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PA }
Assessor } 12/22/20
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CA }

**JEFFERSON COUNTY
STATE OF WASHINGTON**

**AN ORDINANCE IMPOSING AN ADDITIONAL }
SALES AND USE TAX OF ONE-TENTH OF ONE }
PERCENT FOR HOUSING AND RELATED }
SERVICES AS AUTHORIZED BY RCW 82.14.530; } **ORDINANCE NO. 11-1221-20**
ADDING A NEW CHAPTER 3.33 TO JEFFERSON }
COUNTY CODE; PROVIDING SEVERABILITY; }
AND ESTABLISHING AN EFFECTIVE DATE }**

WHEREAS, in the 2020 Regular Session, the Washington State Legislature approved, and the Governor signed, House Bill 1590 (Chapter 222, Laws of 2020), which amended RCW 82.14.530 Sales and Use Tax For Housing And Related Services; and

WHEREAS, as amended, RCW 82.14.530 authorizes the governing body of a city or county to impose a local sales and use tax for affordable housing and related services; and

WHEREAS, pursuant to RCW 82.14.530(2)(a), at least 60% of the revenue must be used for:

- i) constructing affordable housing or facilities providing housing-related services, where the housing or facilities providing services are provided to people whose income is 60% or less of the county median income and who are within specified population groups listed in RCW 82.14.530(2)(b);
- ii) constructing mental and behavioral health-related facilities; or
- iii) funding the operations and maintenance costs of new units of affordable housing, of facilities where housing-related programs are provided, or of newly constructed evaluation and treatment centers; and

WHEREAS, pursuant to RCW 82.14.530(2)(c), the remaining revenue from the sales and use tax must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services; and

WHEREAS, pursuant to RCW 82.14.530(6)(b), no more than 10% of the revenue may be used to supplant existing local funds; and

WHEREAS, as referenced in RCW 82.14.530(4), Jefferson County imposed a sales and use tax for chemical dependency or mental health treatment services or therapeutic courts county-wide pursuant to RCW 82.14.460 in 2005, which is before October 9, 2015, and the City of Port Townsend did not impose the tax authorized by RCW 82.14.460 prior to October 9, 2015; and

WHEREAS, on July 31, 2017, the Jefferson County Board of Commissioners adopted Resolution No. 35- 17, finding " that an emergency exists with respect to the availability of housing that is affordable to low-income households and with respect to the availability of housing that is affordable to very low-income households in Jefferson County," and has determined that imposing the sales and

WHEREAS, the housing affordability problem and its impact to increase homelessness in Jefferson County has continued to get worse since 2017, and requires prompt attention to reduce human suffering for County residents; and

WHEREAS, over the course of two months, five local affordable housing provider organizations – the Peninsula Housing Authority, Olympic Community Action Programs, Bayside Housing Services, DOVE House, and Habitat for Humanity of East Jefferson County – worked with City and County staff to develop a blueprint for how new revenue from an affordable housing sales tax authorized by House Bill 1590 could be used to create permanent affordable rental and resident-owned housing in the initial years if a sales tax were passed, and how this revenue could be managed effectively in the longer term to create affordable housing in Jefferson County, which the organizations summarized in a Draft Strategy For Permanent Affordable Housing; and

WHEREAS, on November 13, 2020, the Joint Oversight Board of the City and County transmitted to the Board of County Commissioners its recommendation that the Board consider adopting a 1/10th of 1% Sales Tax for Affordable Housing under RCW 82.14.530, consistent with the draft strategy for permanent Affordable Housing.; and

WHEREAS, on December 7, 2020, the Port Townsend City Council voted unanimously to adopt City Resolution No. 20-063 urging the Jefferson County Board of Commissioners to consider imposing the sales and use tax for housing and related services authorized by RCW 82.14.530 guided by the draft housing strategy developed in partnership by the City, County and providers; and

WHEREAS, there is an urgent need for additional affordable housing in Jefferson County;

WHEREAS, the Jefferson County Board of Commissioners held a duly noticed Public Hearing on December 21, 2020 to take testimony for and against a proposed ordinance to levy a one-tenth of one percent sales and use tax for housing and related services as authorized by RCW 82.14.530, and deliberated on the hearing record; and

WHEREAS, Jefferson County has determined that the tax should be imposed and that the proceeds will be used solely for purposes authorized by RCW 82.14.530;

NOW, THEREFORE, Jefferson County Board of Commissioners hereby ordains as follows:

Section 1. Additional Sales and Use Tax Imposed. A new Chapter 3.33 is hereby added to the Jefferson County Code imposing the one-tenth of one percent sales and use tax authorized by RCW 82.14.530, and shall read as follows:

Chapter 3.33

ADDITIONAL SALES AND USE TAX - HOUSING AND RELATED SERVICES

- (1) Tax Imposed. There is hereby imposed an additional sales and use tax, separate and apart from any other sales and use tax imposed by this title, upon every taxable event occurring in the County, to be used for housing and related services as authorized by RCW 82.14.530.
- (2) Applicability of Tax. As used in this section, the term “taxable event” has the same meaning as in RCW 82.14.020(3), as it now exists or may be amended.
- (3) Rate of Tax. The rate of the sales and use tax imposed by this chapter shall be one-tenth of one percent of the selling price, in the case of a sales tax, or the value of the article used, in the case of a use tax.
- (4) Administration and Collection. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to Chapter 82.08 RCW and Chapter 82.12 RCW.
- (5) Use of Funds. Moneys collected from the tax shall be used solely for those housing and related services authorized by RCW 82.14.530, as it now exists or may be amended.
- (6) Administration of Funds. The Funds shall be collected in a Jefferson County fund dedicated to affordable housing, and shall be administered by the Board of County Commissioners or the Board’s designee.

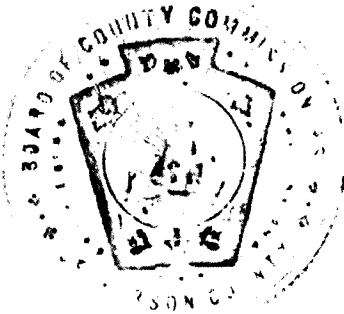
Section 2. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court, board or tribunal of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 3. Effective Date. This ordinance or a summary thereof consisting of the title shall be published in the official newspaper of the County and shall take effect and be in full force five (5) days after publication, provided, that pursuant to RCW 82.14.055 the additional sales and use tax imposed by Section 1 shall apply only to taxable events occurring on and after April 1, 2021.

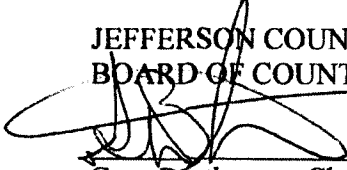
Section 4. Code Reviser. The Code Reviser shall codify this ordinance as a separate chapter in Title 3 Revenue And Finance of the Jefferson County Code, namely as Chapter 3.33 JCC.

ADOPTED this 21st day of December, 2020, at 2:27p.m.

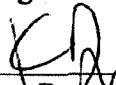
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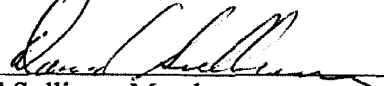
JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS



Greg Brotherton, Chair




Kate Dean, Member




David Sullivan, Member

ATTEST:

 12/21/2020

Carolyn Gallaway, Date
Deputy Clerk of the Board

APPROVED AS TO FORM:

 12/22/2020

Philip C. Hunsucker, Date
Chief Civil Deputy Prosecuting Attorney

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of Commissioners

FROM: Philip Morley, County Administrator



DATE: December 21, 2020

RE: PUBLIC HEARING NOTICE re: Proposed Ordinance Imposing a Sales and Use Tax for Affordable Housing & Supportive Services in Accordance with House Bill 1590 and RCW 82.14.530

STATEMENT OF ISSUE: The Board of County Commissioners (BoCC) will conduct a Public Hearing on **Monday, December 21, 2020 at 1:30 p.m.** in the Commissioners' Chambers, Jefferson County Courthouse, 1820 Jefferson Street, Port Townsend, Washington via a virtual meeting, for the purpose of taking written and oral testimony regarding a Proposed Ordinance Imposing A 1/10th of 1% Sales And Use Tax For Affordable And Supportive Housing In Accordance House Bill 1590 and RCW 82.14.530.

The proposed sales and use tax of 1/10th of 1% is equal to \$1 on a \$1,000 purchase. Pursuant to HB 1590 and RCW 82.14.530, this tax can be enacted by vote of the County Commissioners.

ANALYSIS: The proposed ordinance would:

- impose the sales and use tax upon taxable events (as defined in RCW 82.14.020(3)) to be used for housing and related services as authorized by RCW 82.14.530;
- set the rate of tax at one-tenth of one percent of the selling price or value of article used;
- set administration and collection of the sale and use tax pursuant to Chapter 82.08 RCW and Chapter 82.12 RCW;
- restrict use of moneys collected from the sales and use tax solely for housing and related services authorized by RCW 82.14.530;
- direct the funds to be collected in a Jefferson County fund dedicated to affordable housing, and that the funds shall be administered by the Board of County Commissioners or the Board's designee;
- include a standard severability clause;

- set an effective date at five days after publication in the official newspaper, by which the sales and use tax would apply to taxable events occurring on or after April 1, 2021 pursuant to RCW 82.14.055; and
- direct the Code Reviser to codify the ordinance in a new Chapter 3.33 of the Jefferson County Code.

A Hearing Notice with a web address to view the proposed ordinance was published in the Peninsula Daily News on December 10 and December 17.

BACKGROUND: A pervasive lack of affordable housing is a pressing challenge throughout Jefferson County, especially for people with lower incomes. In 2017, the Jefferson County Board of Commissioners adopted Resolution No. 35-17, finding “that an emergency exists with respect to the availability of housing that is affordable to low-income households and with respect to the availability of housing that is affordable to very low-income households in Jefferson County.”

House Bill 1590 (HB 1590) was enacted by the Washington State Legislature in 2020. It amends [RCW 82.14.530](#), and authorizes cities and counties to impose a sales and use tax up to 1/10th of 1% for affordable housing. That rate equals just \$1 on a \$1,000 purchase. Sales and use taxes apply to most retail sales of “tangible personal property” within Washington, as well as purchases delivered here by Internet or mail-order retailers. Services to individuals and businesses – things like haircuts, medical bills, consultant fees, etc. – are not “personal property,” and most are not subject to sales tax.

The 1/10th of 1% sales and use tax for affordable housing originally required voter approval, but under HB 1590, this revenue source may now also be approved by the local legislative body with a simple majority vote.

At least 60% of the revenue generated by the 1/10th of 1% sales and use tax must be used for:

- a) constructing affordable housing and facilities providing housing-related services, solely for eligible households (as defined below); or
- b) constructing mental and behavioral health-related facilities; or
- c) funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

The affordable housing and housing-related services in a) above must serve only persons whose income is at or below sixty percent of median income, and who are one of the following:

- Persons with mental illness
- Veterans
- Senior citizens
- Families with children who are homeless (or at-risk of being homeless)
- Unaccompanied homeless youth or young adults
- Persons with disabilities
- Domestic violence survivors

The rest of the revenue (up to 40%) can only be used for housing-related services, or the operation, delivery and evaluation of mental and behavioral health treatment programs and services, without the same restrictions of “eligible persons.”

The law also allows up to fifty percent of the proceeds to be used to issue and service bonds to finance the provision or construction of affordable housing, facilities where housing-related programs are provided, or evaluation and treatment centers.

When the possibility of enacting the affordable housing sales tax under HB 1590 became evident, County and City staff asked local public and non-profit housing providers as a group to identify current projects of a scale that revenue from a HB 1590 affordable sales tax could conceivably fund. The purpose was two-fold: to test whether a sales tax could actually result in meaningful affordable housing projects, and also to begin to prime the pump with these organizations to develop additional affordable housing projects in Jefferson County.

Together, the organizations – the Peninsula Housing Authority, OlyCAP, Bayside Housing Services, Habitat for Humanity of Jefferson County, and DOVE House - quickly found consensus on a list of six examples of the kinds of permanent housing projects that a HB 1590 sales tax could fund right off the bat, as well as a recommended strategy for effectively and efficiently using revenue from the affordable housing sales tax to add affordable housing inventory in Jefferson County during the next several years. A copy of the “Strategy for Permanent Affordable Housing” is enclosed with this Agenda Request.

The City/County Housing Task Force as well as the Joint Oversight Board on homeless and affordable housing each reviewed the draft Strategy for Permanent Affordable Housing, and each passed motions recommending that the Board of County Commissioners proceed to consider adopting a 1/10 of 1% sales tax for affordable housing under RCW 82.14.530, but added a recommendation that in implementing and using the sales tax, that the County do so consistent with the draft Strategy for Permanent Affordable Housing.

If the Board of County Commissioners enacts the proposed Ordinance, staff will work to implement a related motion adopted by the Board of County Commissioners on November 23, 2020, which directs staff to develop an administrative and policy framework for implementation and use of the sale tax, guided by the November 12, 2020 draft strategy for permanent affordable housing; and which also directs staff to begin negotiations with the City of Port Townsend for a potential amendment to the 2018 interlocal agreement for this purpose.

FISCAL IMPACT: The proposed affordable housing sales and use tax of 1/10th of 1% is equal to \$1 on a \$1,000 purchase. If a sales tax for Affordable Housing is enacted in Jefferson County, the soonest the tax could go into effect is April 1st of 2021. The County would begin receiving that revenue in June (there is a two-month lag). During 2021 (June-December) it is estimated the County would receive \$350,000-\$370,000 for affordable housing. In 2022 and every year thereafter, the County would receive a full 12-months of revenue for affordable

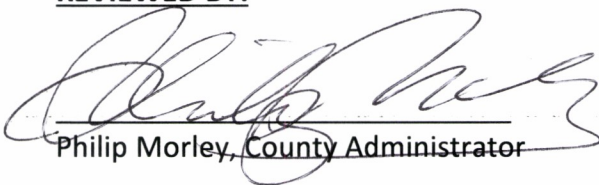
housing, or about \$600,000 per year, depending on the economy. Over time, this amount would likely rise, as the annual value of retail sales grows.

RECOMMENDATION: Staff recommends that the Board of County Commissioners hold the public hearing, take public testimony, deliberate on the hearing record, and adopt the ordinance with or without changes.

ATTACHMENTS:

- ATTACHMENT 1 – PROPOSED ORDINANCE
- ATTACHMENT 2 – STRATEGY FOR PERMANENT AFFORDABLE HOUSING

REVIEWED BY:


Philip Morley, County Administrator

12/16/2020
Date

ATTACHMENT 1 – PROPOSED ORDINANCE

JEFFERSON COUNTY
STATE OF WASHINGTON

AN ORDINANCE IMPOSING AN ADDITIONAL }
SALES AND USE TAX OF ONE-TENTH OF ONE }
PERCENT FOR HOUSING AND RELATED }
SERVICES AS AUTHORIZED BY RCW 82.14.530; } ORDINANCE NO. _____
ADDING A NEW CHAPTER 3.33 TO JEFFERSON }
COUNTY CODE; PROVIDING SEVERABILITY; }
AND ESTABLISHING AN EFFECTIVE DATE }

WHEREAS, in the 2020 Regular Session, the Washington State Legislature approved, and the Governor signed, House Bill [1590](#) (Chapter 222, Laws of 2020), which amended RCW [82.14.530](#) Sales and Use Tax For Housing And Related Services; and

WHEREAS, as amended, RCW [82.14.530](#) authorizes the governing body of a city or county to impose a local sales and use tax for affordable housing and related services; and

WHEREAS, pursuant to RCW [82.14.530\(2\)\(a\)](#), at least 60% of the revenue must be used for:

- i) constructing affordable housing or facilities providing housing-related services, where the housing or facilities providing services are provided to people whose income is 60% or less of the county median income and who are within specified population groups listed in RCW [82.14.530\(2\)\(b\)](#);
- ii) constructing mental and behavioral health-related facilities; or
- iii) funding the operations and maintenance costs of new units of affordable housing, of facilities where housing-related programs are provided, or of newly constructed evaluation and treatment centers; and

WHEREAS, pursuant to RCW [82.14.530\(2\)\(c\)](#), the remaining revenue from the sales and use tax must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services; and

WHEREAS, pursuant to RCW [82.14.530\(6\)\(b\)](#), no more than 10% of the revenue may be used to supplant existing local funds; and

ATTACHMENT 1 – PROPOSED ORDINANCE

WHEREAS, as referenced in RCW [82.14.530\(4\)](#), Jefferson County imposed a sales and use tax for chemical dependency or mental health treatment services or therapeutic courts county-wide pursuant to RCW [82.14.460](#) in 2005, which is before October 9, 2015, and the City of Port Townsend did not impose the tax authorized by RCW [82.14.460](#) prior to October 9, 2015; and

WHEREAS, on July 31, 2017, the Jefferson County Board of Commissioners adopted Resolution No. 35- 17, finding " that an emergency exists with respect to the availability of housing that is affordable to low-income households and with respect to the availability of housing that is affordable to very low-income households in Jefferson County," and has determined that imposing the sales and

WHEREAS, the housing affordability problem and its impact to increase homelessness in Jefferson County has continued to get worse since 2017, and requires prompt attention to reduce human suffering for County residents; and

WHEREAS, over the course of two months, five local affordable housing provider organizations – the Peninsula Housing Authority, Olympic Community Action Programs, Bayside Housing Services, DOVE House, and Habitat for Humanity of East Jefferson County – worked with City and County staff to develop a blueprint for how new revenue from an affordable housing sales tax authorized by House Bill 1590 could be used to create permanent affordable rental and resident-owned housing in the initial years if a sales tax were passed, and how this revenue could be managed effectively in the longer term to create affordable housing in Jefferson County, which the organizations summarized in a Draft Strategy For Permanent Affordable Housing; and

WHEREAS, on November 13, 2020, the Joint Oversight Board of the City and County transmitted to the Board of County Commissioners its recommendation that the Board consider adopting a 1/10th of 1% Sales Tax for Affordable Housing under RCW [82.14.530](#), consistent with the draft strategy for permanent Affordable Housing.; and

WHEREAS, on December 7, 2020, the Port Townsend City Council voted unanimously to adopt City Resolution No. 20-063 urging the Jefferson County Board of Commissioners to consider imposing the sales and use tax for housing and related services authorized by RCW [82.14.530](#) guided by the draft housing strategy developed in partnership by the City, County and providers; and

WHEREAS, there is an urgent need for additional affordable housing in Jefferson County;

WHEREAS, the Jefferson County Board of Commissioners held a duly noticed Public Hearing on December 21, 2020 to take testimony for and against a proposed ordinance to levy

ATTACHMENT 1 – PROPOSED ORDINANCE

a one-tenth of one percent sales and use tax for housing and related services as authorized by RCW [82.14.530](#), and deliberated on the hearing record; and

WHEREAS, Jefferson County has determined that the tax should be imposed and that the proceeds will be used solely for purposes authorized by RCW [82.14.530](#);

NOW, THEREFORE, Jefferson County Board of Commissioners hereby ordains as follows:

Section 1. Additional Sales and Use Tax Imposed. A new Chapter 3.33 is hereby added to the Jefferson County Code imposing the one-tenth of one percent sales and use tax authorized by RCW [82.14.530](#), and shall read as follows:

Chapter 3.33

ADDITIONAL SALES AND USE TAX - HOUSING AND RELATED SERVICES

- (1) Tax Imposed. There is hereby imposed an additional sales and use tax, separate and apart from any other sales and use tax imposed by this title, upon every taxable event occurring in the County, to be used for housing and related services as authorized by RCW [82.14.530](#).
- (2) Applicability of Tax. As used in this section, the term “taxable event” has the same meaning as in RCW [82.14.020\(3\)](#), as it now exists or may be amended.
- (3) Rate of Tax. The rate of the sales and use tax imposed by this chapter shall be one-tenth of one percent of the selling price, in the case of a sales tax, or the value of the article used, in the case of a use tax.
- (4) Administration and Collection. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to Chapter [82.08](#) RCW and Chapter [82.12](#) RCW.
- (5) Use of Funds. Moneys collected from the tax shall be used solely for those housing and related services authorized by RCW [82.14.530](#), as it now exists or may be amended.
- (6) Administration of Funds. The Funds shall be collected in a Jefferson County fund dedicated to affordable housing, and shall be administered by the Board of County Commissioners or the Board’s designee.

Section 2. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court, board or tribunal of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

ATTACHMENT 1 – PROPOSED ORDINANCE

Section 3. Effective Date. This ordinance or a summary thereof consisting of the title shall be published in the official newspaper of the County and shall take effect and be in full force five (5) days after publication, provided, that pursuant to [RCW 82.14.055](#) the additional sales and use tax imposed by Section 1 shall apply only to taxable events occurring on and after April 1, 2021.

Section 4. Code Reviser. The Code Reviser shall codify this ordinance as a separate chapter in Title 3 Revenue And Finance of the Jefferson County Code, namely as Chapter 3.33 JCC.

ADOPTED this _____ day of _____ 2020, at ____:____ p.m.

JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS

SEAL:

Greg Brotherton, Chair

Kate Dean, Member

David Sullivan, Member

ATTEST:

APPROVED AS TO FORM:

Carolyn Gallaway, Date
Deputy Clerk of the Board

Philip C. Hunsucker, Date
Chief Civil Deputy Prosecuting Attorney

DRAFT

JEFFERSON COUNTY STRATEGY
FOR PERMANENT AFFORDABLE HOUSING
Unlocking the Potential of House Bill 1590

DRAFT

1. PURPOSE & SUMMARY

This Strategy for Permanent Affordable Housing in Jefferson County represents the consensus of five independent organizations in Jefferson County with the expertise and a mission to create affordable housing and supportive services to serve local residents. This Strategy for Permanent Affordable Housing is a blueprint for how approximately \$600,000 per year in new revenue for affordable housing could be used to create permanent affordable rental and resident-owned housing in the initial years, and how this revenue could be managed effectively in the longer term to create affordable housing in Jefferson County.

Jefferson County has an affordable housing crisis. High cost and limited inventory of both owned and rental units is resulting in substandard living situations and homelessness. It is forcing local workers to find housing in neighboring counties and commute here, and local businesses are facing a labor shortage which is stifling local economic development. A number of our schools are seeing declining enrollment, because families with children can no longer afford to live here. If this trend continues without intervention, it threatens the very identity and fabric of our community.

The lack of entry-level permanent affordable housing leaves vulnerable people stuck in shelter and transitional housing, unable to move forward with their lives. At the same time, it denies other homeless and vulnerable people who are even worse off from having access to those existing shelter and transitional services, because there is no room. Rather than create a larger parking lot for people stuck at the very bottom of the housing continuum, revenue from a HB 1590 sales tax for affordable housing can be targeted at creating first-level entry into permanent affordable housing.

Over the course of two months of weekly meetings, five organizations – Peninsula Housing Authority, Olympic Community Action Programs (OlyCAP), Bayside Housing Services, DOVE House, and Habitat for Humanity for East Jefferson County – worked with staff from the City of Port Townsend and Jefferson County (including Juvenile Services) to consider the feasibility of using revenue from a potential new sales and use tax under House Bill 1590, to rapidly provide affordable housing in Jefferson County. Together with City and County staff, these organizations collaborated on strategies for maximizing the new revenue’s effectiveness.

Approximately \$600,000 per year would be generated under HB 1590, and could be used to create an average of between six to ten affordable rental or owned affordable residences for individuals and families in Jefferson County each and every year.

This is based on looking at an initial suite of six affordable housing projects that are currently in local development (see Section 4 of this Strategy). With reliable funding, housing organizations and developers are prepared to develop additional affordable housing projects. “If you fund it, they will build!”

Over the next ten years, Jefferson County could see as many as 100 permanent affordable houses and apartment units added to our local housing inventory.

2. HOUSE BILL 1590 & FUNDING FOR AFFORDABLE HOUSING

Background On HB 1590: House Bill 1590 (HB 1590) was enacted by the Washington State Legislature in 2020. It amends [RCW 82.14.530](#), and authorizes cities and counties to impose a sales and use tax up to 1/10th of 1% for affordable housing. The tax equals just \$1 on a \$1,000 purchase. Sales and use taxes apply to most retail sales of “tangible personal property” within Washington, as well as purchases delivered here by Internet or mail-order retailers. Services to individuals and businesses – things like haircuts, medical bills, consultant fees, etc. – are not “personal property,” and most are not subject to sales tax.

The 1/10th of 1% sales and use tax for affordable housing originally required voter approval, but under HB 1590, this revenue source may now also be approved by the local legislative body with a simple majority vote.

At least 60% of the revenue generated by the 1/10th of 1% sales and use tax must be used for:

- d) constructing affordable housing and facilities providing housing-related services, solely for eligible households (as defined below); or
- e) constructing mental and behavioral health-related facilities; or
- f) funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

The affordable housing and housing-related services in a) above must serve only persons whose income is at or below sixty percent of median income, and who are one of the following:

- Persons with mental illness
- Veterans
- Senior citizens
- Families with children who are homeless (or at-risk of being homeless)
- Unaccompanied homeless youth or young adults
- Persons with disabilities
- Domestic violence survivors

The rest of the revenue (up to 40%) can only be used for housing-related services, or the operation, delivery and evaluation of mental and behavioral health treatment programs and services, without the same restrictions of “eligible persons.”

The law also allows up to fifty percent of the proceeds to be used to issue and service bonds to finance the provision or construction of affordable housing, facilities where housing-related programs are provided, or evaluation and treatment centers. Presently, bonding could generate a one-time lump sum of approximately \$5.25 Million of capital dollars up front. However, bonds typically are issued for 20 years, and would tie up as much as 50% of each year’s revenues for all 20 years. That is a very high opportunity cost in those future years. Consequently, committing to bonds in the immediate future is not recommended. Instead, the County should only consider bonding after a long-term strategic affordable housing plan has been developed with public input, and there is broad public consensus on what project(s) would be funded.

Estimated Annual Revenue From HB 1590: A future 1/10th of 1% sales and use tax for affordable housing in Jefferson County would behave the same as an existing 1/10th of 1% sales and use tax for chemical dependency or mental health treatment services under RCW 82.14.460. The County has administered that sales tax since 2005.

In 2019, revenue from the chemical dependency and mental health sales and use tax was \$612,000. That was before the COVID-19 pandemic and its effect on the economy. In 2020, the chemical dependency/mental health sales tax is trending to generate \$591,000-\$598,000 by year's end. In future years, the sales tax is expected to generate around \$600,000 or more per year.

If a sales tax under HB 1590 for Affordable Housing is enacted in Jefferson County, the soonest the tax could go into effect is April 1st of 2021. The County would actually begin receiving its revenue in June (there is a two-month lag). During 2021 (June-December) we would expect the County to receive \$350,000-\$370,000 for affordable housing. In 2022 and every year thereafter, the County would receive a full 12-months of revenue for affordable housing, or about \$600,000 per year, depending on the economy. Over time, this amount would likely rise, as the annual value of retail sales grows.

3. HOUSING CHALLENGES & PROGRAM OBJECTIVES

In 2017, Jefferson County declared a State of Emergency regarding the Availability of Affordable Housing for Low and Very Low-Income Households. Since then housing prices in Jefferson County have continued to rise much faster than inflation, and the availability of rental units has remained at historic lows, and appears only to have gotten worse.

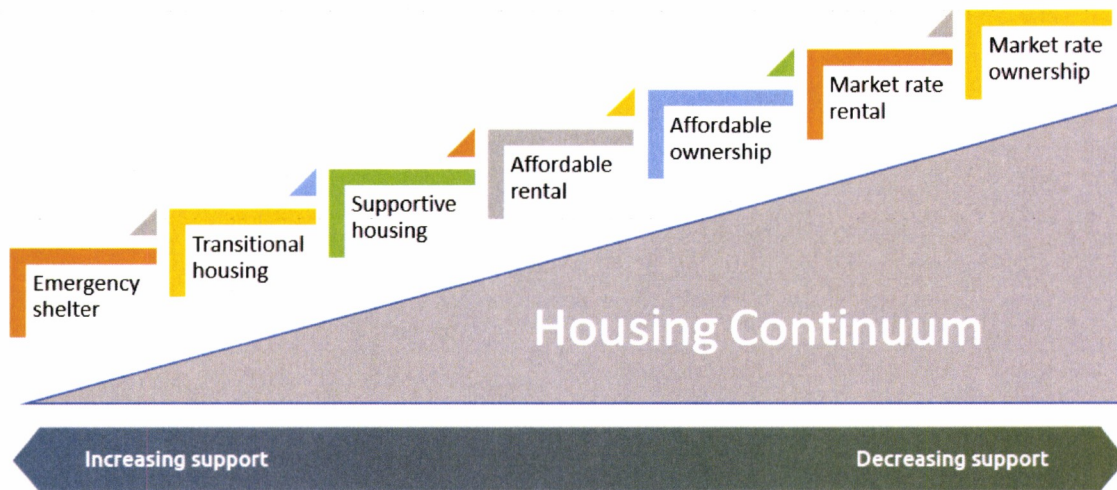
The declaration in 2017 was based in part upon reports from HUD indicating more than half the renters in Jefferson County (1,680 of 3,425) are cost burdened, paying more than 30% of their household income for housing costs, and one in four (895 of 3,425) are severely cost-burdened, paying more than 50% of their income for housing costs. According to OlyCAP, there were less than 600 units of subsidized housing and the waiting list to rent one exceeded 2 years. There is a severe lack of multifamily dwellings in Jefferson County when compared to the demand.

According to the US Census 12.7% of Jefferson County lives in poverty, as does 16.6 % of the City of Port Townsend compared to 11.8% for the entire United States. An Assessment by E.D. Hovee listed the median home price in Jefferson County as \$311,000 in 2015. According to a current (October, 2020) posting on an on-line real estate site www.realtor.com, "Recently Sold Homes in Jefferson County, WA have a median listing price of **\$415,000.**"

No new apartments have been built in Jefferson County since 2010. Additionally, 40 apartment units have been converted to condominiums since 2005. While a small number of condominium units have been built since 2010, their price has escalated sharply – a 100% price increase between 2015 and 2020, according to the County Assessor.

Despite the current resources and ongoing local efforts, there is a demonstrated need for additional funding for affordable housing as well as for facilities, services and programs benefitting vulnerable and low-income populations.

Housing in Jefferson County represents a continuum, from homeless encampments, to homeless shelters, to transitional housing, subsidized apartments and affordable rentals, entry and affordable home ownership, on through the full range of market rate housing we see in real estate listings today.



Housing options at the bottom of the continuum require full support subsidies by non-profits and government programs, which decreases as you move up through the continuum.

Typically, you like to see people move through and up the continuum stepwise, as people’s financial stability and well-being improves.

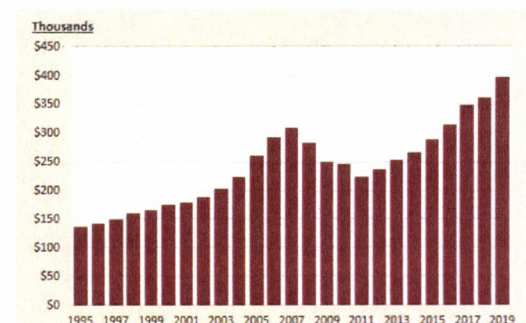
A major problem in Jefferson County today, is the staircase is broken. While upper end market rate housing is being built, mostly, that is all that’s being built. It tends to be homeowners hiring contractors to build their dream, or developers building speculation homes targeted to the upper end listing market rather than creating inventory that is open to all levels of potential home buyers. Hence, there is a shortage of entry- and mid-range homes, and home price increases are reflecting the shortage.

The table to the right shows median home prices for Washington State. The Jefferson County Assessor states it also accurately reflects home price trends in Jefferson County.

As previously noted, no apartments have been built in Jefferson County in the past decade. Additionally, rental housing is being converted into owner-occupied condominiums, and Air B&Bs.

Median home price in Washington

1996 - 2019



Washington Office of Finance Management

Housing options in Jefferson County are scarce and costly. We see families who are trying to live here, needing to resort to actively marketing themselves on bulletin boards and on-line, trying to encourage a potential landlord or seller to pick them over others, to rent or buy.

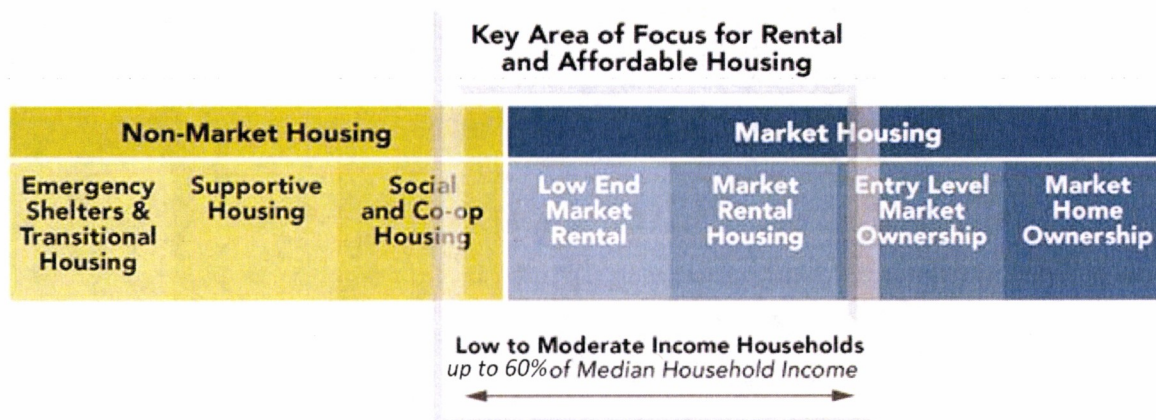
The broken housing continuum has its greatest impact on vulnerable populations. In 2017, OlyCAP changed its homeless shelter model from a Winter Shelter model to a Year-Round Shelter, using the summer months to do case management to move people out of homelessness, into transitional or permanent housing. The first summer was very successful, and they were able to move eight individuals out of homelessness. As the inventory of affordable housing has gotten worse, there is no housing into which to move Shelter residents out of homelessness. Consequently, the Shelter is full, and continues to serve the same individuals year over year, and there is very little opportunity for new people to come in out of the cold.

Bayside Housing Services provides transitional housing for people who have been homeless or are facing homelessness. Of the last 100 people Bayside transitioned from its facility in Hadlock to permanent housing, all but 5 had to be placed outside Jefferson County. In addition, there is a backlog of vulnerable people waiting to get into Bayside’s facility, but can’t, because Bayside cannot find homes for their current clients to move to.

4. INITIAL FOCUS: BREAKING THE IMPASS BY CREATING ENTRY-LEVEL PERMANENT HOUSING

The lack of entry-level permanent affordable housing leaves vulnerable people stuck in shelter and transitional housing, unable to move forward with their lives. At the same time, it denies other homeless and vulnerable people who are even worse off from having access to those existing shelter and transitional services, because there is no room.

Rather than create a larger parking lot for people stuck at the very bottom of the housing continuum, revenue from a HB 1590 sales tax for affordable housing can be targeted at creating first-level entry into permanent affordable housing, which hopefully will enable people to continue to move up from there. This borrows from the insight gained through the housing first model: if people have stable secure permanent housing, they function better, are better able to take care of themselves, pursue employment and advance themselves through training and education, plant a garden, and better, more fully integrate with society. The picture below, a graphic borrowed from another jurisdiction, illustrates the concept of this Strategy.



Some Examples of Candidate Projects: County and City staff asked local public and non-profit housing providers as a group to identify projects that would fit and implement this Strategy, and that were projects of a scale that revenue from a HB 1590 affordable sales tax could conceivably fund. The purpose was two-fold: to test whether a sales tax could actually result in meaningful affordable housing projects, and also to begin to prime the pump with these organizations to develop additional affordable housing projects in Jefferson County.

Together, the organizations quickly found consensus on a list of six examples of the kinds of permanent housing projects that a HB 1590 sales tax could fund. These six examples are displayed in TABLE 1 on the next page, and summarized in more detail in ATTACHMENT 1. The projects were already in different stages of development.

The examples feature a variety of housing types:

- a rental boarding house with 6 rental units,
- supported apartments for young adults 17-24, with 5 one and two bedroom units,
- affordable home ownership for individuals and families, either through a community land trust, or through down payment assistance and title covenants, and finally,
- supported crisis dormitory housing to stabilize at-risk 12-17 year olds in preparation for rapid return to permanent housing.

Populations served would include:

- Low income people at or below 60% of area median income (AMI), including low wage workers;
- Individuals and families;
- Veterans;
- Senior Citizens
- Domestic Violence Survivors
- Persons with Behavioral Health or Other Disabilities
- Families with children at risk of homelessness;
- Young Adults 17-24 years old, who are homeless or at risk becoming homeless;
- At-risk Youth 12-17 years old, who are homeless or at risk becoming homeless.

Please see TABLE 1 on the next page for more information about these initial examples of projects that could quickly use and leverage revenues from HB 1590 to create permanent affordable housing.

Table 1: EXAMPLES OF LOCAL PROJECTS AWAITING FUNDING

Project Example	# of Units	Residents Lease or Own?	Population Served	Approximate Project Cost	Est. Use of HB 1590 Funds	Other Revenues
1. 6-Unit Boarding House	6 one-bedroom units	Lease	Single working individuals, Veterans, and Sr. Citizens. At or below 60% of AMI.	\$550,000	\$550,000	Rents, Fund 148, WA Dept of Commerce, grants & donations
2. Infrastructure for 7 Two-bedroom Affordable Houses	7 two-bedroom homes	Own	Families with children, domestic violence survivors, seniors, veterans, persons with behavioral health or other disabilities. A mix of Low-income persons, up to 60% AMI.	\$400,000 for Infrastructure only	\$400,000	House construction costs other than infrastructure are covered by donations, grants, volunteer labor, and owner mortgage. Services covered by donations and grants.
3. Infrastructure for 20 Affordable Houses	20 homes	Own	Families with children, domestic violence survivors, seniors, veterans, persons with behavioral health or other disabilities. A mix of Low-income persons, up to 60% AMI.	\$965,000 for Infrastructure only	\$965,000	House construction costs will be financed through a combination of first mortgages, house sponsorships provided by private fundraising, and volunteer labor.
4. Down Payment Assistance Program	10-12 homes @ c. \$40,000 each	Own	Low-income persons, up to 60% AMI, including seniors, veterans, persons with behavioral health or other disabilities; families with children at risk of homelessness, or domestic violence survivors.	\$400,000, but can be scaled to fit available funding.	\$400,000	Owner mortgage.
5. Supported Apartments for Young Adults	5 one-bedroom apartments	Lease or fully supported	Young adults 17-24 years old, at or below 60% AMI. May include homeless youth/young adults, domestic violence survivors, veterans, and persons with behavioral health disabilities, all within the age range.	\$200,000 to convert an existing apartment building for this purpose, including a program room for providing services.	\$200,000	Below-market rent (if working), plus housing and programmatic support funded by WA Dept of Youth Children & Families, Department of Commerce, and Peninsula Housing Authority's Family Unification Program, and other on-going state and federal programs.
6. Youth Assessment & Service Center for Placement in Permanent Housing	4 beds	Fully supported	At risk youth aged 12-17 who may be homeless or at risk of homelessness, including runaway youth and adolescents in conflict with their families. May be referred by public agencies, non-profits, or self-referred. All considered to have no income, so below 60% AMI.	No capital cost. Operating cost is \$225,000/year, excluding outside services, such as behavioral health, etc.	Fill gaps in operating costs after using state and county funding dedicated for youth services.	State DCYF (JR) funding for juvenile justice; State AOC Becca Bill funding for status offenders; Jefferson Co. Juvenile & Family Court funds.

Relation to the Local Five-Year Homeless Housing Plan: In 2019 Jefferson County adopted its local five-year homeless housing plan “Making Homelessness a Singular Occurrence” pursuant to Chapter 83.185C RCW. The local five-year plan (the Plan) includes an assessment of the housing affordability crisis in Jefferson County similar to that described here, and describes the extent of homelessness and existing available services. The Plan lays out six objectives and actions to meet them, to help reduce homelessness in Jefferson County.

This Strategy for Permanent Affordable Housing was developed in reference to the Five-Year Plan as a fundamental touchstone. This Strategy helps carry out a number of the Plan’s objectives and implementing actions.

One key objective in the Five-Year Plan is “Objective #6: Supportive Efforts Aimed at Ending Homelessness.” The Plan lists 15 actions geared to meet that objective. This Strategy for Permanent Affordable Housing, and the project examples it lists at up to 60% AMI, are aligned to carry out 6 of those 15 actions:

- “Increase funding for affordable housing for those under the 50% of the AMI,”
- “Increase work force housing units for those between 50-80% of the AMI,”
- “Increase market rate rental units,”
- “Increase youth hostel/boarder rooms for ages 18-24,”
- “Create a Host family network for Youth,” and
- “Build houses for those earning between 30-80% of the AMI.”

Implementing this Strategy would also target carrying out key provisions of the Five-Year Homeless Housing Plan.

5. PROCESS, AWARDS, POLICY DIRECTION, MANAGEMENT & ACCOUNTABILITY

How should \$600,000 per year of funding from an affordable housing sales and use tax under HB 1590 be managed and awarded to benefit the community?

Revenue would be received by the Jefferson County Treasurer and deposited in a County dedicated affordable housing fund. All expenditures from the fund would be for affordable housing, and subject to direction by, and prior approval of, the County Commissioners, who would retain oversight and ultimate accountability for the use of the funds.

For administrative efficiency and maximum transparency, it is recommended that the County Commissioners harness the existing Housing Task Force and Joint Oversight Board, both of who meet in open public meetings, to help with vetting as affordable housing projects are recommended through an annual Request For Proposals (RFP) cycle, described below.

To support the Housing Task Force and Joint Oversight Board and provide technical expertise in the RFP process, the County Commissioners should appoint a separate Technical Evaluation Committee. It would be composed of individuals with technical expertise in affordable housing, development, finance, and related fields, and who are independent of any local housing organizations and projects. The Technical Evaluation Committee would help county staff draft an RFP that would get vetted through the Housing Task Force and Joint Oversight Board. They would also conduct the technical evaluation and scoring of all proposals, which would carry forward throughout the same vetting process, up to the Commissioners.

To guide the RFP process, and prior to the first round, the County Commissioners should adopt a Resolution establishing clear strategic guidelines for the intended use of the funds, such as what niches of the housing continuum to focus on, the kinds of projects or uses that they'd like to be eligible, and targeted populations. The Resolution would be developed with input from the Technical Evaluation Committee, Housing Task Force, and Joint Oversight Board, and would be updated periodically in future years, as changing conditions warrant.

The Joint Oversight Board and Housing Task Force were created through a 2018 Interlocal Agreement (ILA) between the County and the City of Port Townsend to facilitate County/City coordination on solutions to our shared housing problems. The Joint Oversight Board (JOB) includes one elected representative of the City Council and one elected representative of the County Commissioners. The two elected officials select three members of a Local Homeless Housing Task Force to join them on the JOB. The JOB recommends to the County Commissioners the budgets and expenditures out of Fund 148 (Affordable Housing) and out of Fund 149 (Homeless Housing), as well as affordable housing goals.

In January of 2020, Amendment No. 1 to the ILA was executed by the County and City to include revenues for affordable housing authorized by Substitute House Bill 1406.

It is recommended that the County work with the City to propose an Amendment No. 2 to the ILA, so that the County can utilize the existing JOB and Housing Task Force structure for HB 1590 as described above. It is recommended that projects utilizing HB 1590 revenues be vetted and recommended through an RFP process that is separate from that for the existing recording fees. This is to recognize the different requirements for use of the two funding sources under State law, the unique nature of capital projects to build affordable housing, and to allow the HB 1590 revenue to be utilized in a separate strategic fashion, pursuant to an affordable housing strategy Resolution adopted by the County Commissioners as described above.

We are confident in this model, after two rounds of successful RFPs administered by County staff, using the Housing Task Force and Joint Oversight Board. They successfully gave input on the RFP itself, and helped vet and rank the resulting proposals. Funding recommendations were made by vote of the full Housing Task Force and then the Joint Oversight Board, prior to consideration and final award by the Board of County Commissioners.

Under the existing model, after Commissioner approval of award recommendations, County staff prepares contracts with project sponsors, and presents the contracts for subsequent approval by the County Commissioners.

County staff administers the contracts, and reviews, approves, and processes all invoices to ensure they are consistent with each contract, prior to payment, which also gets approved by the County Commissioners.

6. CONCLUSION

This Strategy for Permanent Affordable Housing in Jefferson County represents the consensus of five independent organizations in Jefferson County who provide affordable housing and supportive services to serve local residents, along with County and City executive staff. In examining existing gaps in the housing continuum in Jefferson County, the group determined that revenue from a HB 1590 sales tax for affordable housing should be targeted at creating entry-level permanent affordable housing. This is the core principal of this Strategy. Further, the group determined that the community is well prepared to effectively use the approximately \$600,000 per year in new revenue generated under HB 1590 to create permanent affordable rental and resident-owned housing in Jefferson County.

We found consensus on six sample projects that are currently in development as worthy prospects for putting the funding to immediate use. We sincerely hope the community will submit additional affordable housing projects by the time an actual Request For Proposals is issued.

In the initial years of funding, we recommend the funding be strategically used to break the logjam at the entry steps to affordable rental and owned housing, so that low-income and vulnerable people currently stuck in shelter and transitional housing can move into permanent housing, and so lower wage workers can afford to live and work in Jefferson County.

Jefferson County already successfully administers Fund 148 (Affordable Housing) and Fund 149 (Homeless Housing) using the Joint Oversight Board and Housing Task Force under a County-City Interlocal Agreement. This existing structure can be harnessed and adjusted to administer revenues and expenditures for affordable housing under HB 1590, by amending the ILA, appointing a Technical Evaluation Committee, and periodically adopting strategic guidelines to ensure the HB 1590 funds and projects are best targeted to meet current community affordable housing needs.

ATTACHMENT 1: Examples Of Local Projects That Could Be Funded To Create Permanent Affordable Housing In Jefferson County

**ATTACHMENT 1
EXAMPLES OF LOCAL PROJECTS THAT COULD BE FUNDED TO CREATE PERMANENT AFFORDABLE HOUSING IN JEFFERSON COUNTY**

Project Example	Description	# of Units	Residents Lease or Own?	Population Served	Services	Approximate Project Cost	Est. Use of HB 1590 Funds	Other Revenues
1. 6-Unit Boarding House	Boarding house for six single residents, each unit with its own bathroom and mini kitchen; common living room, dining room and kitchen. Prefab steel-framed modular construction.	6 one-bedroom units	Lease	Single working individuals, Veterans, and Sr. Citizens. At or below 60% of AMI.	Case management for residents as needed; liaison with mental health and social services	\$550,000	\$550,000	Rents, Fund 148, WA Dept of Commerce, grants & donations
2. Infrastructure for 7 Two-bedroom Affordable Houses	Install infrastructure (street, sidewalk, power and water and septic upgrade) which is strategically used to make building 7 two-bedroom homes permanently affordable for private ownership. Homes a mix of single family, duplex and triplex.	7 two-bedroom homes	Own	Families with children, domestic violence survivors, seniors, veterans, persons with behavioral health or other disabilities. A mix of Low-income persons, up to 60% AMI.	Housing-related services.	\$400,000 for infrastructure only	\$400,000	House construction costs other than infrastructure are covered by donations, grants, volunteer labor, and owner mortgage. Services covered by donations and grants.
3. Infrastructure for 20 Affordable Houses	Install infrastructure (street, sidewalk, stormwater, power, water and sewer connection) which is strategically used to make building 10 duplexes of homes (20 units) permanently affordable for private ownership.	20 homes	Own	Families with children, domestic violence survivors, seniors, veterans, persons with behavioral health or other disabilities. A mix of Low-income persons, up to 60% AMI.	n.a.	\$965,000 for infrastructure only	\$965,000	House construction costs will be financed through a combination of first mortgages, house sponsorships provided by private fundraising, and volunteer labor.
4. Down Payment Assistance Program	Offer Down Payment Assistance (DPA) to qualified low-income home buyers to allow them to purchase a home on the open market. In exchange for the DPA, the buyer agrees to place a restrictive covenant on their title to ensure permanent affordability.	10-12 homes @ c. \$40,000 each	Own	Low-income persons, up to 60% AMI, including seniors, veterans, persons with behavioral health or other disabilities, families with children at risk of homelessness, or domestic violence survivors.	n.a.	\$400,000, but can be scaled to fit available funding.	\$400,000	Owner mortgage.
5. Supported Apartments for Young Adults	Convert existing apartment building into 5 one and two-bedroom apartments to be rented to young adults with wraparound youth services.	5 one-bedroom apartments	Lease or fully supported	Young adults 17-24 years old, at or below 60% AMI. May include homeless youth/young adults, domestic violence survivors, veterans, and persons with behavioral health disabilities, all within the age range.	Launch each client successfully into adulthood. Program will provide case management and offer a range of specialized services to meet the specific needs of each youth/young adult.	\$200,000 to convert an existing apartment building for this purpose, including a program room for providing services.	\$200,000	Below-market rent (if working), plus housing and programs funded by WA Dept of Youth Children & Families, Department of Commerce, and Peninsula Housing Authority's Family Unification Program, and other ongoing state and federal programs.
6. Youth Assessment & Service Center for Placement in Permanent Housing	Convert and lease an existing building as a Assessment & Service Center for youth 17 and younger, providing housing with wrap around services to stabilize youth for reunification to their families or placement in a host home.	4 beds	Fully supported	At risk youth aged 12-17 who may be homeless or at risk of homelessness, including runaway youth and adolescents in conflict with their families. May be referred by public agencies, non-profits, or self-referred. All considered to have no income, so below 60% AMI.	Case manager and WA DCYF social worker will coordinate wrap around services, to stabilize the youth, and help the youth and their family develop skills to better manage and resolve conflict. The goal is to reunite the family and youth wherever possible, or to refer to a longer-term Host Home if not.	No capital cost. Operating cost is \$225,000/year, excluding outside services, such as behavioral health, etc.	Fill gaps in operating costs after using state and county funding dedicated for youth services.	State DCYF (R) funding for juvenile justice; State AOC Becca Bill funding for status offenders; Jefferson Co. Juvenile & Family Court funds.