

DATE: August 2, 2017  
TO: Skagit Council of Governments  
FROM: ECONorthwest and Commonworks Consulting  
SUBJECT: Skagit County Housing Action Plan

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## 1 Purpose

The purpose of the Housing Action Plan is to establish a five- to seven-year road map for addressing low- and moderate-income housing needs across Skagit County. The plan consists of a set of broader strategies and associated actions to support the overall pipeline of market rate and subsidized housing development, including changes to development regulations and financial support for subsidized affordable housing development of all types. Local governments, nonprofit affordable housing organizations, and affordable housing advocates will be ultimately responsible for implementing the actions. However, most actions will require collaboration or coordination among some or all of these entities.

The next section summarizes the efforts and roles of governmental and nonprofit entities involved in housing and affordable housing issues in Skagit County. Section 3 then lays out the strategies and related actions in the Housing Action Plan.

## 2 Current Housing Efforts and Roles

The Housing Action Plan is focused on strategies and actions for organizations with roles and responsibilities for regulating, funding, developing, or supporting market-rate and subsidized affordable housing in Skagit County. To support the development of housing affordable to the full range of community needs, the plan focuses on strategies in two principal areas:

- Land use planning and regulation: These roles are the responsibility of local government.
- The production and preservation of housing, particularly housing the private market cannot afford to create. This involves local nonprofit/public agency entrepreneurs (including housing authorities), their private sector and faith-based supporters/advocates, and public entities that provide financial, planning and capacity-development assistance.

Private sector developers also have an important role in the local housing market and will be affected by several of the actions in the plan. However, this plan focuses primarily on actions for the local nonprofits, public agency entrepreneurs, affordable housing advocates, and local government. The list below includes entities with a role in implementing the Housing Action Plan and their current efforts.

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## Skagit Council of Governments

SCOG staff has participated in the region’s evolving discussion on housing and affordability over the past couple of years. SCOG coordinates standing committees composed of member jurisdictions related to transportation and land use issues in Skagit County, including a Growth Management Act Steering Committee and a Growth Management Act Technical Advisory Committee.

## Cities and Towns

All incorporated cities and towns within Skagit County have a role in housing development through their regulatory authority and permitting process. Many of the actions in the plan are particularly focused on actions and roles of cities, incorporated areas with populations greater than 1,000, which include Anacortes, Burlington, Mount Vernon, and Sedro-Woolley. In addition, cities and towns (which include incorporated areas with populations less 1,000) can provide funding support for subsidized affordable housing through their general fund or a dedicated funding source such as a special property tax levy.

Two cities—Anacortes and Mount Vernon—receive an annual allocation of federal Community Development Block Grant (CDBG) funds directly from the US Department of Housing and Urban Development because they qualify as “entitlement communities” under federal law. The funds can be used for activities that benefit low- and moderate-income households, eliminate slums and blight or meet an urgent need. In recent years Anacortes has received approximately \$85,000 to \$90,000 in CDBG funds annually and allocated the funds to a variety of eligible uses, including housing rehabilitation/preservation, public services, and infrastructure improvements. Mount Vernon has received approximately \$300,000 annually and allocated the funds to flood hazard mitigation, public services, housing rehabilitation, homeownership assistance, and land acquisition/predevelopment for new rental housing.

## Skagit County

Skagit County has roles in both the land use regulatory responsibilities (primarily through the Planning and Development Services Department) and support for subsidized affordable housing production (primarily through Skagit County Public Health, which is dealt with in more detail below). The County has land use regulatory authority and planning responsibilities for unincorporated parts of Skagit County, both in rural areas and unincorporated Urban Growth Areas. The County also makes decisions about how county-owned land is used, potentially including housing development.

## Skagit County Public Health

Skagit County concentrates its subsidized affordable housing work in the Department of Public Health (Skagit County Public Health). This department’s involvement has provided substantial visibility, coherence and leadership around affordable housing efforts in the county. Their role includes:

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- Planning and orchestrating: *Building a Skagit County Affordable Housing Strategy (2013 and 2016 update)* addressed the key ingredients of affordable housing development: funding, policies and capacity. Skagit County Public Health coordinates the implementation of the strategy and fosters stakeholder engagement. The Action Plan below is intended to build on this work and align land use planning initiatives to better enable and support affordable housing development.
  - Federal and local resource coordination: Skagit County Public Health is the lead-agency for the Tri-County HOME Consortium. They coordinate planning and community engagement activities and administer the programs.
  - Economic development funds: Skagit County also helped to create a \$100,000 pool of local economic development funds to pay for public facility costs (impact and utility connection fees) related to the construction of affordable homes in Skagit County. This fund has been used to support affordable homeownership development in Skagit County.
  - Skagit County Homeownership Assistance Project: Funded by a \$750,000 federal Community Development Block Grant allocation from the Washington State Department of Commerce, the Skagit County Homeownership Assistance Project is administered by Skagit County Public Health. It works closely with five nonprofits to provide down payment and closing cost funds to qualified low- and moderate-income homebuyers in Island, Skagit and Whatcom counties.
  - Community and stakeholder engagement: Skagit County Public Health led a major public campaign to elevate the visibility and importance of affordable housing development. They brought together diverse stakeholders, produced reports and publications, and established a Housing Affordability Leadership Group with three subcommittees: Permanent Supportive Housing, Quality Multifamily Housing and Homeless Services.
  - Preservation assessment: Skagit County Public Health assessed the inventory of housing units at risk of losing their affordability restrictions through 2024. It identified nine properties that have lost or at risk of losing affordability restrictions and is working with key stakeholders to develop strategies to preserve affordability.

### Skagit County Consortium for the Tri- County Plan

The Consortium consists of 19 municipalities in three counties (Skagit, Island and Whatcom) that agreed to join the Consortium through signing on to an Interlocal Cooperation Agreement establishing the Consortium (Skagit County Interlocal Agreement No. C20140290). The lead entity and administrator of the Consortium is Skagit County through Skagit County Public Health.

The Consortium has a three-year Consolidated Plan 2015-17 that describes housing and community development needs and how federal and other resources are to be used to address them. Annual Action Plans provide a budget for HOME Investment Partnerships (HOME) program funds—currently approximately \$600,000 per year. The Consolidated Annual

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Performance and Evaluation Report (CAPER) is the report back to the community on the use of funds.

HOME resources are currently used to support two programs, in addition to allowed administrative and planning costs:

- **Tenant-Based Rental Assistance:** Short-term rental assistance for homeless households prioritized for re-housing through each county's coordinated entry program.
- **Homebuyer Assistance:** Assistance to low- and moderate-income homebuyers purchasing homes through a community land trust model using shared equity and long-term affordability programs.

### Nonprofit Affordable Housing Providers, Housing Authorities, and Tribes

Key affordable housing developers and owners in Skagit County include:

- **Local Housing Authorities:**
  - **Housing Authority of Skagit County:** Multipurpose housing authority that develops and owns affordable rental housing (multiple properties in Skagit County), manages Housing Choice voucher program, and manages weatherization funds. Serves Skagit and San Juan Counties.
  - **Housing Authority of Anacortes:** Owns and manages 182 units of subsidized housing in Anacortes. Their properties include senior/disabled housing and scattered-site family housing.
  - **Sedro-Woolley Housing Authority:** Owner of 80 units of subsidized housing in Sedro-Woolley. One property consists of townhouse apartments for families, and the other provides one-bedroom units for senior/disabled adults.
- **Local Nonprofits:**
  - **Community Action of Skagit County:** Provides a wide range of anti-poverty services, and serves as the single point of entry for homeless families and individuals. Interested in exploring possibilities for undertaking affordable housing development.
  - **Salem Village:** Owns and operates an affordable rental housing development for seniors in Skagit County.
  - **Skagit Council Housing:** Owns and operates an affordable rental housing development for seniors in Skagit County.
  - **Anacortes Family Center:** Provides transitional housing and services to homeless women, children and families in Anacortes. Interested in undertaking affordable rental housing development.
  - **Home Trust of Skagit:** Provides permanently affordable homeownership housing through a land trust model.

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- **Skagit Habitat for Humanity:** Develops deeply affordable homeownership opportunities for families using the national Habitat for Humanity partnership model.
  - **Whatcom-Skagit Housing:** Assists limited income families with building their own homes in eligible areas of the two counties through the Rural Development Self Help Housing Program and 502 Rural Housing Loans.
  - **Regional or Statewide Nonprofits:**
    - **Mercy Housing Northwest:** Owns and operates 59 properties throughout 22 counties in Washington and Idaho. Currently owns and operates three senior and two multifamily properties in Skagit County.
    - **Catholic Housing Services of Western Washington:** Provides a wide range of services and housing for low-income and vulnerable households in Western Washington. Currently owns five properties in Skagit County for farmworkers and their families.
    - **Low Income Housing Institute:** Currently serves six counties in Western Washington: King, Snohomish, Island, Pierce, Thurston and Kitsap. Does not yet have any properties in Skagit County but expressed interest in exploring opportunities.
    - **Compass Health:** Offers housing assistance to over 500 individuals in Snohomish, Skagit, and Island counties (with over 500 on a waitlist) through a variety of programs including housing subsidies, peer support and case management, and partnership with other local housing assistance organizations to expedite housing support.
    - **Pioneer Human Services:** Serves people released from prison or jail in Washington State and those in recovery from addiction. Does not currently own housing in Skagit County but expressed interest in expanding programs and housing that supports criminal justice population either directly or indirectly.
  - **Tribes:**
    - **Samish Indian Nation:** Provides down payment assistance, home repair, rental assistance and related services to qualified tribal members.
    - **Upper Skagit Indian Tribe:** Offers low rent apartments with preferences for seniors.
    - **Sauk-Suiattle Indian Tribe:** Provides housing assistance programs to eligible families residing in Skagit, Snohomish, King, and Pierce Counties. Current programs include tenant-based rental assistance, low-rent housing, homebuyer (1937 Act Housing), and a home repair loan program.
    - **Swinomish Indian Tribal Community:** Through the Swinomish Housing Authority, provides affordable rental and homebuyer units for income qualified members of the Swinomish Tribe on the Swinomish Reservation and in the Town of La Conner.

## Local Resources for Subsidized Rental Housing Development

Nonprofit housing developers are entrepreneurs that combine funds from many different sources (e.g., federal, state and local public funds; foundation investments; business, faith-based and individual contributions) to create and operate housing that is affordable at price ranges not typically provided by the private housing market. To undertake this work, organizations require two kinds of support: 1) financial assistance that supports their organizational capacity to develop and manage projects over the long term, and 2) financial assistance that supports the initial development of projects and then, if they house extremely low-income households, subsidizes services and rents once they are built. While organizations find financial support from many different sources, including earned income from doing development, local governments (city, town, county and region) also play a role in supporting this work, both as channels for federal and state resources and through allocations from their general fund and voter-approved local levies.

Skagit County has reached a critical crossroads in terms of the future of affordable housing development. Through the recent convenings and public information campaigns, community awareness has been built about the need for more affordable housing. Led principally by Skagit County Public Health and SCOG, the County is now tapping into the available state and federal funding sources (e.g., HOME, competitive CDBG funds) available to support local efforts. Skagit County Housing Authority is accessing the most reasonably available federal resources for housing development at present. Local nonprofits have begun to work together, but lack the capital and, in some cases, capacity to initiate development. Regional and statewide nonprofits have expressed interest in doing development in the county, but lack gap funding needed to proceed. Thus, the critical ingredient needed to ramp up production now is more local funding. The principal opportunity that lies ahead is obtaining voter approval for a levy to support affordable housing development.

The matrix below shows the types of resources that nonprofit developers need from local sources, including local government. The matrix takes into account the resources that these nonprofits can access from other sources, including state and federal programs and the revenue from rent. It shows the gap that remains and needs to be filled locally.

Local Resources Needed for Affordable Housing Development		
	One-Time or Occasional	Ongoing
<b>Organizational Capacity-Related</b>	<ul style="list-style-type: none"> <li>Initial capacity development</li> <li>Occasional technical assistance</li> </ul>	Operating support for: <ul style="list-style-type: none"> <li>Maintaining development capacity in-house</li> <li>Ongoing portfolio management</li> </ul>
<b>Housing Project-Related</b>	<ul style="list-style-type: none"> <li>Predevelopment funds for project start-up, including A &amp; E, site control, geotechnical, environmental</li> <li>Gap financing (this can be a large number)</li> </ul>	Depending on the resident population served, funds may be needed for: <ul style="list-style-type: none"> <li>supplementing rental income</li> <li>supporting needed services</li> </ul>



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It is recommended that local affordable housing stakeholders develop an initial cost estimate for the funds needed to support rental housing development. The cost estimate should consider two phases: a ramp up phase of three years that focuses on local capacity development, tapping into regional and statewide housing development capacity and prototype new project development, and a second phase of seven years that represents a period of sequenced development activity and asset management.

The initial phase should focus on funding these needs:

- Organizational Capacity-Related: Initial capacity development
- Housing Project-Related: Predevelopment funds and gap financing. During this phase, meet the need for ongoing rent supplements for extremely low-income households by removing barriers to project-basing Housing Choice Vouchers.

The second phase should address these needs:

- Organizational Capacity-Related: Occasional technical assistance and operating support for maintaining development capacity and undertaking asset management.
- Housing Project-Related: Predevelopment funds and gap financing. As needed, add funds to supplement rental income and to provide resident services.

This section has focused on subsidized rental housing development because that is where the greatest urgency resides currently. Providing access to affordable homeownership is also important because it provides households with an opportunity to build assets and wealth and ensures housing stability. Currently, HOME funds are used to support affordable homeownership by providing operating support and project-related funds. Local economic development funds are used to assist with utility impact and connection fees associated with building homes for low-income homebuyers. While more funding is needed to increase the pace of housing development for low income homebuyers and to support affordable homeownership, an even more critical need is funding for affordable rental housing for the county's most vulnerable residents. Now is the time to move forward to secure local funds.

Individual strategies for developing and deploying local sources for subsidized rental housing are integrated into the Skagit County Housing Action Plan that follows.

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## 3 Skagit County Housing Action Plan

The Housing Inventory and Transportation Analysis analyzed and developed an inventory of the current housing market in Skagit County and conducted numerous interviews and focus groups with public sector, private sector, and non-profit stakeholders involved in housing development in Skagit County. Based on this analysis and discussions with stakeholders, the analysis identified barriers to the development of subsidized affordable and market rate housing in Skagit County. To overcome these barriers and address low- and moderate-income housing issues in the county the Housing Action Plan focuses on five strategies:

- **Strategy 1** - Facilitate Development of Market Rate and Subsidized Affordable Housing
- **Strategy 2** - Build Local Organizational Capacity to Develop Subsidized Affordable Housing
- **Strategy 3** - Address Funding Needs to Support Subsidized Affordable Rental Housing Development and Operation
- **Strategy 4** - Support Housing Rehabilitation and Preservation
- **Strategy 5** – Continue to Support Affordable Homeownership Development

Under each of these strategies are specific actions to implement the strategy. The actions address findings from the analysis and stakeholder outreach, and identify **what** needs to be done, **how** the action can be accomplished, **who** the responsible entities are for implementing the action, and **when** the action should take place and sequenced with other actions. The following sections detail the strategies and actions for the Skagit County Housing Action Plan.

### Strategy 1 – Facilitate Development of Market Rate and Subsidized Affordable Housing

The private market does not currently produce enough housing that is affordable for low- and moderate-income households. The development of subsidized affordable housing in urban areas is also a challenge due to the lack of easily developable sites and lack of financial and organizational capacity.

Actions that help increase the types of housing of all types built in the region – particularly those types that are smaller, can be built more cost-effectively, and can be built in infill areas – can ensure an existing stock and pipeline of affordable and market-rate options for residents in the future.

#### Action 1.1: Implement a consistent and comparable countywide buildable lands inventory

**Barrier:** Different implementation and assumptions in conducting buildable land inventories for individual cities makes it difficult to compare the capacity for housing development between cities. In addition, it makes it difficult to know the overall housing capacity within the county for additional single-family and multifamily housing.



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- **What:** Establish a buildable land inventory (BLI) for UGAs in the county based on a common methodology, implementation, and assumptions to understand the potential supply of developable sites that allow single-family and multifamily housing.
  - **How:** Start a process for cities and the County to review current methods and assumptions and then develop a common methodology and assumptions for how BLIs are conducted for all jurisdictions in the county in the future. The Growth Management Act Technical Advisory Committee could serve as the forum for this process. Individual cities will then have to update their BLI by a certain date.
  - **Who:** This process can be coordinated by SCOG and the GMA Technical Advisory Committee as part of the comprehensive plan update process.
    - Lead: Growth Management Act Steering Committee
    - Partners: Cities and towns, Skagit County, SCOG
  - **When:** 3-5 years – at least one year before the next comprehensive plan update.

### Action 1.2: Create and coordinate housing element implementation actions

**Barrier:** Comprehensive Plan Housing Element policies typically do not have any implementation actions associated with the policies. In addition, jurisdictions in Skagit County have not coordinated policies in their Housing Elements.

- **What:** Review and identify housing policies that are or are not being implemented. Develop and coordinate implementation actions to address policies not being implemented among jurisdictions with common issues.
- **How:** In advance of updating jurisdictions' comprehensive plans, coordinate the creation of implementation action and priorities for similar housing strategies among jurisdictions.
  - As part of updating jurisdiction's Housing Element, individual jurisdiction should identify possible implementation actions for each policy that can be included in the jurisdictions annual work program.
  - Jurisdictions then should meet and identify similar policies, priorities, and common implementation actions, such as supporting the development of accessory dwelling units, and update their plans have coordinated housing policies and actions.
  - In addition, cities can communicate the importance of housing production and the implementation actions with a consistent message to constituents.
- **Who:** Jurisdictions planning under the GMA.
  - Lead: Skagit County, Anacortes, Burlington, Mount Vernon, and Sedro-Woolley
  - Partners: SCOG
- **When:** 5-7 years

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### Action 1.3: Coordinate future planning within UGAs for annexation

**Barrier:** Many of the easily developable areas in UGAs are in unincorporated areas. The lack of infrastructure and appropriate zoning limit the ability of these areas to develop at urban densities.

- **What:** Skagit County and the respective cities should coordinate on issues that can provide a pathway to annexation for UGAs. This could include coordinating planning for infrastructure development and zoning changes to speed up the annexation of these areas, which will facilitate development at urban densities and form. Ultimately, cities should have some structure and pathway that will allow areas to annex into the city. This could be formalized in an annexation interlocal agreement to implement urban development standards within the UGA prior to annexation. The interlocal agreement would enable cities to plan for and fund capital facilities in the unincorporated portion of the UGA and for consistent responses to future annexations.
- **How:** Skagit County can work with individual cities on planning for their UGAs and help plan for annexing UGAs or parts of UGAs into city limits.
- **Who:** Skagit County and affected cities
  - Lead: Cities
  - Partners: None
- **When:** 1-3 years

### Action 1.4: Evaluate zoning to allow more housing types in more areas within UGAs

**Barrier:** There are a limited number of easily developable sites, particularly for multifamily or affordable housing, within UGAs in the county.

- **What:** Identify sites and areas that could accommodate more housing development where the current zoning does not allow it. Consider changes to zoning capacity or zoning designations to allow multifamily housing of different scales. Also, consider implementing by-right zoning, which streamlines the approval for developments that meet existing development requirements.
- **How:** Engage in a planning process to update zoning regulations.
  - Start a public conversation around the need for and location of multifamily housing.
  - Begin by focusing on specific subareas that currently do not allow multifamily housing that are near employment concentrations and transit service or other desirable locations. Explore mixed use zones that include multifamily housing.
  - Initiate comprehensive plan amendment process and update zoning regulations.
- **Who:** Cities
  - Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley
  - Partners: None

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- **When:** 1-5 years

### Action 1.5: Develop coordinated policies for infill development among all cities

**Barrier:** Many of the development opportunities within city limits are on lots that already have structures on them. As a result, most cities in Skagit County are looking for opportunities to realize more infill housing development.

- **What:** Cities can collectively explore potential “missing middle” housing options (i.e. small-lot homes, duplexes through 4-plexes, accessory dwelling units, townhouses, and more dense garden apartments) and form zoning regulation to support the development of these housing types.
- **How:** Engage in a planning process to update zoning regulations, potentially as part of the same public conversation and process evaluating zoning.
  - Start a public conversation about housing needs and the role of “missing middle” and multifamily housing in affordability and housing needs.
  - View and possibly tour existing missing middle housing options.
  - Create and share implementation action and regulation for infill housing development among cities.
  - Initiate comprehensive plan amendment process and update zoning regulations.
  - Coordinate on the use of the multifamily property tax exemption to support the building of market rate and affordable housing. They will need to consider the targeting to areas, specific product types, and whether to use the 8- or 12-year program.
- **Who:** All cities
  - Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley
  - Partners: All cities
- **When:** 1-3 years

### Action 1.6: Identify, assemble, and prepare sites for subsidized affordable housing

**Barrier:** There is a lack of easily developable and low-cost sites for subsidized affordable housing.

- **What:** Identify sites under public ownership that provide an opportunity for inclusion of subsidized housing as part of the project concept. Analyze redevelopment opportunities and their scale and prioritize the best opportunities.
- **How:** Start with one site, one project.
  - Solicit “Phase 1” proposals that include identification of project concept and partners.

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- Incentivize the development of affordable housing, possibly by making pre-development funds (source to be determined) and free/reduced-cost site available to projects that incorporate both.
  - If site is not already under public ownership, consider applying for balance of State CDBG funds (except for sites in Anacortes and Mount Vernon, which are Entitlement Communities) for site acquisition.
  - **Who:** Cities, nonprofit affordable housing developers, and housing authorities
    - Lead: Cities and Skagit County
    - Partners: Nonprofit affordable housing providers and housing authorities
  - **When:** 1-3 years

### Action 1.7: Enhance development potential of current sites owned by nonprofits and faith-based entities

**Barrier:** Some existing sites owned by nonprofits or faith-based entities could physically accommodate housing or more housing than currently on-site.

- **What:** Expand housing opportunities for lower income households on sites already owned by nonprofits or faith-based entities. Engage in proactive, team-based problem-solving to identify constraints and how to address them.
- **How:** Collaborate to identify opportunities and select an initial site in which to pursue the development of additional housing.
  - Inventory sites currently owned by nonprofits and faith-based entities.
  - Select one or more sites to serve as prototypes for this effort. Identify those that are potential sites for affordable housing development (i.e. willing owner, site could physically accommodate more housing, etc.), and prioritize development opportunities. One potential early candidate is Skagit Council Housing site in Mount Vernon.
  - For the prototypes, identify the barriers preventing development, especially ones involving development regulations. Engage in proactive, team-based problem-solving that includes jurisdictions, site owners, and affordable housing developers to create solutions. Update zoning regulations if necessary.
  - Start the development process to design and build on the site.
  - Repeat for additional high priority sites with willing owners.
- **Who:** Affordable housing providers (nonprofits and housing authorities) and faith-based entities.
  - Lead: Individual affordable housing providers that own property
  - Partners: Appropriate jurisdictions, which may need to amend the comprehensive plan and/or zoning.

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- **When:** 1-3 years

### Action 1.8: Incentivize the development of multifamily housing

**Barrier:** Multifamily housing development may not be financially feasible given current values and high construction costs. Also, existing development codes are often not currently set up for incentives to be utilized effectively.

- **What:** Create a menu of incentives that address identified barriers that jurisdictions can offer to encourage multifamily housing and/or projects that include affordable units. Cities may also need to review incentives they currently offer and determine if they are effective or if they need to be modified.
- **How:** Determine specific market issues for development of multifamily housing in appropriately zoned area.
  - Consider incentives that would specifically address these barriers. One option is the 12-year multi-family tax exemption program (MFTE) within incorporated areas with a population above 15,000, which includes Anacortes and Mount Vernon. Other options include reductions for parking requirements, infrastructure requirements, permit or impact fee waivers or density bonuses.
  - Work with elected officials to create a menu of options and the implementation of those options.
  - Calibrate incentives (new or existing) to local market conditions and barriers. Correctly calibrating incentives is a key component of making an incentive program effective.
  - Adopt ordinances and/or zoning changes to allow for the use of the appropriate incentive.
- **Who:** Cities
  - Lead: Anacortes, Burlington, Mount Vernon, and Sedro-Woolley
  - Partners: SCOG
- **When:** Present and ongoing as needed

## Strategy 2 – Build Local Organizational Capacity to Develop Subsidized Affordable Housing

Housing development is contingent on a variety of public and private partners. Creating affordable housing requires the for-profit and nonprofit development communities, as well as government funders, to bring their commitment, expertise and resources for project construction. Under the leadership of the Skagit County Public Health, Skagit County has made a promising start in this direction and the continued leadership of Public Health is needed, along with energized nonprofit/private sector leadership in areas where public sector employees cannot lead, such as in a campaign for a housing levy. This section builds on existing

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momentum and identifies opportunities to further enhance the region’s capacity to develop subsidized housing.

### Action 2.1: Formalize structures for coordination and leadership for governmental and nonprofit affordable housing providers

**Barrier:** Nonprofit affordable housing providers highly value Skagit County Public Health’s leadership and facilitation on affordable housing issues, which should continue. However, there is a need for a parallel structure to take on issues that cannot be led by County staff., such as advocating for changes in policy or campaigning for a new property tax levy.

- **What:** Formalize a network of affordable housing providers and advocates who are independent of (but have a relationship with) Skagit County Public Health for the purposes of taking on initiatives that cannot be done with local government involvement. Meanwhile, continue to support and better resource planning, facilitation and coordination by Skagit County Public Health.
- **How:** As needed, re-evaluate committee structure and make changes. The stakeholder committee structure should evolve as new private, public, nonprofit, and faith-based partners step forward. The independent network of affordable housing providers and advocates should identify key initiatives (referendums, etc.) and develop an action plan.
- **Who:** Skagit County, affordable housing providers, and faith-based organizations and businesses
  - Lead: New independent organization or partnership
  - Partners: Nonprofits, housing authorities, faith-based organizations, businesses, Skagit County Public Health, SCOG
- **When:** 1-3 years

### Action 2.2: Increase local capacity to undertake subsidized affordable multifamily housing development

**Barrier:** Staff capacity at affordable housing providers limits their ability to undertake more housing development projects.

- **What** Identify sources of funds that can be used to support housing development capacity-building within Skagit County nonprofits. In year 1, identify technical assistance providers, such as a development consultant or a regional/statewide nonprofit housing developer that is interested in training and partnering with a Skagit County nonprofit. Invite qualified Skagit County nonprofits to submit applications and select one or more organizations for capacity-building assistance. Funds should be used to pay for both the provision of training and for staff time for the Skagit County nonprofit to participate. In years 2 – 3, either continue to provide technical assistance or shift to providing operating support to the organizations that are undertaking housing development or pre-development activities.
- **How:** Two options for funding:



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- Option 1: Create a pool of local funds by requesting modest three-year funding commitments from Skagit County and each of the Skagit County cities participating in the HOME Consortium. To create the pool, consider an initial set of three \$60,000 investments over three years---total pool of \$180,000. Funds would be used for both local capacity development as described above and project pre-development loans as described in Section 3.2 below.
  - Option 2: Evaluate the possibility of a local referendum for an affordable housing levy and the capacity needed to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and faith-based sectors to explore the possibility of a referendum to a housing levy. Undertaking polling on the feasibility of a local levy and the amount of funds that could be raised. If the result is positive, advocate for voter approval of a housing levy. Levy proceeds could be used for technical assistance, operating support, pre-development loans, gap financing and other needs associated with affordable housing development.
  - **Who:** Skagit County Public Health, cities and local and regional housing providers and advocates
    - Lead: Option 1: Skagit County. Option 2: New independent organization or partnership described in Action 2.1 above.
    - Partners: Option 1: Cities. Option 2: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors
  - **When:** 3-5 years

**Action 2.3: Explore innovative development models and developers who create low to moderate income housing without highly competitive federal subsidies.**

**Barrier:** One of the key federal subsidies supporting affordable housing development is the nine percent Low Income Housing Tax Credit (LIHTC) Program, a highly competitive resource. For places like Skagit County, Washington State has chosen to prioritize awarding nine percent LIHTC resources to projects where 50 percent of the units provide housing for formerly homeless individuals/households. These projects require an ongoing local source of operating support to help subsidize rents and funds for resident services to help households remain housed. Developing these projects also requires sources of gap financing. The County should continue working on aligning resources to support competitive nine percent LIHTC projects by a nonprofit. However, the County may have to explore other avenues. Some developers are experimenting with models for developing affordable rent-restricted projects with locally-provided subsidies and support instead of federal support. Currently, Skagit County does not have such a developer, but there are some in other areas of the Pacific Northwest.

- **What:** Identify and vet affordable housing developers, such as Home First Development in Portland, Oregon, that have a successful track record of developing attractive, durable affordable housing without federal subsidies that can add cost to the project. Focus on developers that can build smaller-scale housing projects appropriate to places like Skagit

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County. Such developers may require local assistance to fill gaps or reduce development costs to make the projects work long-term. To keep the project local, explore the option of supporting the development of projects that are subsequently owned and managed by a local nonprofit or housing authority.

- **How:** Meet with developers, explore potential sites, subsidies, development opportunities and partnerships with local nonprofits
- **Who:** Skagit County Public Health and local nonprofit housing developers
  - Lead: Skagit County Health Department
  - Partners: Nonprofit housing developers and housing authorities
- **When:** 1-3 years

### Strategy 3 – Address Funding Needs to Support Subsidized Affordable Rental Housing Development and Operation

The county has a shortage of affordable housing, creating challenges for households with lower incomes. Existing affordable housing communities have lengthy waiting lists for new applicants. Building new income-restricted units is the most direct strategy for addressing the shortage of affordable housing. Targeted assistance for affordable housing development can increase the number of projects that are constructed in a given amount of time.

#### Action 3.1: Provide predevelopment assistance for subsidized affordable rental housing

**Barrier:** To initiate planning for a new housing development requires up-front resources to identify and analyze a site and complete a feasibility analysis. This includes reviewing relevant development regulations, developing a preliminary design, investigating environmental concerns, analyzing the market, creating a development budget and identifying potential financing. If the project is developed, these costs can be folded into the permanent financing for the project. However, if the project cannot proceed, the investment in the predevelopment work is lost. Currently, Skagit County lacks this type of high-risk capital to lend to affordable housing providers to jump-start development.

- **What:** Identify sources of funds to create a revolving loan fund (soft commitments for repayment, depending on project feasibility) that can be used for qualified predevelopment costs associated with specific affordable, rent-restricted projects. Models for this initiative include the Community Housing Fund serving Washington County, Oregon. Funds would be loaned to nonprofits/housing authorities at very low interest rates for a specific term (not to exceed five years) and, if the project is feasible, repaid upon permanent financing. If the project is not feasible, the loan would be forgiven. Potential projects include the proposed Anacortes project, a new project on publicly-owned land, Housing Authority of Skagit County project, or Skagit Council housing project to build more housing on their existing site.
- **How:** The two funding options are the same as those described for Action 2.2.

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- Option 1: Create a pool of local funds by requesting modest three-year funding commitments from Skagit County and each of the Skagit County cities participating in the HOME Consortium. To create the pool, consider an initial set of three \$60,000 investments over three years---total pool of \$180,000. Funds would be used for both project pre-development loans as described above and local capacity development as described in Section 2.2.
  - Option 2: Evaluate the possibility of a local referendum for an affordable housing levy and the capacity needed to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and faith-based sectors to explore the possibility of a referendum to a housing levy. Undertaking polling on the feasibility of a local levy and the amount of funds that could be raised. If the result is positive, advocate for voter approval of a housing levy. Levy proceeds could be used for technical assistance, operating support, pre-development loans, gap financing and other needs associated with affordable housing development.
  - **Who:** Skagit County Public Health, cities and local and regional housing providers and advocates
    - Lead: Option 1: Skagit County. Option 2: New independent organization or partnership described in Action 2.1 above.
    - Partners: Option 1: Cities. Option 2: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors
  - **When:** 1-3 years

### Action 3.2: Provide gap financing for subsidized affordable rental housing

**Barrier:** Subsidized affordable housing projects require gap financing to deliver rents that are affordable in the long-term because the income derived from affordable rents can only support a limited debt payment on a conventional loan. Thus, other permanent financing sources in the form of grants or deferred/modified payment loans are required to fill the “gap” between development costs and other investments in the project (e.g., bank loan, owner’s equity, donated land, deferred developer’s fee, etc.). Proceeds from a future housing levy could be used for this purpose. However, identifying multiple sources both increases the pool of funds if a levy is approved and provides an alternative (although a much smaller one) if it is not approved. If a levy is pursued, the leadership must come from outside local government, as public employees are prohibited from being involved in campaigns.

- **What:** Identify potential local sources, including an initiative to support a housing levy for Skagit County, to support gap financing for affordable rental housing projects.
- **How:** Two funding options:
  - Option 1: Evaluate the possibility of a local referendum for an affordable housing levy and the needed capacity to conduct a successful informational campaign. Convene a group of affordable housing advocates in the nonprofit, private, civic and

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- faith-based sectors to explore the possibility of a referendum to a housing levy. A housing levy is the most likely source for gap financing because of the amount of funds that it can raise.
- Option 2: Consider pooling resources from jurisdictions to create a pool to support gap financing on a project-by-project basis, as needed
  - **Who:** Skagit County Public Health, cities and local and regional housing providers and advocates
    - Lead: Option 1: New independent organization or partnership described in Action 2.1 above. Option 2: Skagit County.
    - Partners: Option 1: Affordable housing advocates in the nonprofit, private, civic and faith-based sectors. Option 2: Cities.
  - **When:** 1-3 years

### Action 3.3: Identify sources of operating support for subsidized affordable rental housing

**Barrier:** Housing to serve extremely low-income households (those with incomes at or below 30 percent of AMI) requires ongoing operating subsidies, which are more difficult to obtain than construction subsidies and financing. To be competitive for state nine percent LIHTC funding, 50 percent of the units in a proposed project must be for formerly homeless households (typically extremely low income).

- **What:** Identify ongoing sources of funding to support operating housing developments with units for extremely low-income households.
- **How:** Explore the possibility of project-basing some housing vouchers. This initiative is especially relevant now, when a growing share of households newly receiving vouchers are unable to utilize them because they cannot find housing to rent or are losing their housing due to rent increases. Some Skagit County voucher holders are “porting out” – moving to a lower-cost area and taking their voucher with them, which results in the effective loss of the voucher to Skagit County.
  - Identify and address any added costs of administration relating to project-basing vouchers.
  - Consider impacts on existing wait list of project-basing some vouchers.
- **Who:** Governmental and nonprofit affordable housing providers
  - Lead: Skagit County Public Health and Housing Authority of Skagit County
  - Partners: Nonprofit affordable housing providers
- **When:** 1-3 years

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### Action 3.4: Identify sources of funding for services for households who require permanent supportive housing

**Barrier:** Some households require case management and other support services to stay housed. Identifying long-term funding sources for services can be challenging.

- **What:** Examine the opportunities presented by the Medicaid Transformation Project of the Washington State Health Care Authority.
- **How:** Look at opportunities for support through Initiative 3 of the Authority’s Medicaid Transformation Project and the Foundational Community Supports Program. While it does not provide funding for room and board, this program does provide services that help individuals get and keep community housing, including wrap-around supports that assess housing needs, identify appropriate resources, and develop the independent living skills necessary to remain in stable housing.
- **Who:** Skagit County Public Health, Skagit County Community Action, Pioneer Human Services, Compass Health, Catholic Community Services
  - Lead: Skagit County Community Action, Pioneer Human Services, Compass Health, Catholic Community Services
  - Partners: Skagit County Public Health
- **When:** 1-4 years

## Strategy 4 – Support Housing Rehabilitation and Preservation

The existing stock of housing affordable to low- and moderate-income households is an important asset. Maintaining this stock of affordable housing is a foundational strategy to ensure these units are not lost, thus decreasing the stock of affordable housing. Finding funds for housing rehabilitation is a challenge, particularly for housing that is affordable and not have high rental income. Financial support for subsidized and unsubsidized housing maintenance can help keep these units in the housing stock and in good condition.

### Action 4.1: Rehabilitate existing subsidized housing

**Barrier:** Maintenance of existing subsidized housing is costly and competes with funds for other affordable housing uses.

- **What:** Identify rehabilitation needs of existing projects owned by housing authorities or nonprofits.
- **How:** Apply for state CDBG Balance of State funds for rehabilitation and/or contact Mount Vernon and Anacortes about these needs. Identify source of funds to administer CDBG grant, if it is received.
- **Who:** Governmental and nonprofit affordable housing providers
  - Lead: Skagit County Public Health could convene the discussion on this topic. The Housing Authority of Skagit County has one property in Burlington that may be a

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candidate for rehab; other nonprofits or housing authorities may have properties as well.

- Partners: housing authorities and nonprofit housing developers
- **When:** 1-3 years - coordinate with Action 4.2 to ensure that competing applications are not submitted.

#### Action 4.2: Rehabilitate existing, unsubsidized affordable housing

**Barrier:** Much of the existing housing affordable to low- and moderate-income households is in privately-owned, unsubsidized multi-unit buildings, single family homes, or manufactured housing. Some of these units may be in poor condition and in danger of falling into further disrepair and eventually being demolished or redeveloped.

- **What:** Identify programs that can be used to maintain existing housing structures that are unsubsidized but affordable to low- or middle-income households.
- **How:** Bring together existing agencies involved in weatherization and rehabilitation to discuss:
  - Possible future applications to state for CDBG funds for expanded countywide rehabilitation program and funding to support the administration of the program.
  - Possibility of creating a special program for critical repairs to manufactured housing, which represents a significant portion of the unsubsidized affordable housing stock in the county.
  - Aligning existing weatherization programs with potential new housing rehabilitation funds to support preservation of existing lower-cost housing. Some homes are at risk of further deterioration and becoming uninhabitable due to a need for a new roof or foundation that cannot be addressed by existing weatherization funds alone.
- **Who:** Skagit County Public Health, Housing Authority of Skagit County, Community Action of Skagit County, Skagit Habitat for Humanity.
  - Lead: Skagit County Health Department
  - Partners: Housing Authority of Skagit County, Community Action of Skagit County, Skagit Habitat for Humanity
- **When:** 1-3 years - coordinate with Action 4.1 above to ensure that competing applications are not submitted.

#### Action 4.3: Preserve subsidized housing with expiring affordability restrictions

**Barrier:** Some of the county's subsidized housing is at risk of losing its income restrictions. If a project were to lose its restrictions, rents could be raised, tenants could be displaced, and the county's inventory of subsidized affordable housing stock would shrink. Skagit County Public Health has developed a list of these properties. There are nine properties at risk of losing their



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subsidies through 2024. These units are typically privately owned by the developers that built the housing with the assistance of HUD or state bond financing in prior decades.

- **What:** Preserve expiring use subsidized housing projects.
- **How:** Recruit developers to preserve them.
- **Who:** Skagit County Public Health
  - Lead: Skagit County Public Health
  - Partners: Current and future owners of subsidized housing projects
- **When:** 1-7 years

## Strategy 5 – Continue to support affordable homeownership development

Two organizations currently provide affordable homeownership options for households in Skagit County that would not otherwise be able to afford to own a home: Skagit Habitat for Humanity and Home Trust of Skagit. Currently, HOME, local economic development, and CDBG funds are used to support affordable homeownership.

### Action 5.1: Continue to provide financial assistance and support for affordable homeownership development.

**Barrier:** Providing affordable homeownership opportunities requires community, public and private sector support. Public sector support can consist of both actions by public officials to raise the visibility of “success stories” and public subsidies, such as free or reduced-cost land, reduction of impact fees, down payment assistance and funds for providing homebuyer education. The need for both continues.

- **What:** Continue to provide public support for homeownership development.
- **How:** Continue to support initiatives led by nonprofits to raise the visibility of their work and rally community, faith-based, and private sector financial and volunteer support for affordable homeownership. Continue to provide financial support through public subsidies, including HOME, balance of state CDBG applications, and local Impact and Utility Connection Fee Funding.
- **Who:** Skagit Habitat for Humanity, Home Trust of Skagit, local elected officials, Skagit County Public Health
- **When:** Ongoing