

Housing within Reach:

***A Call to Action for Snohomish County
Communities***

June 2008

Funding for the development of *Housing within Reach* was provided by:

- Snohomish County Executive Office
- Bill & Melinda Gates Foundation
- Snohomish County-Camano Association of REALTORS
- City of Everett

This plan was completed under contract for the Housing Consortium of Everett & Snohomish County by Building Changes. The following Building Changes staff contributed to this report:

Donald Chamberlain
*Director of Planning and
Consulting Services*

Mark Putnam
*Manager of Community
Initiatives*

Charlie Corrigan
Community Planner

Building Changes is a catalyst for ending homelessness. We address the economic and social conditions that adversely affect people's housing, health and job opportunities. We coalesce public and private resources to create lasting solutions, transforming the way people in need are served.



Housing within Reach Planning Committee

Bud Alkire

Everett Housing Authority

Mary Anne Dillon

YWCA of King and Snohomish Counties

Melanie Gillespie

Home for Good

Chris Jowell

Impact Capital

Dave Koenig

City of Everett, Long Range Planning

Paula Mahoney

Washington Mutual

Steven Marshall

1st Security Bank of Washington

Laurie Olson

Impact Capital

Ann Schroeder Osterberg

Housing Authority of Snohomish County

Ed Petersen (Committee Chair)

Housing Hope

June Robinson

Housing Consortium of Everett and Snohomish County

Alice Shobe

Sound Families

Mike Stanger

Snohomish County, Planning and Development Services

Dean Weitenhagen

Snohomish County, Office of Housing, Homelessness and Community Development

Table of Contents

Executive Summary	i
Housing Stability Needs.....	i
Goals and Activities to Support Housing Stability	ii
Strategies to Support Housing Stability	iii
Funding Projections	iii
Recommendations for Action – Year One	iv
Housing Stability Needs.....	1
Housing Needs in Snohomish County	1
Housing Affordability in Snohomish County	2
Existing Affordable Housing in Snohomish County	4
Goals and Activities to Support Housing Stability	7
Relationship to Existing Housing Planning in Snohomish County.....	7
Summary of Goals from 2008 to 2018.....	8
Types of Housing Assistance	10
Monitoring and Updating Goals	12
Strategies to Support Housing Stability	13
Developer Incentives.....	13
Support Non-Profit and Governmental Partners to Increase Affordable Housing Production	16
Increase Funding for Affordable Housing	19
Funding Projections.....	25
Existing Affordable Housing Resources	25
New Affordable Housing Resources.....	27
Recommendations for Action.....	31
Recommendations for Action – Year One	31
Years Two through Ten Provisional Recommendations.....	35
 Appendices	
Appendix A: Explanation of Financial Modeling.....	A-1
Appendix B: Affordable Housing Production Strategies.....	A-3
Appendix C: Snohomish County Affordable Housing Planning Summary.....	A-21

Table of Figures and Tables

<i>Table 1: 2008 Income Levels for Snohomish County</i>	2
<i>Table 2: Cost-Burdened Households in Snohomish County in 2000 and Estimated in 2017</i>	3
<i>Table 3: Dedicated Affordable Units by Jurisdiction, as of January 2008</i>	5
<i>Figure 1: Households with Housing Needs and Projected Households Receiving Housing Assistance</i>	9
<i>Table 4: Goals for Renter Households Assisted 2009 – 2018</i>	12
<i>Table 5: Goals for Homeowner Households Assisted 2009 – 2018</i>	12
<i>Figure 2: Existing Resources for Affordable Housing</i>	26
<i>Table 6: Projected Costs to Achieve Housing Unit Goals over Ten Years (2008-2018)</i>	28
<i>Figure 3: Projected Resources from New Strategies</i>	29

Executive Summary

The severe shortage of affordable housing in Snohomish County has wide-ranging consequences for families and for the community as a whole:

- Hard working households must sacrifice food and healthcare to afford market rate rents
- Senior citizens and people with disabilities face dwindling options for remaining in their home communities
- Mobile home communities face closures and displacement
- In tough times, many working families face foreclosure and homelessness
- Rising housing prices force low- and moderate-income households to move further from their workplaces, thereby increasing the strain on local transportation infrastructure.

Housing within Reach is a bold new plan for generating stable homes for hard-working adults, vulnerable children, and individuals in Snohomish County who deserve a safe, secure, and affordable home. To narrow the gap between housing needs and the availability of affordable housing, this *Housing within Reach* plan recommends a series of strategies to dramatically increase the number of households that are able to access safe and affordable housing over the next ten years.

This Plan was developed by the Housing Consortium of Everett and Snohomish County (HCESC), a collaboration of nonprofit, private sector, and government members and associates that provides strategic leadership in crafting affordable housing policy and programs in Snohomish County. The Consortium engaged a range of stakeholders across the county to help formulate the strategies in this plan, and contracted with Building Changes, a nonprofit consultant, to conduct research, facilitate the development of goals and strategies, and draft the final Plan.

This Plan includes a description of:

- **Housing Stability Needs** in the community
- **Goals and Activities** to support housing stability
- **Strategies to Support Housing Stability** to achieve those housing goals
- Detailed ten-year **Funding Projections**
- **Recommended Actions:** Year one and long-term

Housing Out of Reach

Affordable housing for residents of all income ranges is an imperative of healthy communities. Families with children, hard-working employees, and vulnerable elderly and disabled individuals all need stable homes. As housing prices have continued to outpace income growth for most residents over the past several years, more and more households are being priced out of housing in Snohomish County. The worsening housing affordability across the region has countywide impacts on transportation, the regional economy, use of green space, and family health outcomes.

A commonly used measure for affordable housing need is “cost-burden.” Households are considered cost-burdened if their income is below 120 percent of Area Median Income (100 percent of Area Median Income is \$81,400 for a family of four in 2008) and they pay more than 30 percent of their income for housing. According to data from the 2000 Census, at least 53,676 households were cost-burdened in 2000, representing 24 percent of all Snohomish County households.

Snohomish County Tomorrow estimates that by 2017, over 73,400 households in Snohomish County will be cost-burdened, a 37 percent increase from 2000 totals.

In 2008 in Snohomish County, 14,000 households are served by subsidized housing, including project-based housing and tenant-based rental assistance. The supply of affordable housing in the private market continues to decline, and the unmet need for housing assistance is reflected in the high demand for existing resources. Wait lists for housing assistance extend over several years, and some agencies have been forced to close wait lists altogether. Homeless shelters have seen a dramatic increase in the number of families they are forced to turn away. The North Sound 211 information hotline has also registered increasing numbers of callers seeking referrals to housing resources.

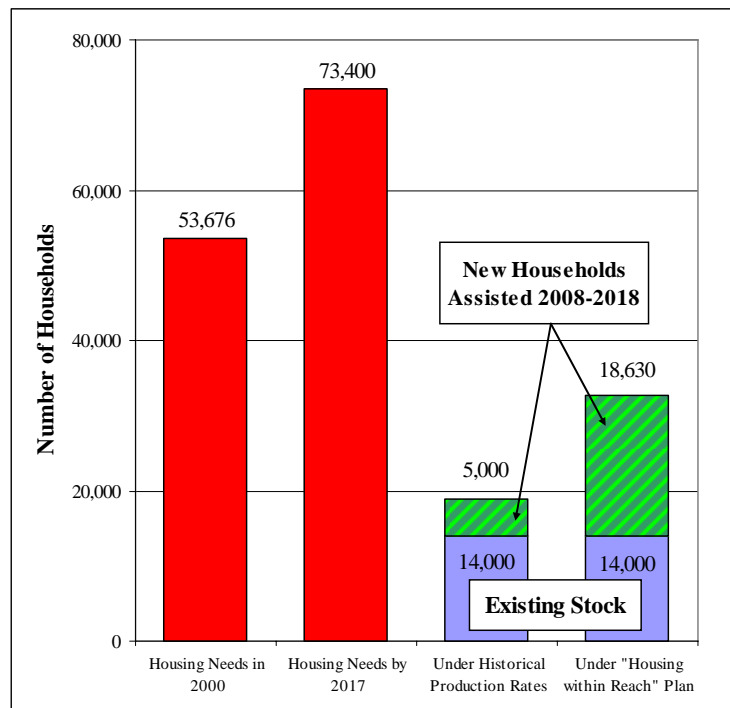
Goals and Activities to Support Housing Stability

The central part of this planning process is the development of ambitious, yet achievable, housing goals and strategies that increase the production and availability of affordable housing. **The Housing within Reach plan sets a new countywide goal of assisting 18,630 additional households by 2018** through a range of activities that will promote the creation and/or preservation of affordable housing.

The Snohomish County Office of Housing, Homelessness, and Community Development (OHHCD) estimates that under historical production rates, without increased resources and focused strategies for increasing affordable housing creation and preservation, approximately 5,000 additional households would receive housing assistance over the next ten years.

The strategies in this Plan will **more than double** the existing affordable housing opportunities from 14,000 households to 32,630 households. Further, these 18,630 new households receiving assistance will be **more than triple** the number of new households that would have been assisted in the next ten years under historical rates of housing production.

The graph on the right compares the housing needs in Snohomish County to the projected number of households assisted through



strategies in this Plan, versus historical production rates. The two bars on the left represent the number of cost-burdened households reported in 2000 and projected for 2017. The two bars on the right project the number of households receiving housing assistance through new and existing resources over the next ten years (2008-2018).

Strategies to Support Housing Stability

A stable home is a fundamental necessity for children to be able to succeed in school and in life, and for families to be able to work and live in their communities. The ambitious, yet achievable, goal of this Plan is to ensure a stable home for 18,630 households across the county over the next ten years. A continuum of housing activities is currently addressing housing needs in the community, and this *Housing within Reach* plan proposes building upon these activities by:

- Promoting and sustaining homeownership among working families
- Creating and preserving affordable rental housing for low-income residents, including seniors and disabled populations
- Preventing homelessness among at-risk households
- Providing rental assistance and services to homeless individuals and families
- Enhancing local resources and increasing leverage of state and federal funds

To fully implement these activities and achieve the goal of providing assistance to 18,630 households over the next decade, existing funding levels will need to be sustained, and a three-pronged strategy will need to be implemented. The three prongs of this strategy include:

- **Developer Incentives:** Provide developers with incentives to build affordable housing
- **Building Capacity:** Support affordable housing partners to increase production and sustain their programs
- **New Resources:** Develop new public and private resources to fund affordable housing creation and preservation

Funding Projections

Housing providers and funders in Snohomish County are well-practiced in using modest local investments to leverage substantial resources from state, federal, and private sources. Affordable **housing providers are currently able to leverage over \$50 million** in private investment, state funding, and federal funding, **from just \$5 million each year in locally controlled funding**. The vast majority of the existing resources for creating affordable housing comes from banks, lending institutions, and private investment.

To assist an additional 18,630 households over ten years, the *Housing within Reach* plan recommends a series of strategies to increase the amount of private, state, and federal funding for housing in Snohomish County. The Plan also recommends increasing the amount of locally dedicated housing funding, in order to best leverage these outside resources. Each additional dollar of local government spending is expected to leverage at least four dollars in private and public investment.

The total projected costs to assist 18,630 Snohomish County households are approximately \$1.03 billion over ten years. Existing sources of public and private funding will provide \$560 million of the funding, and approximately \$468 million will be generated from new resources and strategies. Of this \$468 million, this Plan projects that \$368 million will be provided through increased leveraging of private and public resources, including investments from housing developers in exchange for development incentives. Of the total funding needed to support this plan, \$80 million, or eight percent, is projected to be provided by new, local public funding.

Action Recommendations: Year One

The following twelve recommended actions (not in priority order) represent the advocacy and implementation work plan for the first year of this Plan, from July 2008 through June 2009. The Consortium recommends these strategies for immediate implementation, to achieve early victories by pursuing “low-hanging fruit,” and to lay the groundwork for fulfilling the ambitious ten-year goals of this Plan.

Developer Incentives: Provide Developers with Incentives to Build Affordable Housing

1. Urban Mixed-Use Demonstration Project

Recruit a non-profit and for-profit housing developer to collaborate on an urban mixed-use demonstration project designed to generate a combination of affordable and market-rate housing within a mixed-use master plan.

2. Incentive Zoning in Urban Areas

Develop a local model for incentive zoning or other developer-incentive approaches to incorporate affordable housing within designated Urban Centers in Snohomish County, including those in the cities and the unincorporated areas of the county, with a goal of 10 percent of housing in urban growth centers dedicated to households with incomes below 80 percent of Area Median Income. Snohomish County Tomorrow should study this recommendation as part of the current feasibility study of inter-jurisdictional programs to promote affordable housing.

3. Waiver of Construction Sales Tax

Collaborate with regional housing advocates to secure legislative approval during the 2009 Legislative Session for a waiver of State sales tax on construction of housing dedicated to households with incomes at or below 50 percent of Area Median Income.

4. Home Ownership Pre-Sale Program

Establish a home-buyer education and down-payment assistance program in partnership with a private sector developer that will set a substantially reduced sales price in exchange for a pre-sale commitment for new homes.

Building Capacity: Support Affordable Housing Partners to Increase Production and Sustain Their Programs

5. Revolving Acquisition Loan Fund

Authorize the establishment of a new \$5 million public revolving loan fund in 2009 for acquisition of property dedicated to affordable housing by qualified nonprofit agencies and

housing authorities. The fund should be designed to leverage funding from various partners, including banks and foundations.

6. Credit Enhancement

Increase the authorization level for Snohomish County participation in providing credit enhancements for affordable housing developments. Increasing the limit above the current level of \$40 million would provide a significant boost for achieving the goals of this Plan.

7. Snohomish County Funding Process

Streamline the capital funding process for allocation of Snohomish County housing resources:

- Establish clear strategic criteria aligned with ten-year production goals
- Develop clarity about leveraging strategies that maximize the flow of housing funds into Snohomish County from State and federal sources
- Make funding decisions through a panel of experts who understand the underwriting of affordable housing developments and strategic choices
- Make funding awards annually by December
- Maintain flexibility to assist priority projects
- Substantially shorten the timeline for project review and funding announcement

8. Preservation of Manufactured Housing Communities

Explore strategies to preserve manufactured housing that is at risk of sale or closure. Various approaches should be considered by an expert panel, including acquisition of at-risk parks, community land trust and master plan redesign alternatives for at-risk parks.

9. Service-Enriched Housing

Create a plan for providing and funding necessary support services in conjunction with the housing that is created through the efforts outlined in this Plan.

New Resources: Develop New Public and Private Resources to Fund Affordable Housing

10. Local Option Sales Tax Increase

Adopt a County ordinance by December 31, 2008, approving a one-tenth of one percent (0.1%) sales tax increase for mental health and chemical dependency services; and dedicate at least \$2 million annually towards housing from this source. In addition, prioritize housing for “one-time” expenditures of any collected sales tax revenue that may accrue before the start-up of all the programs enabled by the local option sales tax.

11. New Dedicated Local Revenue Sources

Create a plan by May 31, 2009, for a local housing funding program to raise \$80 million over 8 years through use of a housing levy, general obligation bonds, councilmanic bonds, or some combination of local funding sources.

12. Homeless Initiative Partnerships

Pursue opportunities to partner with new and existing State and private philanthropic partners in initiatives targeted at ending homelessness for families and individuals.

Housing Stability Needs

This section summarizes the housing needs in Snohomish County and the inventory of existing affordable housing resources.

Housing Needs in Snohomish County

Affordable housing for residents of all income ranges is an important feature of healthy communities. As housing prices have continued to outpace income growth for most residents over the past several years, more and more households are being priced out of housing in Snohomish County. Families and children need stable homes to provide a foundation on which everything else a family needs can be accomplished. The worsening housing affordability across the region has countywide impacts on transportation, the regional economy, use of green space, and family health outcomes.

High housing prices force many working families to move to less costly neighborhoods or towns, often located far from job centers and requiring long commutes. These housing decisions put stress on the region's limited transportation infrastructure. Communities without sufficient affordable housing are also less attractive to businesses, as they are unable to recruit and retain their employees. Further, it is not unusual for low- and moderate-income families to spend more than half of their gross household income on the combination of housing and transportation costs.¹ Creating more affordable housing that is closer to transportation and town centers will thus positively impact the budgets of both the individual families and the broader regional community.

Without sufficient housing available that is affordable to working-class families, many households must spend very high portions of their incomes on rent, at the expense of education, nutrition, or health care needs. In some cases, families reside in substandard or overcrowded housing that threatens the health of vulnerable family members, especially young children and seniors.

Housing Affordability

The U.S. Department of Housing and Urban Development uses the following standard for estimating if housing costs are affordable to a household earning less than 120 percent of Area Median Income (AMI):

- *Housing Cost Burden*: The extent to which gross housing costs, including utility costs, exceed 30 percent of gross income.
- *Severe Housing Cost Burden*: The level of burden at which gross housing costs, including utility costs, exceed 50 percent of gross income.

Undoubtedly, some households earn enough to make the choice to pay more than 30 percent of their income, and make sacrifices in other areas of their household budget.

However, for households earning low or moderate incomes paying more than 30 percent of income on housing costs often means living without necessities, such as health care or food, and often puts them at risk of losing their housing.

¹ Center for Housing Policy and Center for Neighborhood Technology (2006). "A Heavy Load: The Combined Housing and Transportation Burdens of Working Families."

Housing Affordability in Snohomish County

A commonly used measure for affordable housing need is “cost burden.” Households are considered cost-burdened if their income is below 120 percent of Area Median Income (AMI) and they pay more than 30 percent of their income for housing. **Table 1** displays the income levels that are commonly used to describe low- and moderate-income households that are targeted for housing assistance.

Table 1:
2008 Income Levels for Snohomish County

	Single Adult	Family of Four
30% AMI	\$17,100	\$24,420
50% AMI	\$28,500	\$40,700
80% AMI	\$43,050	\$61,500
100% AMI	\$57,000	\$81,400
120% AMI	\$68,400	\$97,000

Source: Everett Housing Authority. Available online:
<http://www.evha.org/Menu%20Pages/Apply/Income%20Limits.html>.

According to data from the 2000 Census, at least 53,676 households were burdened in 2000, representing 24 percent of all Snohomish County households. The lack of affordable housing impacts both renters and homeowners. In 2000, the 53,676 cost-burdened households included 28,115 renter households and 25,551 homeowner households.²

Snohomish County Tomorrow estimates that by 2017, over 73,400 households in Snohomish County will be cost-burdened, a 37 percent increase from 2000. This is the equivalent of more than 4,300 new households becoming cost burdened in the county each year. More than a third of the 73,400 cost-burdened households, or about 26,500 households, will include seniors. Over 8,000 cost-burdened households will include a non-elderly person with a disability.³

Table 2 on the following page summarizes the number of cost-burdened households identified in 2000 and projected increases for 2017, by income category.

² Snohomish Office of Housing, Homelessness, and Community Development. Affordable Housing Production Plan (2007). Data compilations are from HUD Comprehensive Housing Affordability Strategy 2000 data, which are based on the 2000 Census and include households earning up to 80 percent of AMI.

³ Snohomish Office of Housing, Homelessness, and Community Development. Affordable Housing Production Plan (2007). Data compilations are from HUD Comprehensive Housing Affordability Strategy (CHAS) 2000 data, which are based on the 2000 Census and include households earning up to 80 percent of AMI.

Table 2:
Cost Burdened Households in Snohomish County in 2000 and Estimated in 2017

Target Income Level Categories	Number of Cost-Burdened Households in 2000	Percent of All Households in this Category in 2000	Estimated Cost-Burdened Households in 2017
0-30% AMI and Cost Burdened	15,864	77%	21,700
31-50% AMI and Cost Burdened	16,659	72%	22,800
51-80% AMI and Cost Burdened	21,153	49%	28,900
81-120% AMI and Cost Burdened	No Data Available		
Total Households	53,676	24%	73,400

Source: Snohomish County OHHCD Affordable Housing Production Plan, using HUD Comprehensive Housing Affordability Strategy 2000 data.

Note: Data on households earning between 81 and 120 percent of AMI are not available from the HUD CHAS 200 data set.

Rental housing is especially unaffordable for households earning below 50 percent of AMI. A family at 50 percent of AMI can afford a maximum of \$791 monthly rent, while the median rent countywide is \$854. Further, Snohomish County Tomorrow recently reported that “virtually no market-rate housing is affordable to those making 30 percent of the county’s median household income or less.”⁴

The Puget Sound Regional Council (PSRC) reported that homeownership affordability across the region dropped to an all-time low in 2007. Snohomish County, according to PSRC’s indicators, is less affordable to the typical homebuyer than Pierce and Kitsap Counties, Washington State, and the U.S. as a whole.⁵ In December 2007, the median sales price for houses in Snohomish County was \$360,000.⁶ Snohomish County Tomorrow reports that the maximum affordable home price for families earning 95 percent of AMI is just \$195,000. Only 14 percent of home sales from 2005 to 2006 were affordable to households below 95 percent of AMI countywide.⁷

The lack of affordable housing contributes to the challenges facing homeless families and individuals in Snohomish County. The 2007 Snohomish County point-in-time count of homeless persons identified 2,666 homeless people. This total includes a point-in-time count of sheltered and unsheltered homeless people on one night in January 2007, but does not capture the whole population of people who experience homelessness at some point during the year. Respondents to a survey of homeless persons identified affordable housing as their number-one service need.⁸ Turn-away data from homeless shelters suggest that more than 70 percent of homeless people are members of homeless families with children.

⁴ Snohomish County Tomorrow. “2007 Housing Evaluation Report,” Third Draft, March 13, 2008.

⁵ Puget Sound Regional Council, Prosperity Partnership. 2007 Prosperity Partnership Indicator Highlights. Available online: <http://www.prosperitypartnership.org/indicators/index.htm> (Accessed: December 21, 2007).

⁶ Everett Herald, December 7, 2007.

⁷ Snohomish County Tomorrow. “2007 Housing Evaluation Report,” Third Draft, March 13, 2008.

⁸ Snohomish County Office of Housing, Homelessness, and Community Development. 2007 Point in Time Count. http://www1.co.snohomish.wa.us/Departments/Human_Services/Divisions/OHHCD/ (Accessed: December 21, 2007).

Existing Affordable Housing in Snohomish County

Affordable housing agencies in Snohomish County provide a range of services to a continuum of people in need of support, including people experiencing homelessness, the disabled, families, veterans, persons living with HIV/AIDS, homeowners, elderly citizens, and other groups with specific housing and/or service needs. The housing and related support services provided by these agencies includes rental subsidies, emergency home repair, first-time homebuyer assistance, self-help housing, emergency shelter, supportive housing, weatherization services, mental health and substance use services, and more. Preserving the existing housing stock in the county is crucial to meeting the growing need for affordable housing.

The creation of new affordable housing has not kept up with the need, for varying reasons. The Snohomish County Consolidated Plan identified three main barriers to creating affordable housing in the county: increasing housing demand due to fast population growth; high costs of housing and land; and limited funding for affordable housing.⁹ Snohomish County is one of the fastest growing regions in the State, and the total population is expected to grow from 686,300 in 2007 to approximately 845,000 in 2020, according to the Washington State Office of Financial Management.¹⁰

The inventory of existing assisted housing for low-income households includes dedicated housing units (often called “project-based” assistance), and assistance made to households that then must find rental housing in the private market (often called “tenant-based,” or “voucher” programs). Snohomish County Tomorrow estimates that as of February 2008, there are 8,869 units of project-based housing dedicated to people with low incomes (this includes housing authority-owned units).

In addition, the two public housing authorities, Housing Authority of Snohomish County (HASCO) and the Everett Housing Authority (EHA), administer 5,131 tenant-based vouchers, principally the U.S. Department of Housing and Urban Development’s Section 8 Housing Choice Voucher program. The total number of low-income households served by subsidized housing, including project-based and tenant-based assistance, is 14,000 households countywide.¹¹

Manufactured Housing

Manufactured housing, including mobile homes located in parks, provides an affordable housing option for many low-income residents of Snohomish County. Over the past few years, as land values have soared, prospective developers have purchased mobile home parks and redeveloped the land, typically displacing residents.

Selected facts about manufactured housing in Snohomish County:

- There are 168 manufactured housing communities in the county
- 11 communities have closed since January 2006, resulting in the displacement of 670 households
- No closures thus far in 2008
- When people are displaced, most are not able to move their homes to another park; 60% dispose of their homes
- The State Housing Trust Fund set aside \$4,000,000 in 2007 for preservation of manufactured housing communities
- HB 1621, passed by the Legislature in 2008, provides incentives to park owners to sell to homebuyer associations

⁹ Snohomish County Office of Housing, Homelessness, and Community Development. Consolidated Plan. Available online: http://www1.co.snohomish.wa.us/Departments/Human_Services/Divisions/OHHCD/Consolidated_Plan/ (Accessed: March 27, 2008).

¹⁰ Office of Financial Management. Available online: <http://www.ofm.wa.gov/pop/gma/pugetsound.pdf> (Accessed: April 19, 2008).

¹¹ Snohomish County Tomorrow. “2007 Housing Evaluation Report,” Third Draft, March 13, 2008.

The unmet need for housing assistance is seen in the high demand for existing resources. HASCO maintains a wait list that includes over 4,000 households, with estimated waits as long as five years, while EHA closed its wait list and is not currently accepting applications.

Table 3 summarizes the project-based assisted housing units available by jurisdiction in Snohomish County and the number of tenant-based vouchers available countywide, as of February 2008.

Table 3:
Dedicated Affordable Units by Jurisdiction, as of February 2008

Jurisdiction	Units for Seniors	Units for Families	Units for Individuals	Total Units
Arlington	320	180	7	507
Darrington	20	–	–	20
Edmonds	178	120	31	329
Everett	744	1,484	437	2,665
Granite Falls	30	–	–	30
Lake Stevens	112	55	–	167
Lynnwood	485	753	21	1,259
Marysville	338	470	176	984
Mill Creek	45	277	–	322
Monroe	124	52	3	179
Mountlake Terrace	–	113	2	115
Mukilteo	–	–	61	61
Snohomish City	144	96	14	254
Stanwood	144	46	32	222
Sultan	26	7	7	40
Non-SW Unincorporated UGA	–	109	6	115
Rural Unincorporated	68	128	–	196
SW Unincorporated UGA	326	774	27	1,127
Unidentified Location	–	257	20	277
Totals for Project-Based Units	3,104	4,921	844	8,869
Countywide Total Number of Tenant-Based Rental Subsidies				5,131
Countywide Total of Project-Based and Tenant-Based Units				14,000

Source: Snohomish County Tomorrow. “2007 Housing Evaluation Report,” Third Draft, March 13, 2008. No dedicated affordable units were identified in Bothell (Snohomish County portion), Brier, Gold Bar, Index, and Woodway.

Goals and Activities to Support Housing Stability

This section summarizes the ambitious yet achievable goals of this Plan for increasing the number of households receiving housing assistance in Snohomish County.

A central part of this planning process is the development of ambitious, yet achievable, housing goals and strategies that will increase the production of affordable housing across the county over the next ten years. The goals in this *Housing within Reach* plan build on those established through previous planning efforts across the county and include a continuum of housing opportunities to meet the variety of housing needs in the community.

Relationship to Existing Housing Planning in Snohomish County

The growing numbers of Snohomish County residents who are struggling to afford housing in the county is a concern for citizens, elected officials, and the business community alike. There are numerous individuals, organizations, and governmental entities dedicating themselves to addressing this growing crisis, and this Plan is one part of a community-wide effort. For more information about housing planning in Snohomish County, please see Appendix B.

Affordable Housing Production Plan (AHPP)

The *Housing within Reach* plan builds directly on the AHPP developed by Office of Housing, Homelessness, and Community Development (OHHCD) in 2007. That plan set a housing goal of ensuring housing affordability for 6,025 additional households from 2007-2017, through a variety of types of housing assistance, using existing housing resources. *Housing within Reach* seeks to introduce new potential resources to substantially increase the housing created and preserved over the next ten years, building on the research and planning from the AHPP.

In addition to the AHPP, several other community planning processes have focused either entirely or in part on housing affordability issues. These plans have uncovered rich data, brought community members together to make recommendations and set into action various housing-related policies. Our analysis has found that many of the recommendations of these plans are consistent with each other and with the strategies recommended in this Plan.

Everyone at Home Now

In 2006, the Snohomish County Homeless Policy Task Force led the development of *Everyone at Home Now*, the countywide 10-year plan to end homelessness. That plan focused on addressing the housing and services needs for people who are homeless or at risk of homelessness, with a goal to increase homeless housing by at least 2,500 units over ten years. In January 2008, Executive Aaron Reardon convened the Housing and Homelessness Policy Oversight Committee to focus on strategies for increasing affordable housing and ending homelessness. *Housing within Reach*

builds on the 10-year plan to end homelessness, and recommends key strategies that will impact the work of the Oversight Committee.

Snohomish County Tomorrow (SCT) Housing Planning

SCT, an inter-jurisdictional forum consisting of representatives from the County and each of the cities as well as from the Tulalip Tribes, provides input for the Countywide Planning Policies. The current **Comprehensive Plans** (County and City of Everett) include several goals and strategies that are consistent with those of this Plan. For example, the County's strategies state that the County shall encourage building capacity of nonprofit housing developers; analyze alternative funding for low-income housing, such as bond levies and partnerships with housing authorities and providers; and when appropriate, revise density and zoning regulations to increase land capacity.

SCT is also responsible for developing the **Fair Share Housing Allocation** report, which divides the "fair share" of the county's housing needs by jurisdiction, and the **Housing Evaluation Report**, which analyzes the efforts made to achieve countywide and local housing goals, as set forth in the Countywide Planning Policies. These reports are important to the implementation of this Plan, as they provide the background on jurisdictional housing needs and efforts.

Beginning in June 2008, SCT will work with a consultant team to study inter-jurisdictional programs that could potentially increase affordable housing production across the county. This report, funded through a grant from the Washington State Department of Community Trade and Economic Development (CTED), will build on the strategies outlined in this Plan.

Puget Sound Regional Council (PSRC)

Another important regional planning body, the Puget Sound Regional Council (PSRC), includes representatives from Snohomish as well as King, Kitsap, and Pierce Counties. In 2007, PSRC and its sister agency, the Prosperity Partnership, sponsored a **Regional Housing Strategy Working Group** to define consensus strategies for increasing affordable housing. Their recommendations align closely with the strategies in this Plan, including advocating for the exemption of State sales tax for affordable housing construction and prioritizing housing development in regional growth centers with tools for each jurisdiction to encourage affordable housing.

Summary of Goals from 2008 to 2018

In 2007, OHHCD estimated that about 500 new affordable housing opportunities are created or preserved each year, through a combination of federal, state, local, and private funding sources. Under these historical production rates, without increased resources and focused strategies for increasing affordable housing creation and preservation, approximately 5,000 additional households would receive housing assistance over the next ten years.¹²

By implementing the strategies proposed in this Plan, housing providers and funders strive to reach higher targets for affordable housing production and creation over the next ten years.

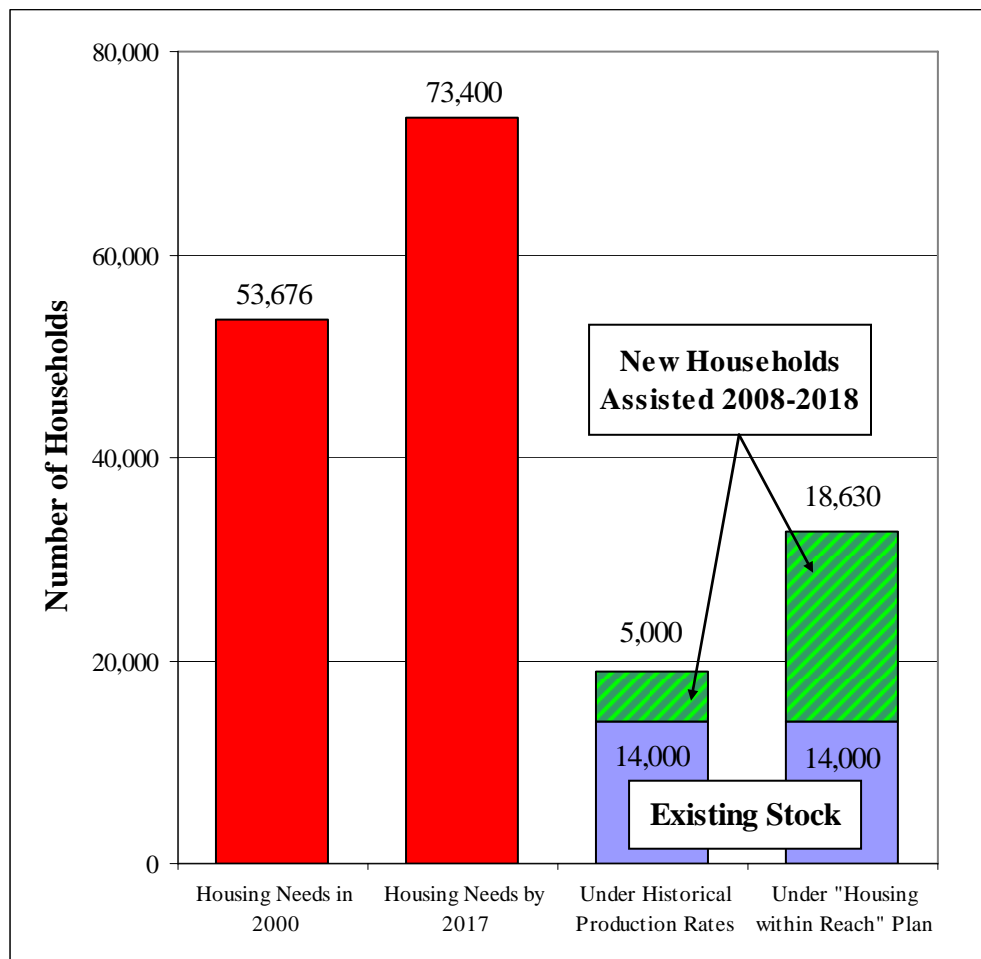
¹² Snohomish County Office of Housing, Homelessness, and Community Development. Affordable Housing Production Plan 2007-2017.

This Plan sets a new countywide goal of assisting 18,630 households by 2018 through a range of activities that will promote the creation or preservation of affordable housing.

The 18,630 households assisted are in addition to the existing stock of housing resources, which in 2008 included 14,000 units of project-based affordable housing and tenant-based rental subsidies. Therefore, the strategies in this Plan will **more than double** the existing affordable housing opportunities from 14,000 households to 32,630 households. Further, these 18,630 new households receiving assistance will be **more than triple** the 5,000 new households that would have been assisted under historical production rates within existing resources.

Figure 1 compares the housing needs in Snohomish County to the projected number of households assisted through strategies in this Plan, versus “under historical production rates” without new affordable housing strategies. The two bars on the left represent the number of cost-burdened households reported in 2000 and projected for 2017. The two bars on the right project the number of households receiving housing assistance through new and existing resources over the next ten years.

Figure 1:
Households with Housing Needs and Projected Households Receiving Housing Assistance



This Plan seeks to narrow the gap between housing needs and the supply of affordable housing as much as possible using local solutions. The result is an ambitious yet achievable set of strategies to increase resources, provide incentives for developers, and increase efficiency of local efforts to provide affordable housing opportunities. These new resources will combine with the existing affordable housing stock to serve a total of 32,630 households. Yet, the number of cost-burdened households is expected to increase from 53,676 to 73,400 households by 2017.

Fully meeting the housing needs of low- and moderate-income households in Snohomish County will require interventions beyond the scope of the *Housing within Reach* plan. Greater investments in human capital and workforce development are needed to enable more low-income workers to attain a living wage, so that they can afford to rent or buy a market-rate home. In addition, while new State and local housing resources will help narrow the gap, solving the housing crisis will require the federal government to reverse its decades-long divestment from housing programs. Since 2004, for example, HUD funding has been cut by over \$3 billion. Shifts in federal policy to help supply more affordable housing, along with increased incomes for low-wage workers, are needed to completely meet the housing needs of over 73,400 cost-burdened households countywide.

Types of Housing Assistance

The affordable housing goals in this Plan include a continuum of housing assistance, including the preservation of existing housing stock and the creation of new rental housing and homeownership opportunities.

Rental assistance is targeted to households earning below 80 percent of Area Median Income (AMI), with particular focus on households below 50 percent or 30 percent of AMI. The following types of housing assistance will provide new rental housing opportunities under this Plan:

- **Homelessness Prevention for Renter Households:** Funding will be made available to renter households that are at risk of losing their housing due to unexpected crisis events, temporary job loss, health emergencies, or mobile home park closures. This funding may be used to temporarily cover all or part of a family's rent until the crisis is resolved and the family regains housing stability, or to cover expenses related to relocation.
- **Tenant-Based Rental Assistance:** Vouchers will provide subsidies to households renting units from private landlords. New vouchers under this plan will target households below 50 percent of AMI, especially formerly homeless families and individuals. Some households are expected to move from vouchers to unsubsidized housing as they become more self-sufficient. Tenants with special needs, including seniors and people with disabilities, are generally not expected to transition to unsubsidized housing.
- **Acquisition and Rehabilitation of Existing Multifamily Housing:** Private and nonprofit developers, including public housing authorities, purchase or preserve existing rental apartments or mobile home parks using public funds and dedicate the units to low-income rental households.
- **New Construction of Multifamily Rental Units:** Private and nonprofit developers, including public housing authorities, purchase land and construct new multifamily rental units that are priced to be affordable for low and moderate-income households.

Homeownership assistance is targeted to households earning below 120 percent of AMI, and will be provided through:

- **Homelessness Prevention for Homeowners:** Funding will be made available to homeowners that are at-risk of losing their housing, including those living in manufactured housing due to unexpected crisis events, temporary job loss, health emergencies, or mobile home park closures. This funding may temporarily cover all or part of a household's mortgage payments until the crisis is resolved and the family regains housing stability, or to cover expenses related to relocation.
- **New Construction of Ownership Units:** Private and nonprofit developers, including public housing authorities, purchase land and construct new housing units (such as single-family homes, condos, or townhouses) that are dedicated for purchase by low-income households. Purchasing households receive some combination of down-payment assistance, reduced interest rates, or other subsidy.
- **Homeownership Preservation:** This category includes home repairs to existing homeowner housing to address safety issues and prevent the household from losing their home.

Tables 4 and 5 on the following page summarize the housing goals by breakdowns of types of housing assistance for both renter and homeowner households. For a family of four in 2008, 30 percent of AMI is \$24,400, 50 percent of AMI is \$40,700, 80 percent of AMI is \$61,500, and 120 percent of AMI is \$97,000.¹³

¹³ U.S. Housing and Urban Development. FY2008 Income Limits. Available online: <http://www.huduser.org/DATASETS/il/il08/index.html> (Accessed: April 20, 2008).

Table 4:
Goals for Renter Households Assisted 2009 – 2018

Targeted Income Range	Types of Housing Assistance				Totals
	Homelessness Prevention	Tenant-Based Rent Assistance	Acquisition & Rehabilitation	Rental Housing New Construction	
30% AMI	500	3,200	1,400	800	5,900
31-50% AMI	500	1,650	2,295	490	4,935
51-80% AMI	900	-	-	-	900
Total Households	1,900	4,850	3,695	1,290	11,735

Table 5:
Goals for Homeowner Households Assisted 2009 – 2018

Targeted Income Range	Types of Housing Assistance			Totals
	Homelessness Prevention	Homeownership New Construction	Homeownership Preservation	
30% AMI	1,400	-	300	1,700
31-50% AMI	1,350	475	300	2,125
51-80% AMI	1,100	1,000	420	2,520
80-120% AMI	-	550	-	550
Total Households	3,850	2,025	1,020	6,895

Monitoring and Updating Goals

The housing production projections in this Plan are estimates that should be updated on a regular basis by the Office of Housing, Homelessness, and Community Development (OHHCD), in partnership with the Consortium and its members. On an annual basis, the underlying cost and funding assumptions should be revised to reflect changes in local conditions. OHHCD, with assistance from the Consortium, should track projects that are completed as well as those that enter the development pipeline each year to gauge countywide progress toward the housing goals. As strategies are successfully implemented, the models should also be updated to reflect realized funding resources, as well as to track resources that still need to be pursued. By September each year, annual progress reports should describe communitywide progress toward the goals in this *Housing within Reach* Plan.

Strategies to Support Housing Stability

In order to meet the ambitious goals for new housing creation, this Plan includes three sets of strategies: providing developers with incentives, supporting affordable housing partner agencies, and increasing funding for affordable housing. Over the next 10 years, if fully implemented, 18,630 households will receive assistance to support the stability of their housing in Snohomish County.

The previous section set an ambitious goal for supporting safe, affordable and stable homes for Snohomish County residents over the next decade. To achieve this goal, existing funding levels will need to be sustained, and a three-pronged strategy will need to be implemented. The three prongs of this strategy include:

- **Developer Incentives:** Provide developers with incentives to build affordable housing
- **Capacity Building:** Support affordable housing partners to increase production and sustain their programs
- **New Resources:** Develop new public and private resources to fund affordable housing

For more information about the following strategies, please see Appendix C.

Developer Incentives

Communities across the country have created and implemented a range of incentives that encourage housing developers to dedicate new housing units to low-income populations. While some jurisdictions in Snohomish County do currently offer developer incentives to varying degrees, this Plan recommends developing a robust package of incentives to promote affordable housing development, particularly in urban growth areas.

Incentive Zoning Strategies

Incentive zoning programs encourage developers to make a percentage of housing units in new residential developments available to low- and moderate-income households. By linking the production of affordable housing to private-market development, incentive zoning expands the supply of affordable housing while dispersing affordable units throughout the designated region to broaden opportunity and foster mixed-income communities.

To be most effective, incentive zoning should include strong incentives for developers, to reduce their per-unit costs. These incentives include density bonuses, design flexibility, expedited permitting, reduced development fees, and relaxed parking requirements. Local jurisdictions should work with the affordable housing development community to design programs that will be utilized effectively by the private sector to create new housing. Incentive zoning should be emphasized in designated urban development centers to increase housing density near employment centers and transit stops, as promoted by the County's Comprehensive Plan and the State's Growth Management Act (GMA).

Examples of successful incentive zoning policies range in scale from more targeted programs, such as in Redmond, Washington, to the more expansive policies of Montgomery County, Maryland. In Redmond, for example, the relatively new program targets selected neighborhoods within the city, while Montgomery County's mandatory incentive zoning program, implemented countywide in 1976, has produced nearly 12,000 new units of affordable housing at no cost to the public.

The impact of incentive zoning policies will depend in part on housing market conditions and on the attractiveness of the incentives to developers. By aligning private market developers with strong incentives, jurisdictions can bring in substantial new affordable housing resources, especially compared to the limited amount of existing local funding (about \$5 million per year countywide).

Strategy Impact Snapshot: Incentive Zoning	
<i>If programs are implemented in 2011 across the county, this strategy could result in approximately 140 new affordable housing units per year, or the equivalent of \$15 million in-kind annually in new affordable housing resources.</i>	
Rental Housing for Households below 50% AMI (New Construction)	325 units
Homeowner Housing for 51-120% AMI Households (New Construction)	633 units
Total	958 units
Total Financial Value (7-year Projection)	\$110,510,633

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Expedited Permitting and Development Fee Waivers

The high costs of developing housing affect developers of both market-rate and affordable housing. One component of those costs is the fees that developers must pay to local municipalities, as well as the holding costs as developers wait significant periods for building permits to be approved. Jurisdictions can encourage new affordable housing by expediting the permitting process and reducing development fees for housing developments that dedicate some units for low-income households.

The County and some jurisdictions have approved expedited permitting policies for affordable housing development, but they have been largely unutilized and need to be made more viable. In addition, some developments may require investment in costly infrastructure improvements, hindering development, particularly in urban growth areas. However, the Prosperity Partnership is

seeking to establish a Statewide Growth Management Infrastructure Account for use in infrastructure projects to incentivize affordable housing development that helps achieve GMA goals.¹⁴ One of the most successful examples of expediting permits and waiving development fees for affordable-housing projects is the SMART program in Austin, Texas. This program dedicates planning staff to explicitly help projects with affordable housing to navigate the permitting review process faster and with reduced costs. Austin, similar in size to Snohomish County, waived \$3.5 million in fees in three years, and cut processing times in half for eligible developments.

While expedited permitting and development fee waivers do not provide direct cash resources to fund affordable housing projects, new local programs would lower per-unit costs for developments with affordable units and speed up their construction. Combined with other strategies, these programs will enable developers to be more efficient and create more affordable housing within available resources.

Strategy Impact Snapshot: Expedited Permitting and Development Fee Waivers	
<i>If implemented in 2010 and savings realized are similar to Austin's SMART program, this type of program could create \$6 million in new affordable housing resources. Resources from this strategy could be utilized to support residents earning less than 50 percent of AMI. When leveraged with other resources, this strategy could support housing assistance for 150-250 households.</i>	
Total Financial Value (8-year Projection)	\$6,000,000

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

State Sales Tax Exemption for Affordable Housing Production

One of the top legislative priorities for affordable housing advocates in Washington State is a state sales tax exemption for affordable housing construction. The Washington Low Income Housing Alliance (WLIHA) estimates that such an exemption would save approximately \$30 million statewide each year for affordable housing developers. The projections for this Plan assume legislative action in 2009, with annual savings in Snohomish County of \$2.8 million. Similar to reduced development fees, a sales-tax exemption would allow non-profit developers to create more units with available resources. Stakeholders in Snohomish County should coordinate with other advocates, including WLIHA, the Prosperity Partnership, and other Housing Development Consortiums in the State, to pursue legislation for the sales tax exemption.

¹⁴ The Prosperity Partnership Regional Housing Strategy Working Group identified "State Funding for Infrastructure to Accommodate Growth and Promote Affordability" as one of its consensus strategies for improving housing affordability in the Puget Sound region and throughout the state. Specifically, the report of the Working Group states: "Local jurisdictions need an increased ability to provide adequate and reliable infrastructure to accommodate the current and forecasted growth for our region. One of the important tools to achieve this goal is state funding for local infrastructure projects that directly support the Growth Management Act's affordable housing goals. In 2008 the Washington State Legislature considered, but did not pass, a bill that would have allowed the Community Economic Revitalization Board (CERB) program to provide financial assistance to infrastructure projects that support affordable housing."

Strategy Impact Snapshot: State Sales Tax Exemption	
<i>If implemented by 2009 and Snohomish County receives slightly more than its approximate share of the statewide savings, this exemption could result in a savings of about \$25 million in affordable housing resources. Resources from this strategy could be utilized to support residents earning less than 50 percent of AMI and those earning between 80-120 percent of AMI. When leveraged with other resources, this strategy could support housing assistance for 500-900 households.</i>	
Total Financial Value (9-year Projection)	\$ 25,374,700

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Education and Advocacy

Successful implementation of this Plan will require a broad-based campaign of education for local leaders and the general public. To create the new planning and development strategies necessary for increased housing production, the Housing Consortium and its partners must raise awareness of the need for affordable housing throughout the county, and demonstrate the value of new strategies, such as strengthening incentives for developers, creating a fund for infrastructure projects, and exempting affordable housing costs from the State sales tax.

Support Non-Profit and Governmental Partners to Increase Affordable Housing Production

To meet the great demand for affordable housing, agencies in Snohomish County need to increase their annual production of new housing opportunities. There are several strategies that can lay the groundwork for existing providers to work more effectively and ramp up their production capacity. These strategies do not directly provide new funding resources for affordable housing, but they can help developers get the most out of limited resources.

Streamline Affordable Housing and Services Application Process

One burden for developers of affordable housing is the complex, multi-tiered process for obtaining funding for new housing projects. To fund a project, a housing provider typically must weave together multiple State, local, private and federal sources, through a process requiring several applications and navigating multiple sets of funding restrictions. During this time, the developer must secure site control of the property, access predevelopment financing, and maintain carrying costs and risk factors for the project. The application process can be improved by creating an environment in which strategic partners for housing production are identified and provided with funding, technical assistance, and creative planning conducive to optimal production results.

Funders of affordable housing and services in Snohomish County can help reduce this burden and make developers more effective by combining local funding opportunities into a single consolidated application. In addition, housing organizations in Snohomish County should work closely with Washington State Department of Community, Trade and Economic Development and the Washington State Housing Finance Commission to maximize the efficiency of financing for affordable housing in the county.

By lining up with the State Housing Trust Fund application timeline, this streamlined application process will decrease the uncertainty and holding time for developers applying for new projects, and help develop a pipeline of projects in the county that are competitive for State and federal funding.

Building Capacity for Affordable Housing Production

Snohomish County currently relies on a dedicated and talented community of local affordable housing providers, including non-profits and public housing authorities, to create new housing for low-income households. In order to substantially increase the rate of housing production over the next ten years, these agencies will also need to build their capacity to take on additional projects and collaborate with private and governmental partners.

Local governments and housing providers will need to create an environment in which strategic partners for housing production are identified and provided with funding, technical assistance, and creative and coordinated planning processes conducive to optimal production results. This environment would build on the concepts embedded in the National Affordable Housing Act, which created the Community Housing Development Organization (CHDO) program and institutionalized the importance of community partnerships, capacity building and the predictability of funding.

Planning for the capacity needs of local agencies should also coordinate with the timelines for the new resources and tools that will be available to increase production of affordable housing. Affordable housing partners need to create an overall set of priorities for the use of funds controlled by Snohomish County funders to create a transparent road map for affordable housing production. This includes priorities for supportive housing that require upfront linkages between housing and services funders at the local and regional levels.

Affordable housing developers also need expert consultation and guidance for negotiating and efficiently managing the complicated rules and regulations embodied in public funding. Housing organizations in Snohomish County should work with local funders, Washington State Department of Community, Trade and Economic Development, the Prosperity Partnership, and other partners to identify such needs for technical assistance as strategic and long-term planning, fundraising, agency sustainability, community relations, asset management, affordable and supportive housing development, and training for new and existing staff. In particular, developers and asset managers should receive training on asset management with an emphasis on retention of existing housing portfolios. An additional priority should be technical assistance for local government staff on housing policy, project underwriting, fund administration, portfolio management and forging partnerships within and outside local government.

Acquisition and Pre-Development Funding Strategies

Affordable housing developers are competing for funding with their peers in other counties and states and are also often competing for properties with developers within the county. There are strategies that have been effective in other jurisdictions in the State and across the country that could significantly support affordable housing production.

Revolving Loan Fund: A revolving loan fund provides “bridge” financing for predevelopment and acquisition for affordable housing developments. Loans typically have below-market interest rates and are repaid by the project’s construction or permanent financing. This strategy allows a small amount of public investment up front that can be leveraged in some projects with significant private investments and other public funding. In Los Angeles, a revolving loan fund was established to spur development of supportive housing; that city’s \$5 million loan fund leveraged more than \$25 million, a 1:5 ratio.

Land bank: A key issue that hinders affordable housing production is the diminishing supply of vacant land available to prospective developers. Land bank programs acquire unimproved sites that are appropriate for affordable housing and hold them long-term so that they are available when needed. Ultimately, land-bank sites are sold at discount to non-profit or for-profit developers to build affordable housing projects. This strategy allows developers to access inexpensive capital to move quickly in hot markets. This strategy can also help make Snohomish County projects more competitive for State funding by demonstrating site control.

Credit Enhancement: On June 13, 2007, the Snohomish County Council adopted the Contingent Financial Guarantee Policy – Financial Due Diligence (Motion 07-297). This Policy established procedures for the County to enhance the credit worthiness of loans made to non-profits and public housing authorities in support of affordable housing projects. In appropriate situations, this credit enhancement can play a significant role in both securing a loan and in reducing the interest rate for the loan. The adopted policy established an initial limit on the total principal amount of loans subject to the credit enhancement at \$40 million. Most of this initial limit (about \$31 million out of \$40 million) has been issued. Increasing the limit in order to permit enhancement of appropriate loans would provide a significant boost in achieving the goals of this Plan.

Education and Advocacy

Effective public education and advocacy on affordable housing issues will strengthen the ability of Snohomish County housing providers to raise funds and increase the production of new housing units. An education plan is needed that builds awareness, engagement, and capacity of municipalities to implement and sustain housing policies that increase affordable housing production for all income levels. An effort to engage municipalities in planning for affordable housing inter-jurisdictionally has been initiated by Snohomish County Tomorrow, and will be an important mechanism for education and engagement.

Increase Funding for Affordable Housing

In order to meet these ambitious housing production goals and assist an additional 18,630 households acquire a stable home, this Plan recommends the development of several new funding resources that are dedicated for affordable housing. It will be important to make the case for increased resources by demonstrating the effectiveness of housing agencies and highlighting successful programs and projects funded with public resources.

Dedicated Local Affordable Housing Revenue Sources

Currently, the resources contributed by local jurisdictions are an integral component of affordable housing financing. Local sources have several distinct advantages over state or federal funding. As one of the most flexible sources of funding, local dollars can fill the gaps for projects that are meeting most of their costs from other sources. In this way, local funding can help set priorities for the types of housing created in the region. Projects with local commitments are also more competitive in state and federal funding applications, which in turn bring more resources into the community.

In Snohomish County, a modest amount of locally-controlled resources have leveraged many times their value in external funding. Commitments of additional resources will allow developers across the county to fill more gaps, submit more competitive applications, and increase the pace of production in Snohomish County. There are several tools that local jurisdictions can use to dedicate resources for affordable housing, and housing advocates will need to work with municipalities to determine the appropriate strategies for increasing local housing funding. The potential sources of funding include levies, revenue bonds, contributions of general fund resources, and a growth-related housing fund.

Housing Levy

Each jurisdiction has the authority to issue levies specifically to finance affordable housing, through both council and voter approval. Affordable housing is one of several potential uses for levies (other uses include municipal parks, ferries, and other services), and the maximum of levies dedicated for all these purposes is \$.50 per \$1,000 of assessed property value. Therefore, a levy for affordable housing may compete with other interests in dedicated levy funding. In order to pursue a housing levy, advocates must work to coalesce broad-based support from partners across the county.

The impact of a potential levy varies by assessed value of property in the jurisdiction. At current property values, a countywide levy of \$.10 would contribute about \$8.4 million annually, while a levy only in the City of Everett would contribute about \$1.2 million. The previous attempt to create a countywide housing levy, which was defeated by voters in 1991, proposed \$70 million over ten years.

General Revenue Bonds

One alternative to passing a housing levy is the issuance of a general revenue bond or bonds to fund the capital development of affordable housing. A bond issue would typically fund a specific project

or package of projects through a loan that is repaid by future general revenue from the County or cities involved.

The advantages of a bond issue are that funds are provided up front, and can be repaid over a long time period. For example, the City of Everett passed bonds for senior housing projects in 1982 and 1989, with final payment scheduled in 2008. The disadvantages of bond proceeds are that they require knowledge of specific projects ahead of time, and therefore cannot respond opportunistically as quality projects are identified.

General Fund Revenue

A third form of local resources is the dedication of general fund revenue by cities and/or the County. Unlike levies or bonds, general fund revenue does not require direct voter approval. Contributions from local budgets would be very flexible and municipalities could target funds to projects as opportunities become available. Multiple jurisdictions could also pool resources to fund projects that provide mutual benefit, such as several small cities contributing to a housing program that reaches out to homeless households across their borders. The drawbacks for general fund contributions are the uncertainties of budget cycles and the many pressures on local jurisdictions that prevent forecasting of affordable housing proceeds from year to year. External events, such as an economic downturn, could significantly impact a jurisdiction's ability to sustain levels of funding year over year. Snohomish County and the City of Lake Stevens will initiate a feasibility planning process in June 2008 to explore potential inter-jurisdictional agreements to support affordable housing development. That planning process provides an opportunity for further research on the Plan's recommendations.

Growth-Related Housing Fund

Another strategy for expanding locally generated affordable housing funding is the creation of a growth-related housing fund model. This model generates funding by allocating a percentage of the increased revenue from property taxes in areas of high residential growth to affordable housing. Seattle, implementing a similar strategy in 1985, allocates funds generated from growth to preserve existing housing in designated Urban Centers.

Strategy Impact Snapshot: Dedicated Local Affordable Housing Revenue	
<i>If implemented by 2011, dedicated local affordable housing resources could contribute \$10 million of new funding each year and with leveraging of these resources, would result in 6,940 households assisted over eight years.</i>	
Homelessness Prevention	4,333 Households
Tenant-Based Rental Assistance for Households below 50% AMI	1,250 Households
Acquisition and Rehabilitation of Rental Housing for Households below 50% AMI	505 Households
New Construction of Rental Housing for Households below 50% AMI	95 Households
New Construction of Homeownership Housing for Households between 50% and 120% AMI	100 Households
Homeownership Preservation	657 Households
Total	6,940 Households
Total Financial Value (8-year Projection)	\$80,000,000

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Local Sales Tax Option for Mental Health and Chemical Dependency Services

Through statewide legislation, each county council is permitted to enact a one-tenth of one percent (0.1 percent) sales tax increase to fund mental health and chemical dependency services. If the Snohomish County Council passes this sales tax increase, it will raise an estimated \$13 million annually. In February 2008, the Council asked County staff to propose a plan for how potential new revenue would be allocated.¹⁵ It is unknown if this increase will pass, and if it passes, how much funding would be allocated to housing. These funds could potentially be used to provide support services or operating subsidies for clients living in affordable, supportive housing. In the projections for this Plan, \$2,000,000 per year from mental health sales tax revenues would be dedicated for housing assistance.

¹⁵ Switzer, Jeff. "County Sales Tax Hike would Aid Public Safety," in the *Daily Herald*, February 26, 2008.

Strategy Impact Snapshot: Mental Health and Chemical Dependency Sales Tax	
<i>If implemented in 2008, \$2 million per year could be used to fund new construction and acquisition/rehabilitation of rental housing, which would leverage additional resources to fund the development of a total of 680 units over ten years.</i>	
Rental Housing for Households below 50% AMI (New Construction)	135 units
Rental Housing for Households below 50% AMI (Acquisition/Rehabilitation)	545 units
Total	680 units
Total Financial Value (10-year Projection)	\$20,000,000

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Leveraging State, Federal, and Private Resources

New and existing local resources will be most effective when they leverage additional funding from federal, state, and private sources. Local funding in Snohomish County, including federal entitlement programs for the County and the City of Everett, has been an estimated \$4 million in recent years, yet this funding is estimated to leverage as much as \$50 million in external resources.¹⁶ To increase production and maximize leveraging of outside funds, housing developers and funders in Snohomish County need to structure projects to be as competitive as possible for all funding sources.

At the federal level, these sources of funding include Community Development Block Grants, the HOME Investment Partnership, McKinney-Vento Homeless Assistance, Section 811 and 202 (targeting disabled adults and seniors respectively), and other potential sources of housing funds, such as the specialized voucher program for veterans (VASH) and the proposed national affordable housing trust fund. The main sources of State funding include the Housing Trust Fund, the Low Income Housing Tax Credit program, and the Homeless Grant Assistance Program (HGAP). In addition, local providers access private funds through banks, foundations, and other supporters.

The implementation of strategies to provide new resources and make developers more effective will help make local projects more competitive. In addition, local funders should make sure that locally controlled resources are allocated in ways that support competitive applications for State and federal funds. For example, the current emphasis at the State level makes homeless housing projects particularly competitive for nine percent tax credits, so local funders and developers should work to align their strategies with State priorities. Though not as competitive as nine percent tax credits,

¹⁶ Office of Housing, Homelessness, and Community Development. Affordable Housing Production Plan, 2007-2017.

four percent credits are increasingly competitive in Washington, and projects receiving local support are more likely to receive funding.

Strategy Impact Snapshot: Increased Leveraging of State, Federal, and Private Resources	
<i>If the other strategies in this plan are successfully implemented to increase locally dedicated resources for affordable housing, it is projected that an additional \$148 million in public and private leveraging could be available in Snohomish County from 2008-2018. The value of these leveraged resources is equivalent to 1,023 new rental units.</i>	
Rental Housing for Households below 50% AMI (New Construction)	183 units
Rental Housing for Households below 50% AMI (Acquisition/Rehabilitation)	840 units
Total	1,023 units
Total Financial Value (10-year Projection)	\$148,000,000

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Education and Advocacy

Local Advocacy: Early in the implementation of this Plan, local stakeholders need to agree on the mechanism or package of mechanisms that will inject new resources for affordable housing into the county. The financial models in this Plan estimate the dedicated revenue from new local sources to be approximately \$10 million annually, beginning in 2011. This assumes a comprehensive strategy of education and advocacy across the county in 2009 and 2010 that engages local leaders and the general public, and helps implement the other strategies of this Plan. It will be important to include an array of partners in the education campaign about the need for new resources and to find housing “champions” to lead awareness and advocacy efforts, in both the county and the legislature.

State Advocacy: In this Plan, an important advocacy item for the Consortium and its partners is the exemption of affordable housing from the State portion of the sales tax. In addition, local housing leaders and funders should play an active role in reviewing and commenting on Washington State Housing Finance Commission policies, and their impact on housing in Snohomish County.

Federal Advocacy: At the federal level, advocacy efforts include increased funding for local entitlement programs, such as HOME and Community Development Block Grants; increased funding for homelessness programs; the establishment of a National Housing Trust Fund; and the expansion of Section 8 Housing Choice Vouchers. The models in this Plan project that Congress will appropriate 250 additional Section 8 vouchers annually, beginning in 2010.

Strategy Impact Snapshot: Federal Advocacy for Increased Section 8 Funding	
<i>If Congress appropriates 250 additional Section 8 vouchers each year for Snohomish County housing authorities beginning in 2010, these resources could serve an additional 2,250 households.</i>	
Tenant-Based Rental Assistance for Households below 50% AMI	2,250 units
Total	2,250 units
Total Financial Value (9-year Projection)	\$78,570,000

Note: See "Goals" and "Funding Projections" sections for more information about the data in this chart.

Funding Projections

This section summarizes the financial resources needed to achieve the ambitious goal set forth by this plan for providing housing assistance to 18,630 households over the next decade.

Existing Affordable Housing Resources

The complexities of financing affordable housing require housing providers to weave together multiple funding streams from federal, state, local, and private sources. As indicated in the section above on existing affordable housing in Snohomish County, there are 14,000 units of dedicated low-income housing countywide as of February 2008, with lengthy wait lists of households hoping to access the existing units or vouchers. Over the past several years, housing providers have been able to assist about 500 new households each year through new housing units and programs, by accessing established funding streams.

In order to create new housing opportunities, housing providers need some combination of capital, operating, and/or services funding, depending on the program. Capital funding provides resources for land acquisition and construction of units that are either newly constructed or acquired and renovated. Operating funds refer to the costs of maintaining and operating housing programs, and can take several forms. Project-based housing requires operating funds to pay property management expenses, utilities, and building maintenance. Tenant rents may provide some or all of these expenses, while some projects may require additional ongoing subsidies. Tenant-based vouchers are another type of operating cost that requires ongoing funding.

For some target populations, services are a vital component of the housing program, especially those serving formerly homeless households and households with special needs. Services are usually funded separately from capital and operating, with common sources being State and county human service funding streams, federal homelessness funding, and private philanthropy. The funding projections included in this Plan do not include the costs of services that may be necessary to ensure that the targeted households do indeed achieve stable homes.

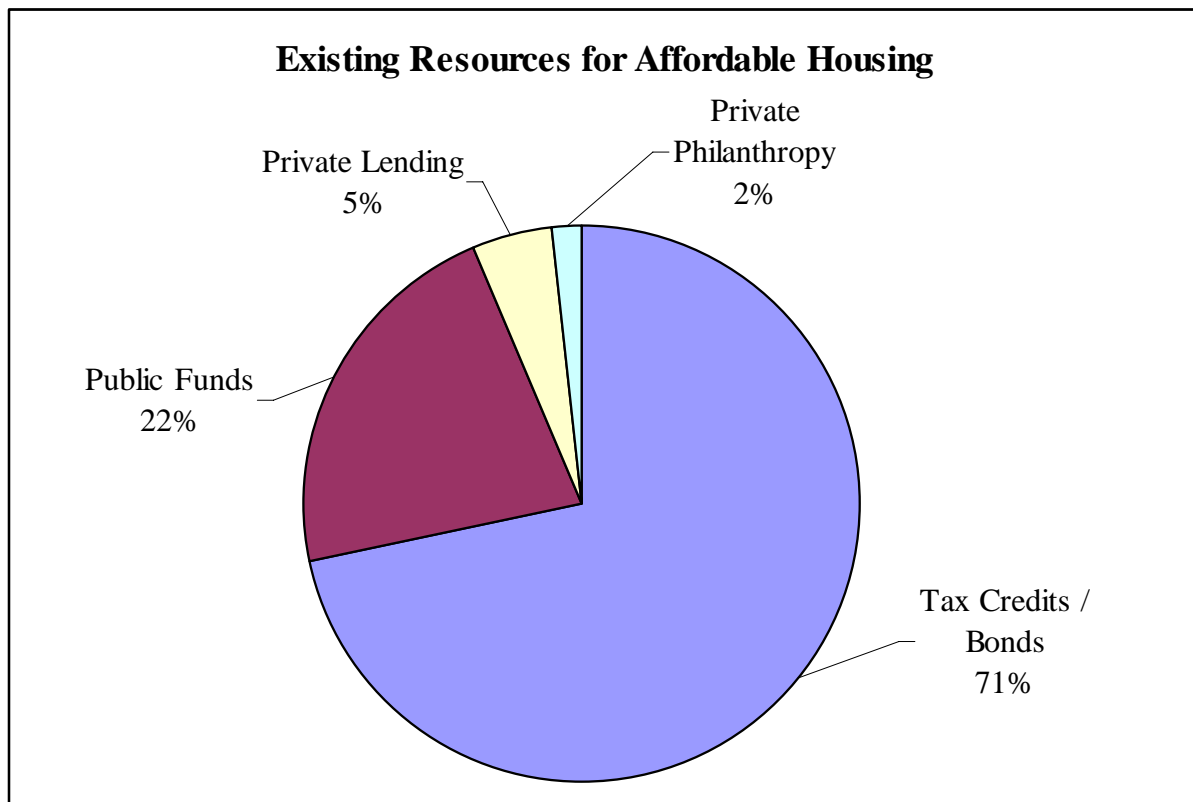
OHHCD estimates that current funding for new affordable housing totals about \$56 million annually. This funding comes from several major sources:

- **Low Income Housing Tax Credits and Multifamily Housing Bonds:** The Washington State Housing Finance Commission administers the federal Low Income Housing Tax Credit program, the largest federal program for financing affordable housing. Project funding comes from private investors that provide capital financing in exchange for federal tax credits. Tax-credit financing may only be used for the development of new multifamily rental housing or the acquisition and rehabilitation of existing rental property. In recent years, applications for tax credits have become increasingly competitive, and successful applications often have commitments of local funding. Many tax credit programs supplement their financing with tax-exempt multifamily housing bonds. OHHCD estimates that local developers have accessed over \$40 million annually in tax credits and bonds to develop housing in Snohomish County, the largest portion of all affordable housing funding currently.

- **Private Lenders:** Private lenders provide supplemental financing for new affordable housing developments. About \$2.7 million in financing for capital projects has been provided by local banks and other lenders.
- **Private Philanthropy:** Private philanthropy commonly provides valuable flexible funding to programs that are seeking to fill gaps in their financing. OHHCD estimates about \$900,000 has been provided by private donors for affordable housing each year.
- **Public Funds:** Federal, state, and local funding are key sources for new affordable housing, but the existing level of funding is only about \$12 million per year, of which local municipalities control about \$5 million, including federal entitlements like the HOME and Community Block Grant programs. Public funding sources include a range of programs that are targeted at a variety of types of housing assistance.

Figure 2 illustrates the breakdown of current available funding sources (\$560 million over ten years) for the creation of new housing assistance in Snohomish County, including the proportion of current funding represented by each category of resources.

Figure 2:



As the chart indicates, relatively modest levels of public funding are able to leverage substantial sums of private investment through tax credits, bonds, private lending, and philanthropy. About \$12 million of public funding leverages an additional \$44 million, for a nearly four-to-one leveraging factor. Most of the public funding, in fact, comes from federal and State sources. Just \$5 million of locally controlled funding (through the County and City of Everett) has been historically dedicated for affordable housing in Snohomish County.

New Affordable Housing Resources

Cost projections for the development of these housing units are based on estimates from OHHCD, the Consortium, and other partners. The total projected costs to assist 18,630 Snohomish County households, as identified in this Plan, are approximately \$1.03 billion over ten years, including approximately \$468 million generated from new resources and strategies. Some of this additional funding will come from grants or loans made by public and private agencies, while a substantial portion of the resources will include in-kind contributions made by developers in exchange for development incentives, as well as cost-savings that will result from expedited permitting policies and a State sales tax exemption.

Table 6 summarizes the total projected sources of revenue and in-kind investments for addressing the goals identified in this Plan. The “existing resources” include sources of funding that are currently available for affordable housing. “New resources” refer to proposed policies that will create new sources of funding, developer incentives, and cost savings. Note that the existing resources listed in this table are summarized in this section and the new resources are summarized in the “Strategies to Improve Housing Stability” section. Detailed funding assumptions can be found in Appendix A.

Table 6:
Projected Costs to Achieve Housing Unit Goals over Ten Years (2008-2018)

Sources of Investment and Funding	Types of Housing Assistance						Totals
	Homeless Prevention	Tenant-Based Rental Asst	Acquisition/Rehabilitation	New Const - Rental	New Const - Owner	Homeowner Preservation	
Existing Resources							
Tax Credits / Bonds	-	-	\$269,273,000	\$132,627,000	-	-	\$401,900,000
Private Lenders	-	-	15,694,800	11,329,950	-	-	27,024,750
Private Philanthropy	-	-	6,090,032	2,999,568	-	-	9,089,600
Public Funds:	\$8,526,000	\$11,750,000	23,825,568	17,199,030	\$48,300,000	\$12,744,000	122,344,598
<i>Subtotal of Public Funds¹: Portion controlled by Snohomish County and City of Everett</i>							<i>49,737,810</i>
Total Existing Resources	\$8,526,000	\$11,750,000	\$314,883,400	\$164,155,548	\$48,300,000	\$12,744,000	\$560,358,948
New Resources							
Incentive Zoning ²	-	-	-	\$85,189,300	\$25,321,333	-	\$110,510,633
Development Waivers ²	-	-	-	6,000,000	-	-	6,000,000
State Sales Tax Exemption ²	-	-	-	21,968,700	3,406,000	-	25,374,700
Increased Leveraging ³	-	-	\$100,000,000	48,000,000	-	-	148,000,000
Increased Federal Vouchers ⁴	-	\$78,570,000	-	-	-	-	78,570,000
Dedicated Local AH Funds ⁴	\$26,000,000	10,000,000	12,000,000	5,000,000	4,000,000	\$23,000,000	80,000,000
Sales Tax Option ⁴	-	-	13,000,000	7,000,000	-	-	20,000,000
Total New Resources	\$26,000,000	\$88,570,000	\$125,000,000	\$173,158,000	\$32,727,333	\$23,000,000	\$468,455,333
TOTAL RESOURCES	\$34,526,000	\$100,320,000	\$439,883,400	\$337,313,548	\$81,027,333	\$35,744,000	\$1,028,814,281

Note 1: Includes locally controlled public funding from Snohomish County and the City of Everett. Exclusive of State and federally controlled resources.

Note 2: These resources are expressed as the values of in-kind contributions or cost-savings.

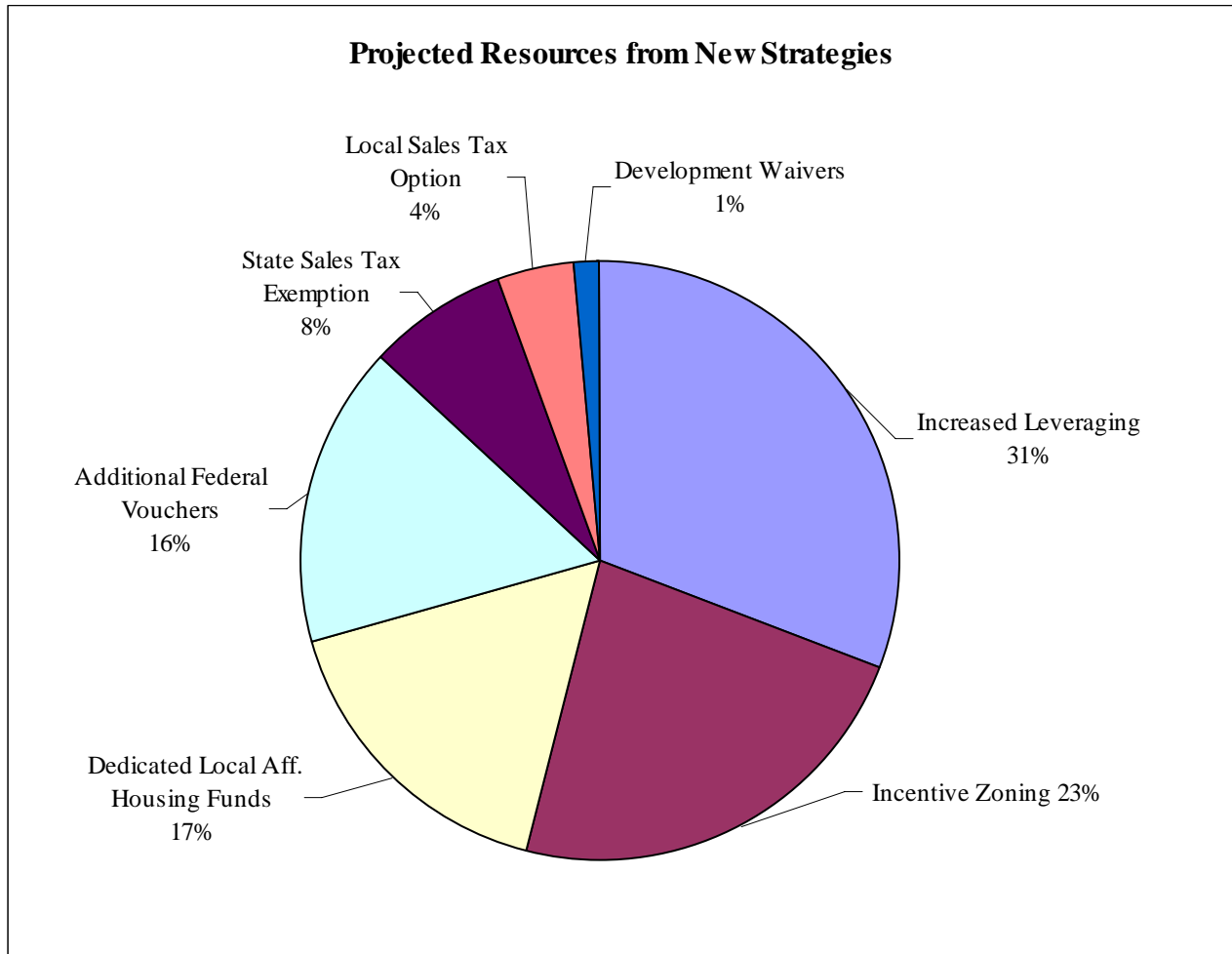
Note 3: This category includes increases in leveraging, including private investment through low-income housing tax credits and tax-exempt bonds, competitive state and federal funding, private lending, and philanthropy.

Note 4: These are expressed as actual "cash" revenue from new local funding sources or increases in external funding.

Current funding streams are projected to provide about \$122 million of public funding for affordable housing in Snohomish County over the next ten years. Of this \$122 million, about \$50 million is locally controlled (primarily through federal and state entitlements such as HOME, CDBG, and State 2060, 2163, and 1359 funds). The strategies proposed in this Plan would create a total of \$100 million of new local funding dedicated for affordable housing over ten years, including \$20 million from the sales tax option. This funding would dramatically increase the current public resources in Snohomish County, and leverage millions of dollars more of State, federal, and private investment.

Figure 3 illustrates the breakdown of new proposed resources (\$468 million over ten years) by source of funding.

Figure 3:



Recommendations for Action

To achieve the goals of this Plan, implementation will require collaborative efforts from a range of Snohomish County partners. This section recommends in the first year (2008-2009) for years two through ten (2009-2018).

The Housing Consortium of Everett and Snohomish County and a broad range of community stakeholders have conducted a thorough review of affordable housing needs and set goals for assisting 18,630 households with housing assistance over the next decade. The Housing Plan envisions the aggregate investment of approximately \$1.03 billion over 10 years to assist a range of households with incomes less than 120% of AMI, reaching all corners of the county and serving all elements of the housing continuum from homelessness to home ownership. The orchestration of this program will require continuity of leadership over time in close coordination with the County Executive, Snohomish County Tomorrow (SCT), and other elected officials.

A three-pronged strategy for meeting this ambitious goal is needed, as outlined in the “Strategies” section of this Plan. The three prongs of this strategy include:

- **Developer Incentives:** Provide developers with incentives to build affordable housing
- **Building Capacity:** Support affordable housing partners to increase production and sustain their programs
- **New Resources:** Develop new public and private resources to fund affordable housing

Recommendations for Action – Year One

The following twelve recommended actions represent the advocacy and implementation work plan for the first year of this Plan, from July 2008 through June 2009. The Consortium has developed these strategies (not in priority order) for early implementation, to achieve early victories by pursuing “low-hanging fruit,” and to lay the groundwork for fulfilling the ambitious ten-year goals of this Plan.

Developer Incentives: Provide Developers with Incentives to Build Affordable Housing

1. Urban Mixed-Use Demonstration Project

Recruit a non-profit and for-profit housing developer to collaborate on an urban mixed-use demonstration project designed to generate a combination of affordable and market-rate housing within a mixed-use master plan. Key potential partners:

- County Executive
- County Council
- Cities
- Snohomish County Tomorrow
- Master Builders Association

2. Incentive Zoning in Urban Areas

Develop a local model for incentive zoning or other developer-incentive approaches to incorporate affordable housing within designated Urban Centers in Snohomish County, including those in the cities and the unincorporated areas of the county, with a goal of 10 percent of housing in urban growth centers dedicated to households with incomes below 80 percent of Area Median Income. Snohomish County Tomorrow should study this recommendation as part of the current feasibility study of inter-jurisdictional programs to promote affordable housing. Key potential partners:

- Mayors and City Councils in jurisdictions with Urban Centers
- County Executive
- County Council
- Private developers
- Master Builders Association
- Snohomish County Tomorrow

3. Waiver of Construction Sales Tax

Collaborate with regional housing advocates to secure legislative approval during the 2009 Legislative Session for a waiver of State sales tax on construction of housing dedicated to households with incomes at or below 50 percent of Area Median Income. Key potential partners:

- Housing Consortium of Everett and Snohomish County
- County Executive
- County Council
- Cities
- Washington Low Income Housing Alliance
- Puget Sound Regional Council

4. Home Ownership Pre-Sale Program

Establish a home-buyer education and down-payment assistance program in partnership with a private sector developer that will set a substantially reduced sales price in exchange for a pre-sale commitment for new homes. Key potential partners:

- Housing Consortium of Everett and Snohomish County
- Master Builders Association
- Public and Private Lenders

Building Capacity: Support Affordable Housing Partners to Increase Production and Sustain Their Programs

5. Revolving Acquisition Loan Fund

Authorize the establishment of a new \$5 million public revolving loan fund in 2009 for acquisition of property dedicated to affordable housing by qualified nonprofit agencies and

housing authorities. The fund should be designed to leverage funding from various partners, including banks and foundations. Key potential partners:

- County Executive
- County Council
- Housing Authority of Snohomish County and Everett Housing Authority

6. Credit Enhancement

Increase the authorization level for Snohomish County participation in providing credit enhancements for affordable housing developments. The current policy established an initial limit on the total principal amount of loans subject to the credit enhancement at \$40 million; \$31 million of this initial limit has been issued. Increasing the limit to a higher value, between \$40 million and \$100 million, in order to permit enhancement of appropriate loans, would provide a significant boost in achieving the goals of this Plan. Key potential partners:

- County Executive
- County Council

7. Snohomish County Funding Process

Streamline the capital funding process for allocation of Snohomish County housing resources:

- Establish clear strategic criteria aligned with ten-year production goals
- Develop clarity about leveraging strategies that maximize the flow of housing funds into Snohomish County from State and federal sources
- Make funding decisions through a panel of experts who understand the underwriting of affordable housing developments and strategic choices
- Make funding awards annually by December
- Maintain flexibility to assist priority projects
- Substantially shorten the timeline for project review and funding announcement

Key potential partners:

- County Executive
- County Council
- County staff

8. Preservation of Manufactured Housing Communities

Explore strategies to preserve manufactured housing that is at risk of sale or closure.. Various approaches should be considered by an expert panel, including acquisition of at-risk parks, community land trust and master plan redesign alternatives for at-risk parks. Key potential partners:

- County Executive
- County Council
- Cities

- Housing Authority of Snohomish County and Everett Housing Authority
- Housing Consortium of Everett and Snohomish County

9. Service-Enriched Housing

Create a plan for providing and funding necessary support services in conjunction with the housing that is created through the efforts outlined in this Plan. Key potential partners:

- County Office of Housing, Homelessness and Community Development
- Housing and Homelessness Policy Oversight Committee

New Resources: Develop New Public and Private Resources to Fund Affordable Housing

10. Local Option Sales Tax Increase

Adopt a County ordinance by December 31, 2008, approving a one-tenth of one percent (0.1%) sales tax increase for mental health and chemical dependency services; and dedicate at least \$2 million annually towards housing from this source. In addition, prioritize housing for “one-time” expenditures of any collected sales tax revenue that may accrue before the start-up of all the programs enabled by the local option sales tax. Key potential partners:

- County Executive
- County Council
- North Sound Mental Health Administration

11. New Dedicated Local Revenue Sources

Create a plan by May 31, 2009, for a local housing funding program to raise \$80 million over 8 years through use of a housing levy, general obligation bonds, councilmanic bonds, or some combination of local funding sources. Key potential partners:

- County Executive
- County Council
- Cities

12. Homeless Initiative Partnerships

Pursue opportunities to partner with new and existing State and private philanthropic partners in initiatives targeted at ending homelessness for families and individuals. Key partners:

- County Executive
- County Council

Years Two through Ten Provisional Recommendations

The following recommendations are offered provisionally for implementation during the second through tenth year of this Plan, from July 2009 through June 2018.

These action steps will be further developed during the summer of 2008.

Developer Incentives: Provide Developers with Incentives to Build Affordable Housing

1. Expand Incentive Zoning Programs beyond Urban Centers

Adopt an inter-jurisdictional incentive zoning program based on the recommendations of Snohomish County Tomorrow's feasibility study. The purpose of such an inter-jurisdictional program would be to assure that adopted policies and regulations are as uniform as practical, for the sake of cost savings. Snohomish County Tomorrow and Snohomish County may recommend new countywide planning policies to guide this program. Key potential partners:

- County Executive
- County Council
- Cities
- Master Builders Association
- Snohomish County Tomorrow

2. Inter-jurisdictional Cooperation

Challenge each municipal jurisdiction in Snohomish County to generate a plan that will contribute \$5 per capita of new value annually toward affordable housing solutions from fee waivers/discounts, surplus land donations/discounts, cash contributions (levy, bonds, or other new sources), land use designations, and policy changes. One way of implementing this would be for the Snohomish County Tomorrow Steering Committee to adopt a list of "ways and means" that would qualify, and later to evaluate and report each jurisdiction's contributions. In addition, a template and other technical assistance tools for implementing affordable housing production policies should be developed and disseminated. Snohomish County Tomorrow should study this recommendation as part of the current feasibility study of inter-jurisdictional programs to promote affordable housing. Key potential partners:

- Snohomish County Tomorrow
- Cities
- County Executive
- County Council

3. Impact and Development Fee Waivers

Identify impact and development fee waivers for housing serving households below 50 percent of Area Median Income, such as water, sewer, parks, transportation, and/or school fees. Advocate for State funding to support infrastructure for affordable housing. Key potential partners:

- Snohomish County Tomorrow
- Cities
- County Executive
- County Council

Building Capacity: Support Affordable Housing Partners to Increase Production and Sustain Their Programs

4. Community Development Housing Organizations (CHDO) and Public Housing Authorities

Provide a predictable flow of local capital funding designed to maximize production by locally certified CHDOs and public housing authorities for top priority housing production programs. Key potential partners:

- County Executive
- County Council

5. Provide Leadership for Implementation of *Housing within Reach*

Create and implement strategies for each of the seven types of housing assistance identified in this Plan (homeless prevention, tenant-based rental assistance, acquisition and rehabilitation, new construction of rental units, new construction of homeowner units, and homeownership preservation). For each housing type, a plan should be developed addressing technical assistance needs and the selection of lead agencies to facilitate that Plan goals are met and to facilitate a predictable flow of resources that result in stable housing outcomes. Key potential partners:

- County Office of Housing, Homelessness, and Community Development
- Housing Consortium of Everett and Snohomish County

New Resources: Develop New Public and Private Resources to Fund Affordable Housing

6. New Dedicated Local Revenue Sources

Implement the \$80 million, eight-year local housing funding program, as designed through 2008-2009 planning. Key potential partners:

- County Executive
- County Council
- Cities

Housing within Reach:

***A Call to Action for Snohomish County
Communities***

Appendices

Table of Contents

Appendix A: Explanation of Financial Modeling	A-1
Appendix B: Affordable Housing Production Strategies	A-3
Appendix C: Snohomish County Affordable Housing Planning Summary	A-21

Appendix A: Explanation of Financial Modeling

This Appendix provides an explanation of the assumptions that were used in developing the financial models including in *Housing within Reach Plan*.

The financial projections for this *Housing within Reach Plan* include estimates for the costs of providing housing assistance, as well as the projected sources of funding. The estimated costs for each type of housing assistance are based on recent data from projects of Consortium members. The projections for the value of these new proposed strategies are based on research on the impacts of similar programs in other jurisdictions, discussions with Consortium members, and analysis of fiscal capacity in the county.

The projections for **incentive zoning** are based on comparisons to case studies from Montgomery County, MD, Irvine, CA, and Redmond, WA, and the historical building permit data for Snohomish County. From 2003-2006, an average of 460 units of multifamily housing in projects of 10 or more units received permitting in Snohomish County. If incentive zoning programs are implemented successfully in Snohomish County, as much as 10 percent of these multifamily rental units could be dedicated as affordable to low-income households, or about 46 per year. This Plan assumes incentive zoning will be implemented successfully by 2011, resulting in 46 units per year times seven years, or about 325 units. The projected value of these 325 units is equal to the costs of constructing a new affordable unit (\$262,000 per unit), or approximately \$85 million over seven years.

In addition to rental units, an incentive zoning program for single family homes would contribute a projected \$25 million in new resources over seven years. This assumes about two percent of single family building permits (averaging about 4,500 units per year recently) would be dedicated as affordable homeownership opportunities, or 633 units over seven years. These units would be dedicated for sale to low- and moderate-income families at affordable purchase prices. Stakeholders estimate that the value of this affordability discount would average \$40,000 per unit.

The value of **development fee waivers and expedited permitting** are the cost-savings to developers of affordable housing by lowering both their fees and the carrying costs of holding onto property before starting construction. While projects that benefit from fee waivers do not receive direct public subsidy, the cost-savings will allow developers to create more units with existing resources. To estimate these cost-savings, this Plan projects a development fee waiver and expedited permitting process in place by 2010, and benchmarks the potential cost-savings to the SMART program of the City of Austin, Texas. The total cost-savings would be \$6 million in new resources for affordable housing, or approximately \$750,000 per year.

Snohomish County has historically leveraged public funding to harness additional investment for affordable housing at about a one-to-four ratio. OHHCD reports that \$12 million in existing public funding currently leverages about \$44 million in low income housing tax credits,

multifamily housing bonds, private lending, and philanthropy. This Plan projects the creation of \$37 million of new public funding for new construction and acquisition/rehabilitation of multifamily housing. At a four-to-one ratio, this would **increase leveraging** by \$148 million in additional funding.

Stakeholders project that the HUD Section 8 Housing Choice Voucher program will receive increased federal funding beginning in 2010, resulting in 250 additional vouchers in the county each year, or 2,250 vouchers over nine years. The value of these vouchers is projected at \$78,570,000, using current housing authority projections.

Across the state, housing developers and partners are advocating for the **exemption of the state sales tax** for affordable housing developed by private and nonprofit agencies. The Washington Low Income Housing Alliance projects that such an exemption would provide a cost-savings of approximately \$30 million annually statewide. This Plan projects that the state sales tax exemption will be enacted by the state legislature in 2009, and provide over \$2.8 million in cost-savings for developers in Snohomish County each year, or about \$25 million over nine years.

Housing stakeholders across the county agree that there is a great need for **locally dedicated revenue for affordable housing**. There are several mechanisms that local jurisdictions could employ to contribute local funding for affordable housing, including regular and/or special levies, general obligation bonds, and general fund contributions. The *Housing within Reach* Plan projects that a system of local funding will be in place by 2011, and will contribute an average of \$10 million per year to affordable housing.

In 2005, the state legislature passed ESSSB 5763, which authorized county authorities to levy a one tenth of one percent (0.1%) **sales tax option** dedicated to new and expanded therapeutic courts for dependency proceedings, and new and expanded mental health and chemical dependency treatment services.¹ In Snohomish County, this optional sales tax increase has not yet been authorized, but this Plan projects its enactment by the end of 2008. The mental health sales tax increase is projected to contribute about \$13 million per year. Stakeholders in Snohomish County are advocating for \$2 million to be dedicated annually to housing for people with mental illness and/or chemical dependency issues.

¹ <http://leg.wa.gov/documents/billdocs/2005-06/Htm/Bill%20Reports/Senate%20Final/5763-S2.FBR.htm>

Appendix B: Affordable Housing Production Strategies

This Appendix includes a review of research of various housing production strategies, including strategy summaries, case studies, and analysis.

This section summarizes the findings from research into strategies that will increase the rate of production of affordable housing in Snohomish County. The research was approached by seeking the answers to the following questions:

- What is the strategy, and if applicable, what variations of the strategies have been implemented?
- Where has the strategy been implemented, and what were the outcomes?
- What are the advantages and disadvantages of implementing this strategy?

The following strategies were analyzed:

Developer Incentive Strategies
Incentive Zoning
Up-Zoning and Mixed-Use Zoning Changes
Development Fee Waivers and Expedited Permitting
Transfer of Development Rights
Increase Funding for Affordable Housing Strategies
Revolving Loan Fund / Land Banks
Dedicated Local Affordable Housing Resources/Funds
Community Land Trusts

Developer Incentives

<p><u>Incentive Zoning</u></p> <p>Incentive zoning (IZ) encourages developers to make a percentage of housing units in new residential developments available to low- and moderate-income households. By linking the production of affordable housing to private market development, IZ expands the supply of affordable housing while dispersing affordable units throughout a city or county to broaden opportunity and foster mixed-income communities.</p>	
<p>Variations:</p>	<p>Mandatory versus Voluntary:</p> <ul style="list-style-type: none"> • In Mandatory IZ, the number of affordable units and their guidelines for inclusion into new developments are required for compliance. • In Voluntary IZ, developers have the option to receive non-monetary compensation—in the form of density bonuses, zoning variances, and/or expedited permits—that reduce construction costs, in return for including affordable units.
	<p>In-lieu Fees:</p> <ul style="list-style-type: none"> • The jurisdiction may allow developers to pay a proportional fee per unit or to fund affordable units in another development, instead of including the affordable units at the present time and location.
	<p>Types of Incentives for Developers</p> <ul style="list-style-type: none"> • Density Bonus: Allows developers to build at a greater density than residential zones typically permit, thereby reducing per-unit infrastructure costs. • Unit size reduction: Allows developers to build smaller or differently configured inclusionary units, relative to market rate units, reducing costs. • Relaxed Parking Requirements: Reducing the number or size of spaces, or allowing tandem parking (front & back parking in one space). • Design Flexibility: Allows flexibility in design guidelines—such as reduced setbacks from property lines, or waived minimum lot size requirement. • Fee waivers, reductions, or deferrals: Reduces costs by waiving the impact and/or permit fees for infrastructure development and municipal services. • Fast track permitting: Streamlines the permitting process for development projects, reducing developers' carrying costs. • Credit transfers: developers can credit affordable units built beyond the requirements in one project to satisfy the requirement in another.

<p><u><i>Incentive Zoning</i></u></p>	
<p><i>Case Studies:</i></p>	<p>City of Redmond, Washington – Inclusionary Housing Ordinances</p> <ul style="list-style-type: none"> • The City of Redmond has mandated incentive zoning ordinances within two neighborhoods and for all new senior housing developments in the city. • This ordinance is flexible in that it allows for payments in lieu of affordable units and the ability to develop the affordable units off-site from the proposed development. • At least 10 percent of the units in new housing developments of 10 units or greater must be affordable units. At least one bonus market rate unit is permitted for each affordable unit provided, up to 15 percent above the maximum allowed density permitted on the site. • For example, if the maximum allowed density for the site is 20 units per acre, the maximum density permitted is a 15 percent increase, or 23 units, including two affordable units (ten percent of 20 units per acre) and one bonus market rate unit. • Outcomes: Redmond’s inclusionary zoning provisions resulted in the permitting of 19 affordable homes in 2006, versus eight in 2005. In early 2007, affordability requirements were extended to the North Redmond neighborhood, and are expected to be adopted in Education Hill during the first half of the year.
	<p>Montgomery County, Maryland -- Moderately Priced Dwelling Unit (MPDU) Ordinance</p> <ul style="list-style-type: none"> • Since 1976, the County has required developers of projects of 20 or more units to make 12.5 to 15 percent of the new units affordable. • In exchange for the affordable units, developers are granted a 22 percent density bonus. • Each MPDU has a legally enforceable control period of 30 years from the date of settlement and if the unit is sold during this time period the price is determined by the MPDU office. Owners are required to live in the MPDU as their primary residence throughout the 30-year time period. The County has the right of first refusal to purchase any MPDU put up for sale. • Supporters include new home buyers, employers, and citizens' groups. Elected officials back the program because of its low impact on any given community or neighborhood and because the program does not require a large financial investment by the County. • Opponents include those who advocate no growth or slow growth because the program offers increased densities in existing zones. The MPDU Program has been criticized for causing additional congestion on County roads, and requiring more funding of County facilities, infrastructure, and services. • Outcomes: Since the inception of the ordinance, more than 11,800 affordable units have been developed. Developers reported their profits on projects with inclusionary units were about equal to those of market-rate developments. At first, builders objected to some of the procedures and regulations. They have made suggestions for improvement and are generally supportive.

<p><u>Incentive Zoning</u></p>	<p>Irvine, California -- Inclusionary Zoning Ordinances</p> <ul style="list-style-type: none"> • In 1975, housing advocates in southern California sued the City of Irvine to ensure that affordable housing would be provided in the new city. To settle the suit, Irvine launched one of the nation's first inclusionary-housing programs. • The program's initial success led the city to expand its scope, requiring that 15 percent of all newly built housing must be affordable to low- or moderate-income households. • Outcomes: Since the mid-1970s, Irvine has produced more than 4,400 units of affordable housing (7% of all units)--a significant achievement for a town of 62,000 housing units. Unfortunately, Irvine's inclusionary-housing program required the units to remain affordable for only 13 to 30 years. When the control period ends, the housing can be converted to market-rate. As a result, more than 1,000 affordable units already have been lost. Many of the remaining affordability controls will expire during the next 10 years, leaving Irvine with little to show for its pioneering effort to make room for working families. In 2006, the City incorporated a community land trust (see CLT case study).
<p><i>Analysis</i></p>	<p><i>Advantages</i></p> <p>Engages Private Sector</p> <ul style="list-style-type: none"> • Minimal burden on public sector and tax base. • Takes advantage of good economic times and population growth. <p>Spreads Affordable Housing Geographically</p> <ul style="list-style-type: none"> • IZ policies promote balanced housing development by ensuring that some portion of new housing development is affordable across the region. • Because its focus is on new developments, does not displace existing residents of low-income housing. • Prevents low-income housing from concentrating in certain neighborhoods, which can engender political opposition. • Minimizes need for planning, allocating, and monitoring affordable housing "fair share" among participating jurisdictions. <p><i>Challenges:</i></p> <ul style="list-style-type: none"> • Opposition from builders, the real estate community, and political leaders <ul style="list-style-type: none"> ⇒ <i>Counter:</i> Long term research shows that IZ does not negatively impact housing production and growth ⇒ <i>Counter:</i> Full cost of units is not borne by developer; most jurisdictions provide financial incentive to reduce impact, such as density bonuses, permit-related incentives, financial subsidies, and technical assistance. • Increased density may require investment in infrastructure to prevent congestion <ul style="list-style-type: none"> ⇒ <i>Counter:</i> Preventing sprawl can save infrastructure costs overall

<p><u>Incentive Zoning</u></p>	
<p><i>Additional Comments:</i></p>	<ul style="list-style-type: none"> • Most of the cities using incentive or inclusionary zoning have created housing for all income levels. • California programs have been very successful overall. Eight cities were deemed “high producers”: at least 10% of the housing units built since program started were affordable and at least 50 units were produced each year they have had a program. They found that these cities used the following strategies to provide incentives to developers so that project feasibility is not negatively impacted: financial incentives, density bonuses, permit-related incentives, and technical assistance. <p>Advice from CA report (Non-Profit Housing Association of Northern CA):</p> <ul style="list-style-type: none"> • Adopt a policy and make it mandatory • Provide stronger incentives and flexibility • Provide stronger oversight for the in-lieu fee option • Track the numbers • Support partnerships (between developers and non-profits, particularly for lowest income households)

<p><u>Up-Zoning and Mixed-Use Zoning</u></p> <p>Communities can change their zoning codes to permit higher densities (up-zoning) and to allow mixed-use zoning. Both up-zoning and mixed-use zoning increase the number of units that can be built on designated land.</p>	
<p>Variations:</p>	<p>Rezoning can be implemented by allowing higher densities or mixed uses by-right in certain identified districts, or, as conditional uses.</p> <ul style="list-style-type: none"> • Up-zoning involves the selective rezoning of residential land to allow greater density. Cities may also enact special design requirements to ensure that new higher density developments are compatible with existing housing in the area. • Mixed-use zoning allows a balanced mix of office, commercial, and residential uses in close proximity. Mixed-use developments can range in size from single buildings with apartments located over retail uses, to large-scale projects that include office and commercial space along with hotels and housing.
<p>Case Studies:</p>	<p>Holly Park, Seattle, WA</p> <p>The redevelopment of Holly Park, a neighborhood in South Seattle, replaced 871 units of public housing with higher-density, mixed-income development. The Seattle Comprehensive Plan provided a rezone of the Holly Park redevelopment in various phases, including some commercial zoning in Phase III. The City's Strategic Planning Office included zoning changes to encourage transit-oriented development, such as allowing lower parking ratios for development closest to transit areas.</p> <p>Outcomes: Approximately 1,400 new housing units, increase of 529 units, including senior housing and mixed-income rental and for-sale housing. The neighborhood also includes 10,000 square feet of new retail/office space, a 12,000 square foot medical/dental clinic, and a Seattle Public Library branch.</p>
	<p>State of California</p> <p>The State of California has a law requiring jurisdictions to offer a density bonus, ranging from 10-35 percent based on the percentage and income target of the affordable units provided (see p. 30 of CA Inclusionary Zoning report). The law requires that local jurisdictions offer incentives to developers that result in actual cost reductions, such as reductions in parking, setbacks, or open space requirements. A developer can also increase the density of his project by 15% by donating land which would permit construction of very low-income housing unites equal to 10% of the total initial development.</p>

<u><i>Up-Zoning and Mixed-Use Zoning</i></u>	
<i>Analysis</i>	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Increasing allowable density generally has the effect of reducing land and site development costs for developers, reducing purchase prices for homes and rents for apartments. • Up-zoning and mixed-use developments may help to preserve farm land, open space and environmentally sensitive areas by reducing the overall amount of land needed for residential development. • Increasing housing density near employment centers and transit stops can help reduce traffic congestion. • Higher densities can result in more efficient use of existing infrastructure capacity (assuming it is adequate to serve growth). • Mixed-use projects can offer cost savings to developers in the form of shared parking arrangements and shared costs for building maintenance, and security. <hr/> <p><i>Challenges:</i></p> <ul style="list-style-type: none"> • Rezoning by itself does not require housing to have sales prices or rents set as affordable for any specific income level. <ul style="list-style-type: none"> ⇒ Counter: Can complement other affordable housing strategies. • High density developments may require infrastructure and transit investments. <ul style="list-style-type: none"> ⇒ Counter: More efficient than infrastructure for sprawl development. • Opposition in community may be based on concern over out-of-scale buildings, increased traffic congestion, impact on property values, and the perception that people who live in higher density housing are somehow "different." <ul style="list-style-type: none"> ⇒ Counter: Smart design can mitigate density to keep development in character with existing neighborhood.

<p><u>Development Fee Waivers and Expedited Permitting</u></p> <p>Development fee waivers and expedited permitting are incentives that local governments can provide for developers to include affordable housing units in new developments. Fee waivers reward developers by directly decreasing the costs per unit to build housing. Expedited permitting can save developers money by processing applications faster and limiting developers’ costs for holding property and carrying loans.</p>	
<p>Variations:</p>	<p>Jurisdictions can implements fee waivers and expedited permitting programs separately or jointly. Variations of fee waivers include:</p> <ul style="list-style-type: none"> • Some localities offer to waive fees associated with developments according to the percentage of units that are designated as affordable • A “proportional” impact fee program adjusts fees according to the size of the housing unit. Residences with smaller, more cost efficient square footages are charged lower development fees than conventional dwelling units.
<p>Case Studies:</p>	<p>City of Santa Fe, New Mexico</p> <ul style="list-style-type: none"> • Santa Fe offers impact fee waivers for developments in which at least 25 percent of the units are affordable to low-income households. • The City offers fee waivers for nonprofit affordable housing developers, and reimburses these fees for for-profit builders after the developer certifies the sales price, size of the unit, size of the household and that household incomes meet affordable standards • Waived fees include: <ul style="list-style-type: none"> ○ Capital development impact fees ○ Plan submittal fees for annexation, rezoning or subdivisions for low-priced housing developments ○ Reduction of the utility expansion charge for a meter service for a low priced dwelling unit from \$2,000 to \$800 • Outcomes: Expedited permitting, along with other zoning and planning tools, has helped make 16 percent of all new homes built in Santa Fe during the last decade affordable for working families

	<p>City of Austin, Texas</p> <ul style="list-style-type: none"> • The SMART Housing (Safe, Mixed-income, Accessible, Reasonably-priced and Transit-oriented) program includes fee waivers and expedited permitting • Fee waivers include zoning, site plan, subdivision, building permit, construction inspection, and capital recovery fees • Fee waivers are on a sliding scale based on the percentage of units that are affordable, up to a 100 percent fee waiver for developments that include 40 percent affordable • SMART Housing developments are eligible for expedited review • One innovation was the creation of a four-member municipal planning team, solely devoted to the SMART Housing program. They are able to act as advocates throughout the entire process of development with all the various city departments. This team has a vested interest in getting SMART developments built. • Outcomes: During the first three fiscal years of SMART Housing, the City waived over \$3.5 million in fees. The average completion time for SMART Housing subdivision and site plan reviews was approximately half the time of conventional reviews
<p><i>Analysis</i></p>	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Lowers costs for affordable housing developments • Can complement incentive zoning programs by combining with other incentives such as density bonuses • Impact fees based on housing size and types encourages the development of smaller, less expensive housing units • Fast-track permitting allows affordable housing developers to move more quickly to acquire properties and apply for state and federal funding • Does not require local expenditures
	<p><i>Challenges:</i></p> <ul style="list-style-type: none"> • New administrative procedures for jurisdictions • Cities lose revenue from fee waivers

<p><u>Transfer of Development Rights</u></p>	
<p>Transfer of development rights (TDR) programs use market incentives to implement and pay for development density and location decisions. TDR programs allow landowners to sell the development rights from properties in government-designated low-density areas (“sending areas”), and sell them to purchasers who want to increase the density of development in areas designated for higher densities (“receiving areas”). In most TDR programs, sending areas are agricultural land or open space, while receiving areas are typically urban areas slated for increased densities. Most jurisdictions have designed their TDR programs for ecological reasons rather than to promote affordable housing in the receiving areas.</p>	
<p>Variations:</p>	<ul style="list-style-type: none"> • TDR programs can be implemented that give additional density bonuses to receiving areas or require a percentage of the transferred development rights to be dedicated for affordable units. • Programs may promote preservation of affordable housing by designating existing low-income buildings as sending areas that can sell rights to developers in urban areas. • TDR can include homeownership and/or multifamily housing. • TDR programs may include “TDR Banks,” which hold or manage the transferred rights until they are utilized.
<p>Case Studies:</p>	<p>Montgomery County, Maryland</p> <ul style="list-style-type: none"> • In 1980 Montgomery County, down-zoned agricultural land from a maximum density of one house per five acres to one house per 25 acres. The County also designated this land the Rural Density Transfer Zone (sending area), allowing landowners to sell one development right per five acres. • The County also established an initial receiving area, which could accommodate up to 3,000 development rights. Each development right purchased entitled receiving area landowners to build one more housing unit than otherwise would have been allowed. • Prior to 1980, the County lost an average of 3,500 acres of farmland per year to development. In the ten years following establishment of the TDR program, the County lost only an average of 300 acres per year • Outcomes/Success Factors: <ul style="list-style-type: none"> ○ Development restrictions on sending area properties created a strong incentive to sell development rights. ○ Demand was strong due to the county's rapid growth rate and the desire for greater densities in receiving areas. ○ The County actively educated landowners, developers, realtors, and attorneys about the program.

	<p>City of Seattle</p> <ul style="list-style-type: none"> • TDR program focuses on preservation by permitting the transfer of unused development rights from low-income housing sites to downtown office and hotel developments • The TDR program contributed to the preservation of 381 low-income units in seven buildings downtown. • It is estimated that up to 1.4 million square feet of floor space are potentially eligible to carry transferable development rights. • Outcomes: The total square footage in the TDR bank is about 500,000 square feet. In the current downtown real estate market, it is anticipated that these banked development rights will be marketable, contributing to the preservation and potential rehabilitation of low-income housing units.
<p><i>Analysis</i></p>	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Meets community goals for preserving open space and creating affordable housing by increasing density using market forces • Can be used to encourage growth in Urban Growth Areas (UGAs)
	<p><i>Challenges:</i></p> <ul style="list-style-type: none"> • Effectiveness of creating or preserving affordable units may be limited during slow growth periods • TDRs are complex and usually managed at the County level, due to zoning requirements and density designations • Need to locate sufficient sending and receiving areas • Create mechanism for monitoring and maintaining affordability of units

Increase Funding for Affordable Housing

Revolving Loan Fund/Land Banks

A Revolving Loan Fund provides bridge funding for predevelopment and acquisition for affordable housing developments. Loans typically have below-market interest rates and are repaid by the project’s construction or permanent financing.

One of the main issues for affordable housing production is the diminishing supply of vacant land available to prospective developers. Land Bank programs acquire unimproved sites that are appropriate for affordable housing and holds them long-term (5-years minimum) so that they are available when needed. Ultimately, Land Bank sites are sold at discount to non-profit or for-profit developers to build affordable housing projects.

Variations:	Many variations of this strategy are in use, serving various populations, including very low income or homeless households.
Case Studies:	<p>NW Farmworker Housing Trust</p> <ul style="list-style-type: none"> • Tri-State (WA, OR, ID) funds cover predevelopment expenses such as payments on options to purchase property, land-use permit applications, and architectural/ engineering costs. Because Tri-State funds are interest-free, they have enabled many housing developments to withstand predevelopment delays and adapt quickly to changing financing requirements without losing viability. These funds have also served as leverage for other financing applications. • Three non-profits cooperatively underwrote all the loans, and the Northwest Regional Facilitators (NRF) served as fiscal agent for the fund. • The Tri-State Fund serves to illustrate the lending practices necessary to deal with development obstacles such as delays due to “Not In My Back Yard” opposition (NIMBYism) and the reduction of federal construction financing sources. It also demonstrates the enormous impact that a loan fund with neither CDFI certification nor NCCA affiliation can have. • Outcomes: The fund was originally capitalized by a single \$500,000 grant from the Northwest Area Foundation, approximately \$406,000 of which is loaned out. By 1998, the Tri-State Fund had financed over 800 housing units for approximately 4,400 very low-income farmworkers (including spouses and dependents) in Washington state, Oregon, and Idaho.

	<p>Los Angeles Supportive Housing Loan Fund</p> <ul style="list-style-type: none"> • Fund will provide predevelopment and acquisition funding for permanent supportive housing projects. It will be the largest revolving loan fund in the US. • Target population are homeless • Managed by the Corporation for Supportive Housing (CSH). • City of LA will provide \$5 million, leveraging \$3 million from CSH, \$8 million from State of California, \$8 million from Fannie Mae, and \$6.5 million from foundations and banks (\$30.5 million total). • Outcomes: The fund will leverage an additional \$145 million over five years to finance at least 1,500 new units of supportive housing.
	<p>United Way of King County Revolving Loan Fund (land bank model)</p> <ul style="list-style-type: none"> • United Way of King County has established a <i>revolving loan fund</i> for the purposes of acquisition of real estate in connection with the development of supportive housing associated with the Campaign to End Chronic Homelessness • The availability of ready capital to assist developers in acquiring real estate (land and existing structures) can significantly speed up the process of creating supportive housing and help secure desirable sites for chronically homeless adults. • The loan pool will be administered in collaboration with the Office of Housing at the City of Seattle, which also has a site acquisition bridge loan program. • 3% loans for up to 3 years, up to \$1 million • Outcomes: Program is just starting up as of Winter 2008. City of Seattle and King County Housing Authority operate such programs (further research needed to determine their outcomes).
<p><i>Analysis</i></p>	<p><i>Advantages</i></p> <ul style="list-style-type: none"> • Allows developer to access inexpensive capital to move quickly in hot markets. • Can leverage private funding with limited public investment. • Minimal impact on mainstream developers and real estate industry. • Can help make Snohomish projects more competitive for state funding by having site control.

<p><u>Dedicated Local Affordable Housing Resources</u></p> <p>A local dedicated revenue source provides continuous funding for affordable housing initiatives in the designated communities. Local revenue sources are usually structured to direct funds into a housing trust fund.</p>	
<p>Variations:</p>	<p>Housing trust funds can have a variety of revenue sources, depending on local circumstances. Among the most common are:</p> <ul style="list-style-type: none"> • A portion of local property tax revenue • A portion of the local real estate transfer tax • Penalties on late payments of real estate taxes • Fees on other real estate-related transactions • General fund contributions • General obligation bonds
	<p>Each housing trust fund has a governing body that decides how the funds are used. The governing body may be a city or county department or housing authority, or an independent committee with representatives from the private and/or public sectors.</p>
<p>Case Studies:</p>	<p>Bend, Oregon has seen rapid population growth and housing price appreciation in the past two decades. In 2006, the City of Bend implemented an Affordable Housing Fee to provide new local funding for affordable housing. Revenue for the fund is provided through a fee assessed to all new development in the city. The ordinance was created from a collaborative process involving representatives from the local builders association, the Chamber of Commerce, local realtors, tenants and affordable housing providers. A nine-member Affordable Housing Advisory Committee reviews and recommends projects for funding. Outcomes: The fee, one-third of one percent of the total Building Permit Valuation for new developments, is expected to provide about two million dollars per year for new construction and rehabilitation of affordable homeownership and rental housing.</p>
	<p>The Housing Trust Fund of Santa Clara County, recognized by many as one of the leading trusts in the country, began distributing funds in 2001. A public-private partnership, the trust raised more than \$20 million in its first two years of operation and, as of September 2005, had raised a total of \$30 million. The ambitious fund-raising effort, kick-started by Santa Clara County's \$2 million contribution and led by the Silicon Valley Leadership Group's CEO Carl Guardino, galvanized support from diverse sectors of the community. Understanding that the trust could help place employees in housing, Silicon Valley companies such as Applied Materials, Cisco Systems, Solectron, Agilent and Adobe were quick to join in and lead the charge with their peers. Within 24 months, 116 companies and organizations contributed almost half of the \$20 million goal. Outcomes: Since 2001, HTSCC has leveraged \$18.1 million into \$786 million, to create 4,500 housing opportunities.</p>
	<p>Another California county, San Mateo, started their fund, the Housing Endowment and Regional Trust (HEART) of San Mateo County, in 2006. San Mateo County is of similar size to Snohomish and has even higher housing prices. San Mateo County's city, county and business leaders, determined to tackle their community's housing crisis in a positive manner,</p>

<u>Dedicated Local Affordable Housing Resources</u>	
	<p>decided to move forward with establishing a housing trust just as the economy began its downturn. Their efforts have been rewarded with positive results, even as the area continues to deal with difficult economic circumstances. A joint powers authority with 12 cities and the county as members, HEART received the maximum \$2 million allowed under Prop. 46 (state trust fund bill) and made its first loan of \$510,000 to a senior housing development in Daly City. Challenges: Cities pay the administrative costs on a prorated share based on population, and some cities are reluctant to participate unless or until they have a development that would qualify for HEART funding. The biggest challenge has been the state's restriction on using trust fund money in a development that also receives funding from the state's Multifamily Housing Program. They seek a permanent, unrestricted funding source that will provide flexibility and community support.</p>
	<p>The City of Seattle Housing Levy provides a total of \$86 million from increased property taxes over a seven-year period from 2002 to 2009. The City contribution of \$86 million is expected to leverage \$200 million of public and private funding. Outcomes: The current Housing Levy is the successor to the \$59 million seven-year levy that expired in 2002, which helped fund over 2,000 affordable housing units.</p>
	<p>The East King County Housing Trust Fund is administered by A Regional Coalition for Housing (ARCH). ARCH is a regional collaboration between King County and fifteen cities. Participating jurisdictions commit general funds, CDBG allocations, and other funds annually to the Fund. Participating city councils have final approval authority and may select not to approve a recommendation made by the ARCH Board. Outcomes: Since 1993, more than \$20 million from the Housing Trust Fund has helped fund 2,100 units of housing in east King County.</p>
Analysis	<p>Advantages</p> <ul style="list-style-type: none"> • Help ease the backlog of affordable housing projects waiting for funding. • Local investment makes projects more competitive for state and federal funding and helps region receive larger share of limited resources. • Local revenue can be more flexible than state or federal sources. <p>Challenges:</p> <ul style="list-style-type: none"> • Political challenge of creating new revenue source. <ul style="list-style-type: none"> ⇒ Counter: Important to make the case for responsible stewardship of public monies, and outcomes in the community. • Deciding who administers the new funds can be political between jurisdictions. <ul style="list-style-type: none"> ⇒ Counter: See as opportunity for regional collaboration in decision-making and buy-in.

<p><u>Community Land Trusts</u></p> <p>The Community Land Trust (CLT) model removes the cost of land from the housing price by having the land and the house owned by separate entities. A private, nonprofit corporation acquires land parcels in a targeted geographic area with the intention of retaining ownership of the land for the long term. The non-profit organization then provides for the private use of the land through long-term ground lease agreements. The leaseholders may own their homes or other improvements on the leased land, but resale restrictions apply. In the CLT model, the rights, responsibilities and benefits of the residential property are shared between individual homeowners and the non-profit corporation which represents the interests of its leaseholders and a larger community. In addition, the owner is placed within a community-based support system which can mitigate the risks, potentially increasing the benefits of homeownership both for the owner and the neighborhood in which the owner lives.</p>	
<p>Variations:</p>	<p>Community Land Trust - can be established as a stand-alone corporation or as a program of an existing organizations. The National Community Land Network notes that most (81%) of the organizations who responded to their survey were established as a CLT corporation while some (19%) were established as a CLT program of a non-profit community-based or housing developer organization.</p>
<p>Case Studies:</p>	<p>Irvine, California</p> <ul style="list-style-type: none"> • Formed when faced with losing affordable units created when affordability limits expired as part of inclusionary zoning law (see IZ case study above) • The Mayor called on a task force to create new affordable housing strategies. The housing task force drafted a strategy in 2006 that called upon Irvine to develop 9,700 new affordable-housing units—10 percent of the city's housing stock—and to place these units under the stewardship of a municipally sponsored CLT. • The Irvine Community Land Trust (ICLT) was incorporated in March 2006. The city council budgeted \$250,000 in start-up funding for the land trust. In addition, the city's redevelopment agency is providing staffing to the organization while the land trust's first projects are developed. • Irvine is well served by existing nonprofit and for-profit developers of affordable housing, so it is not intended that the ICLT will serve as a developer. Instead, the land trust will focus on long-term stewardship, finding and screening buyers for homeownership units and monitoring those units over time. • Outcomes: Newly formed but they have set community goal of tripling affordable housing inventory over next 15-20 years. <p>Chicago, Illinois</p> <ul style="list-style-type: none"> • Alarmed by the loss of housing made affordable through city investment-at a time when the amount of subsidy needed to make housing affordable was increasing and public affordable-housing funding was diminishing at all levels of government-the city began to focus on permanent housing affordability. • Chicago Community Land Trust (CCLT) was created in 2006 to preserve the long-term affordability of housing units developed by nonprofit and for-profit developers with the financial support of various city programs. The CCLT will preserve the affordability of

<p><u>Community Land Trusts</u></p>	
	<p>single-family homes that are located on leased land, using a ground lease similar to those in use by other CLTs across the country, as well as the affordability of condominium units, using 99-year deed covenants nearly identical in content and format to the CLT's ground lease.</p> <ul style="list-style-type: none"> • Outcomes: it is anticipated that approximately 150 units will be added in 2007, with at least 250 units to be added to the land trust each year thereafter, putting CCLT on track to become one of the nation's largest CLTs within five years. <hr/> <p>Washington State</p> <p>There are a number of CLTs in Washington State.</p> <ul style="list-style-type: none"> • Homestead Community Land Trust • Homeward Bound • Housing Resources Board • Kulshan Community Land Trust • Lopez Community Land Trust • Lummi Island Community Land Trust • Of People and Land (OPAL) Community Land Trust • San Juan Community Home Trust • Saratoga Community Housing • SHARE Community Land Trust • Skagit County Community Action Agency • South of the Sound Community Farm Land Trust • Southwest Washington Community Land Trust • Vashon Household
<p>Analysis</p>	<p>Advantages</p> <ul style="list-style-type: none"> • Provides homeownership opportunities to people who might otherwise be left out of the market. • Helps assure long-term affordability of communities • Have ability to raise private funding to support their mission • CLTs rely on multiple sources of revenue for operating expenditures. Very few organizations rely on only one source of revenue. • Owners participate in any increases in equity that accrued during their ownership, enabling some households to move full ownership of properties in the private market after getting a start in a CLT.

Appendix C: Snohomish County Affordable Housing Planning Summary

This Appendix provides a summary of affordable housing planning in Snohomish County

In 2007, the County's Human Services Department Office of Housing, Homelessness, and Community Development developed an *Affordable Housing Production Plan* for the next decade. In this Plan, the County sets forth a strategy to ensure housing affordability for 6,025 additional households, or 1,080 more than might have been created under historical rates of housing production and preservation in Snohomish County (estimated at 500 additional households served per year). Approximately 3,925 would be living in new or rehabilitated housing units or receiving housing vouchers, while the remaining 2,100 would receive homeowner assistance or preservation services. The following table outlines the goals of the plan and projections for increased production (see page 22 for a summary of the AHPP implementation strategies).

Total Production and Preservation by OHHCD, 2007-2017

Target Population	Rental – New Construction	Rental – Acq./ Rehab.	Homeless Rental Vouchers	Homeowner Promotion / Assistance	Homeowner Preservation	Total
General	152	610	-	212	422	1,396
Homeless	650	1,100	630	120	-	2,500
Elderly	130	470	-	116	996	1,712
Disabled	30	153	-	52	182	417
Total	952	2,333	630	500	1,600	6,025

In addition to the *Affordable Housing Production Plan*, various other community plans have been developed that focus either entirely or in part on housing affordability issues. These plans primarily have been established in response to funding mandates (e.g., HUD requires entitlement grantees to submit Consolidated Plans every 5 years). These plans have uncovered rich data, brought community members together to make recommendations and set into action various housing-related policies. Our analysis has found that many of the recommendations of these plans (summarized in Matrix 1), are consistent with each other and with the initial strategic direction of the Housing Consortium's Action Plan Committee as it develops its strategic plan for the next decade.

The next few pages include a summary of the various entities that are focused on addressing affordable housing issues in Snohomish County. The table summarizes the planning bodies, the scope of their efforts, the strategies they are focused on, and the status of their processes.

Snohomish County Affordable Housing Planning Summary

Planning Entity	Report/ Process	Jurisdictions Covered by Report	Scope of Process	Process Status	Need/ Goals	Key Objectives and/or Strategies
Puget Sound Regional Council Prosperity Partnership	Regional Housing Strategy Working Group (RHSWG)	King, Kitsap, Pierce, and Snohomish	RHSWG provides priorities for state lobbying, and creating a toolkit for local housing policies.	Report developed in 2008	n/a	<ol style="list-style-type: none"> 1. State funding for infrastructure. 2. Exemption of state sales tax for nonprofit affordable housing (PHAs already get, but not nonprofits). 3. Housing Education & Technical Assistance Program to provide toolkit, case studies, and scorecard for cities. <p>ALSO, 5 other strategies for the future, including:</p> <ol style="list-style-type: none"> 1. Land Grants 2. Density bonuses (voluntary) 3. Local Infrastructure Finance Tool / Tax Increment Financing 4. Employer assisted housing (EAH) programs 5. Regional transfer of development rights program
Puget Sound Regional Council Prosperity Partnership	PSRC VISION 2020 + 20 Update; PSRC VISION 2040 Draft; 2007 Indicator Highlights; 2008 Action Items	King, Kitsap, Pierce, and Snohomish	Very general report with suggestions for improved coordination in 2040 Vision plan.	Vision 2040 finalized in 2008	n/a	<p>Prioritize housing development in regional growth centers.</p> <p>Strategies:</p> <ol style="list-style-type: none"> 1. Develop regional housing strategy. 2. Set targets for housing. 3. Develop local housing implementation plans. 4. PSRC provides TA to cities. <p>2008 Action Items on housing:</p> <ul style="list-style-type: none"> -Lobby state for infrastructure to support housing affordability, and waiver of state sales tax for construction and rehab for low-income projects. -Create education and TA toolkit for cities to take advantage of resources to increase housing affordability.

Planning Entity	Report/ Process	Jurisdictions Covered by Report	Scope of Process	Process Status	Need/ Goals	Key Objectives and/or Strategies
Snohomish County Tomorrow	Snohomish County Comprehensive Plan (Growth Management Act)	Snohomish County Tomorrow (SCT) - County, 19 cities, and Tulalip Tribes	Completed for Snohomish County to fulfill requirements of Growth Management Act. Housing is one of 13 priority elements of Comp. Plan.	Completed in 2005		<p><u>Goals:</u></p> <ol style="list-style-type: none"> 1. Ensure access to affordable housing. 2. Ensure vitality and character of neighborhoods. 3. Land use policies and regulations should contribute as little as possible to the cost of housing. 4. Establish a process for adjusting fair-share housing allocations and housing strategies when required. <p><u>Notable Strategies:</u></p> <ol style="list-style-type: none"> 1.C.6 The County shall encourage the capacity of nonprofits to develop and manage housing. 3.B.1 The County shall analyze alternative funding methods to finance low-income housing, such as local improvement districts, bond levies, partnerships with non-profit agencies and housing authorities, and grants. 4.A.2 ...the County shall, if necessary, apply reasonable measures and revise county comprehensive plan designations, housing densities, and zoning regulations to increase land capacity.
Snohomish County Tomorrow	Fair Share Housing Allocation (2005) and update (2008)	Snohomish County Tomorrow (SCT) - County, 19 cities, and Tulalip Tribes	Reports divides "fair share" of housing needs by jurisdiction.	Update due in 2008		<p>In 2000, 55,361 households experienced a cost burden. In 2025, 83,918 units will have cost burdens, a 52% increase.</p> <p>List of possible tools in appendix, but no evaluation of usefulness in Snohomish County (like 2002 report).</p>
Snohomish County Tomorrow	Housing Evaluation Report (2007-8 Draft)	Snohomish County Tomorrow (SCT) - County, 19 cities, and Tulalip Tribes	Summarizes and analyzes the efforts made to achieve county-wide or local housing goals, as set forth in the Comprehensive Plan Countywide Planning Policies.	Third Draft released March 2008	N/A	<p>Analyzes each strategy/policy of the Comprehensive Plan for implementation and effectiveness. Summarizes strategies that have or have not been implemented in each city and the county for promoting affordable housing. For example, it states that 5 jurisdictions have implemented density bonuses. Also provides updated housing affordability data for the county and by jurisdiction.</p>

Planning Entity	Report/ Process	Jurisdictions Covered by Report	Scope of Process	Process Status	Need/ Goals	Key Objectives and/or Strategies
<p>Snohomish County Human Services Department, Office of Housing, Homelessness, and Community Development</p>	<p>HUD Consolidated Plan</p>	<p>19 cities and towns in Snohomish County</p>	<p>Comprehensive planning document and application for funding under the following HUD formula grant programs: CDBG, HOME Investment Partnerships, Housing Opportunities for Persons with AIDS (HOPWA), and Emergency Shelter Grants (ESG).</p>	<p>Most recently completed in 2005, with annual action plans</p>	<p>1,200 multi-family housing units for low-income renters. Provide 50 units of home-ownership housing for low and moderate income first-time home-buyers</p>	<p>A series of strategies were developed with the overall goal of maintaining and enhancing the housing continuum for homeless people, people with special housing needs, low-income renters, and low- and moderate-income homeowners and homebuyers in the County.</p> <p>Sustain, and increase to the extent possible with available funds, the number of subsidized rental apartments affordable to households with incomes of up to 80% of area median income, with emphasis on those at or below 50% of area median income, through:</p> <ol style="list-style-type: none"> 1) new construction 2) acquisition and/or rehabilitation of existing units 3) provision of rent subsidies 4) preservation and transition of for-profit housing units to non-profit ownership of HUD Section 8, or similarly subsidized housing, where there is the risk of converting to market-rate rents not affordable to low-income households.
<p>Snohomish County Human Services Department, Office of Housing, Homelessness, and Community Development</p>	<p>Snohomish County Draft Affordable Housing Production Plan</p>	<p>County-wide</p>	<p>Developed affordable housing production goals and recommended strategies for implementation.</p>	<p>Draft completed in 2007</p>	<p>Produce or preserve 6,025 affordable housing units</p>	<ol style="list-style-type: none"> 1. Homeless Rental Voucher Program: New voucher program. Tenant would pay 30% of income for rent and utilities. Would serve 630 homeless households over ten years. 2. Promote Home Ownership: New strategies include community I and trusts and self-help construction. No new unit goals or funding. 3. New “Bricks & Mortar” Financing Priorities: Traditionally, OHHCD funded 60% new construction and 40% acq/rehab. For 2007-2017, will fund 40% new construction and 60% acq/rehab to lower total costs and produce about 450 more units. (Assumption: NC = \$209,860 per unit. A/R = \$119,249 per unit) 4. Preserve existing housing stock & prioritize the most vulnerable populations 5. Build community capacity

Planning Entity	Report/ Process	Jurisdictions Covered by Report	Scope of Process	Process Status	Need/ Goals	Key Objectives and/or Strategies
<p>Snohomish County Human Services Department, Office of Housing, Homelessness, and Community Development</p>	<p>Everyone at Home Now, Snohomish County's 10 Year Plan to End Homelessness</p>	<p>County-wide</p>	<p>Plan to address the housing and service needs of people experiencing homelessness and to prevent homelessness among those currently housed.</p>	<p>Plan completed in Jan 2006, runs through 2016</p>	<p>Increase housing by 2,500 units over 10 years</p>	<ol style="list-style-type: none"> 1. "Expand affordable housing coupled with appropriate support services ..." 2. "Expand homeless prevention services." 3. "Develop a community wide access system ..." 4. "... accurate need and capacity data." 5. "Provide funding to maintain existing housing and services ..." 6. "Develop housing ... targeted for chronically homeless persons."
<p>Snohomish County Planning Department</p>	<p>Affordable Housing Financing Intergovernmental Cooperation Report</p>	<p>Snohomish County Tomorrow (SCT) - County, 19 cities, and Tulalip Tribes</p>	<p>The study will explore the feasibility of intergovernmental programs for meeting the housing needs of lower-income households, including techniques used successfully in other counties or regions, such as A Regional Coalition for Housing (ARCH) in King County.</p>	<p>This report is funded by CTED. A consultant will begin work in June 2008 and be completed by June 2009.</p>	<p>N/A</p>	<p>None identified yet, but will research east King County's ARCH program and analyze for applicability to Snohomish County. Focus on improving intergovernmental cooperation.</p>

