

CITY COUNCIL STUDY SESSION

House Bill 1590 Affordable and Supportive Housing Capital Funding Allocations

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DIRECTION NEEDED FROM COUNCIL

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| DIRECTION | Direct staff to return with legislation approving funding allocation for the Fall 2021 Affordable and Supportive Housing Capital Funding Recommendations. |
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RECOMMENDATION

Direct staff to return with legislation approving up to \$1.6 million in secured grant funds to LifeWire in support of *Hope Starts Here*.

BACKGROUND & ANALYSIS

The City Council enacted Resolution No. 9826 on October 12, 2020, which allows the City to collect up to 0.1 percent sales and use tax for housing and related services under Revised Code of Washington (RCW) 82.14.530. The City Council imposed this tax to be collected locally rather than by the County in order to address local need within the City of Bellevue. As referenced in the Resolution, "the City of Bellevue recognizes the urgent need to increase investments in the production, preservation, and ongoing operation and maintenance of affordable housing and related services." This tax began on January 1, 2021, and is estimated to collect around \$8.5 million in 2021 and \$9.0 million in each subsequent year.

The legislation as adopted by the State focuses on very targeted and often underserved populations. RCW 82.14.530 mandates that a majority of the above funding 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 State Legislation separates the revenue into two buckets, each with a different focus. Up to 40 percent of the revenue may be utilized for the operation, delivery, or evaluation of: (1) behavioral health treatment programs and services; or (2) housing-related services. The above AMI and population limitations do not apply to this smaller portion of the funding. The Human Services Commission reviewed and provided recommendations on applications focused on these uses of funds in Spring 2021, resulting in \$1.66 million, or around 20 percent of anticipated 2021 revenue, in funding awards approved by Council on August 2.

The remainder of the revenue is the focus of this evening's session with Council. It must go towards the AMI level and populations specified above. 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 order to disperse funds for this primary focus of the 1590 funds, Council directed staff to prepare a Request for Proposals (RFP) focused entirely on capital funding. While the first bucket of funding described above can allow for the funding of operations and maintenance costs or on-site services for capital projects, this RFP was focused on funding the capital projects themselves as an initial targeted RFP. This RFP was issued in late August 2021, with applications due on September 30. The RFP made up to a maximum of \$6.0 million available in funding.

As stated in the RFP language, the City priorities for the Fall 2021 capital funding round included the following:

- Provide housing for households earning below 30 percent of median income;
- Address and prevent homelessness and housing instability; and
- Focus on underserved, vulnerable residents in Bellevue (e.g., homeless families with children and other eligible populations).

Following the release of the RFP, ARCH and City staff held pre-application meetings with five potential applicant teams. Two of these project teams did not submit applications due to difficulty with maintaining site control. All three remaining applicants already own the property for which their application was submitted. Staff had originally anticipated a higher level of interest in this round of funding, but a combination of challenges limited the application number. Gaining and maintaining site

control is a continued affordable housing challenge, with increasing land values within the City. This was also the first year of this process, with a relatively short window to submit, so future funding rounds may have more predictability for applicants as they become familiar with and plan for the City’s process, focus on targeted populations, and timing.

Following receipt of these applications, ARCH staff assisted with facilitation of an interdepartmental staff team with representatives from the City Manager’s Office, Community Development, Parks and Community Services (Human Services) and Development Services to consider the applications. This team utilized an evaluation matrix including all criteria found in Attachment B, as discussed with City Council in July 2021. The detailed project descriptions, application requests and recommendations from this team are outlined in Attachment A and summarized in the chart below. If Council were to allocate funding along staff’s recommendation, additional unallocated funds would be made available for distribution in 2022 alongside those funds set aside for the capital expenses described above, totaling at least sixty percent of funds.

| Applicant | LifeWire | Imagine Housing | DASH |
|-------------------------------|----------------------------|-----------------------------------|---|
| <i>Project Name</i> | <i>Hope Starts Here</i> | <i>132nd Avenue Redevelopment</i> | <i>Evergreen Court/Glendale Redevelopment</i> |
| <i>Funding Request</i> | <i>\$2.0 million</i> | <i>\$100,000</i> | <i>\$1.0 million</i> |
| <i>Funding Recommendation</i> | <i>Up to \$1.6 million</i> | <i>\$0</i> | <i>\$0</i> |

LifeWire provides services and housing to domestic violence (DV) victims and needs to relocate their existing housing and services, which are currently outside Bellevue, to an East Bellevue location. This project is planned for 2022 completion, meets 1590 priority populations including both the target AMI levels of the housing and the target population served, and is in compliance with the parameters set forth in RCW 82.14.530. Since applying for the full \$2.0 million, LifeWire has received additional funding from the State and County that lowered their total funding gap. Staff recommend that the City fund the remaining gap as well as include a buffer to cover any unexpected decrease in King County funding that may result from the County’s review of eligible costs. This would total up to \$1.6 million to fill this gap and buffer. This would be reduced based on the County’s review and ultimate funding total. Attachment A outlines the specific funding rationale.

The other two applications include requests for pre-development services on projects that would not be completed for several years. Due to this early stage of project development, neither applicant has clear commitments to RCW 82.14.530 and 1590 priority populations. Attachment A outlines details behind each funding recommendation. Staff encourages the applicants to reapply in the future while addressing the provided list of issues to be addressed in a future application.

A companion staff workplan item includes determining the future of 1590 funding for the City. This work is ongoing and will be brought back to Council in the first quarter of 2022. The framework for future funding rounds that come out of this work will be informed by the Fall 2021 process. This will also allow applicants to anticipate the upcoming funding rounds and plan around the City’s stated priorities and timing for their future projects.

POLICY & FISCAL IMPACTS

Policy Impact

As part of the HB 1590 Interest Statement adopted by the City Council on February 1, 2021, staff presented a supporting document that brings together the adopted policies, identified needs, and strategies that guide the projects, programs, and services that may be implemented by funding under RCW 82.14.530. This consolidated policy document may be found in the Council Library. The text includes a brief statement of the policy issues.

In addition, the City identified specific priorities within this RFP, including:

- Provide housing for households earning below 30 percent of median income;
- Address and prevent homelessness and housing instability; and
- Focus on underserved, vulnerable residents in Bellevue (e.g., homeless families with children and other eligible populations).

The recommended funding approach focuses on the above stated priorities and moves forward the City's stated affordable housing goals.

Fiscal Impact

The proposed Fall 2021 Affordable and Supportive Housing funding legislation will authorize the allocation of funding to a nonprofit organization as recommended by staff.

OPTIONS

1. Direct staff to return with an ordinance approving up to \$1.6 million in secured grant funds to LifeWire in support of *Hope Starts Here*.
2. Provide alternative direction to staff.

ATTACHMENTS

- A. Background Information
- B. Evaluation Criteria

AVAILABLE IN COUNCIL LIBRARY

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