

**CITY COUNCIL STUDY SESSION****HB 1590 Capital Process Recommendations and Early Funding Opportunities**

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**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

Staff is seeking Council direction on preliminary process and program recommendations. In addition, staff is seeking direction to initiate a Request for Proposals (RFP) process to identify capital development opportunities to fund with Revised Code of Washington (RCW) 82.14.530 funds "HB 1590 funds".

**RECOMMENDATION**

Provide direction to staff to initiate a Request for Proposals (RFP) process to identify affordable housing capital development opportunities to fund with HB 1590 funds. Provide direction on the recommended priorities and criteria to incorporate into the RFP.

**BACKGROUND & ANALYSIS**

The City Council adopted Resolution No. 9826 on October 12, 2020, which allows the City to collect monies under Revised Code of Washington (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.

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 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(2)(a)(i) mandates the above funding related to the affordable housing and facilities providing housing-related services 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 monies 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.

### **Previous Direction**

On December 14, 2020, staff presented to Council on 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 HB 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.

On March 8, 2021, staff presented to Council on initial stakeholder outreach related to the HB 1590 work plan. Key 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; flexible financial assistance as a critical mechanism to promoting housing stability; 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.

On May 3, 2021, staff sought direction from Council to initiate an RFP process to fund behavioral health and housing-related services to support individuals and families to achieve and maintain housing stability. The RFP would seek applications for programs and services under the following priority areas of behavioral health services, supportive services, and rental assistance. Council approved the RFP process as part of the work plan.

On June 14, 2021, staff presented to Council on affordable housing models and financing, including

how the funding source ties into the City's affordable housing strategy. Key points that were identified during the session included an overview of affordable housing financing options and an outline of best practice housing models that may be eligible to receive funding from this revenue source.

## **Housing Need Assessment**

### Outreach and Engagement

Staff conducted additional outreach with stakeholders in order to (1) understand the community needs related to affordable housing and services, and (2) elicit feedback from stakeholders about the preliminary HB 1590 process and program elements that inform the new capital RFP. This stakeholder outreach included discussions with housing developers, operators, and providers, and human services agencies. 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 through the Housing Development Consortium and the Bellevue Downtown Association's Housing Task Force
Human Service Agencies (including culturally specific groups/agencies)	Interviews with agencies serving Bellevue's diverse populations through the Eastside Homelessness Advisory Council

### Housing Needs Data

Staff compiled the following housing needs data to (1) evaluate current and future housing needs that specifically consider the economically diverse households in the community and (2) identify gaps in current housing supply and identified needs. Looking at the most recent available data, 25 percent of Bellevue's housing stock is affordable to households with moderate incomes (earning up to \$70,560) and only 6 percent is affordable to low and very low-income households. This means that for the 9,010 low and very low-income households there are only 3,095 affordable units (6 percent of just over 52,000 housing units).

Looking at housing need by cost burden, between 2013 and 2017, almost one-third (30 percent) of Bellevue households were cost burdened, meaning they spent more than 30 percent of their income on housing. This includes 14 percent of households that spent more than 50 percent of their income on housing (severely cost burdened). For households whose income is below half of the area median income (AMI), 58 percent are severely cost burdened. This number rises to 74 percent for households at 0-30 percent AMI who are severely cost-burdened. When low-income families spend more than 30 percent of their income on housing, they may struggle to afford other basic necessities like food, transportation, health care, and childcare, and it may be hard to maintain stable housing.

Within the 0-30 percent AMI range, which includes approximately 10 percent of total households in Bellevue, only 3 percent of existing units serve this income range. Therefore, it is evident that the 0-30 percent AMI is significantly underserved in Bellevue. It is also important to note that these findings are based on 2013-2017 data and are not reflective of more current trends; with the significant rise in housing prices since 2017, this has accentuated the housing affordability crisis.

Additional data highlights the continued need for housing that serves people moving out of homelessness. In the most recent school year for which data is available, 279 Bellevue School District students experienced homelessness. Congregations for the Homeless, which operates an emergency shelter for homeless men in Bellevue, provided shelter to 800 unique individuals in 2020. The Sophia Way shelter for homeless women on the Eastside is also routinely at capacity. Countywide, the most recent point in time count measured a total of 11,751 people experiencing homeless in a single night, with 1,032 individuals on the Eastside.

### **Early Funding Opportunities and Preliminary Process**

As staff build the long-term funding processes for utilizing HB 1590 funds, there is an immediate and critical need to increase the City's affordable housing stock in order to enhance housing stability in our community and prevent and address homelessness. Under the funding parameters of HB 1590, at least 60 percent of the funding must be spent on certain capital parameters, which includes affordable housing that is subject to the population and AMI requirements as applied within RCW 82.14.530. Staff have forecast \$8,500,000 in taxable revenue will be collected in 2021, of which 20 percent (\$1,800,000) of these dollars was spent on behavioral health services and housing-related services; and 80 percent (approximately \$6,700,000) allotted towards capital funding projects. In order to allocate revenue efficiently and quickly for identified affordable housing capital projects, staff seek direction on issuing an RFP to fund affordable housing capital dollars in the amount up to \$6,000,000; this also accounts for potential internal costs to administer the program. The total funding amount may be adjusted according to the forecasted revenue.

An RFP will serve as an important initial step to deploy HB 1590 capital funding, as staff continue to build a robust, long-term process that takes into account the interplay between capital and services. Staff recommend using a modified version of ARCH's Housing Trust Fund funding round elements of scheduling, application, review process, contracting and monitoring, and reporting. The modifications to ARCH's existing funding round would create a new, Bellevue capital RFP process that is specific to the HB 1590 program. Additionally, this HB 1590 RFP allows the City to align the HB 1590 capital RFP funding schedule concurrent with the 2021 ARCH Housing Trust Fund funding in order to deploy HB 1590 capital funds that support our vulnerable residents. Staff anticipate issuing an RFP in August, with applications due at the end of September to align with ARCH's fall funding round. In order to initiate an RFP, staff recommend the following funding priorities, and criteria, and process.

### **Recommended 1590 Funding Priorities**

HB 1590 expands the City's, local affordable housing revenue, but with a focus to meet the critical, diverse housing needs of vulnerable populations, which enhances overall housing stability for the community. In order to fund early identified capital project opportunities that fall under the parameters of HB 1590, staff recommend funding priorities based on feedback from stakeholder engagement, an analysis of the housing need in Bellevue, and community need. Funding priorities allow staff to review proposals with Bellevue-specific considerations. Staff seeks direction to issue an RFP that prioritizes projects that support the following:

- Address and prevent homelessness and housing instability
- Households earning 0-30 percent AMI

- Vulnerable, underserved populations in Bellevue, that allows broad eligibility flexibility to meet all populations as outlined in 1590 (i.e., homeless families and individuals, individuals with disabilities, etc.)

These priority recommendations help to address Bellevue-specific needs and are consistent with the requirements of RCW 82.14.530.

#### RFP Criteria

The implementation of the City's HB 1590 program requires an ability to have effective preferences that allows staff to allocate resources appropriately when reviewing proposals submitted during the RFP process. Preferences are outlined below and based on identified City priorities, HB 1590 interest statement, and stakeholder discussions.

- **Cost** - Financial feasibility and/or cost effectiveness
- **Agency Capacity** - Capacity of the applicant team to develop and operate the project
- **Leveraging** - Leverage of multiple and/or non-City funding sources
- **Housing Model** - Demonstrated success of diverse housing models that create long-term housing stability for the proposed population(s) as specified in RCW
- **Citywide Approach** - Geographic distribution of housing opportunities across Bellevue
- **Project Readiness** - Ability to deploy funds quickly and respond with urgency to the current housing crisis
- **Partnerships** - Demonstration of committed partnership and collaboration with other entities to develop and operate projects
- **City Planning** - Meet critical needs and gaps as identified in City planning documents
- **Equity** - projects that serve underserved populations and address the disproportionate impacts of homelessness and housing instability on communities of color

#### RFP Review Process

For the City's HB 1590 capital RFP review process, staff recommends using ARCH's Housing Trust Fund funding round elements of scheduling, application, review process, contracting and monitoring, and reporting, but with the modifications discussed below. The modifications to ARCH's existing funding round creates a new, Bellevue capital RFP process that is specific to the HB 1590 program. Additionally, using this modified ARCH funding round allows the City to leverage existing staff program and process expertise, and provides a streamlined process for applicants. Below is an outline of the City's HB 1590 capital RFP review process, which includes the modifications needed to evaluate and recommend Bellevue-specific affordable housing capital projects:

1. **Schedule** – The City will work with ARCH to publish an RFP advertising available capital funds at the same time as the annual ARCH Trust Fund notice, which advertises additional funding available for East King County projects.
2. **Application** – The RFP will utilize the same Combined Funders Application form that is used for ARCH Housing Trust Fund applications. In addition, the RFP will include information on a supplemental application that developers and operators will need to complete specific to the City's HB 1590 capital program. This supplemental application will describe how the proposal meets the funding priorities as approved by Council, as well as meet the parameters of RCW 82.14.530, including eligibility requirements for the AMI levels and populations.

3. **Review Process** – Much of the HB 1590 review process utilizes the same elements of ARCH's fall Housing Trust Fund funding round. However, the following modifications will be made to support review of the City's HB 1590 applications:
  - a. An interdepartmental staff team with experience in affordable housing, supportive services, and housing-related services will review and discuss the applications, with technical analysis support from ARCH staff.
  - b. After the interdepartmental staff team has come to consensus on potential funding recommendations, this recommendation will be reviewed and approved by City leadership.
  - c. Bellevue City Council will review and approve the funding recommendation submitted by City leadership. This process will happen concurrently, with Council reviewing and approving funding recommendations from the fall ARCH Housing Trust Fund application round.
4. **Contracting and Monitoring** – These processes will remain the same and reside with ARCH as the administering body.
5. **Reporting** – As part of this process, staff would report to Council on a biannual basis regarding the HB 1590 process and provide funding updates regarding applications through the Affordable Housing Strategy Update. During the reporting process, Council may review funding priorities and consider how new opportunities related to affordable housing may be incorporated into the application process.

### **Next Steps**

In September, staff is planning to provide Council with the final 1590 program recommendations that take into account the interplay between housing and services. This interplay is innovative in meeting the critical diverse housing needs in our community and enhancing housing stability for our most vulnerable residents. As staff continue to build the long-term 1590 process that takes both funding types into account, it is important to receive direction during tonight's study session, so staff is able to incorporate feedback from this round into the long-term process.

## **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 the 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 from HB 1590. Funding for the RFP to fund affordable housing capital or acquisition costs is estimated at \$6 million, or approximately 80 percent of the total HB 1590 funding (some funding is allocated for potential staffing

costs to administer the program). 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 a Request for Proposals (RFP) process to identify affordable housing capital development opportunities to fund with HB 1590 funds. Provide direction on the recommended priorities and criteria to incorporate into the RFP.
2. Provide alternative direction to staff.

### **ATTACHMENTS & AVAILABLE DOCUMENTS**

N/A

### **AVAILABLE IN COUNCIL LIBRARY**

HB 1590 Interest Statement

Consolidated Policies and Needs for the HB 1590 Interest Statement