



**Legislative Department
Seattle City Council
Memorandum**

Date: June 10, 2009

To: Richard J. McIver, Chair
Tim Burgess
Sally Clark
Richard Conlin
Jan Drago
Jean Godden
Bruce Harrell
Nick Licata
Tom Rasmussen
Housing Levy Renewal - Committee of the Whole (COW)

From: Ketil Freeman and Traci Ratzliff, Council Central Staff

Subject: Final Decision Agenda for Housing Levy Renewal COW

Introduction

This memo includes the final decision agenda scheduled for discussion and vote at the next Housing Levy Committee of the Whole (COW). The decision agenda includes policy options that have emerged from discussions at prior Housing Levy COWs, and discussions with Councilmembers regarding desired changes to the Mayor's Proposed Housing Levy Bill. It is expected that final votes will be taken on the remaining issues at the June 11th COW. Staff will then prepare a substitute levy ordinance and exhibit and a companion resolution reflecting the votes taken at this Levy COW that would then be presented for Full Council vote on either June 15th or June 22nd. A draft companion resolution is attached.

A. Levy Size and Duration

The Mayor proposes a housing levy renewal proposition of \$145 million over seven years. The Levy Renewal Steering Committee recommended a \$167 million renewal proposition over seven years. An inflation adjusted seven year renewal of the 2002 levy would be approximately \$107 million. At the May 18th meeting, the Committee agreed on a seven year time period for the levy. A chart is attached to this decision agenda that details changes to tax rates, cost to homeowners, and approximate effect on program production under multiple levy scenarios including those listed below.

1. Levy Size

- a. Should the Council submit a \$145 million renewal? (Mayor's proposal)
- b. Should the Council submit a \$120 million renewal?

B. Program Areas

Rental Production

This program funds the capital costs of new construction, acquisition and rehabilitation of existing buildings, of all types of rental housing. Housing is located throughout the City and serves eligible residents for a minimum of 50 years.

1. Amount

- a. Should the Council designate \$104 million for rental production? (Mayor's proposal)

2. Income Levels Served¹

- a. What income levels should be served by rental production?
 - 1) At least 55% for up to 30% of median income? (Mayor's proposal)
 - 2) At least 60% for up to 30% of median income? Designate in ordinance or resolution?
 - 3) No more than 10% for 61%-80% of median income? Designate in ordinance or resolution?

3. Priority Populations Served

- a. What priority populations should be served by rental production?
 - 1) Low-income households, including people with disabilities, the elderly, homeless, working families, and families with children (Mayor's proposal)?
 - 2) Modify language as follows to emphasize assisting low-income working families :“Low-income households, including people with disabilities, the elderly, homeless, working families, and families with children with emphasis on funding housing for low-income working families.” Designate in ordinance or resolution?

Operations and Maintenance (O & M) Program

This program provides operating support for rental housing that serves households below 30% of median income -- primarily homeless individuals and families.

1. Amount

- a. Should the Council designate \$14.4 million, serving approximately 220 units, for operations and maintenance? (Mayor's proposal)
- b. Should the Council designate \$13.4 million, serving approximately 220 units, for operations and maintenance with the \$1 million in savings going into the Rental Production and Preservation Program? The lower funding amount results from a reduction in the per unit subsidy from \$2300 to \$2150 in the 2010 base year with inflationary adjustments in each subsequent levy year.

¹ United States Department of Housing and Urban Development income guidelines for Seattle can be found behind Tab 2. For a one-person household, income limits are:

- \$17,700 for 30% of median income,
- \$29,500 for 50% of median income,
- \$35,400 for 60% of median income, and
- \$44,800 for 80% of median income.

Median income for a one-person household is \$59,000.

Acquisition and Opportunity Fund

This program provides loans for the acquisition of land, buildings, or both that may be available for purchase at a lower cost due to the current economic recession. Loans can be for up to five years and must be repaid with interest. The Mayor's proposal requires that loan repayments be deposited into the O & M Program in order for this program to be fully funded. In the event of loan default, the O & M Program would see reduced funding to this program, resulting in either less units funded in the future or shortage of funds to fulfill 20 year funding commitments.

1. Amount

- a. Should the Council designate \$6.5 million for an Acquisition and Opportunity Program and have funding from the O & M Program be used to fund this program? (Mayor's proposal)
- b. Should the Council authorize an Acquisition and Opportunity Program but authorize the Office of Housing to use all levy program funding, including interest earnings, to fund such loans? This is how a similar program operates under the 2002 levy. To ensure that the O & M Program is fully funded, \$6.5 million in funding would be deposited into O & M Program in appropriate annual allocations.

Homebuyer Assistance

This program provides low-interest downpayment assistance loans to first time homebuyers. Assistance is structured as a 30-year deferred loan, simple interest repayable at the end of 30 years or upon sale or refinancing of a home. At the May 18th meeting, the Committee agreed on the amount (\$9.09 million) and income levels to be served (up to 80% of median income) by this program.

1. Length of Affordability

- a. Should the Council establish a policy of supporting terms of affordability of 50 years or more for homebuyer programs? This could entail at least a partial policy orientation towards alternative models, such as land trusts. Designate in ordinance or resolution?

2. Income Levels Served

- a. Should the Council designate in the levy ordinance that 50% of homebuyer assistance funds serve households earning up to 60% of median income and 50% serve households earning up to 80% of median income?

Rental Assistance

This program provides short-term financial help to renter households in Seattle with incomes up to 50% of median income who are homeless or at risk of losing their housing. Financial help can include expenses such as rent and utility payments to prevent eviction, first/last month's rent, and security deposits to enable a family or individual to access housing. At the May 18th meeting, the Committee agreed on the amount (\$4.24 million) for this program.

1. Income Level Served

- a. Should the Council designate in the levy ordinance that the Rental Assistance Program serve households earning up to 50% of median income? (Mayor's Proposal)
- b. Should the Council designate in the levy ordinance that the Rental Assistance Program serve households earning up to 80% of median income? Designate in ordinance or resolution?

C. Levy Oversight Committee

The Levy Oversight Committee monitors the progress of levy programs, makes recommendations on A & F Plans, and reports to the Mayor and Council. The committee consists of 13 voting members including two City employees, one appointed by the Mayor and the other by the Council, and 11 members that are not part of City government, six appointed by the Mayor and five appointed by the Council. Members must disclose conflicts of interest and recuse themselves from votes on matters in which entities they are associated with compete for funds.

1. Oversight Committee Membership

- a. Should the Council clarify in the levy ordinance that no more than 50% of the Oversight Committee membership can come from organizations that "directly benefit" from the Levy and designate this in levy ordinance?

Attachments:

Attachment A – Draft Companion Resolution

Attachment B – Comparison of Levy Alternatives: Tax Rate, Cost, and Production

Attachment A

KF

Low-income Housing Levy Companion Resolution

May 21, 2009

Version #1

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Resolution _____

A RESOLUTION relating to low-income housing, accompanying an ordinance requesting the 2010 low-income housing levy renewal and providing further direction regarding implementation of the programs to be funded by the levy.

WHEREAS, since 1981 Seattle voters have approved 4 ballot measures to provide affordable housing for low-income residents; and

WHEREAS, a household that spends over half of its income on housing is considered to be severely cost burdened; and

WHEREAS, in 2006 there were approximately 20,000 severely cost burdened renter households in Seattle, about 18% of all renter households, the majority of which (about 84%) earned less than 50% of Seattle's median income; and

WHEREAS, in 2006 there were approximately 14,000 severely cost burdened homeowner households in Seattle, about 14% of all homeowner households, the majority of which (about 45%) earned less than 50% of Seattle's median income; and

WHEREAS, the January 2009 annual one night count of Seattle's homeless found 1,977 unsheltered homeless people in Seattle; and

WHEREAS, the Mayor developed a proposal for a low-income housing ballot measure with the assistance of a Housing Levy Steering Committee; and

WHEREAS, the Mayor proposed and the City Council submitted to the voters a \$145 million, seven year low-income housing levy renewal; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SEATTLE, THAT:

Section 1. 2010 Low-Income Housing Levy. The City Council passed a Council Bill (C.B.)116538 placing a proposition to authorize a seven-year \$145 million low-income housing levy (the "2010 Housing Levy") on the ballot in November 2009. The intended uses of levy funds are described in C.B. 116358. This Resolution directs the Executive to complete certain activities, as outlined below, to assure successful implementation of the programs to be funded by the 2010 Housing Levy, if the ballot measure is approved by the voters.

Attachment A

KF

Low-income Housing Levy Companion Resolution

May 21, 2009

Version #1

1 Section 2. Administrative and Financial Plan. The Office of Housing ("OH"), with the
2 assistance of Council staff, the Department of Finance, the Human Services Department, and
3 other relevant Executive departments, shall develop an Administrative and Financial Plan ("A &
4 F Plan") for the 2010 Housing Levy. OH shall submit the A & F Plan to the City Council's
5 Housing and Economic Development committee, or successor committee, by January 31, 2010
6 for adoption by ordinance. The A & F Plan shall be consistent with the following:
7

8 **(Insert Policy Direction from Council)**

9
10 Adopted by the City Council the ____ day of _____, 2009, and
11 signed by me in open session in authentication of its adoption this
12 ____ day of _____, 2009.

13
14 _____
15 President _____ of the City Council

16 Approved by me this ____ day of _____, 2009.

17 _____
18 Gregory J. Nickels, Mayor

19 Filed by me this ____ day of _____, 2009.

20
21 _____
22 City Clerk

23 (Seal)

Attachment B

7-year Levy Renewal Amount	\$ 167,000,000	\$ 145,000,000	\$ 120,000,000	\$ 107,000,000	\$ 86,000,000
Estimated Effect on Tax Rates					
Annualized	\$ 23,857,143	\$ 20,714,286	\$ 17,142,857	\$ 15,285,714	\$ 12,285,714
Levy Renewal Rate / \$1000 a.v.	\$ 0.20	\$ 0.17	\$ 0.14	\$ 0.13	\$ 0.10
Existing City-generated Property Taxes					
Existing City-generated Property Taxes	\$ 2.63	\$ 2.63	\$ 2.63	\$ 2.63	\$ 2.63
With Levy (1000 a.v.)	\$ 2.83	\$ 2.80	\$ 2.77	\$ 2.76	NA
% Increase Over Existing	7.5%	6.5%	5.4%	4.8%	NA
Existing Property Taxes - Combined City and Other Jurisdictions					
Existing Property Taxes - Combined City and Other Jurisdictions	\$ 8.24	\$ 8.24	\$ 8.24	\$ 8.24	\$ 8.24
% Increase Over Existing	2.4%	2.1%	1.7%	1.5%	NA
Estimated Cost to Homeowner					
Assessed Value (Average)*	\$ 460,000	\$ 460,000	\$ 460,000	\$ 460,000	\$ 460,000
Annual Levy Cost	\$ 91.25	\$ 79.23	\$ 65.57	\$ 58.47	\$ 46.99
Cost / Month	\$ 7.60	\$ 6.60	\$ 5.46	\$ 4.87	\$ 3.92
Assessed Value (Median)*	\$ 379,811	\$ 379,811	\$ 379,811	\$ 379,811	\$ 379,811
Annual Levy Cost	\$ 75.34	\$ 65.42	\$ 54.14	\$ 48.27	\$ 38.80
Cost / Month	\$ 6.28	\$ 5.45	\$ 4.51	\$ 4.02	\$ 3.23
% Increase Over 2002 Levy	94%	69%	40%	24%	0%
Program Funding and Production+					
Homebuyer					
Units	190	180	149	133	107
Total Funding	\$ 9,500,000	\$ 9,090,000	\$ 7,522,759	\$ 6,707,793	\$ 5,391,310
MF Rental Production					
Units	1831	1670	1382	1232	990
Total Funding	\$ 113,950,000	\$ 104,000,000	\$ 86,068,966	\$ 76,744,828	\$ 61,682,759
Operating and Maintenance					
Units	250	220	182	162	130
Total Funding	\$ 15,050,000	\$ 7,900,000	\$ 6,537,931	\$ 5,829,655	\$ 4,685,517
Rental Assistance					
Households Served Annually	825	550	455	406	326
Total Funding	\$ 8,240,000	\$ 4,248,000	\$ 3,515,586	\$ 3,134,731	\$ 2,519,503
Acquisition and Opportunity					
Total Funding	\$ 7,000,000	\$ 6,500,000	\$ 5,379,310	\$ 4,796,552	\$ 3,855,172
Administration					
Total Funding	\$ 13,260,000	\$ 13,262,000	\$ 10,975,448	\$ 9,786,441	\$ 7,865,738
Total	\$ 167,000,000	\$ 145,000,000	\$ 120,000,000	\$ 107,000,000	\$ 86,000,000

	Steering Cmte Recommendation
	Mayor's Proposal
	CPI Adjusted 2002 Levy
	Renewal At Current Rate

* The average assessed value assumes an approximately 12% decrease in average value over the January 1, 2008 average of \$524,775. The median value is similarly reduced although this assumes an even distribution which may not exist.
 + With the exception of the Steering Committee's Recommendation, funding and production are derived by calculating the % change between the Mayor's proposal and a given scenario. Numbers should be treated as approximations only. Actual programmatic allocations would likely change under each scenario.