

ACTION: Affordable Housing Property Tax Levy (B8)

Proposed Action(s):

RCW 84.52.105 allows a county, city, or town to impose additional regular property tax levy of up to \$0.50 per \$1,000 of assessed value of property in each year for up to ten consecutive years to finance affordable housing for low-income households. In Washington State, only the voters in Seattle and Bellingham have authorized housing levies.

The City of Bellevue voters could vote to authorize up to 50 cents per \$1000 dollars of assessed value to be paid by commercial and residential properties. The city has enough capacity under its aggregate levy rate limit to impose the full amount if it chose to. Hypothetically, a \$0.10 voted levy rate for seven years could raise \$30 million. This would equate to \$60 a year for the median home (valued at \$600,000 in Bellevue in 2016).

Application:

The housing levy is a source of funds; the city would need to decide how the money should be spent. Limited experience with other cities using housing levies suggests that most levy funds are used to support the production and preservation of rental housing for low-income households. Housing levy funding is typically used as source of leverage to bring additional resources to bear on qualified projects. Additional activities could include: homelessness prevention, operation and maintenance support for existing affordable facilities, and homeownership assistance. Housing levy funds have typically been targeted at supporting affordable housing at lower affordability levels (which is harder to do with market-based tools).

Policy Evaluation:

- **Legal considerations.** A housing levy is enabled under RCW 84.52.105. It would require a public vote and passage by a simple majority of voters.
- **Consistency with Council guiding principles for affordable housing strategy** This action is primarily related to 5 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 levy is structured and what the funds are used for, a housing levy would also support Council Principle #5 (Build upon ongoing tools while

ACTION: Affordable Housing Property Tax Levy (B8)

strengthening partnerships with relevant organizations) and Principle #6 (Leverage resources).

- **Coordination with existing programs (e.g. ARCH) and other proposed actions.** Housing levy 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.** A housing levy may require additional staffing resources to administer funds and coordinate with partner organizations. Additional administrative costs can be funded by the levy. The 2016 Seattle Housing Levy budgets 9% for administration.
- **Fiscal considerations.** A housing levy 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 would be an added tax for Bellevue taxpayers.

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 August 2016 community survey on affordable housing, 57% of respondents indicated their support for increasing city funding to acquire and preserve existing affordable housing. 54% of respondents support increasing city funding to partners that provide affordable housing.
- **Stakeholder support**
In other communities, housing levy 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 can provide a reliable and flexible source of funding for affordable housing. The target population is typically 60% AMI and below, and levies are often used to support households earning 30% AMI and below.¹ Only two cities in Washington have implemented housing levies.

- **Seattle** housing levies, passed in 1986, 1995, 2002, 2009 and 2016, have created over 12,500 affordable apartments, provided emergency rental assistance to 6,500 households, and assisted 800 families to purchase their first homes.² The 2016 levy will generate \$290 million over 7 years with the goal of producing and preserving 2,150

¹ Housing Development Consortium Toolkit, 2016

² <http://www.underoneroofseattle.com/>, accessed 11/7/16

ACTION: Affordable Housing Property Tax Levy (B8)

affordable apartments.³ At least 60% of funds will be spent on housing for people below 30% of AMI. The levy also includes funding for operations and maintenance of levy-funded buildings, homelessness prevention services, and homeownership assistance programs. At a rate of about \$0.25 per \$1,000 of assessed value, it costs the average Seattle homeowner approximately \$122/year.⁴ A Housing Levy Oversight Committee monitors the program and the Administrative & Financial plan guides distribution of levy funds and is reviewed, revised, and adopted by City Council every 2 years.⁵

- **Bellingham’s** levy, passed in 2012, imposes a \$0.36 per \$1,000 of assessed property value and is projected to generate \$21 million over seven years. “Two-thirds of housing levy dollars are reserved for housing people at or below 50% AMI and the remaining third for people above 50% AMI and below 80% AMI. It is overseen by a Community Development Advisory Board and funds are administered by the Planning and Community Development Department.”⁶
- In November 2016, voters in **Portland, OR** approved a \$258 million property tax housing levy to build or preserve 1,300 affordable rental units (600 at 30% or less AMI and 700 units at 60% AMI or less).⁷ The 20-year bond measure will increase property taxes by \$0.42 per \$1,000 of assessed property value.⁸

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.

³ The \$290 million is separated into 3 areas: Rental preservation & production for 2,150 units; reinvestment in 350 affordable units; and Operating and maintenance for 510 affordable units. Source:

http://www.seattle.gov/Documents/Departments/Housing/Footer%20Pages/2016HousingLevy_FactSheet.pdf, accessed 11/16/16

⁴ <http://www.seattletimes.com/seattle-news/politics/seattle-voters-to-decide-290-million-housing-levy/>

⁵ <http://www.seattle.gov/housing/levy/>

⁶ Ibid, p.65

⁷ <http://portlandtribune.com/pt/9-news/272794-148357-city-exploring-new-taxes-on-demolition-developers-to-fund-affordable-housing->

⁸ http://www.oregonlive.com/portland/index.ssf/2016/06/portland_tax_would_pay_for_130.html

ACTION: Affordable Housing Property Tax Levy (B8)

	<i>Seattle 2016 levy: \$95,000 per unit Portland 2016 levy: \$200,000 per unit.</i>
Who pays?	Public (city commercial and residential tax payers)

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