



Department of Commerce

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2011 Affordable Housing Advisory Board Annual Progress Report

Annual update on the *2010-2015 Housing Advisory Plan* (RCW 43.185B.040)

April 2012

Report to the Legislature

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EXECUTIVE SUMMARY

Washington State made progress in providing affordable housing over the past year – despite the lingering effects of the recent recession. This progress is due in large part to cooperation between funding agencies and sources, and housing organizations. Most projects require multiple sources of funds, which have different funding cycles, application processes, target populations and eligibility requirements. The Washington State [Affordable Housing Advisory Board](#) (AHAB) is part of ongoing statewide efforts to improve coordination to reduce the costs of developing affordable housing.

Overview

AHAB advises the Washington State Department of Commerce (Commerce) on housing and housing-related issues. The Governor appoints AHAB members representing a variety of interests related to affordable housing. The Washington State Housing Finance Commission (Housing Finance Commission), Department of Social and Health Services (DSHS), and Commerce are represented on the board by ex officio members.

Commerce and AHAB are required by [RCW 43.185B.040](#) to prepare and update a five-year plan. The purpose of the [2010-2015 Housing Advisory Plan](#) (five-year plan) is to:

- Document the need for affordable housing in the state.
- Examine the extent to which that need is met through public and private sector programs.
- Facilitate planning to meet state affordable housing needs.
- Enable the development of strategies and programs for affordable housing.

Commerce and AHAB are also required to submit this document, an annual progress report, detailing the extent to which the state's affordable housing needs were met during the preceding year, and recommendations for meeting those needs.

This report is an up-to-date summary of the overall progress made on recommendations in the five-year plan, on AHAB 2011 goals, and on other goals contained in the plan. It also highlights some of the many accomplishments of various organizations involved in developing affordable housing. Some of the results span fiscal years because of the timing of funding awards, construction and project completion.

2011 GOALS AND PROGRESS

The five-year plan identified eight important areas of affordable housing, and focused on the issue of improving the quality of life for some of our most vulnerable citizens. It also recognized the importance of housing and its role in supporting a vibrant, healthy economy.

The plan contains more than 90 different strategies related to promoting affordable housing in Washington. The development of last year's progress report brought to light the complexity and breadth of strategies contained in the plan. AHAB recognized further prioritization would be necessary to effectively advise Commerce on housing issues.

AHAB used a series of surveys to determine its top three goals and associated strategies for 2011, which the board formally adopted. There was also consensus that the other goals and strategies contained in the five-year plan were worthwhile and were part of achieving improvements in housing in Washington.

Goal 1: Preserve Existing Affordable Housing

1. Propose strategies for funding the building rehabilitation that will preserve every Housing Trust Fund project.
2. Propose incentives to private owners to preserve currently unsubsidized affordable housing.
3. Adequately fund the asset management function of the Housing Trust Fund.

Goal 2: Increase the Supply and Decrease the Cost of Affordable Housing

1. Maintain a property tax exemption for projects serving households earning less than 50 percent of median income.
2. Begin funding the Housing Trust Fund at \$300 million per biennium.
3. Increase the tools available to Commerce to finance affordable housing development.

Goal 3: Decrease Homelessness

1. Work with the Department of Corrections and DSHS to end practices that discharge individuals from state institutions into homelessness.
2. Integrate services of the mainstream systems within the various state departments to support reductions in homelessness.
3. Explore funding for short-term, shallow-rent subsidies, such as a 90-day rental voucher program.

Progress Toward Preserving Existing Affordable Housing

Maintaining the functionality and affordability of the housing stock is a core goal for AHAB. A recent study by the city of Seattle's Office of Housing found that by the year 2016, one-third of Seattle's affordable rental stock (3,300 units) may require reinvestment in physical assets. Preserving the viability of housing through the life of the structure is a key role in the asset-management function among owners and funders.

Examples of Specific Actions that Preserved Existing Affordable Housing

- The Housing Trust Fund reserved \$3 million of its recent funding round for capital improvements and preservation of the existing housing portfolio.
- Statewide, Commerce funded weatherization for nearly 8,000 units through the American Recovery and Reinvestment Act of 2009 (Recovery Act) weatherization funds. The Recovery Act created 180 full-time jobs and supported an additional 320 jobs.
- Washington surpassed federal Recovery Act weatherization targets, earning early approval for the release of the second half of original Recovery Act funds and an additional \$7 million competitive Recovery Act grant, bringing the total to almost \$67 million.
- The Community Development Block Grant Program (CDBG) for non-entitlement jurisdictions awarded \$500,000 for the rehabilitation and preservation of 33 homes in Whitman County.
- The King County Housing and Community Development Program awarded capital funds to preserve 112 units of affordable housing.
- Snohomish County has rehabilitated 36 owner-occupied units, weatherized 91 owner-occupied homes and made minor repairs on 686 units with an emphasis on serving seniors.
- The Walla Walla Housing Authority made accessibility upgrades to all floors in a facility for tenants at or below 50 percent of area median income (AMI). Thirteen of those units are set aside for individuals with developmental disabilities. A home serving low-income veterans was preserved by replacing the furnace, heat pump and windows.

Progress Toward Increasing the Supply and Decreasing the Cost of Affordable Housing

The supply of affordable housing continues to be a critical goal because the creation of new units has not kept up with the demand. The last Housing Trust Fund application round received approximately \$200 million in requests for a \$50 million allocation, leaving \$150 million in requests unfunded. The last round of Housing Trust Fund awards supported 47 multifamily and home-ownership projects that created 1,647 units of affordable housing.

In order to determine the potential demand for Housing Trust Fund allocations, Commerce asked developers what projects they thought were ready to proceed. The result was a pipeline of projects totaling \$152 million in potential multifamily funding requests. If the Housing Trust Fund could fund all those projects, it could leverage \$607 million in multifamily affordable housing development statewide.

The other component of this goal is reducing the cost of affordable housing. Many of the cost-reduction strategies came from the recommendations of the *2009 Affordable Housing Cost Study*. That study resulted in many improvements, and efforts to implement its recommendations are ongoing. Examples include:

- A combined application for affordable housing among five public funding partners.
- Collaboration between the Housing Finance Commission and the Housing Trust Fund to standardize unit cost policies.
- The elimination of the market study requirement for special-needs and rent-subsidized projects, since those projects generally ensure high occupancy.
- Preference to applications with closer proximity to utilities to reduce infrastructure and site costs.

The Housing Finance Commission developed and began implementing a new Total Development Cost Limit policy for 2012 allocations. The policy will balance cost containment and promote quality development while funding projects that are responsive to the Commission's priorities. Each project is evaluated to determine the project's feasibility and viability, and includes examining the development and operational costs as well as market need and demand.

In 2012, EHB1398 passed the Legislature, creating a new option to help reduce the cost of development where impact fees are applicable. The legislation permits local governments to provide a partial exemption of up to 80 percent of impact fees for low-income housing with no explicit requirement to pay the exempted fees from public funds other than impact fee accounts; or provide a full waiver of impact fees and pay for the exempted fees from public funds other than impact fee accounts.

Examples of Progress Toward Increasing the Supply and Decreasing the Cost of Affordable Housing

- King County funded 453 new units of affordable housing with 161 units targeted for persons with special needs (including persons with disabilities), homeless households and households at risk of homelessness. Of those 453 new units, 255 were designated for households with incomes at or below 30 percent of AMI.
- During 2011, 17 new special needs units opened in Moses Lake for people experiencing mental illness. Three units will be set aside for victims of domestic violence who

experience mental illness. All the units are for households with incomes under 50 percent of AMI.

- In 2011, CDBG awarded \$254,000 to the city of Granger and the Yakima Housing Authority for a 76-bed project. The city of Quincy and Catholic Charities Housing Services used a \$364,167 CDBG grant to fund infrastructure in support of 51 farmworker and low-income units in conjunction with the Housing Trust Fund.
- The 2011 funding from DSHS created a number of critically needed affordable housing projects for people with developmental disabilities. Some of the most notable projects funded in 2011 include:
 - A scattered-site project in Kitsap County providing accessible, affordable and safe housing for 10 extremely low-income individuals with disabilities, who were displaced by the Frances Haddon Morgan Center closure.
 - The acquisition and rehabilitation of a three-bedroom home in Whatcom County providing accessible affordable housing for three extremely low-income individuals with developmental disabilities.
 - A Community Homes project in King County that will provide separate living areas for five low-income individuals with developmental disabilities and a live-in caregiver.
 - Several home ownership projects in Pierce and Spokane counties.

Progress Toward Decreasing Homelessness

Overall funding for affordable housing and homelessness has declined over the past year, when adjusted for population growth and housing inflation. New funding has been invested in narrowly targeted and proven strategies, including short-term rent assistance for people facing imminent homelessness, creation of permanent supportive housing for chronically homeless people and linking homeless housing to other systems.

The new Housing and Essential Needs Program started in November 2011, providing rent assistance to some individuals who received Disability Lifeline, which ended last year. Housing and Essential Needs was created to provide rent assistance to thousands of people who would otherwise be homeless. Program grants have cemented the links between DSHS and local housing providers who are working together to assist people unable to work due to a mental or physical impairment. Housing and Essential Needs also created new partnerships between state and local partners so that limited resources could be maximized to focus assistance toward people at imminent risk of homelessness. DSHS assigned staff in each of its community service offices to serve as liaisons with local Housing and Essential Needs providers to ensure the smooth overall connections between systems, and resolve problems with individual cases in a timely manner.

The economic crisis and associated decline in public funding has precluded the creation of new rental voucher programs. However, lessons learned from the temporary Recovery Act-funded Homelessness Prevention and Rapid Re-Housing Program has been incorporated into updated policies governing existing state-funded rent-assistance funding. These new guidelines emphasize targeting limited rent assistance to people most at risk of becoming homeless, which has proven to be more effective than previous longer-term assistance that was less targeted.

Examples of Progress Toward Decreasing Homelessness

- Snohomish County integrated its services by increasing the coordination between schools, emergency shelters and transitional housing projects to address the educational needs of homeless children.
 - The county's Ending Homelessness Program, along with state pass-through funding, was used to prevent those leaving institutions from becoming homeless. The program partnered with state correctional facilities, hospitals, the county jail, mental health, and substance abuse treatment facilities.
 - The Homelessness Prevention and Rapid Re-Housing Program provided short-term rental assistance to 1,230 persons in 2010 and 2011. During this period, its emergency shelter served 3,167 individuals (2,213 were served through transitional housing and 1,203 by permanent supportive housing).
- Walla Walla County's STAR project (Successful Transition and Reentry) provided emergency shelter rental assistance for those being released from incarceration.
- The Blue Mountain Action Council in Walla Walla opened Lincoln Terrace, a Permanent Support Housing property of two- and three-bedroom units serving 11 families who were previously homeless.
- The King County Consortium continued to work with the regional Committee to End Homelessness in King County to align and coordinate its program with the goals and objectives of the state *Ten-Year Homeless Plan*. It has increasingly moved toward permanent housing with supportive services to reduce homelessness. Some outcomes:
 - 625 households received homelessness prevention services through the King County Housing Stability Program to stabilize them in their permanent housing; 96 percent of the households that received these services were still housed six months later, and 92 percent of households contacted were still housed 12 months after receiving service.
 - 700 permanent supportive housing units were provided to homeless households with a history of mental illness, substance abuse or AIDS through the Shelter Plus-Care Program.
 - 853 households received access to permanent housing through rental assistance or housing support services with local funds.
 - 218,021 unit-nights of emergency shelter were provided to homeless households, who were safe and sheltered from the elements.

- 106,439 unit-nights of transitional housing were provided to increase the housing stability of homeless households.
- Spokane County funded permanent housing for people re-entering the community after incarceration in 2012 and 2013. The program is based on the success of a 2008 Commerce grant for offender re-entry that assisted with housing, employment and treatment on discharge. The 2008 program resulted in significantly reduced recidivism.
- In 2011, CDBG awarded an \$825,000 grant to the city of Shelton for the Mason County Homeless Shelter in conjunction with the Housing Trust Fund.

Other Goals

The five-year plan contained five other goals in addition to the three priority goals this report focuses on. The other five goals are to:

- Increase homeownership opportunities.
- Increase senior housing.
- Minimize land use and infrastructure costs.
- Increase special needs and supportive housing.
- Increase workforce housing.

AHAB members also supported efforts that will help ensure fairness for homeowners experiencing foreclosure. During 2012, foreclosure and short sale laws were modified by ESHB 2614, relating to assisting homeowners in crisis, and SSB 5590, about streamlining short sales.

Snohomish County provided partial funding for the development of 48 new homes and purchase assistance for 66 first-time home buyers. The county also made improvements in streets, sidewalks, flood drainage and mitigation in 10 low- and moderate-income neighborhoods.

Spokane Housing Ventures created workforce housing in partnership with the Housing Trust Fund by renovating the historic Kensington Court Apartments; State-of-the-art green retrofit improvements will reduce long-term utility costs. The 33 units are located between three key employment centers – the hospital district, the university district and the downtown core.

In 2010 Washington Works authorized \$25 million to the Housing Finance Commission to complete 10 allocations and bond reservations for 460 units of workforce housing. Washington Works funds are for non-profit housing organizations or governments. Project sponsors will have 75-year regulatory agreements, must remain in non-profit or governmental ownership, and will have rent controls to ensure that the properties will be maintained for working households. Three projects have completed construction while the remaining seven are roughly 50 percent complete. The projects are located in Centralia, Ephrata, Mount Vernon, Quincy, Pullman, Seattle, Spokane, and Tumwater.

2011 RECOMMENDATIONS

The Affordable Housing Advisory Board recommends:

- Working with Commerce to develop criteria for including total project costs and per-unit costs in the Housing Trust Fund evaluation and award process. AHAB and Commerce will report on those results by December 2012, as required by HB 2640.
- That Commerce build on its experiences with the HUD Neighborhood Stabilization Program, which addressed problems created by the abandonment and foreclosure of homes and residential properties. The program should be used to update guidance provided to local governments for the housing elements of their comprehensive plans.
- That DSHS and Commerce pursue a partnership with the Gates Foundation and the Washington Families Fund to research and recommend improvements for alignment of policies related to housing, homelessness and poverty in our state.
- That Commerce continues to pursue statutory changes to secure funding for asset management within the Housing Trust Fund. Those administrative changes are currently included in the operating budget.