

CITY COUNCIL STUDY SESSION

Initiation of work plan regarding implementation of HB 1590 and expenditure of those funds.

Mac Cummins, Director, 452-6191
Community Development

Michael Shiosaki, Director, 452-5377
Toni Esparza, Assistant Director, 452-5379
Parks and Community Services

DIRECTION NEEDED FROM COUNCIL**DIRECTION**

The Bellevue City Council enacted a Resolution on October 12 which allows the City to collect monies authorized under the recently amended RCW 82.14.530. The tax collected would begin on or after January 1, 2021. Tonight's study session will be to review a work plan scope and initiate this plan which will include policy coordination, adopting an interest statement, providing an overview of the City's approach to regional collaboration and outreach, and discussing the potential expenditures of the funds.

RECOMMENDATION

Move to initiate the work plan and provide any additional feedback deemed necessary by the City Council after discussion.

BACKGROUND & ANALYSIS**Enabling Law and Intent**

The Legislature adopted House Bill 1590 during the most-recent legislative session to amend Revised Code of Washington (RCW) 82.14.530, which allows for a sales and use tax to be imposed at the county or city level for housing and related services. RCW 82.14.530 allows for an increase of up to 0.1 percent sales and use tax to be imposed either by election or through councilmanic authority for the following purposes:

At least 60 percent of the funds must be spent on constructing affordable housing units and facilities providing housing-related services or mental and behavioral facilities for certain populations and the operation and maintenance of these constructed facilities and the remainder of the funds (not to exceed 40 percent) to be spent on operation and delivery of mental and behavioral health services or housing-related services.

The component related to the 60 percent requires the funds must be allocated/spent for the following:

- Constructing affordable housing, which includes new units of affordable housing within an existing structure;
- Constructing facilities providing housing-related services;

- Constructing mental and behavioral health-related facilities;
- Funding the operations and maintenance costs of new units of affordable housing;
- Funding the operation and maintenance costs of new facilities where housing-related programs are provided; or
- Funding the operation and maintenance costs of newly constructed evaluation and treatment centers.

A further restriction in RCW 82.14.530 regarding the construction of the affordable housing and facilities providing housing related programs is as follows:

The affordable housing and facilities providing housing related programs must serve only the following individuals whose income is at or below sixty percent of the median income of the county imposing the tax:

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

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

Anticipated Revenues

Based on Bellevue's taxable sales in 2019, the 0.1 percent would likely generate \$8.9 million per year, and up to 10 percent (\$890,000) of the revenue collected under this section may be used to supplant existing local funds.

Note: Sales tax projections in this memorandum are based on 2019 sales; this figure will be impacted by COVID and its associated economic recovery. It is likely that sales tax revenues in 2021 and through any recovery period will be lower.

Fifty percent of the anticipated revenue stream is allowed to have debt issuance against it, which could yield a substantial amount of money in the short term. Staff is proposing to evaluate the various options for debt issuance in alignment with the statute and return at a future study session with a recommendation on this proposal. Influencing factors will be project need/availability, timing, debt service considerations, and highest priorities for the City Council.

Proposed Work Plan

Staff will be initiating a work plan which will include the following elements (each discussed in more detail below):

- 1) Creating a statement of purpose or interest statement for City Council consideration, which

weaves together the Continuum of Care model and human service needs, with the City's Comprehensive Plan and Affordable Housing Strategy

- 2) Regional Collaboration and Public Outreach Strategy
- 3) Proposed Expenditures and Process for accessing the funds, when available
- 4) Timing

Staff anticipates returning to Council every four weeks or so, depending on both Council schedule availability and decision points for the Council that require action to further advance the work.

Statement of Purpose

The City has many adopted policies right now, which are applicable to this program. They are found in the City's Comprehensive Plan, the Human Services Needs Assessment, the Affordable Housing Strategy, and multiple other sources regarding regional work around housing and homelessness. This portion of the work plan would consolidate the applicable policies from these documents and create an interest statement; Council can then choose to adopt a document which speaks specifically to the policies that will be implemented through the use of HB 1590 funds. It will further allow the City Council to prioritize within these policies and discuss how much funding to allocate to the various "buckets" allowed under RCW 82.14.530. Staff will be providing at least one study session on this topic.

Regional Collaboration and Outreach

This item will contain multiple facets. At the time of the adoption of the Resolution, the City Council indicated an ongoing desire to be a good regional player and collaborator with other entities, notably King County. Collaboration and outreach will begin with this relationship, building around areas of similar interest, opportunities for collaboration, areas where we may be able to "partner" with King County etc. We will also be reaching out to the development community, ARCH, other capital funders of affordable housing projects, and other interested parties to get a sense of project need and/or availability by project type. This input will be crucial in terms of identifying how much need we can satisfy in the short term with these funds and will be directly applicable to any decision-making regarding debt issuance.

Proposed Expenditures & Process to Access Funds

Staff will be diligently working with the Council and setting priorities for how these monies may be spent in alignment with RCW 82.14.530 and what project needs we have in the short term. A significant policy objective should be "early wins" for the money, given the need we have in our community. In general, we are proposing that there be three "buckets" of money available for funding (subject to further study), and below is a brief synopsis of the issues we will be evaluating for the Council as we work to bring back a final recommendation on how to allocate the monies in accordance with the statute:

- 1) Construction of New Affordable Housing – Leveraged

As mentioned earlier, at least 60 percent of the monies collected under HB 1590 MUST be spent on the construction of affordable housing, construction of mental and behavioral health related facilities, or construction of facilities providing housing related services (full list above explains further what is allowable under this percentage). There is no maximum for this percentage. The leveraged pot of

money is identified because there is a significant potential upside to continuing to utilize the long-established process for these kinds of “multi capital source” projects. When the City leverages its investment with other funding sources (Federal monies, ARCH funds, State housing trust fund, Low income housing tax credits, King CO etc), historically, more units have been created than when the City has tried to create the project(s) on its own. Generally speaking, it is also a lower subsidy of city money per unit created. There is already an established once a year process that directs project applicants to access these “leveraged” monies through ARCH, who represents all the member eastside cities in coordination of the leveraged resources.

A policy consideration with this “pot” of money will be the likely requirement for coordinated entry into the housing units. At the October study session, Council indicated a desire to want to serve Bellevue populations first, to the extent possible. The “color of money” will likely require coordinated entry in this option. Staff will study and evaluate how these varying policy interpretations and implementation are carried out and report back to the City Council on the policy choice(s) relating to coordinated entry and the ability to serve Bellevue populations.

2) Construction of New Affordable Housing – “Not Leveraged”

This “pot” of money would be allocated and set aside as an available funding source for projects which do not need to be leveraged with other capital or operating sources described above. Staff anticipates the City wanting to have a funding source that can be “nimble” and ready to react when a project comes along. A consideration of this pot of money would be the ability to exercise more control over populations served. Staff anticipates creating a process for accessing these funds that would include an application cycle and potentially be a quarterly or biannual action point with the City Council for funding allocation. The timing and procedures would need to be studied and take into consideration how to be most effective in being nimble with our development partners, and the creation of clear expectations around how those monies would be allocated, the establishment of criteria for awards established etc. Staff will be studying this over the next few months and will bring back a recommendation on how this would work.

3) Human Services Allocation

As the need for mental and behavioral health services and housing-related services continues to grow, staff believe that some of the money collected under RCW 82.14.530 should be allocated to those services that are fundable in this area. As described above, this includes mental and behavioral treatment programs and services and housing-related services. In the recent Human Services Funding cycle, the Human Service Commission recommended approximately \$868,000 be allocated to mental and behavior health and housing-related services for 2021; and yet, this does not come close to meeting the overall need in these areas in the community. Staff proposes that any monies the Council allocates to meeting this need be awarded through the existing human service commission allocation process; staff can prepare criteria and process documents to implement the monies awarded. This will be the most efficient way to administer this portion of the HB 1590 program; the infrastructure is already in place, and our Human Services staff continuously collaborate with providers in the region.

As part of the work plan, staff will be evaluating how frequently to return to Council to evaluate

changing the amount of money allocated into each “pot” of funding. A component of this will be the desire of the City to remain flexible and nimble year to year (or perhaps with the biennium budget process) to make allocations to serve the most immediate needs. The most important factor for discussion, however, is that the Council will “not” be locking itself into anything with the initial decisions around greatest need and how much to allocate in each area in the initial phases of the program. Lastly, the monies will not be available until at least the end of the first quarter, so staff will be back to City Council to discuss this topic soon after the policy coordination in the statement of purpose and interest statement.

Timing

Staff is proposing a rhythm of returning to Council every three to four weeks to work through the main issues and to seek clarification or direction. We anticipate the first of these study sessions to be in the mid-January timeframe. The first topics will be the interest statement and policy discussion around existing policy and adopting that document. After receiving Council direction to initiate the work plan, staff will immediately begin public outreach. Lastly, the discussion(s) around expenditures of funds will likely occur after some coalescing around the policy work, likely finishing up in the spring.

POLICY & FISCAL IMPACTS

Policy Impact

Given the City’s desire to further advance and implement its respective Affordable Housing strategy and Human Services Policies, initiation of this work plan will set in motion a series of study sessions for the Council to lay the groundwork and make decisions on the highest priority use of the revenue stream allowed for under RCW 82.14.530. The City already has multiple adopted policies that are interconnected in this area; our primary challenge has been funding availability. Staff will prepare an interest statement weaving together the Affordable Housing and Human Service policies into a cohesive strategy for implementation.

Fiscal Impact

Based on Bellevue’s taxable sales in 2019, the 0.1 percent will likely generate \$8.9 million per year, and up to 10 percent (\$890,000) of the moneys collected could be used to supplant existing local funds. During the COVID recovery period, these amounts should be assumed to be lower than 2019. The taxes are collected in arrears, so initial monies would not be available until the end of the first quarter at the earliest.

OPTIONS

1. Initiate the work plan as proposed and provide additional comments to staff as Council deems appropriate.
2. Do not initiate the work plan and provide alternative direction to staff.

ATTACHMENTS & AVAILABLE DOCUMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

Resolution 8934, June 18, 2015 Endorsement of the KC 10-Year Plan to End Homelessness

Diversity Advantage Plan 2014

Diversity Advantage Plan Update 2017

2020 Human Services Needs Assessment

Comp Plan Housing and Human Services Chapters

Affordable Housing Strategic Plan 2017