

CITY OF YAKIMA

LEGAL

DEPARTMENT

200 South Third Street, 2nd Fl. | Yakima, WA 98901

P: 509.575.6030 | F: 509.575.6160

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MEMORANDUM

January 12, 2020

TO: Honorable Mayor and Members of the City Council
Alex Meyerhoff, Interim City Manager

FROM: Sara Watkins, Senior Assistant City Attorney

SUBJECT: 1406 fund uses

At the November 12, 2019 Study Session on homeless issues the City Council asked that research be done on the following matters with regards to SHB 1406, specifically:

1. Can 1406 funds be used for temporary housing?
2. Can 1406 funds be used for motel vouchers?
3. How would 1406 funds be used for rental assistance?
4. How would 1406 funds be used for rehabilitation of units/houses?
5. Are there partners interested in working with the City on rehabilitation?

This memo first outlines the specific language used in 1406, then answers those questions as best as possible. It should be noted that 1406 is a new law and cities have not yet received any money associated with it. Therefore, there are no current case studies, examples, or challenges that can be evaluated from other cities to help determine how or whether certain activities qualify or not. Yakima will need to rely on the language of the law to determine if an activity qualifies.

Information about 1406—what can funds be used for and who qualifies for funding?

A. What can 1406 funds be used for?

Under Section 6 of the law, cities with a population of less than 100,000 people may use 1406 funds for the following:

1. Acquiring, rehabilitating, or constructing affordable housing, which may include new units of affordable housing within an existing structure or facilities providing supporting housing services under RCW 71.24.385¹;
2. Funding the operations and maintenance costs of new units of affordable or supportive housing; or

¹ RCW 71.24.385 addresses specific mental health services, treatment and behavioral health organizations.

3. Providing rental assistance to tenants.

B. Who qualifies for 1406 funded affordable housing?

Pursuant to Section 7, the affordable housing or services provided (i.e. operational and maintenance services or rental vouchers) can only be provided to people whose income is at or below 60% of the median income of the city imposing the tax. According to the U.S. Census Bureau, the median household income in the City is \$42,092.00.² Assuming this number is correct, those persons whose income is at or below 60% of that, or \$25,255.20, would qualify for housing or rental vouchers from 1406 funds.

C. Guidance from the State Department of Revenue

I contacted the Washington State Department of Revenue contact person to inquire about how the money could be used. She indicated that there was no guidance other than the language of the bill. Since the bill is new, and cities will just start using the money and provided the required reporting to the State in 2020, there are a lot of questions. She stated that after reporting has started the legislature may find a need to clarify how the money is used. At this point, however, there are no clarifications or guidance other than the words of the bill.

Council questions from the November 12th Study Session

A. Can 1406 funds be used for temporary housing?

As I read the law, the money must be used to acquire, rehabilitate or construct housing units. Those housing units can be rental units or owned units, but must be new units. I do not believe that the money can be spent on homeless shelters, encampments or other housing that does not result in an affordable housing unit.

The law is silent on the idea of constructing transitional housing (housing that one is in for 24 months or less after which they transition into other housing). However, it seems that the intent of the bill may be to create long term affordable housing units within the City. As such, since a transitional housing development would not be long term for residents, it may not qualify for the funding.

B. Can 1406 funds be used for motel vouchers?

The bill states that a City of under 100,000 people may provide “rental assistance to tenants.” People using motel vouchers for a few nights in a motel are not “tenants” and therefore, could not use the vouchers.

² <https://www.census.gov/quickfacts/yakimacitywashington>

C. How would 1406 funds be used for rental assistance?

The legislation specifically states that the funds can be used “for providing rental assistance to tenants.” The plain language of this implies that current tenants could apply for rental assistance if the funds were used for such a purpose, but it may not be used for new tenants. This makes sense because of the use of the term rental “assistance” rather than rental “voucher” or “payment.” The implication by the language used is that the money would assist current tenants who may have a break in employment, or an unforeseen medical event, which creates a situation where they cannot pay rent for one or two months. The 1406 funds may be able to help those who meet the income qualifications to stay in affordable housing, avoid eviction, and get back to paying rent through their own resources after a short period of time.

D. How would 1406 funds be used for rehabilitation of units/houses?

The legislation specifically allows for rehabilitating affordable housing. The housing that is rehabilitated is subject to the income requirements listed above. Because the City does not have any of its own housing units to rehabilitate, it may contract with other entities to rehabilitate affordable housing units. Units could be currently used for affordable housing but in conditions that could be improved. Abandoned buildings could be turned into affordable housing rental units by non-profits. There are many possibilities here, but all ideas need to fit within the legislative language of authorized uses, and the City must ensure that the income requirements are met.

E. Are there partners interested in working with the City to use these funds?

Once the Council determines its priorities for how the funds are to be used, City staff can reach out to partners to work with them on specific projects for the use of the funds. Some potential partners who already work in the area of affordable housing include, but are not limited to, Habitat for Humanity, Yakima Housing Authority, and Catholic Charities. New partners might include non-profits looking to create housing for specific groups of people who would meet the income qualifications.

Next Steps

The next step for Council is to determine the City’s policies on the use of the 1406 funds.

As an example only, the City Council could choose to use all of the money for construction of new units by non-profit entities. If that were the case, the City staff would then formulate the process and application for non-profits to apply for and receive that money.

The City Council could prioritize the use of the funds, or allocate percentages to different uses. As a reminder, the estimated funding received each year to the City is \$140,000.00.