

CITY COUNCIL STUDY SESSION

Framework for Bellevue's Housing Stability Program

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DIRECTION NEEDED FROM COUNCIL

DIRECTION

Direct staff to implement Bellevue's Housing Stability Program consistent with the recommended framework and return with appropriate legislation to support implementation of the ongoing program as described below; all as authorized under Revised Code of Washington (RCW) 82.14.530.

RECOMMENDATION

Direct staff to implement Bellevue's Housing Stability Program consistent with the recommended framework and return with appropriate legislation, funded with revenues collected under RCW 82.14.530, to support ongoing implementation.

BACKGROUND & ANALYSIS

City Resolution and State Enabling Legislation

On October 12, 2020, the City Council enacted Resolution No. 9826, which allows Bellevue to collect a 0.1 percent sales and use tax for housing and related services under RCW 82.14.530. This tax began on January 1, 2021, collecting just over \$9.7 million in 2021, and is estimated to collect \$10.3 million in 2022.

Housing Stability Program

Staff are recommending the "Housing Stability Program" as the new name for the HB 1590 Program. This name reflects the direction in Council's HB 1590 Interest Statement from 2021 to structure a program that provides targeted housing opportunities for some of our most vulnerable residents and support services, both in-building and in the community, that are critical for stable living.

State Enabling Legislation

The State enabling legislation includes specific requirements for how revenues may be expended. First, the State legislation requires that at least 60 percent of the funds 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 new 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 funding related to the construction/acquisition of affordable housing and facilities providing housing related services serve only the following populations whose incomes are 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.

Second, the State legislation allows for up to 40 percent of the revenue be utilized for the operation, delivery, or evaluation of: (1) behavioral health treatment programs and services; or (2) housing-related services. These funds are not limited to the AMI requirements and specific populations identified above.

Year One Efforts

Since the adoption of Resolution No. 9826, the City has been working to allocate collected revenues towards early funding opportunities consistent with RCW 82.14.530 and develop an ongoing program for future expenditures.

The Council previously held public meetings on these topics as follows:

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|------------|---|
| 12/14/2020 | Initiation of work plan to implement HB 1590 and expenditure of those funds |
| 02/01/2021 | Discussion of HB 1590 Interest Statement |
| 03/08/2021 | HB 1590 Outreach and Engagement Update |
| 05/03/2021 | HB 1590 Work Plan Stakeholder Analysis and Early Funding Opportunities |
| 06/14/2021 | HB 1590 Work Plan Capital Funding and Housing Types |
| 07/26/2021 | HB 1590 Capital Process Recommendations and Early Funding Opportunities |

- 08/02/2021 Adopting Human Services Commission's 2021-22 HB 1590 Funding Recommendations
- 01/24/2022 HB 1590 Affordable and Supportive Housing Capital Allocations
- 03/14/2022 Adopting 2021 Affordable and Supportive Housing Capital Funding Recommendations

Based on the Council's direction, staff implemented the first year of the program funding as follows:

- In May 2021, a Request For Proposals (RFP) was issued for behavioral health and housing-related services. The RFP focused on the following priorities:

Behavioral Health Services

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

Supportive Services

- Case management that helps an individual and/or family achieve housing stability
- Employment services

Rental Assistance

- Rental assistance
- Funds to assist with move-in costs for those transitioning from homelessness to housing

A total of 25 applications, totaling approximately \$3.3 million in requests was received. The Human Services Commission reviewed and provided recommendations on the applications received, and per these recommendations, the City Council authorized the expenditure of \$1.66 million in funding awards on August 2, 2021.

- In August 2021, an Affordable and Supportive Housing RFP was issued, offering up to \$6.0 million in capital funding for qualifying housing projects, with proposals due in September 2021. ARCH staff worked with the City to prepare the RFP and provide a technical review of applications, facilitating an interdepartmental staff team to make recommendations based on Council's approved priorities and evaluation criteria. The process was conducted to coordinate reviews with the ARCH Trust Fund and statewide funding coordination process, ensuring City resources could be matched with funding from other ARCH cities, the State, and King County. Funding priorities included:

- Address and prevent homelessness and housing instability;
- Households earning 0-30 percent AMI; and
- Vulnerable, underserved populations in Bellevue, that allows broad eligibility flexibility to meet all populations as outlined in HB 1590 (i.e., homeless families and individuals, individuals with disabilities, etc.).

Out of a total of three requests, Council awarded \$1.6 million to the LifeWire's *Hope Starts Here* project. Two additional proposals for promising projects were invited to re-apply in a future

funding round when additional project details were developed. The City decided to defer requests for operations and maintenance (O&M), including on-site services for capital projects, to future funding cycles. The unallocated 2021 funds were rolled-over into 2022.

Lessons Learned

The City is in the second year of collecting this tax. Over the last year, staff learned a great deal from the initial year of implementation of the funds collected under RCW 82.14.530. The lessons learned include:

- This program should balance the high demands for building new or preserving affordable housing units, ongoing O&M including on-site services, and increased demand for supportive behavioral health and housing-related services in the community.
- Leveraging other resources, particularly for ongoing O&M, including on-site services within capital projects, will require flexibility and continued coordination through ARCH to align with other funding sources and advocate for City priorities.
- From a capital funding standpoint, it takes time to build awareness of a new program such as this and provide developers with enough time and certainty to begin assembling projects and spending the necessary resources on due diligence, design/planning, and development.
- The City will need to invite partnerships and develop creative approaches to securing land, given the extreme level of competition and land prices in Bellevue.
- Upfront bonding of a portion of future revenues will first require firming up a set of funding opportunities/projects to establish a clear path for expenditure.
- Funding a portion of ongoing services for supportive housing projects is essential and must be built into the ongoing program.
- There are significant behavioral health and housing-related services needs in the City and this funding source can be efficiently and effectively used to focus on providing direct services that support housing stability and help prevent vulnerable members of our community from falling into homelessness.
- There is a significant workload associated with the various elements of the Housing Stability Program. Dedicated staff are needed to successfully implement and monitor Bellevue's ongoing program.

Recommended Framework: Housing Stability Program

Bellevue's adopted 2017 Affordable Housing Strategy has specific actions to improve and increase the City's existing affordable housing stock, while specifically acknowledging the need for an increased supply of very low and low-income housing. As identified in the Affordable Housing Strategy, affordable housing is not a one-size-fits-all solution and funding collected under this tax allows the City to increase investments in affordable housing and related services, while remaining flexible to the changing housing and service needs of the community.

The recommended investment areas for the Housing Stability Program are as follows:

1. Bonding Funds for Affordable Housing Partnership Projects and Land Acquisition (up to 40 percent of annual revenue)

RCW 82.14.530 authorizes the City to use revenues collected under the statute to issue general obligation or revenue bonds, and it may use/pledge up to 50 percent of the funds collected under the statute for the repayment of such bonds to finance the provision or construction of affordable housing, facilities with housing related services, and/or behavioral health evaluation and treatment centers, or for land acquisition to support those uses. Any funding to be applied toward bonds as discussed herein shall be derived from revenues specific to new capital projects as allowed under RCW 82.14.530(2)(a).

Bonding would allow the City to take advantage of strategic opportunities to leverage City funds and acquire property before prices rise even further in Bellevue. The priorities for these funds would be the same as those identified for other capital investments (listed in the following section). In addition, special criteria for these funds would include:

- Immediate deployment of funds to rapidly create or preserve affordable units, particularly for opportunities that don't require leverage from traditional funding sources such as Low Income Housing Tax Credits;
- Leverage of substantial investment from untapped resources, particularly any opportunities to bring long-term operating and services funding from state or federal sources into Bellevue, or secure philanthropic funds to match the City's investment; and
- Ability to pursue significant land acquisition opportunities that would take into account considerations such as development potential and site feasibility, access to transit, potential partnerships, and geographic distribution in the City. These investments would be targeted especially to compelling opportunities where a larger upfront investment of City funds is necessary to supplement other available acquisition sources.

The City has had recent success in partnerships for preservation. The recent pre-HB 1590 partnership with the King County Housing Authority in BelRed included private-sector funding in addition to City of Bellevue funds and focused on vulnerable, very low-income populations that will benefit from ongoing federal operating subsidies.

Prior to issuing bonds, staff would work to identify funding opportunities/projects through City-led efforts and/or partnerships for purchasing units for preservation or targeted land acquisition within a three-five year window. Depending on project identification, staff will return to Council with a request to authorize bonds. It is anticipated that once Council authorizes bonding on the sales tax, the bonds could be issued within approximately six months.

Over the first 20 years of implementation, it's anticipated this program component could help preserve a minimum of 170 units and assist with targeted land acquisition opportunities.

2. Funding for Capital Projects and Operations & Maintenance, including On-Site Services (approximately 40 percent of annual revenue)

As previously discussed, a minimum of 60 percent of the revenues collected under RCW 82.14.530 must be applied to new capital projects and/or their operations and maintenance. In addition to the

bond funding referenced in Section 1 above, and to support the ongoing development and operation of affordable and supportive housing, staff recommend an additional 40 percent of revenues be allocated to investments in capital and O&M, including on-site services, consistent with RCW 82.14.530. Funds would be issued through an RFP on at least an annual basis, in coordination with other local and statewide public funding processes. The available funds for this purpose in 2022 will be greater than typical; up to \$10.5 million, which is 40 percent of anticipated 2022 revenues, or \$4.1 million, plus \$6.4 million of 2021 carryover funds.

For O&M/on-site service investments, staff recommends funding up to \$12,500 per unit per year with annual inflation increases built in. The \$12,500 maximum starting point represents roughly half of a typical \$25,000 per unit per year cost for operating supportive housing, including on-site services, though these costs are highly variable, and many projects are experiencing cost increases from inflation and the need to raise wages to retain staff. Funding commitments for O&M, including on-site services, will be made for an initial five-year period that will be renewable in five-year increments. These investments are intended to be long-term, ongoing commitments to ensure stable, healthy living environments for residents. This funding for on-site services is consistent with the previous Council direction relating to supportive housing best practices.

Funding priorities for this program element will include:

- Address and prevent homelessness and housing instability;
- Households earning 0-30 percent AMI; and
- Vulnerable, underserved populations in Bellevue, that allows broad eligibility flexibility to meet all populations as outlined in HB 1590 (i.e., homeless families and individuals, individuals with disabilities, etc.).

ARCH will provide a technical review of capital and O&M/on-site services applications to present to a cross-departmental City team, which will be charged with making recommendations to Council in winter each year. The timing for the Housing Stability Program funding process aligns with the annual ARCH Housing Trust Fund process. In 2021, this alignment in timing was beneficial in that the LifeWire *Hope Starts Here* project was able to secure funding from both sources, and benefit from ARCH's coordination with other funders who provided the remainder of the project funding. Over the first 20 years of implementation, a conservative estimate for this program element is 130-170 new units, including funding for a portion of ongoing O&M/on-site services to ensure stability for the residents. Note: The new unit estimate would go up if O&M/on-site services were not requested for all units created.

3. Funding for Behavioral Health and Housing-Related Services (approximately 15 percent of annual revenue)

RCW 82.14.530(2)(c) allows up to 40 percent of the revenue collected to be utilized for the operation, delivery, or evaluation of (1) behavioral health treatment programs and services, or (2) housing-related services.

Based on balancing the needs for housing production and preservation with increasing housing stability for vulnerable residents, staff recommend 15 percent, or approximately \$1.5 million, of the annual revenues be allocated towards behavioral health and housing-related services in the

community. An RFP will be issued on a biennial basis, administered by the City's Human Services staff and Human Services Commission.

Funding priorities for this program element will include:

Behavioral Health Services

- Same-day mental health and substance use disorder assessments and treatment
- Medically assisted treatments for substance use disorders
- Culturally specific behavioral health services designed to meet historically underserved populations' needs
- Services co-located at facilities and/or housing properties

Supportive Services

- Services co-located at facilities and/or housing properties:
 - Case management that helps an individual and/or family achieve housing stability
 - Employment services

The Human Services Commission's recommendations for funding will be presented to Council this fall after the RFP is issued and responses are received. These funds will provide needed additional behavioral health and housing related services and are critical in helping to prevent vulnerable members of our community from falling into homelessness.

4. Additional Staff Administration (approximately 5 percent of annual revenue)

Staff are in the process of developing the ongoing staff team to support implementation of Bellevue's Housing Stability Program. To implement the above programming, three additional staff in 2022 in Community Development, Parks & Community Services (Human Services focus), and ARCH are proposed. Staff would be limited to working on implementation of the Housing Stability Program per the provisions in RCW 82.14.530. The five percent allocation of total revenues for administration is based on a detailed review of ongoing tasks and is in line with similar funding programs in other jurisdictions. Any funding applied toward administration shall be derived from the authorized revenue stream in accordance with RCW 82.14.530. When staff performs programmatic work related to new capital projects, or funding the operations and maintenance of the same (including on-site services), then the applicable revenue source will be that earmarked for capital projects under RCW 82.14.530(2)(a). All other work will be supported by revenues specific to the operation, delivery, or evaluation of behavioral health treatment programs and housing related services as allowed under RCW 82.14.530(2)(c).

Next Steps

Based on the direction from Council on the proposed framework for the Housing Stability Program, the following next steps would occur:

- A total of \$10.5 million would be made available through the annual 2022 Affordable and Supportive Housing Capital and O&M RFP process. Staff expect to provide recommendations from the cross-departmental team to Council for funding action in Q1 2023.

- A total of \$1,545,000 would be allocated through an RFP process with recommendations to Council from the Human Services Commission this fall.
- Staff will continue to explore preservation and/or acquisition opportunities/projects through City-led efforts and/or partnerships. This could potentially lead to the City issuing bonds and front-loaded investment subject to Council approval.
- Staff will provide regular updates to the City Council, and recommend adjustments to the framework as needed to ensure the program maximizes outcomes and continues to meet established priorities over time.
- Per state planning requirements, staff will continue to work on the establishment of targets for supportive and emergency housing on the sub-regional and jurisdictional level.
- Staff will return with needed legislation to support implementation of the Housing Stability Program including three additional staff, which will be funded by RCW 82.14.530.

POLICY & FISCAL IMPACTS

Policy Impact

Implementation of the Housing Stability Program furthers a range of affordable housing, human services, equity and inclusion, and economic development policies and strategies. In February 2021, Council adopted the HB 1590 Interest Statement that was based on supporting City policies, identified needs, and strategies that guide the projects, programs, and services to be implemented by funding under RCW 82.14.530. This consolidated policy document, and the HB 1590 Interest Statement are available in the Council Library.

Fiscal Impact

Based on Council enactment of Resolution No. 9826 on October 12, 2020, the City began collection of funds on January 1, 2021, with \$9.7 million collected in 2021 and \$10.3 million estimated for 2022 and subsequent years. To date, \$3.26 million has been allocated during the initial year of implementation. This recommended framework sets forth an ongoing process to allocate funds consistent with RCW 82.14.530, which shall be capped by the amount collected by this new ongoing revenue source. Any future recommendations relating to bonding would come back to Council for review and approval.

OPTIONS

1. Direct staff to implement Bellevue's Housing Stability Program consistent with the recommended framework and return with appropriate legislation to support implementation of the ongoing program, all as authorized under RCW 82.14.530.
2. Provide alternative direction.

ATTACHMENTS

N/A

AVAILABLE IN COUNCIL LIBRARY

HB 1590 Interest Statement
Consolidated Policies and Needs for the HB 1590 Interest Statement