

HB 1406 and HB 1923 Briefing & ARCH Update



AB 5608 | September 17, 2019

Agenda

1. Briefing and recommended action steps for HB 1406 and HB 1923.
2. ARCH update on program operations and stewardship of the Homeownership Program.

HB 1406

Brief description: Encouraging investments in affordable and supportive housing.

Summary: County and city legislative authorities are authorized to implement a local sales tax to fund affordable or supportive housing. This is offset by a reduction in the state's portion of sales tax, and therefore does not result in an increased tax on consumers.

HB 1406

20-year tax credit: Can be used for:

- Projects serving those at or below 60% area median income.
- Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supportive housing services.
- Funding the operations and maintenance costs of new units of affordable or supportive housing.
- For cities with a population under 100,000, the funds can also be used for rental assistance to tenants.

HB 1406

Potential revenue estimate: Mercer Island revenue potential, based on taxable retail sales in 2018, is \$36,318.

Taxable retail sales (2019 FY) \times 0.0073% = Maximum collection amount

Tight timeline for action: Cities must adopt:

- A resolution of intent to implement the tax credit by January 28, 2020 and
- An ordinance implementing legislation by July 28, 2020.

HB 1406

Recommended next steps:

City Council concurrently pass a resolution of intent and adopt an ordinance to authorize a sales and use tax for affordable and supportive housing in accordance with HB 1406 and to use the collected tax to supplement the City's contribution to the ARCH Housing Trust Fund.

Staff will return with the resolution and ordinance at the October 15 meeting.

HB 1923

Brief description: Increasing urban residential building capacity.

Summary: Encourages all cities planning under the GMA to:

Option 1. Adopt actions to either increase residential building capacity, or

Option 2. Develop a Housing Action Plan to encourage construction of housing to meet the needs of people at all income levels.

HB 1923

Option 1: Cities must take two or more actions in order to increase residential building capacity.

Analysis: The requirements of most of the activities are too onerous or not consistent with the direction Mercer Island is taking in accommodating growth (focusing most growth in the Town Center while seeking to protect single-family neighborhoods).

Option 2: Create a Housing Action Plan (HAP).

Analysis: A HAP may provide opportunities for the City to address necessary planning associated with the 2023 major Comprehensive Plan update and additional regional growth expectations.

HB 1923

Grant opportunity:

- \$5 million in grant assistance is available to encourage local cities (20,000+ pop.) to receive up to \$100,000.
- Applications are due September 30 and awarded October 30.
- If awarded a grant, the City's Housing Action Plan would need to be adopted by June 2021

HB 1923

Alternatives:

1. Apply for a HB 1923 grant to create a Housing Action Plan
 - Q4 2019: budget adjustment to hire a consultant
 - 2020 through Q2 2021: draft and adopt a Housing Action Plan / community engagement strategy
 - Modify 2020 CPD workplan (currently): sign code update, small cells, 2020 Comp Plan amendments, 2017 RDS report
2. Abandon HB 1923 grant application
 - Major Comp Plan update starting in 2021 / 2022, housing action plan together with other work

ARCH Update

- News reports beginning in October 2018 identified compliance concerns in the ARCH Homeownership Program
- ARCH audited the ~700 units in the program, identified 3 types of compliance issues
 - Foreclosures
 - Non-owner occupancy
 - Sales or transfers without proper notification
- ARCH conducted follow-up investigations on 50+ units - identified compliance violations in 25 units (3.6% of the total portfolio)

ARCH Update

Consultant Report

- In February 2019 ARCH hired Street Level Advisors
- Additional support for audit of ownership units
 - Analyzed data on current status of ARCH homes to identify compliance issues
- Program assessment of Homeownership Program:
 - Compiled data on affordable pricing and current resale formula values for each home to understand ARCH's performance in maintaining affordability and growing equity for homeowners
 - Administered assessment of industry best practices for affordable homeownership programs
 - Summarized key findings and recommended changes in policies and procedures to strengthen the Homeownership Program

ARCH Update

Consultant Report

- Report released in June 2019
- Program Assessment findings:
 - The program has succeeded in providing affordable homeownership opportunities while also preserving significant affordability over time
 - Some affordability has been lost due to rising home prices and the intricacies of resale formulas; some units have also been lost due to foreclosure
 - Compliance violations represent a small % of units; ARCH is already implementing more than half of the industry best practices
 - The program has grown substantially and there is now a need for additional capacity and more active monitoring and enforcement
 - Staffing levels have not kept pace with program growth; more staffing is needed to avoid additional compliance violations and to ensure the growing number of units are preserved and used for their intended purpose

ARCH Update

ARCH Action Steps

- Enforcement- working with individual jurisdictions' legal counsels
 - Majority of homeowners working to sell to new qualified buyers – 8 homes sold and 3 are listed/pending
- Increasing staff capacity by 2 FTE
 - 1 to support homeownership program, 1 to support rental housing program
 - Adds capacity for monitoring and enforcement as well as supporting long-term affordability preservation and targeting marketing to ensure homes are sold to qualified buyers within 60 days.
- Hiring consultant to recommend changes to the ARCH resale formula and level of resale fees
- Convening a working group of attorneys to improve legal documents to better position jurisdictions to ensure program objectives are met

ARCH Update

Next Steps

- Executive Board recommendations for the 2020 Work Plan and Administrative Budget
 - Make permanent the 2 additional staff positions
 - No additional consultant resources at this time
- Mercer Island's contribution to the 2020 Administrative Budget to increase \$50,222 (~ \$17,000 increase)
 - CPD staff will bring this budget amendment and the 2020 Work Plan and Administrative Budget back for Council approval later in the fall

Questions?