



KRCC Affordable Housing Taskforce (AHTF) Meeting Agenda

Date/Time: July 18, 2019 from 10:15 am - 12:15 pm

Place: Kitsap Transit, 60 Washington Ave. Bremerton, WA

Meeting Purpose: To discuss funding for affordable housing on a countywide basis.

1. Chair's Welcome (10:15 – 10:20 am)

2. Committee Updates and Action Items (10:20 – 10:45 am)

a. Welcome and Business – 5 min

- Review [AHTF Terminology](#) (standing agenda item)

Packet Pg. 2

- **ACTION:** Approve the draft [May 16, 2019, AHTF Meeting Summary](#)

Packet Pg. 3

b. AHTF Purpose – 5 min

- Review the [updated AHTF charter with a draft purpose statement](#)

Packet Pg. 8

c. KRCC Staff Report Out – 15 min

- Answer to AHTF question regarding the connection between emergency declarations for affordable housing and inclusionary zoning

- For reference: [Affordable Housing Developer Outreach Summary](#) based on the May 16 AHTF meeting

Packet Pg. 10

- Answer to the AHTF question about affordable housing tools for *new* affordable housing versus *preserving* existing affordable housing using a draft [Kitsap Affordable Housing Conceptual Framework](#).

Packet Pg. 13

- For reference only: [Affordable Housing Strategies from Bloomington, MN](#)

Packet Pg. 14

- **MOTION:** Recommend to the KRCC Executive Board to adopt a resolution that each jurisdiction may use its discretion to implement tools to preserve and/or build new affordable housing.

d. New Business (10:45 – 11:45 am)

a. Education and Dialogue: HB 1406 – 50 mins

- Review the [Washington State HB 1406 Summary](#) prepared by Kirsten Jewell (Kitsap County) and the [HB 1406 Overview by the Association for Washington Cities](#) (AWC).

Packet Pg. 15

- Discussion of HB 1406 with Carl Schroeder (AWC)

Packet Pg. 17

- Review [City of Poulsbo Resolution in support of HB 1406](#).

Packet Pg. 19

- Local ballot initiatives related to affordable housing

- Discuss methods of disbursing potential HB 1406 funds.

- **MOTION:** Recommend to the KRCC Executive Board to adopt a resolution to implement HB 1406 on a countywide basis.

b. Education and Dialogue: Coordinated Grant Program – 10 min

- For reference: [Kitsap Coordinated Grant Program](#) (web link)

4. Administrative Agenda (11:45 am – 11:55 am)

- The next meeting is tentatively scheduled for 9/19/2019, at Kitsap Transit. – 5 min
- AHTF priorities for last scheduled meeting in September – 5 min

5. Wrap Up (11:55 am – 12:05 pm)

- Review action items and decisions – 10 min

6. Public Comments (12:05 – 12:15 pm)

- Comment from Tom Pinkham regarding research
- Other public comments

7. Adjourn

DEFINING AFFORDABILITY



What does affordability really mean? What makes a house affordable, and why? What does it really cost to live in Washington today?

The Housing Needs Assessment describes factors that determine whether or not housing is affordable, to whom it is affordable and what places are more affordable than others.

Income Bands

A number of terms are used consistently throughout this report to refer to specific housing concepts.

- » **Housing costs:** Homeownership costs include mortgage principal and interest, taxes, insurance and utilities. Rental costs include rent and utilities.
- » **Affordability:** Housing is affordable if a household pays 30 percent or less of their income for all housing costs.
- » **Median family income:** Incomes published by HUD for states, counties and large urban areas that are adjusted for household size. For Washington in 2012, this number was \$72,900 per year for a four-person household.
- » **Area median income:** Some analyses use the median income for a given geographic area as a reference point. This income is not adjusted for household size like the median family income, and so is usually a smaller number.
- » **Extremely low-income:** 30% or less of the median family income.
- » **Very low-income:** 30% to 50% of the median family income.
- » **Low-income:** 50% to 80% of the median family income. “Low-income” can also be used as a catch-all term for any household making 80 percent or less of the median family income.
- » **Moderate-income:** 80% to 100% of the median family income.
- » **Poverty:** The federal poverty threshold for a family of four in 2012 was \$23,050 per year. This was about 32 percent of Washington’s median family income.
- » **Cost burden:** HUD defines any household paying more than 30 percent of household income on housing expenses as “cost-burdened.” For example, a household earning \$100,000 per year but spending more than \$30,000 for housing is cost-burdened.
- » **Severe cost burden:** Any household paying more than 50 percent of household income on housing expenses.

For more information about income in Washington and the median incomes for each county, see [Appendix C](#) and the [Housing Need Geographic Profiles](#).



Kitsap Regional Coordinating Council

Kitsap Regional Coordinating Council (KRCC) Affordable Housing Taskforce (AHTF) Meeting Summary

May 16, 2019, | 10:15 AM – 12:15 PM Kitsap Transit, 60 Washington Ave. Bremerton, WA,
3rd Floor Conference Room
v.7-9-19

Actions	Who?	Status
Update the March 21 AHTF meeting summary and post the summary on the KRCC website	KRCC staff	Complete
Update the KRCC AHFT meeting plan	KRCC staff	Ongoing
Distribute information about Washington State HB 1406 prior to the July 18 meeting	KRCC staff	Ongoing
Revisit the affordable housing policy tools matrix and differentiate between tools that could be used for “new” affordable housing and tools that could be used to “preserve” existing affordable housing	KRCC staff	Ongoing
Distribute a digital version of the 2019 Legislative Session Guide prepared by Kirsten Jewell	KRCC staff	Complete

1. WELCOME AND BUSINESS

Chair Erickson welcomed participants to the meeting (see Attachment A: Affordable Housing Taskforce Members in Attendance, and Attachment B: Members of the Public in Attendance). AHTF members and members of the public introduced themselves.

Chair Erickson reminded meeting participants that there is a running list of future agenda items that have come up in previous meetings. The list of items includes research about the use of surplus public land for affordable housing and research about current public expenditures to fund affordable housing in Kitsap County. Chair Erickson commented that affordable housing terminology will be a standing agenda item for every meeting as reference material.

The AHTF members reviewed and approved the March 21 AHTF meeting summary with edits regarding the list of attendees from the March 21 meeting.

2. REVIEW OF AFFORDABLE HOUSING HOMEWORK FROM THE MARCH 21 MEETING

Chair Erickson led the review of the affordable housing policy tools. At the end of the March 21 meeting, each of the jurisdictions and Kitsap County were asked to complete the affordable housing policy tools matrix. KRCC staff handed out printed versions of the completed matrices.



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Each jurisdiction shared what was learned while working to complete the affordable housing policy tools matrix. AHTF members discussed what could be implemented on a countywide basis and noted which of the policy tools are currently not working. AHTF members summarized actions that could be taken on a countywide basis into three categories: Policy Actions, Lobbying, and Resources. These actions are captured in the table below.

Policy Actions	Lobbying	Resources (new funding and land)
<ul style="list-style-type: none">• Inclusionary zoning• Tax exemptions such as the Multi-family Tax Exemption (MFTE)• Rental assistance• Countywide staff capacity in organizations to do the work needed for affordable housing• Consolidate annual contribution contract (Section 8 Housing Vouchers)	<ul style="list-style-type: none">• Lobby the Washington State Housing Finance Commission• Private Activity Bond Cap	<ul style="list-style-type: none">• Predevelopment funds• Local housing fund• Ask that a specific percentage of general fund dollars be committed to affordable housing, and at a specific income band• Community land trusts• Sales tax revenue via HB 1406• Rent subsidies• Nonprofit partnerships• Bonding• Housing Trust Fund dollars for workforce housing at the 30-50% Area Median Income (AMI) income band

AHTF members recommended that each jurisdiction implement affordable housing policy tools in a way that is specific to the jurisdiction, rather than on a Countywide basis. Additionally, AHTF members discussed the importance of targeting policy tools to specific income bands and recommended focusing on workforce housing which accounts for incomes in the 30-50% Area Median Income (AMI) income band.

Chair Erickson noted that the Puget Sound Regional Council (PSRC) will be also collecting data regarding affordable housing policies. PSRC will refer to the affordable housing policy tools matrices completed by AHTF members.

3. EDUCATION AND DIALOGUE: AFFORDABLE HOUSING PANEL

To help guide the discussion about affordable housing, the Chair Erickson invited six housing experts to be panelists. Members of the panel included (alphabetical by last name):

- Robert Contreras, Kitsap County Association of Realtors
- Phedra Elliot, Housing Resources Bainbridge
- Stuart Grogan, Housing Kitsap
- Bonnie Tufts, Kitsap County Department of Human Services
- Heather Wegan, Community Frameworks



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- Kurt Wiest, Bremerton Housing Authority

Chair Erickson asked the panelists to explain what one action they would take to improve affordable housing in Kitsap County. In response to the questions, panelists offered suggestions and solutions regarding the following topics in **bold**.

- **Funding:** Several panelists mentioned the importance of securing a local and renewable source of funding for affordable housing.
- **Availability of Land:** Each of the panelists suggested that the availability of land is a driving factor in building and maintaining affordable housing.
- **Policy:** Several panelists mentioned the importance of having multiple policy tools, rather than one solution. Panelists also mentioned the importance of MFTE, incentivizing affordable units, and removing barriers for accessory dwelling units (ADUs).
- **Non-profits:** Several panelists mentioned the limited capacity of local non-profits as a barrier to developing new affordable housing.
- **Language:** One panelist suggested that the use of the term “affordable housing” can be a deterrent for development because of the implications associated with the term.
- **Income Band:** One panelist suggested focusing on building more workforce housing, which is housing that targets the 30-50% AMI income band.

AHTF members discussed solutions with members of the panel that could improve affordable housing on a Countywide basis. AHTF members and the panelists emphasized that the two primary factors driving affordable housing were land capacity and funding for affordable housing. Following the discussion, AHTF members recommended actions to take on a Countywide basis including learning more about potential funding from HB 1406 and focusing affordable housing efforts on workforce housing at the 30-50% Area Median Income (AMI) income band.

4. PUBLIC COMMENTS

Roger Gay stated he was disappointed there was no representation from Kitsap County at the meeting. Roger also suggested there needed to be more accountability to the public for how affordable housing money is raised and spent.

Tom Pinkham stated that forgiving development fees could be helpful in the development of new projects.

5. TASK FORCE QUESTIONS, CONCERNS, AND ANNOUNCEMENTS

There were no additional comments at the end of the meeting.

6. ADJOURN

The meeting adjourned at 12:15 p.m.



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ATTACHMENT A – AHTF MEMBERS IN ATTENDANCE (NOTE – MEMBERS IN ATTENDANCE ARE ARRANGED IN ALPHABETICAL ORDER BY JURISDICTION)

Board Member	Jurisdiction	In Attendance?
Medina, Kol	City of Bainbridge Island	✓
Tirman, Matthew	City of Bainbridge Island	✓
Daug, Leslie	City of Bremerton	✓
Wheeler, Greg	City of Bremerton	✓
Ashby, Bek	City of Port Orchard	✓
Put aansuu, Rob	City of Port Orchard	---
Rosapepe, Jay	City of Port Orchard	---
Erickson, Becky	City of Poulsbo	✓
Musgrove, David	City of Poulsbo	✓
Stern, Ed	City of Poulsbo	---
Garrido, Charlotte	Kitsap County	---
Wolfe, Ed	Kitsap County	---
Clauson, John	Kitsap Transit	✓
Gustafson, Ellen	Kitsap Transit	✓
Schrader, Alan	Naval Base Kitsap	---
Wall, Lynn	Naval Base Kitsap	---
Placentia, Chris	Port Gamble S'Klallam Tribe	---
Sullivan, Jeromy	Port Gamble S'Klallam Tribe	---
Bozeman, Cary	Port of Bremerton	---
Strakeljahn, Axel	Port of Bremerton	✓
Mills, Luther “Jay”	Suquamish Tribe	✓



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ATTACHMENT B – MEMBERS OF THE PUBLIC (NOTE – MEMBERS OF THE PUBLIC ARE ARRANGED IN ALPHABETICAL ORDER BY AFFILIATION).

Name	Affiliation
Non-Members	
Kurt Wiest	Bremerton Housing Authority
Ed Stern	City of Poulsbo
Heather Wegan	Community Frameworks
Tom Pinkham	Developer/Builder
Stuart Grogran	Housing Kitsap
Phedra Elliot	Housing Resources Bainbridge
Kirsten Jewell	Kitsap County
Bonnie Tufts	Kitsap County
Doug Washburn	Kitsap County
Shannon Bauman	Kitsap County
Robert Contreras	Kitsap County Association of Realtors
Roger Gay	South Kitsap Taxpayer
KRCC Facilitation Team	
Sophie Glass	KRCC Land Use and Transportation Program Manager
Kizz Prusia	KRCC Land Use Coordination Lead



Kitsap Regional Coordinating Council

Kitsap Regional Coordinating Council Affordable Housing Taskforce Charter

Draft v. 7-4-19

Background

In 2019, the Kitsap Regional Coordinating Council (KRCC) convened an Ad-Hoc Affordable Housing Taskforce (Taskforce) to address housing affordability issues across Kitsap County.

Objectives

The objectives of the Taskforce were clarified during the May 16, 2019 meeting and are as follows:

- Preserve existing affordable housing for workforce, between 30-50% Area Median Income (AMI); and
- Build new affordable housing for workforce, between 30-50% AMI through policy tools specific to each jurisdiction.

Membership

Each of the following KRCC jurisdictions selects two people to serve on the Taskforce:

- City of Bainbridge Island
- City of Bremerton
- City of Port Orchard
- City of Poulsbo
- Kitsap County
- Kitsap Transit
- Port Gamble S'Klallam Tribe
- Port of Bremerton
- Naval Base Kitsap
- Suquamish Tribe

Roles and Responsibilities of the Taskforce Members:

- Work cooperatively to accomplish the objectives of this process and acknowledge that all participants bring with them legitimate purposes, goals, concerns and interests, whether or not they are in agreement with them.
- Focus on the subject at hand, share discussion time, avoid interrupting, respect time constraints, keep reactions and responses from being personal, and avoid side conversations.
- Keep their affiliated agency informed of the progress of the discussions and seek advice and comments.

Decision-Making Guidelines

The Taskforce is an ad-hoc committee of the KRCC Board. Therefore, the Taskforce is not an independent decision-making body and instead will make recommendations to the KRCC Board as a whole.

Meetings

- It is anticipated there will be five Taskforce meetings in 2019, which will take place in January, March, May, July, and September.
- Meetings are expected to occur at Kitsap Transit's office in Bremerton.
- Meetings will be two hours in duration.
- Meeting materials will be distributed five calendar days in advance of meetings.
- Meeting materials will be posted on the KRCC website.
- Meetings are open to the public and there will be a public comment opportunity at the end of each meeting.

Media

The Taskforce will adhere to KRCC's general media policy, outlined in its [Policies and Procedures Manual](#):

The KRCC Program Director is responsible for responding to media requests. After receiving a media request, the Program Director will immediately alert the KRCC Executive Committee. If necessary, the Program Director will convey to the KRCC Board the information provided to the media. If a reporter directly approaches a member of the Taskforce, this member would speak on behalf of his or her own jurisdiction but not on behalf of KRCC.

Affordable Housing Developers Outreach Summary

Purpose: The purpose of this document is to provide a summary of the outreach conducted by Kitsap County staff with rental housing developers, and feedback from Community Frameworks staff. The summary is intended to help the Kitsap Regional Coordinating Council's (KRCC) Affordable Housing Taskforce's (AHTF) members learn about the barriers to building new rental housing.

Background: Potential barriers to building affordable housing in Kitsap County were presented during the May 16, 2019 panel discussion. Members of the panel also explained reasons why nonprofit developers have not been developing new affordable rental units in Kitsap County, and not been applying for HOME/CDBG grants to assist in developing new units.

Summary: Several common themes emerged between the outreach and what was shared at the May 16, 2019. The themes are summarized below.

Factors that make an area or jurisdiction *desirable* for building new rental housing?

1. Policies and land use regulatory environment that supports affordable housing development, including multifamily development and a predictable and transparent planning & permitting process;
2. Strong demand for rental housing;
3. Availability of project-based vouchers;
4. Availability of land that is affordable (or public/surplus) and can accommodate the number of units needed to make the project viable financially;
5. Flexibility in unit type, not too restrictive or prescriptive in size or layout of units or other requirements such as parking;
6. Cooperative City staff that work as partners with affordable housing developers;
7. Appropriate incentives such as the multifamily tax exemption (MFTE) that encourage development in exchange for the public good of including affordable rental units.

Factors that make an area or jurisdiction *undesirable* for building new rental housing?

1. Lack of sufficient funding to finance projects;
2. The high cost of land and lack of properly zoned property;
3. Unclear and long permitting processes, restrictive zoning and expensive fees;
4. High construction costs;
5. Lack of regulatory incentives for affordable housing (i.e. priority permit processing, fee waivers, reduction in parking standards);
6. Insufficient public transportation to link housing projects with community services;
7. Lack of permanent operating subsidy (i.e. Project-based Section 8 vouchers) to provide the ongoing subsidy for new projects.

Reasons Kitsap County is not seeing more affordable rental housing development?

1. **Lack of Tools to promote affordable housing development** - Kitsap County lacks some of the tools otherwise available in other counties in the region (property tax levy to support housing, fee waivers, bond guarantees, for instance).

2. **Insufficient financial resources** - The cost of land, cost of labor, and cost to build affordable housing has accelerated to the point that the currently available financial resources are insufficient.
3. **Lack of suitable sites** - Harder to find sites or building locations that address desirable attributes like proximity to transit, good infrastructure, services, walkability, etc.
4. **Parking requirements** – The current requirements for parking for affordable housing units creates significant additional cost due to the need for additional (expensive) land.
5. **Low rents that can't support project debt** - Rents in Kitsap County though seemingly high, relative to some urban markets (Snohomish & King) are low to moderate. Higher rents support more debt, making the projects easier. Especially when rents are restricted to meet funding requirements (HUD, Tax Credits, USDA RD) it means that the ability for developer/sponsors to raise loan sources as a part of the funding “Stack” is somewhat limited.
6. **Difficult planning/permitting process** - In some jurisdictions the planning and permitting process is long and difficult, adding to the overall cost of the project.
7. **Lack of permanent operating subsidy** - Kitsap County lacks the additional permanent operating subsidy (i.e. Project-based Section 8 Vouchers) to provide the on-going support needed to keep rents low enough for households with incomes below 50% area median income
8. **Gap in Non-profit organization capacity** – Kitsap County could support an existing non-profit or help create a new non-profit with sufficient capacity to develop affordable housing in the County.
9. **Alignment of Funding to Support Projects** – Kitsap County could also align funding to encourage rental housing development by making the process more predictable and making larger more meaningful investments. For example, the County could package HOME, CDBG, and 2060 funds for a target project type.

Reasons nonprofit developers have not been applying for HOME/CDBG for new rental housing units in Kitsap?

1. **Decline in rental housing development** - There is an overall lack of development for the reasons summarized above, so there has been a decline in requests for funding.
2. **Not enough money** – there are a lot of requirements for not a lot of money. Projects require a “stack” of funding sources. CDBG/HOME is typically a very small amount compared to other resources and it has many federal requirements that make it less desirable.
3. **Capacity of Local Non-profits** - Our local non-profits are housing providers and not exclusively housing developers which impact their capacity to take on the risk of new development. Developers have a business model designed to mitigate the risk associated with large scale new development.
4. **Prohibitive cost of land** – the increasing cost of land is a big barrier to making it attractive to develop in Kitsap cities and UGAs. Government jurisdictions in other counties have partnered with affordable housing developers to identify land and offset the cost; this has not happened in Kitsap yet.

What are the main barriers to affordable housing in Kitsap County?

1. The lack of non-profit capacity for affordable housing development. Most of the non-profits doing multifamily housing are narrow in their focus, either geographically or in terms of population/service goals.
2. There are limited local resources available and those resources are not strategically made available to attract multifamily development.
3. The shortage of operating subsidies outside of the City of Bremerton. It is very difficult to develop housing for households under 30% of AMI without operating subsidies and Housing Kitsap has little capacity to project-base Section 8 vouchers.

What can be done to overcome these barriers?

1. Support either an existing non-profit to increase its capacity for multifamily development, or work with community leaders to create a new non-profit that will focus on providing affordable rental housing. This could be done with HOME CHDO capacity building funding.
2. Strategically align resources (surplus property, HOME, CDBG, and other funding) to meet affordable housing goals. Make sure the applications processes work together and are timed to leverage state and low-income housing tax credit financing.
3. Make sure the local priorities are consistent with the state priorities so that projects are likely to be successful in both competitions. Know that most outside funding sources want to know that the local jurisdiction has already invested in the project.
4. Operating subsidies are the hardest obstacle to overcome. Kitsap County could work with Housing Kitsap on a coordinated process to allocate any available Section 8s.
5. Kitsap County could use document recording fee funding for operating subsidies and award alongside capital funding. Kitsap County could work with sponsors to cross subsidize units under 30% of AMI by working with sponsors so they have less debt repayment.

Draft Affordable Housing Framework

Purpose: The purpose of this document is to help the Kitsap Regional Coordinating Council's (KRCC) Affordable Housing Taskforce's (AHTF) members discern what affordable housing tools can be used to **preserve** existing affordable housing, and what affordable housing tools can be used to build **new** affordable housing in their respective jurisdictions. The framework is intended to be an **informational tool** for individual Kitsap jurisdictions to use at their discretion.

Background: The objectives of the Affordable Housing Taskforce were clarified during the May 16, 2019 meeting and are as follows:

- **Preserve**¹ existing affordable housing for Kitsap's workforce, between 30-50% Area Median Income (AMI); and
- **Create new**² affordable housing for Kitsap's workforce, between 30-50% AMI through policy tools specific to each jurisdiction.

During the May 16, 2019 meeting, it was emphasized that the two primary factors driving affordable housing were land and money. Following the May 16 meeting, KRCC staff created the following conceptual framework to combine the driving factors (land and money) with the AHTF's goals (preserve affordable housing and create new affordable housing). The examples of policy tools were selected based on AHTF conversations about which tools have been effective in (or would likely be effective in) certain Kitsap jurisdictions.

Affordable Housing Framework		
	<i>Preserve existing affordable housing</i>	<i>Create new affordable housing</i>
Land for Affordable Housing	Policy tool example: Community Land Trusts	Policy tool example: Density Bonuses
Funding for Affordable Housing	Policy tool example: Rent Subsidies, local housing fund	Policy tool example: Tax Exemptions, local housing fund

¹ Preservation refers to strategies that can be used to preserve naturally occurring affordable housing.

² Creation refers to strategies that can be used to replace/create more affordable housing.

Affordable Housing Strategies

Creation and Naturally Occurring Affordable Housing (NOAH) preservation

Preservation:
Strategies to preserve naturally occurring affordable housing

- 1. Identify NOAH properties**
2. Help buyers purchase (single family)
- 3. Help buyers purchase (multi-dwelling)**
4. Breaking down silos (within City departments)
- 5. Advanced Notice of Sale**
6. Right of First Refusal (ROFR)
7. Tax credit preference for NOAH
8. Create a repository of best practices
- 9. Tenants Remedy Act (TRA)**
- 10. Preserve manufactured housing (create a zoning district for manufactured housing)**
- 11. Utilize HRA and Greater Minnesota Housing Fund (GMHF) NOAH funds**
- 12. 90 Day Transition Ordinance (post-sale)**

Preservation:
What incentives can be provided as a “socially responsible” alternative business model for affordable housing?

- 1. Incentives to address landlord concerns**
2. Alternative requirement with buy-out option (for new or rehabilitated developments)
3. Establish rehab financing fund for NOAH properties.
4. Property tax and rent subsidies (4d)
- 5. Education and outreach (awareness of need for affordable/ workforce housing and reduce NIMBYism)**
6. Financial incentives for existing workforce housing
- 7. Leverage our network of non-profit and social service organizations**

Bold listings are focus area strategies.

Preservation:
How can we limit exclusionary rental practices and mitigate harm of displacement?

- 1. Adopt a Fair Housing Policy**
2. Standardized (rental application) screening criteria
3. Revised eligibility for human/social services
4. Right of First Refusal (ROFR) strategy/policy
- 5. Ordinance requiring renting to Section 8 tenant with owner incentives.**
- 6. Ordinance requiring just cause to evict tenant**
7. Create additional/deepen existing prevention funding streams to support non-profit work around affordable housing
8. Relocation benefits ordinance
9. Establish locally funded damage claim process

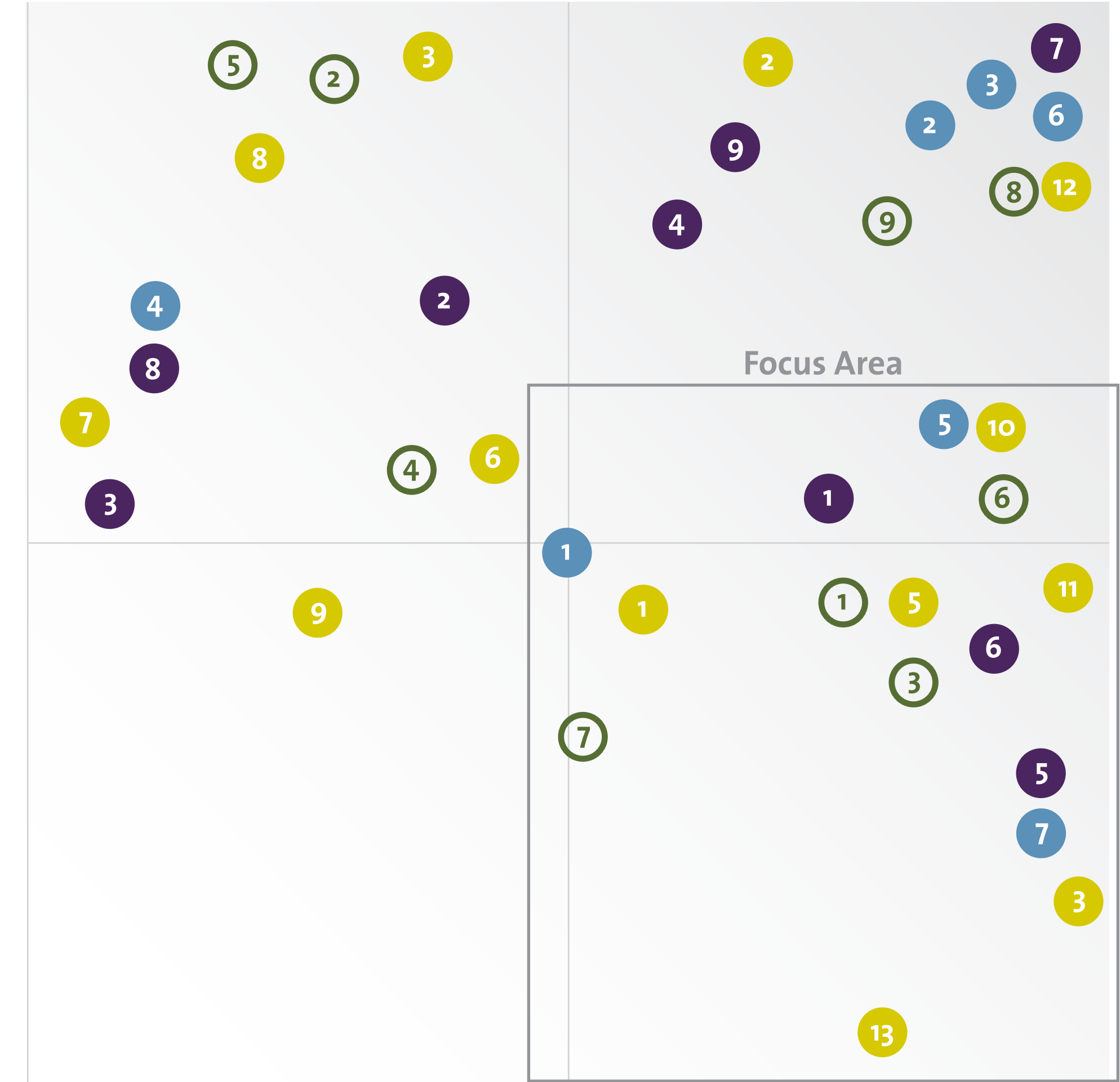
Creation:
What strategies can we use to replace/create more affordable housing?

- 1. Re-evaluate zoning requirements & restrictions**
2. Preserve single-family homes for home ownership affordability
- 3. Adopt an inclusionary housing policy**
4. Establish a workforce housing development fund via new commercial development
5. Locate affordable housing near living wage jobs
- 6. Payment in Lieu of Taxes (PILOT)**
- 7. State Legislative strategies**
8. Increase supply of affordable senior housing
9. Land trust and other affordable home ownership opportunities

H

Resources (dollars, staff time, capacity)

L



City influence

H

HB 1406 Legislation Summary

Kitsap County Human Services 6/24/19

Contacts: Kirsten Jewell 360.337.7286 or Doug Washburn 360.337.4526



Summary

HB 1460 adds a new section to RCW Chapter 82.14. It authorizes local governments to retain a portion of sales tax collected in their jurisdiction for the purpose of creating affordable housing. The taxes authorized under this act are subtracted from the sales and use taxes already levied and is not a tax increase. The effective date of the bill is 7/28/19.

Definitions

- “Participating city” / “participating county” is a jurisdiction that imposes the sales and use tax under this legislation. To be participating a jurisdiction must, by a simple majority of the enacting legislative authority do both of these things:
 - 1) By 1/28/20 pass a “resolution of intent” to adopt legislation to authorize the maximum capacity of the tax; AND
 - 2) By 7/28/20 pass legislation to authorize the maximum capacity of the tax.If a jurisdiction does not adopt both the “resolution of intent” and “legislation to authorize” by the deadlines, it permanently loses the authority to do so.
- “Nonparticipating city” / “nonparticipating county” is a jurisdiction that does not pass the “resolution of intent” and legislation to impose the sales and use tax under this legislation.
- “Qualifying Local Tax” (QLT) means one of the following tax sources, if the tax source is instated by no later than 12 months after the effective date of the legislation:
 - the affordable housing levy authorized under RCW 84.52.105;
 - the levy authorized under RCW 84.55.050 if used solely for affordable housing;
 - the sales and use tax for housing and related services authorized under RCW 82.14.530 if the city has imposed the tax at a minimum or least half of the authorized rate; or
 - the sales tax for chemical dependency and mental health treatment services or therapeutic courts authorized under RCW 82.14.460 imposed by a city.

Uses of Funds

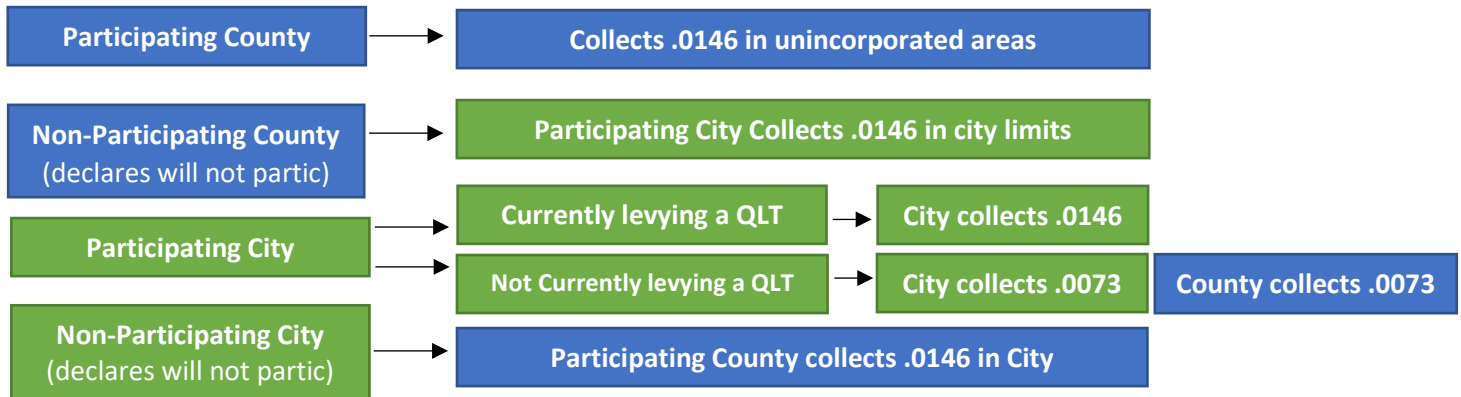
- Allowable uses of funds:
 - Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services under RCW 71.24.385; or
 - Funding operations and maintenance costs of new units of affordable or supportive housing.
 - Counties with a population under 400,000 and cities with a population under 100,000 may also use the funds for providing rental assistance to tenants.
- There is no specific provision for funding to administer these funds.
- Housing and services provided through this funding may only be provided to persons whose income is at or below 60% of the median income of the county or city.
- The Department of Revenue requires 30 days’ notice and that the jurisdiction begins retaining the tax on the 1st day of a month.
- Ability of counties and cities to retain the sales tax expires 20 years after the implementation date.
- Cities and counties retaining the tax may issue general obligation or revenue bonds and pledge those taxes to bond payments.
- Department of Revenue will be issuing some additional information on implementation in the next few months.

County and City Shares

A total of .0146% of the collected sales tax is the maximum that can be retained. Either by a city or county claiming the whole amount (.0146%), or by the city and county each claiming half (.0073%).

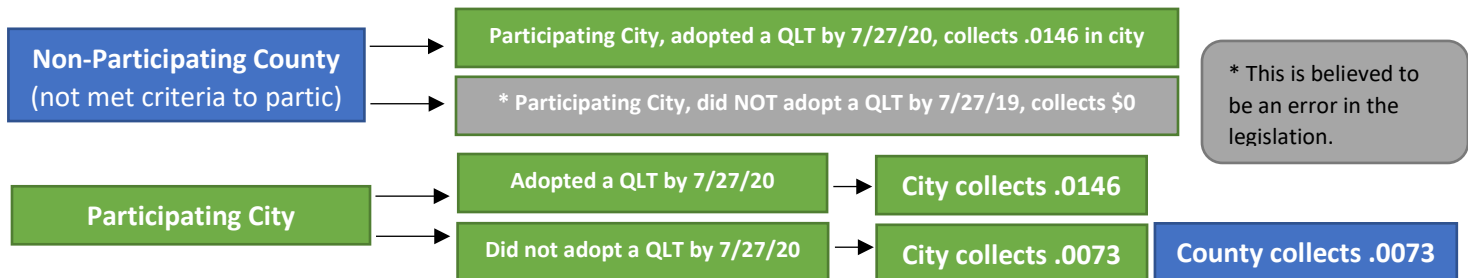
A county and city may enter into an interlocal agreement with other local government or public housing authority to pool the tax receipts and pledge those taxes to bonds.

For the first year (7/28/19 – 7/27/20)



After the first year (7/28/20 - onward)

The same as above, except as noted below:



Reporting requirements

A county or city imposing the tax must report annually to the Department of Commerce on the collection and use of the revenue. Commerce must submit an annual report to the legislature on the use of the funds. Commerce must adopt rules about the reporting requirements by 12/1/19.

Funds Available

By 12/31/19, or within 30 days of a county or city authorizing the tax, whichever is later, the Department of Revenue (DoR) must calculate the maximum amount of the tax distributions for each county and city authorizing the tax, based on SFY2019 taxable retail sales (*note: this amount is fixed and is not adjusted each year*). Any tax collected in excess of the maximum calculated amount goes to the State General Fund. Taxes are collected by DoR and remitted to each participating county and city.

Note: Kitsap County <i>projection</i> based on 5/18 -4/19 tax data. Department of Revenue is responsible for final calculations for each County and City authorizing the tax based on SFY 2019 taxable retail sales.		What-if 0.0146%	What-if 0.0073%
	Bainbridge Island	86,956	43,478
	Bremerton	157,010	78,505
	Kitsap County	359,906	179,953
	Port Orchard	89,039	44,520
	Poulsbo	73,273	36,637
	Total	766,185	383,092

Tax credit rate examples

Max tax credit rate under HB 1406	City with qualifying local tax	City without qualifying local tax	City doesn't levy a tax credit, county does participate	County doesn't participate, city participates but doesn't have a qualifying tax.*
City	0.0146%	0.0073%	0.0%	July 2020: 0.0%
County	0.0%	0.0073%	0.0146%	0.0%

*We believe that this was an error in bill drafting. Please let us know if you are in this situation. We can work to address it in future legislative sessions.

Eligible uses of the funds:

1. Projects must serve those at or below 60% AML.
2. Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services. In addition to investing in traditional subsidized housing projects, this authority could potentially be used to provide for land acquisition, down payment assistance, and home repair so long as recipients meet the income guidelines.
3. Funding the operations and maintenance costs of new units of affordable or supportive housing.
4. For cities with a population under 100,000, the funds can also be used for rental assistance to tenants.

Additional timelines to keep in mind:

1. Department of Revenue (DOR) requires 30-days-notice of adoption of sales tax credits. The credit will then take effect on the first day of the month following the 30-day period.
2. If your city is adopting a "qualifying local tax", DOR requires 75-days-notice of adoption of sales tax increases. Local sales tax increases may only take effect on the first day of the first, second, or third quarter – not the fourth (April 1, July 1, or October 1).
3. If your city is adopting a "qualifying local tax" remember to factor in the ballot measure process into the timeline, as these must be approved by the voters.
4. If you are intending to bond the revenues for a project under this authority, check with your legal counsel and bond counsel about other deadlines that may apply to your city.

Frequently asked questions:

1. **This program sounds very familiar. Didn't a local option, affordable housing sales tax law pass a few years ago?** Yes, but the new law has important differences. The Legislature passed HB 2263 in 2015 that authorized cities and towns to levy up to a 0.1% sales tax for affordable housing—

but, importantly, only after voter approval. This sales tax levy is considered a "qualifying local tax" under HB 1406. Another important distinction is that the affordable housing sales tax from 2015 is an additional tax on the consumer, and not a credit on an existing state-imposed tax.

2. **Do we have to levy a "qualifying local tax" to participate?** No. Your city is still eligible to participate in the program, but your tax credit rate will depend on whether the county participates in the program. See *Tax credit rate examples* chart to the left.
3. **Do we only have access to the program if the county declines to participate?** No. A city can participate, and receive funds, even if the county participates. Unfortunately, if your city does not impose a "qualifying local tax" by the deadline and your county declines to participate, then you will not have access to funds after the first year, due to a drafting error in the bill. We don't anticipate this scenario to occur, but please let us know if you find yourself in that situation. We will work with the Legislature to address it if this proves problematic. In all cases you must meet the program deadlines to participate. See *Deadlines to participate*.
4. **Does it make a difference at all if our county participates?** Only if you have not adopted a "qualifying local tax." If you have adopted a "qualifying local tax" you can access the higher credit rate regardless of county participation. If you don't have a "qualifying local tax" then you can only access the higher rate if the county does not participate.
5. **How is "rental assistance" defined? Does that include rent vouchers?** The term "rental assistance" is not defined in the chapter 82.14 RCW; however, both federal and state housing programs use the term "rental assistance" to mean providing rent, security deposits, or utility payment assistance to tenants.
6. **Can we pool our revenue with another entity? Can we issue bonds or use the money to repay bonds?** Yes! Cities can enter into an interlocal agreement with other local governments or a public housing authority to pool tax receipts, pledge tax collections to bonds, allocating collected taxes to authorized affordable housing expenditures, or other agreements authorized under chapter 39.34 RCW. Cities may also use the tax credit revenue to issue or repay bonds in order to carry out the projects authorized under the new law.
7. **Is the amount of tax credit we receive limited only by the amount of sales tax collected per year?** No. The maximum amount will be based on state fiscal year 2019 sales.
8. **Does the tax credit program expire?** Yes, the tax expires 20 years after the date on which the tax is first levied.



Implementing HB 1406

2019

Don't miss out on up to 20 years of shared revenue for affordable housing

In the 2019 legislative session, the state approved a local revenue sharing program for local governments by providing up to a 0.0146% local sales and use tax credited against the state sales tax for housing investments, available in increments of 0.0073%, depending on the imposition of other local taxes and whether your county also takes advantage. The tax credit is in place for up to 20 years and can be used for acquiring, rehabilitating, or constructing affordable housing; operations and maintenance of new affordable or supportive housing facilities; and, for smaller cities, rental assistance. The funding must be spent on projects that serve persons whose income is at or below sixty percent of the area median income. Cities can also issue bonds to finance the authorized projects.

This local sales tax authority is a credit against the state sales tax, so it does not increase the sales tax for the consumer. There are tight timelines that must be met to access this funding source – the first is January 31, 2020 to pass a resolution of intent. The tax ordinance must then be adopted by July 27, 2020 to qualify for a credit.

The following information is intended to assist your city in evaluating its options and timelines. It is not intended as legal advice. Check with your city's legal counsel and/or bond counsel for specific questions on project uses and deadlines for implementation.

Deadlines to participate:

- Resolution to levy tax credit: July 28, 2019 – January 31, 2020
- Ordinance to levy the tax credit: By July 27, 2020
- Adopt "qualifying local tax" (optional): By July 31, 2020

Eligibility to receive shared revenues

- The state is splitting the shared resources between cities and counties. However, cities can receive both shares if they have adopted a "qualifying local tax" by July 31, 2020. Qualifying taxes are detailed below. Cities who are levying a "qualifying local tax" by July 28, 2019, the effective date of the new law, will receive both shares immediately once they impose the new sales tax credit.
- If a city does not implement a qualifying local tax by the deadline, they can still participate in the program if they meet the other deadlines but will be eligible for a lower credit rate.
- A city can adopt the sales tax credit before designating how the funds will be used once collected.

Qualifying local taxes

The following are considered "qualifying local taxes" and, if levied, give the city access to both shares of the tax credit (i.e. 0.0146% rate instead of the single share rate of 0.0073%):

- Affordable housing levy (property tax) under RCW 84.52.105
- Sales and use tax for housing and related services under RCW 82.14.530. The city must have adopted at least half of the authorized maximum rate of 0.001%.
- Sales tax for chemical dependency and mental health (optional .1 MIDD) under RCW 82.14.460
- Levy (property tax) authorized under RCW 84.55.050, if used solely for affordable housing

Think of the "qualifying local tax" as a multiplier or "doubler." It gives the city access to double the tax credit even when the county chooses to participate in the program.

Contact:

Carl Schroeder
Government Relations Advocate
carls@awcnet.org

Shannon McClelland
Legislative & Policy Analyst
shannonm@awcnet.org



Association of Washington Cities • 1076 Franklin St SE, Olympia, WA 98501 • 1.800.562.8981 • wacities.org

06/20/19

Contact:

Carl Schroeder
Government Relations Advocate
carls@awcnet.org

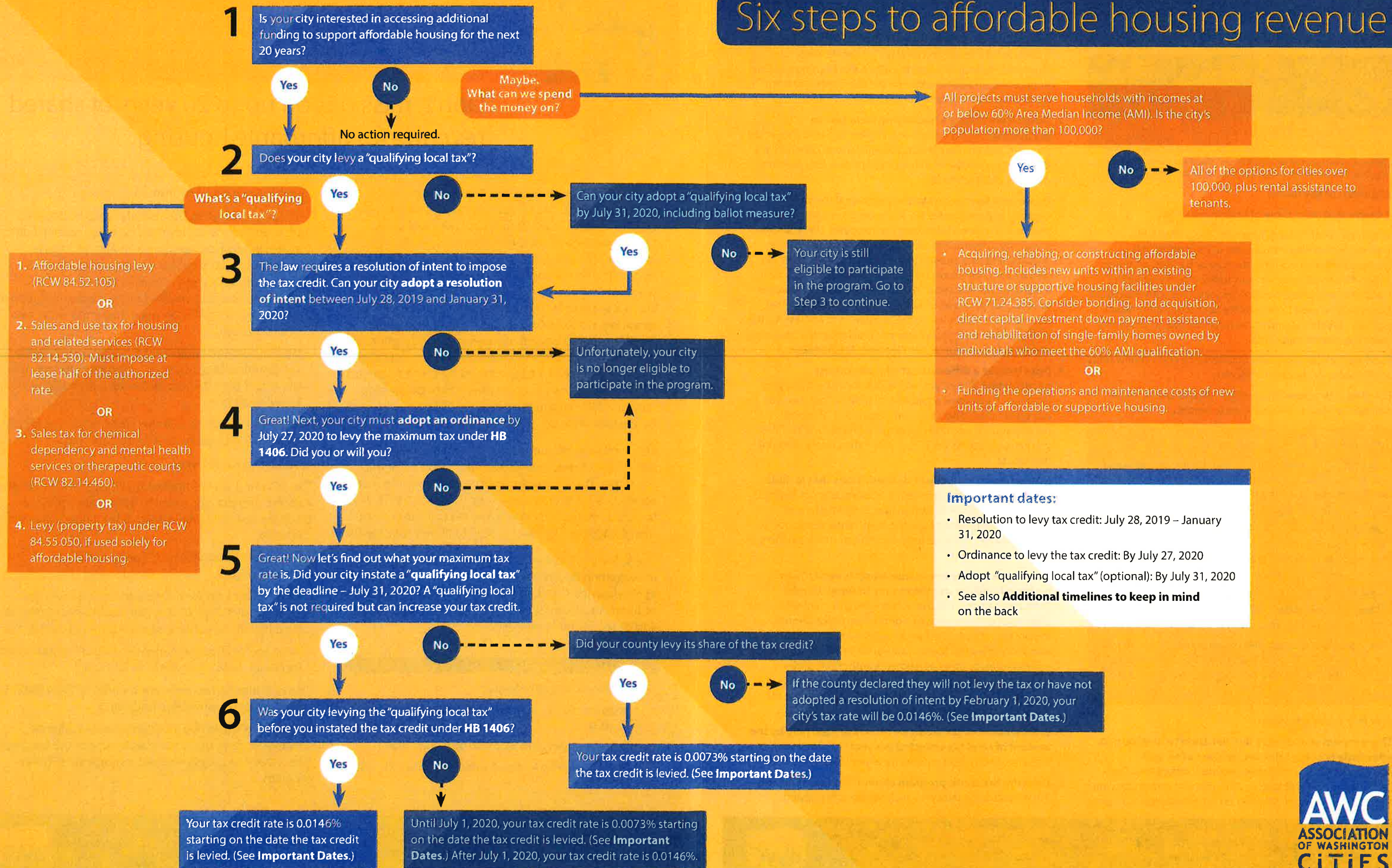
Shannon McClelland
Legislative & Policy Analyst
shannonm@awcnet.org



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06/20/19

Six steps to affordable housing revenue



RESOLUTION NO. 2019 -

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON DECLARING THE INTENT OF THE CITY OF POULSBO TO ADOPT LEGISLATION TO AUTHORIZE A SALES AND USE TAX FOR AFFORDABLE AND SUPPORTIVE HOUSING IN ACCORDANCE WITH SUBSTITUTE HOUSE BILL 1406 (CHAPTER 338, LAWS OF 2019), AND OTHER MATTERS RELATED THERETO.

WHEREAS, in the 2019 Regular Session, the Washington State Legislature approved, and the Governor signed, Substitute House Bill 1406 (Chapter 338, Laws of 2019) (“SHB 1406”); and

WHEREAS, SHB 1406 authorizes the governing body of a city or county to impose a local sales and use tax for the acquisition, construction or rehabilitation of affordable housing or facilities providing supportive housing, and for the operations and maintenance costs of affordable or supportive housing, for providing rental assistance to tenants; and

WHEREAS, the tax will be credited against state sales taxes collected within the City of Poulsbo and, therefore, will not result in higher sales and use taxes within the City of Poulsbo and will represent an additional source of funding to address housing needs in the City of Poulsbo; and

WHEREAS, the tax must be used to assist persons whose income is at or below sixty percent of the City of Poulsbo median income; and

WHEREAS, the City of Poulsbo has a need to provide affordable housing or facilities providing and for the operations and maintenance costs of affordable or supportive housing and provide rental assistance to tenants and has determined that imposing the sales and use tax to address this need will benefit its citizens; and

WHEREAS, in order for a city or county to impose the tax, within six months of the effective date of SHB 1406, or January 28, 2020, the governing body must adopt a resolution of intent to authorize the maximum capacity of the tax, and within twelve months of the effective date of SHB 1406, or July 28, 2020, must adopt legislation to authorize the maximum capacity of the tax; and

WHEREAS, this resolution constitutes the resolution of intent required by SHB 1406; and

WHEREAS, the City Council now desires to declare its intent to impose a local sales and use tax as authorized by SHB 1406 as set forth herein;

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF POULSBO, WASHINGTON AS FOLLOWS:

Section 1. Resolution of Intent. The City Council declares its intent to adopt legislation to authorize the maximum capacity of the sales and use tax authorized by SHB 1406 within one year of the effective date of SHB 1406, or by July 28, 2020.

Section 2. Further Authority; Ratification. All City of Poulsbo officials, their agents, and representatives are hereby authorized and directed to undertake all action necessary or desirable from time to time to carry out the terms of, and complete the actions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified.

Section 3. Effective Date. This resolution shall take effect July 10, 2019.

RESOLVED this 10th day of July, 2019.

CITY OF POULSBO, WASHINGTON

Mayor Rebecca Erickson

ATTEST/AUTHENTICATED

City Clerk, Rhiannon Fernandez

FILED WITH THE CITY CLERK:
PASSED BY THE CITY COUNCIL:
EFFECTIVE DATE:
RESOLUTION NO. 2019-__