

ACTION: Utilize non-cash subsidies, such as credit enhancements and city bonding (B2)

Proposed Action(s):

Expanding resources available for affordable housing. In addition to use of voter-approved housing levy funding, many cities are exploring use of general public debt and credit capacity. While voter-approved levies increase tax receipts for use in affordable housing efforts, this action utilizes existing resources and/or future tax revenues.

Application:

The City of Bellevue could authorize use of its existing debt capacity to increase resources for affordable housing. The City could pursue one or more of the following actions:

- Utilize some of its non-voter approved debt capacity to issue bonds for housing efforts. Repayment on the debt would be paid by city tax revenues or could look to some level of repayment from the projects being financed. Housing would, in effect, be treated like a Capital Improvement Program (CIP) component within the City budget.
- Instead of bonding to generate funding for affordable housing projects, the City could elect to just provide a guarantee. Local partners and federal community development financial institutions (CDFIs) could select projects, underwrite them and provide funding. The City could function as a guarantor in order to facilitate financing by others. The guarantee would be subject to specific financial conditions and, depending on financial performance of projects funded, may not be used. The advantage to the City is that the guarantee might not be used if the project succeeds so actual funds may never be required.
- Work with its investment /financial advisors to evaluate use of “idle” funds as an **investment** source for housing bonds issued by other entities. Other entities could issue “privately-placed” debt to be purchased by the City. If the City were to elect to receive a lower/” below-market” interest rate on bonds then that rate cost of financing could be used to assist housing efforts.

The City could utilize existing partnerships with King County Housing Authority (KCHA) and ARCH to expand their efforts in Bellevue. Funding could expand ARCH’s Housing Trust Fund effort and/or assist KCHA with its preservation efforts to purchase existing private affordable housing to ensure it remains permanently affordable. The City could direct funds to other efforts which increase affordable housing in Bellevue. A key component to this action is that the City would fund the costs of this source of funding and provide those funds at no or low cost to projects.

Policy Evaluation:

- **Legal considerations. To be confirmed. In general affordable housing (<80% AMI) is considered part of assisting the “poor and infirm” as a public purpose. If the City could directly consider a levy – it could likely use its other tax revenues for that same purpose.**

ACTION: Utilize non-cash subsidies, such as credit enhancements and city bonding (B2)

- **Consistency with Council guiding principles for affordable housing strategy** This action is primarily related to at least 4 Council principles:
 1. **Recognize that the City has a sizeable affordable housing problem and we are committed to addressing our local challenges and become a regional leader in the affordable housing effort.**
 3. **Focus on Action.** This effort will build from the strong policy base already in place in the Comprehensive Plan, and be action-oriented, advancing additional tools and strategies that will produce effective results.
 4. **Establish ambitious goals.** While the affordable housing challenge is daunting, this effort will establish ambitious goals to address local need.
 7. **Consider a full suite of tools.** In order to make a significant change the city will consider a full range of action strategies and possible partnerships to achieve our affordable housing goals.

Depending on how the funds are structured they would also support Council Principle #5 (Build upon ongoing tools while strengthening partnerships with relevant organizations) and Principle #6 (Leverage resources).

- **Coordination with existing programs (e.g. ARCH) and other proposed actions.** Housing funds could be used to support existing programs, including the ARCH housing fund, major home repair, and KCHA's housing preservation/acquisition efforts. Funds could also be used to support other non-profit and supportive services to produce and preserve affordable housing.
- **Administrative ease. Increased housing funding may not** require additional staffing resources to administer funds and coordinate with partner organizations. Increasing the funding available to prospective partners does not automatically increase administrative costs. However, any additional administrative costs can be funded by the resource. For example, the 2016 Seattle Housing Levy budgets 9% for administration.
- **Fiscal considerations.** This action must fit under the aggregate levy rate limitation. The transportation and fire levies passed in November 2016 bring the current expense and voted property tax rates to about \$1.15, still below the limit of \$3.10. This increases overall indebtedness for the City of Bellevue but appears to be within current limits. Depending on programs supported the funds could seek all or some repayment to minimize the impact of the City budget. However it should be recognized that depending on affordability target (i.e. 30% AMI – 80% AMI) the project may have limited abilities to repay debt.

Support/Opposition:

- **Public support**
Bellevue voters approved two levies in 2016: a fire facility levy (\$0.125 per \$1,000 of AV) and a transportation levy (\$0.150 per \$1,000 of AV). In the community survey for the

ACTION: Utilize non-cash subsidies, such as credit enhancements and city bonding (B2)

Human Services Needs Update 2015, 68% of survey respondents rated lack of affordable housing as the number one community problem compared to 51% in 2013. In the 2015 business survey all business sectors rated Bellevue low on affordable housing options with workforce housing being the primary challenge. Similarly, in a non-scientific online survey in August 2016, 57% of respondents indicated their support for increasing city funding to acquire and preserve existing affordable housing and 54% of respondents supported increasing city funding to partners that provide affordable housing.

▪ **Stakeholder support**

In other communities, housing advocates have reached out to a wide variety of stakeholders to gain support. These groups include non-profit housing and supportive service providers, faith-based organizations, land developers, housing advocates, local residents, and the business community.

Effective Practices Research:

Property tax levies are typically used to expand resources for affordable housing. There are few examples of cities utilizing their existing debt capacity. In the 2017 Budget for the City of Seattle – Councilmembers reprogrammed \$29 million within their Capital Improvement Program (CIP) – to expand resources for housing. Repayment of the debt will come from existing tax revenues but there may be a repayment source as fund uses are identified. Funds might be used for one or more of the following:

- New Home & Hope program with Enterprise Community Partners;
- Permanent take-out financing for projects;
- Permanent financing for acquisition/preservation projects;
- Funding for multi-family tenant ownership efforts;
- Funding for preservation of home ownership efforts.

Productivity Potential:

Total Capacity – Potential Number of affordable units	100-500 units <i>Assumes \$30 million levy would leverage additional sources (3:1) and be applied to a cost per unit in the range of Seattle and Portland levies.</i>
Timing – When would majority of units be realized within next 10 years (0-5, 5-10, >10)?	5-10 years, >10 years
Income affordability level and for what length of time	<60% of AMI <30% of AMI Length of time: 50 years
Estimated cost per unit	\$95,000-\$200,000 per unit, depending on how levy funds are used. <i>Seattle 2016 levy: \$95,000 per unit Portland 2016 levy: \$200,000 per unit.</i>

ACTION: Utilize non-cash subsidies, such as credit enhancements and city bonding (B2)

Who pays?	Public (city commercial and residential tax payers)
-----------	---

DRAFT