

CITY COUNCIL AGENDA ITEM
CITY OF SHORELINE, WASHINGTON

AGENDA TITLE: Approval of the 2060 Low-Income Housing Fund Interlocal Cooperation Agreement
DEPARTMENT: Parks, Recreation and Cultural Services
PRESENTED BY: Rob Beem, Assistant Director

PROBLEM/ISSUE STATEMENT:

Effective June 13, 2002, SHB 2060 allows the county auditor to add a \$10.00 surcharge for each eligible document recorded to create the Regional Affordable Housing Program (RAHP). The fee is estimated to provide \$2.26 million per year in King County. These funds are dedicated to increasing the supply of housing available to low-income residents at or below 50% of median income.

The 2060 Low-Income Housing Fund Interlocal Cooperation Agreement describes the process through which these funds will be allocated in King County over the next four years, the duration of the agreement. In order for the City to participate in the decisions over how and where these funds are spent, staff has participated in the development of the agreement embodied in this Interlocal Agreement.

ALTERNATIVES ANALYZED:

- The preferred alternative is to enter into the 2060 Low-Income Housing Fund Interlocal Cooperation Agreement that provides an efficient, cost effective method for allocating and administering what is a modest countywide fund.
- The second alternative is to develop a stand-alone program in Shoreline. This is not preferred since the costs of administering a City of Shoreline program would entail un-reimbursed administrative costs and additional housing planning staff time that would likely yield fewer funds than a regional approach.

FINANCIAL IMPACT:

There is no direct financial impact for the City of Shoreline if the preferred alternative is adopted.

RECOMMENDATION

Staff recommends that Council approve a motion to enter into the 2060 Low-Income Housing Fund Interlocal Cooperation Agreement.

Approved By:

City Manager  City Attorney 

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INTRODUCTION

Substitute House Bill 2060 (SHB 2060), was passed by the Washington State Legislature and subsequently signed into law by Governor Locke as Chapter 294, 2002 Washington Laws in April 2002, and was effective on June 13, 2002. The law created a document recording fee of \$10.00 on certain documents, the proceeds of which are dedicated for low-income housing. Administration of the fund is shared between local governments and the State. The King County wide portion of funds, estimated to average \$2.26 million per year, will be administered pursuant to this interlocal agreement.

BACKGROUND

The City of Shoreline was invited in July 2002 to participate in a regional planning process convened by the Home Consortium Joint Recommendations Committee, chaired by Ava Frisinger, Mayor of Issaquah. King County and suburban city staffs and the City of Seattle participated in creating a truly regional program.

The 2060 planning process reviewed the housing needs, plans and existing resources of the region to identify the highest priority use of this new modest resource and to design a process to allocate the funds. A key objective of the planning was to create a method to allocate these funds that did not require the creation of a new bureaucracy. The end products are the Interlocal Agreement (Attachment 1) and a set of administrative guidelines.

Cities and the County have over a decade of experience jointly funding housing development. This 2060 process builds on the experience of existing groups and processes that are in place to administer and govern the use of CDBG and HOME Investment Partnership funds. These groups have a substantial track record and are the conduit for decisions on a majority of housing development funded by partnerships among the cities and the County. Major points in the Interlocal Agreement include the following:

- The Joint Recommendations Committee (JRC) will be expanded to include a City of Seattle representative for the purpose of allocating and administering the SHB 2060 revenue as a regional fund. The JRC is the inter-jurisdictional policy and decision-making body for King County and the suburban cities on a wide range of housing and community development issues. It was created through the interlocal cooperation agreements that formed the King County Community Development Block Grant (CDBG) Consortium and the King County HOME Investment Partnerships (HOME) Consortium. The majority of JRC members are elected officials. Councilmember Gustafson is appointed to this committee as one of the Suburban Cities' alternates.
- The HOME Working Group will be renamed the 2060/HOME Working Group and will also add a City of Seattle member for SHB 2060 business. The HOME Working Group is made up of staff from suburban cities, including Shoreline, which makes policy recommendations to the JRC.

- The King County Housing and Community Development Program will administer and distribute the local portion of the SHB 2060 revenue through its Housing Finance Program, which also manages HOME funds and the Housing Opportunity Fund.
- King County will attempt to cover the costs of administering the SHB 2060 housing programs through sources other than the local portion of SHB 2060 revenue. However, if it becomes impossible to cover the administrative costs of running the SHB 2060 housing program through other sources, King County will not use more than 10% of the local portion of SHB 2060 for administrative costs. If it becomes necessary to increase administrative costs above 10%, the county will provide one year advanced notice to the cities.
- It is the intent of the Interlocal that SHB 2060 revenue shall be awarded to projects throughout King County in a fair and equitable manner over the four-year duration of the agreement. Sub-regional goals have been set as follows, based on a formula that blends 50% existing need and 50% future need for each sub-region.

Sub-region	Percent of Funds	Approximate Annual Amount
City of Seattle	40.23%	\$885,060
North/East	30.33%	\$667,260
South	29.44%	\$647,680

ALTERNATIVES ANALYSIS

- The preferred alternative is to enter into the 2060 Low-Income Housing Fund Interlocal Cooperation Agreement because it provides an efficient, cost effective method for allocating and administering a modest county-wide fund.
- The second alternative is to establish a Shoreline specific program. Estimates of the total funds available under this scenario range from \$130,000-\$170,000. This level of funding is insufficient, even with no administrative costs allocated, to fully fund affordable housing projects. Thus developers who might use our funds would also need to seek funding through HOME/CDBG and other local programs. Developing a Shoreline specific program would add yet another layer of process and cost for housing developers. It is unlikely that the total costs of administering a City of Shoreline program would be covered by the 2060 funds and after deducting what costs the City would charge, fewer total funds for development would be available.

RECOMMENDATION

Staff recommends that Council approve a motion to enter into the 2060 Low-Income Housing Fund Interlocal Cooperation Agreement.

Attachment—Interlocal Cooperation Agreement

DRAFT
2060 LOW-INCOME HOUSING FUND
INTERLOCAL COOPERATION AGREEMENT

THIS AGREEMENT is entered into between King County, a municipal corporation and political subdivision of the State of Washington, hereinafter referred to as the "County", and the City of _____, hereinafter referred to as the "City", said parties to the Agreement each being a unit of general local government of the State of Washington.

RECITALS

WHEREAS, the King County Countywide Planning Policies, hereinafter referred to as the CPPs, developed pursuant to the Washington State Growth Management Act, have set standards for cities to plan for their share of regional growth and affordable housing; and

WHEREAS, to implement the CPPs, the Growth Management Planning Council appointed a public-private Housing Finance Task Force in 1994, hereinafter referred to as the HFTF, to recommend potential fund sources to provide affordable housing opportunities for existing low-income residents and to assist cities in meeting their affordable housing targets for future growth; and

WHEREAS the HFTF recommended a document recording fee as a source of regional dollars for low-income housing development and support, and recommended that representatives of the County, Cities and the housing community work together to make decisions about the use and administration of such a fund; and

WHEREAS in March 2002, Substitute House Bill 2060, hereinafter referred to as SHB 2060, was passed by the Washington State Legislature and subsequently signed into law by the Governor as Chapter 294, 2002 Washington Laws in April 2002, and was effective on June 13, 2002. SHB 2060 provides, in large part, that:

A surcharge of ten dollars per instrument shall be charged by the county auditor for each real property document recorded, which will be in addition to any other charge authorized by law;

After retention of up to five percent (5%) for collection administration, forty percent (40%) of the revenue will be transmitted monthly to the state treasurer, and sixty percent (60%) of the revenue will be retained by the county and deposited into a fund that must be used by the county and its cities and towns for housing projects or units within housing projects that are affordable to very low-income households at or below fifty percent (50%) of the area median income. The local portion of the funds must be allocated pursuant to interlocal agreements between the county and the cities within the county that are consistent with countywide and local housing needs and policies, and in accordance with the eligible activities listed in the legislation; and

WHEREAS, the City and King County agree that it is mutually beneficial and desirable to enter into a cooperative arrangement in order to administer the SHB 2060 revenue as a regional fund, pursuant to and authorized by SHB 2060 and RCW 39.34, the Intergovernmental Cooperation Act;

NOW, THEREFORE, IN CONSIDERATION OF THE FOREGOING CIRCUMSTANCES AND IN CONSIDERATION OF THE MUTUAL PROMISES CONTAINED HEREIN, IT IS AGREED THAT:

I. Definitions and Interpretation.

Capitalized terms used herein shall have the following meanings unless the context in which they are used clearly requires otherwise.

“Joint Recommendations Committee” or “JRC” means the interjurisdictional body developed pursuant to the King County Consortium’s Community Development Block Grant and (“CDBG”) and HOME Investment Partnerships Program (“HOME”) Interlocal Cooperation Agreements. The JRC is currently composed of five (5) Cities representatives and four (4) County representatives. The terms of JRC appointments are for two years, with the exception of the alternating HOME-only cities appointment, which revolves every year. The Suburban Cities Association selects four (4) member jurisdictions and four (4) alternates each term, two from the north/east region and two from the south region. The priority for one of the City representatives is for a small city. County representatives are appointed by the King County Executive. County representatives may be Department Directors or their designees, and/or citizen representatives of unincorporated communities. City representatives are to be elected officials, city planning directors or comparable level staff.

“HOME Working Group” means the staff work group consisting of County staff, City staff, and ARCH staff that work together to recommend fund allocations for housing projects and related housing policies to the interjurisdictional Joint Recommendations Committee.

“2060 Planning Group” means the group of City representatives, County representatives and housing developer/provider representatives that worked together between August 2002 and October 2002 to develop guidelines for the local portion of the SHB 2060 funds, pursuant to the recommendations of the HFTF.

II. General Agreement

The purpose of this agreement is to establish interjurisdictional cooperation in allocating the funds generated by SHB 2060 in King County. The local portion of SHB 2060 revenue shall be administered as a regional fund, according to subregional geographic goals, consistent with countywide and local housing needs and policies. The local portion of the SHB 2060 revenue shall be named the “ ”.

The City and the County agree to cooperate in undertaking “ Fund” activities.

III. General Administration, Distribution and Use of the 2060 Funds

1. Expansion of the JRC. The JRC, as defined herein, shall be expanded for the purpose of allocating and administering the SHB 2060 revenue as a regional fund. The JRC shall be expanded to include an appointment for the City of Seattle. The Seattle representative will attend meetings that concern the SHB 2060 fund and will vote solely on SHB 2060 issues. The Seattle representative shall be an elected official, planning director or comparable level staff.
2. Expansion of the HOME Working Group. The HOME Working Group, as defined herein, shall be expanded to become the 2060/HOME Working Group and shall include representation from the staff of the City of Seattle's Office of Housing. The 2060/HOME Working Group will follow the King County Council adopted SHB 2060 Guidelines in making funding and program policy recommendations to the JRC. Seattle staff will only participate in making SHB 2060 program recommendations.
3. Administration of Programs. The King County Housing and Community Development ("HCD") Program shall administer and distribute the local portion of the SHB 2060 revenue pursuant to this agreement and the King County Council adopted "Fund" Guidelines, attached hereto as Exhibit #1.
4. Administrative Costs. King County will attempt to cover the costs of administering the SHB 2060 housing programs through sources other than the local portion of SHB 2060 revenue. However, if it becomes impossible to cover the administrative costs of running the SHB 2060 housing programs through other sources, King County will not use more than 10% of the local portion of SHB 2060 revenue for administrative costs of the SHB 2060 housing programs. King County will provide notice to the City concerning administrative costs prior to the beginning of a year in which such costs will need to be covered by the local portion of SHB 2060 revenue.
5. Subregional Geographic Goals. The intent of this Agreement is that the SHB 2060 revenue shall be awarded to projects throughout King County in a fair and equitable manner over the duration of this agreement. Equity is to be achieved through subregional goals as follows: a percentage of SHB 2060 funds is to be spent in each subregion of the County, as identified in the SHB 2060 Fund Guidelines. The percent accorded to each subregion is established by a formula that the 2060 Planning Group developed for the SHB 2060 Fund Guidelines, attached hereto as Exhibit #1.
6. General Use of Funds. The SHB 2060 revenue will be utilized to meet regional housing priorities for households at or below 50% of area median income, as developed by the 2060 Planning Group for the SHB 2060 Fund Guidelines, attached hereto as Exhibit #1.
7. Affirmatively Further Fair Housing. The County and the City both hereby agree to affirmatively further fair housing in the use of SHB 2060 revenue.

IV. Agreement Duration

This Agreement shall remain in full force and effect for a period of approximately four (4) years, from the date this agreement is signed until December 31, 2006. Following the 2005 funding cycle of the sections administering SHB 2060 revenue in the King County Housing and Community Development Program, the 2060/HOME Working Group will begin a thorough evaluation of the programs and will work on any issues that may need to be addressed to meet the intent of this Agreement. The 2060 Planning Group will re-convene in the fall of 2006 to determine if the 2060 Fund Guidelines and this Agreement will be re-negotiated or renewed in their current format.

This Agreement is legally binding and valid upon signature of all parties.

CITY OF _____

KING COUNTY, WASHINGTON

Signature of Chief Executive Officer

for Ron Sims, County Executive

Name and Title (printed)

Date: _____

Date: _____