenced as “behavioral health”.

Previous Direction

At the December 14, 2020 Council meeting, staff presented the approach and scope of the HB 1590 work plan, which includes the following elements: adoption of an interest statement, regional collaboration and stakeholder engagement, and proposed expenditure and funding process. Council gave direction to staff to initiate the HB 1590 work plan and advance the creation of the process for distributing 1590 funds in the future.

On February 1, 2021, staff presented the first element of the HB 1590 work plan to Council; an interest statement that weaves together existing policies and identified strategies and needs from adopted documents related to affordable housing and human services to guide projects, programs and services funded by HB 1590. Council agreed with the comprehensive approach and approved the interest statement as part of the HB 1590 work plan.

At the March 8, 2021 Council meeting, staff presented on initial stakeholder outreach related to the HB 1590 work plan. This outreach was primarily targeted toward human service agencies and other organizations in the behavioral health services and housing-related services fields, along with preliminary outreach to affordable housing developers. Themes identified in these conversations included the need for culturally specific and responsive services, the importance of behavioral health services located on-site to support vulnerable populations, and flexible financial assistance as a critical mechanism to promoting housing stability. In addition, themes around affordable housing include the need for housing with supportive services and the importance of a variety of housing models and types to support the populations outlined in RCW 82.14.530. Council provided feedback on additional stakeholders to engage with as part of the HB 1590 work plan.

Outreach and Engagement

Staff has conducted additional outreach with stakeholders to understand the community needs related to affordable housing, behavioral health services, and housing-related services and will evaluate the feedback under the parameters of the RCW 82.14.530. Staff elicited feedback from stakeholders around the following areas:

- Community needs, and how funding can serve those needs
- Priority gaps in funding
- Barriers and/or challenges in using funding to meet these needs
- Best practices or lessons learned from other jurisdictions

This stakeholder outreach included discussions with housing developers, operators, and providers, human services agencies, faith-based communities, and individuals with lived experience. The following table lists out the stakeholder participants:

Stakeholders	Description
Housing Developers, Providers, and Operators	Interviews with affordable and for-profit housing developers, operators, and providers
Eastside Interfaith Social Concerns Council	Coalition of Eastside faith-based congregations who work for the common good, address human needs, and improve quality of life for community members in Eastside communities
Human Service Agencies (including culturally specific groups/agencies)	Interviews with agencies serving Bellevue’s diverse populations, such as those experiencing homelessness, individuals with disabilities – physical, mental, and/or behavioral, LGBTQIA+ community, and youth and young adults
Individuals with Lived Experience	Individuals who receive services from human service agencies, including Catholic Community Services and Congregations for the Homeless

A full list of stakeholders engaged through the HB 1590 work plan is listed in Attachment A: HB 1590 Stakeholder Outreach List.

High-Level Themes and Analysis

Housing Developers, Providers, and Operators

Preliminary themes from engagement on affordable housing with housing developers includes:

- Service-Connected Housing: This topic continues to be noted from our stakeholders as an important aspect to help individuals and households maintain housing stability and achieve self-sufficiency. While the level of supportive services may vary based on the specific populations served by the funding, services are important to building quality of life for individuals and households. For example, households transitioning from experiencing homelessness to permanent housing need additional supportive services to help maintain housing, such as case management, employment services, and financial literacy and empowerment skills. There is limited operational funding to support affordable housing providers and/or facilities that support individuals and families experiencing housing instability. Interviews with stakeholders show the increased level of care that is needed for residents to successfully maintain housing stability.

With the specific populations eligible to be served by HB 1590 funding, for-profit developers may be less likely to utilize this funding source to build affordable housing units within a mixed-income, market-rate building, as developers are less inclined to manage multiple tenant eligibility requirements under the parameters of the RCW 82.14.530 or coordinate provision of supportive services. In addition, the need for supportive services to enhance housing stability for individuals and families adds to operational costs, which may be challenging to accomplish within a market-rate development. Staff is still evaluating the potential business model to allow for mixed income buildings, and under what circumstances this model could be successful. Future discussions will occur with both stakeholders and Council on this topic, as this is preliminary feedback staff has heard.

- Gap Funding: Stakeholders expressed a desire to leverage HB 1590 revenues as funding at the beginning of a project; these revenues also may be used to help fill funding gaps for projects that are near completion. While this funding provides a unique opportunity to provide affordable housing units in Bellevue, it can provide a greater benefit to the community when it is used in conjunction with other funding sources. Projects may find themselves with funding gaps that cannot be covered by state, county, or local funding sources (such as Low Income Housing Tax Credits, Washington State Housing Trust Fund dollars, or funding through ARCH) or may be less likely to be funded by these sources – HB 1590 funding can help fill those project gaps and bring an affordable housing project to completion.
- Land Acquisition and Preservation: In conversations with stakeholders, high land prices and a limited supply of local funds to support affordable housing continues to be a challenge to building affordable housing units to support these populations. Partnering with organizations to acquire and preserve “at-risk” housing properties can be an efficient option to retain cost-effective affordable housing throughout the community. It also presents an opportunity to have a more immediate impact on creating affordable housing units to serve vulnerable populations. Acquiring land to be used for affordable housing, behavioral health-related facilities, or facilities providing housing-related services is a newly expanded use of HB 1590 funding under RCW

82.14.530. Staff will return at an upcoming Council study session to present additional information on different funding models as part of a discussion of a potential land acquisition strategy under RCW 82.14.530.

- Mental and Behavioral Health Services: Providing enhanced mental and behavioral health supportive services at affordable housing sites and increasing the provision of these services throughout our community is a high priority need in conversations with stakeholders. These services also help individuals and families successfully obtain and maintain stable housing. There is limited funding to provide these services; continued, predictable funding is key to support robust service delivery of these services and programs, as there are limited funding options. For example, offering enhanced behavioral health services and case management at affordable housing properties with a high number of individuals transitioning from homelessness to permanent housing can provide the additional support that meets the complex and varied needs of vulnerable populations.
- 0-30 Percent AMI Housing Need: In conversations with stakeholders, there is a need for affordable housing to serve populations at the 0-30 percent AMI level because of the limited supply of this housing in Bellevue and throughout the region. From the 2017 American Community Survey, there is a gap between existing households in Bellevue at the 0-30 percent AMI level (10 percent of households) versus existing units of 0-30 percent AMI housing (3 percent of total units in Bellevue). Additional public funding is needed to create housing for individuals and families who have the greatest challenge finding affordable housing in the area. In conversations with other jurisdictions who have implemented this sales and use tax, there is a similar focus on providing affordable housing for very low- and low-income households.

Other Key Stakeholders

Stakeholders including individuals with lived experience related to housing instability, culturally specific human service agencies, and the faith-based community identified and highlighted similar, critical themes and needs that City staff have heard from all key stakeholders during the HB 1590 work plan. These themes include priorities around behavioral health services and housing-related services:

Themes	
• Culturally Specific and Responsive Services	• Behavioral Health Services
• Rental Assistance	• Case Management
• Affordable and Subsidized Housing	• Employment Services
• Homeless Prevention	• Housing with Services
• Purchase existing properties to make affordable	

Early Funding Opportunities

As staff build long-term funding processes for utilizing HB 1590 funds, there is a need for additional behavioral health services and housing-related services in the community to help individuals and families achieve housing stability. These services were critically needed before the pandemic and this

need has only grown during the pandemic. Staff have forecast \$8,500,000 in moneys will be collected in 2021, of which a portion can be used to fund behavioral health services and housing-related services. Under the funding parameters of the RCW 82.14.530, no more than 40 percent of the funding may be spent on the operation, delivery, or evaluation of behavioral health treatment programs and services or housing-related services. Staff recommend establishing a funding allocation of 20 percent to fund these early identified opportunities. Staff seeks direction to initiate a Request for Proposals (RFP) process to fund behavioral health services and housing-related services related to HB 1590 funds in the amount of \$1,800,000 for 2021, including staffing costs to administer funding.

Request for Proposals

This RFP allows the City to quickly provide funding to organizations that serve Bellevue residents using the existing human services funding process. These contracts would be one-time funding for two years in order to align with the Human Services Commission funding schedule. Proposals would be reviewed by the Human Services Commission in June, and funding recommendations would be brought to Council for consideration in July.

Priority Target Areas

The RFP would seek applications from organizations that administer programs and services under the following priority areas:

1. Behavioral Health Services - Services that promote mental health, resilience, and well-being; enhance housing stability; increase provision of low-cost and/or no-cost mental health services and substance use disorder treatment in the community.

- Same day mental health and substance use disorder assessments and treatments
- Medically assisted treatment for substance use disorders
- Culturally responsive services for historically underserved populations
- Services co-located at facilities and/or housing properties
- Behavioral health therapeutic case management

2. Supportive Services - Help individuals/families obtain and maintain their housing; address housing barriers that lead to housing instability and/or homelessness, enhance overall housing stability.

- Case management services that help an individual and/or family achieve stable housing
- Employment services

3. Rental Assistance

- Support households experiencing housing instability by providing rental assistance to households to maintain housing
- Move-in assistance for those transitioning from homelessness to housing

Benefits of RFP Process

Issuing an RFP to fund behavioral health services and housing-related services includes the following benefits:

- Staff can quickly begin the RFP process and ensure funding is allocated to immediate priorities around behavioral health services and housing-related services. This RFP serves as an interim step to quickly distribute funds into the community and builds toward the long-term process of funding behavioral health service and housing-related services needs in the community. Staff

will provide an update on the recommendation for the long-term funding process at an upcoming study session.

- The RFP process will ensure both agencies who have received funding through the Human Services Fund and agencies who have not received funding before are encouraged to apply, including smaller agencies and those who serve culturally, specific populations. Casting a wide net for applications from a variety of agencies will meet the immediate, growing, and diverse needs across the community related to behavioral health services and housing-related services.
- Working through an RFP allows the City to provide guidelines to agencies on the requirements for HB 1590 funding under RCW 82.14.530.

Next Steps

This stakeholder outreach and analysis will inform staff's upcoming work developing program goals and priorities around funding for affordable housing, behavioral health services, and housing-related services.

POLICY & FISCAL IMPACTS

Policy Impact

The City has multiple adopted policies, identified needs, and strategies that are related to the use of HB 1590 funds. At a previous study session, staff presented a document that brings together these policies, needs, and strategies that guide the projects, programs, and services that may be implemented by HB 1590 funds. This consolidated document may be found in the Council Library. Within this work plan, no new policies are being requested or created related to the HB 1590 Work Plan.

Fiscal Impact

Bellevue's taxable sales are forecasted to generate \$8.5 million per year for 2021. Dispersal under the RFP to fund behavioral health services and housing-related services, is estimated at \$1.8 million, or approximately 20 percent of the total HB 1590 funding. Staff will return to Council at a later date to seek authorization to allocate HB 1590 funding.

OPTIONS

1. Provide direction to staff to initiate an RFP process to identify behavioral health services and housing-related services to fund with HB 1590 funds. Provide any preliminary feedback on other topical areas of information covered in the presentation.
2. Provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

- A. HB 1590 Stakeholder Outreach List

AVAILABLE IN COUNCIL LIBRARY

HB 1590 Interest Statement

Consolidated Policies and Needs for the HB 1590 Interest Statement