## STAFF REPORT

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| **Agenda Item:** | 10 | **Name:** | Mary Bourguignon |
| **Proposed No**.: | 2018-B0004 | **Date:** | January 9, 2019 |

**SUBJECT**

Today’s briefing will provide an overview of bond allocation for transit-oriented development (TOD) affordable housing. It will cover both the $87 million approved in 2016 and the additional $100 million approved as part of the 2019-2020 budget.

**SUMMARY**

In 2015, the State Legislature passed the Workforce Housing Bill,[[1]](#footnote-1) which gave King County the ability to bond against future (post-2021) lodging tax revenues for transit-oriented development (TOD) housing affordable to households earning between 30 and 80 percent of area median income.

In response, in 2016, the Executive and Council developed an $87 million TOD bond allocation plan that included geographic requirements for where the bond funds would be spent.[[2]](#footnote-2) To date, $50 million from this 2016 TOD plan has been awarded to specific affordable housing projects, and the remaining $37 million is in the process of being awarded through competitive procurement processes.

Earlier this year, the Executive announced the intention to issue an additional $100 million in lodging tax-backed bonds to support TOD affordable housing. The Council originally asked the Executive to transmit a plan for these new bonds by February 28, 2019,[[3]](#footnote-3) but then, in the process of developing the 2019-2020 biennial budget, worked with the Executive to allocate these new, planned bond funds as follows:

* $40 million to specific TOD affordable housing projects;
* $30 million to be used by the King County Housing Authority (KCHA) for housing preservation and acquisition outside Seattle, following the development of an allocation plan; and
* $30 million to be used for TOD affordable housing throughout the county, following the development of an allocation plan.[[4]](#footnote-4)

**BACKGROUND**

**Lodging Tax Uses.** RCW 67.28.180 authorizes the County to levy a two percent hotel-motel (lodging) tax.[[5]](#footnote-5) The allowed uses for that tax vary over time:

* **From 2013-2015,** all revenues were to be used to retire the debt on the Kingdome, with any additional revenues if the Kingdome debt was retired before the end of 2015 to be dedicated to arts and culture.[[6]](#footnote-6) Because the Kingdome bonds were able to be retired in March 2015, the remaining revenues through the end of 2015 were used to partially back the bonds that funded the Building for Culture program.[[7]](#footnote-7)
* **From 2016-2020,** all revenues are to be dedicated to the football stadium and exhibition center.[[8]](#footnote-8)
* **After January 1, 2021,** revenues are to be allocated as follows:
  + At least 37.5 percent to arts and cultural purposes;
  + At least 37.5 percent to affordable workforce housing within one-half mile of a transit station[[9]](#footnote-9) or for services for homeless youth; and
  + The remainder (up to 25 percent) for capital or operating programs that promote tourism and attract tourists to the county, including arts, heritage, and cultural events.[[10]](#footnote-10)

**Workforce Housing Bill.** In 2015, the Washington State Legislature passed the Workforce Housing Bill,[[11]](#footnote-11) which gives the County the ability to issue bonds without seeking voter approval to help finance workforce housing within half a mile of a transit station.[[12]](#footnote-12) These bonds would be backed by revenues from the affordable housing portion of the hotel/motel (lodging) tax that will become available in 2021. Workforce housing is defined as being affordable for a single person or household with income between 30 and 80 percent of area median income.[[13]](#footnote-13)

**2016 TOD Bond Allocation Plan.** In response to the Workforce Housing Bill, the Executive and Council developed an $87 million bond allocation plan with geographic requirements for where the bond funds would be spent.[[14]](#footnote-14)

To date, $50 million from the 2016 plan has been awarded to specific projects, and $37 million is in the process of being allocated through competitive procurement processes, as shown in Table 1, below:

**Table 1. 2016 TOD Bond Allocation, Funds Awarded to Date**

|  |  |  |  |
| --- | --- | --- | --- |
| **Area** | **Motion 14687 Allocation** | **Funds Awarded  (as of Aug 2018)** | **Funds Remaining (as of Aug 2018)** |
| Seattle | $10.75M | $8.45M | $2.3M |
| South County | $10.75M | $10.7M | $0.05M |
| N/E County | $10.75M | $9.1M | $1.65M |
| I-90 Corridor | $10M | $10M | -- |
| Northgate | $10M | -- | $10M\* |
| South King County | $10M | -- | $10M |
| Bel-Red Corridor | $10M | -- | $10M |
| Seattle S Downtown\*\* | $14.7M | $11.7M | $4M |
| **TOTAL** | **$87M** | **$49.95** | **$37.05** |

Source: Motion 14687, 2018 Annual Report (2018-RPT 1004)

\*An RFP for the Northgate development was issued in September 2018

\*\*Motion 14687 allocated $14.7M for Seattle South Downtown, of which 10 percent of the total bond amount ($8.7M) is to be allocated to Historic South Downtown PDA.

Attachment 1 to this staff report provides a more detailed list of project awards made to date.

**2019-2020 Bond Allocation Plans.** Earlier this year, the Executive announced the intention to issue an additional $100 million in lodging tax-backed bonds to support TOD affordable housing. The Council originally asked the Executive to transmit a plan for these new bonds by February 28, 2019,[[15]](#footnote-15) but then, in the process of developing the 2019-2020 biennial budget, worked with the Executive to allocate these new, planned bond funds as follows:

* **Funding for specific projects.[[16]](#footnote-16)** $40 million was restricted to affordable housing projects located at or in the following:

|  |  |  |
| --- | --- | --- |
|  | Bellweather/Plymouth Housing (Madison/Boylston project, Seattle) | $5 million |
|  | City of Burien (joint redevelopment project) | $3 million |
|  | City of Redmond (redevelopment with Sound Transit, KCHA) | $5 million |
|  | City of Shoreline (Fircrest predevelopment planning) | $0.5 million |
|  | Filipino Community Center (Graham Street project) | $5 million |
|  | Mt. Si Senior Center (Cascade Park Apartments) | $2 million |
|  | North Seattle College | $1.5 million |
|  | Renton Housing Authority (Sunset area redevelopment) | $5 million |
|  | Seattle-Chinatown International District PDA (Pacific Tower North Lot) | $2.5 million |
|  | Shelter America (Vashon Creekside property) | $4 million |
|  | YouthCare/Capitol Hill Housing (Broadway Youth Opportunity Ctr) | $6.5 million |

* **KCHA preservation and acquisition.[[17]](#footnote-17)** $30 million was restricted to preservation and acquisition of workforce affordable housing outside Seattle by KCHA in accordance with a Council-approved TOD preservation and acquisition plan. This plan must include information about:
  + The proposed percentage of the funds to be invested in projects in high opportunity communities, which are defined as communities where households have access to good schools, transportation and economic opportunities to promote upward mobility;
  + The proposed percentage of the funds to be invested in housing preservation to prevent displacement due to increasing rents; and
  + The proposed geographic distribution of projects to ensure that the plan results in a geographically equitable distribution of projects. [[18]](#footnote-18)
* **Geographic allocation.** $30 million was restricted to be used for preservation, acquisition, or development of TOD affordable housing throughout the county, to be awarded through competitive procurement processes, after the development of a Council-approved allocation plan, and with the following geographic distribution: [[19]](#footnote-19)

|  |  |  |
| --- | --- | --- |
|  | City of Seattle | $6 million |
|  | East King County | $8 million |
|  | North King County | $8 million |
|  | South King County | $8 million |

The allocation plan must include:

* + A proposal to prioritize projects near existing or planned light rail station locations, including a description of how geographic equity will be attained;
  + A proposal to prioritize projects for which cities will provide a local match, including, but not limited to, project funding, provision of property at a below-market price, proposed or previously enacted increased zoning density or other amenities; and
  + A timeline for implementing the plan.

**ATTACHMENTS**

1. 2016 TOD Bond Allocation Summary, updated September 2018
2. 2019-2020 Budget Ordinance excerpt with TOD restrictions
3. 2018 Transit-Oriented Development Bond Allocation Annual Report

**INVITED**

* Mark Ellerbrook, Regional Housing and Community Development Manager, Department of Community and Human Services

1. SHB 1223 (Chapter 102, Laws of 2015), RCW 67.28.180 [↑](#footnote-ref-1)
2. Motion 14687 [↑](#footnote-ref-2)
3. Ordinance 18788 [↑](#footnote-ref-3)
4. Ordinance 18835, Section 101, Expenditure Restrictions ER5, ER6, ER7 and Provisos P2, P3 [↑](#footnote-ref-4)
5. RCW 67.28.180(1) [↑](#footnote-ref-5)
6. RCW 67.28.180(3)(b) [↑](#footnote-ref-6)
7. Ordinances 18179, 18180, 18181 [↑](#footnote-ref-7)
8. RCW 67.28.180(3)(c) [↑](#footnote-ref-8)
9. As defined in RCW 9.91.025 [↑](#footnote-ref-9)
10. RCW 67.28.180(3)(d), RCW 67.28.180(3)(h)(ii) [↑](#footnote-ref-10)
11. Substitute House Bill 1223, Enacted as Chapter 102, Laws of Washington 2015 [↑](#footnote-ref-11)
12. As defined in RCW 67.28.180 / RCW 9.91.025 [↑](#footnote-ref-12)
13. RCW 67.28.180(3)(h)(i) [↑](#footnote-ref-13)
14. Motion 14687 [↑](#footnote-ref-14)
15. Ordinance 18788 [↑](#footnote-ref-15)
16. Ordinance 18835, Section 101, Expenditure Restriction ER5 [↑](#footnote-ref-16)
17. Ordinance 18835, Section 101, Expenditure Restriction ER6 and Proviso P2 [↑](#footnote-ref-17)
18. Ordinance 18835, Section 101, Expenditure Restriction ER7 and Proviso P3 [↑](#footnote-ref-18)
19. Ordinance 18835, Section 101, Expenditure Restrictions ER5, ER6, ER7 and Provisos P2, P3 [↑](#footnote-ref-19)