Response to Planning Commission Questions:

1. Logic behind fee in lieu number and buy down concept

The logic of $10,000 per incremental unit is that currently, developers of multifamily housing paying $10,000 - $15,000 per unit for land for projects in Tacoma (this according to AHPAG members).

Therefore, by receiving additional unit capacity without having to buy more land, the benefit is $10,000-$15,000 per unit.

AHPAG's discussion led to a decision to start at $10,000: 1) so that developers will consider this option at the lower end of our cost range; 2) the amount can be recalibrated as the market changes over time; 3) there will be an annual cost adjustment consistent with the Consumer Price Index (CPI); and 3) we'll be able to learn more from experience about the efficacy of $10,000 per unit.

Please see the attached in-lieu fee analysis for 20 units of additional housing created.

2. Will this be attractive to developers? If not, what's our approach to refining it over time?

Staff will monitor the efficacy of the program over the next 36 months. This will be based primarily on the popularity of the program and the willingness of developers to either: 1) build by-right; 2) pay the in lieu fee; or 3) agree to include affordable units in their development. Ultimately, the policy goal is to create more affordable units within market rate projects. Over time staff will look to augment the policy to achieve this goal if evidence suggests affordable units are not being created.

3. How will monitoring and tracking for 50 years work? Would this be a yearly monitoring visit, monthly, or other?

Housing division staff within the City's Community and Economic Development Department currently has an affordable housing monitoring program that it uses to monitor approximately 1,400 units of multifamily housing throughout Tacoma. These units were financed with federal funds which mandate the ongoing monitoring of affordability and habitability.

Staff is also in the process of implementing a similar, all be it, scaled down version of this monitoring program for developers opting to utilize the city's 12-year property tax exemption. In this case, the property owner would gather income data (recent pay stubs and prior years' income tax returns) for income eligible tenants. This would be documented and verified at the time of initial occupancy. Each year thereafter, the City would accept a self-certification from the tenant at the time of lease renewal. On the 6^{th} year, provided the same tenant occupies the unit, a re-certification would occur where income data would again be collected, reviewed and confirmed.

Note that as a condition of obtaining a Certificate of Occupancy, the city would record an affordability covenant against the property that would be in effect for the period of affordability or until such time the developer opts out of the program.

In all likelihood this will be the monitoring protocol used for the new density bonus program.

4. What's the administrative burden on the private side and on the City?

Administrative burden private side: additional income documentation/verification would be obtained at the time of initial occupancy. Annual interface with City staff regarding (minimal) document review would be required. This would mainly be comprised of submitting tenant's annual self-certification to the appropriate city staff.

Administrative burden city side: Recordation of a covenant agreement at the time of awarding a certificate of occupancy. Retrieval and review of self-certifications and related file monitoring documents would be conducted annually. To the extent a property owner opts out of the program a calculation of the applicable in-lieu fee would be conducted and billed to the owner. Upon receipt of payment the affordability covenant would be reconveyed.

5. How will the income limits work

Income limits will be provided to the City on an annual basis by HUD and will be applicable to Tacoma/Pierce County. This information will be available to all participants in the Program on or before July 1st of each year. See attached rent and income limits for 2015.

Referring to the attached income limits a household of two earning 50% of AMI would earn $28,400 per annum. On a monthly basis this equates to $2,367. The amount of monthly income allocated to housing cost (rent + utilities) is $710 (30% of gross monthly income). Reducing this amount by a predetermined monthly utility allowance provides an amount of $576 available for the payment of rent.

IN-LIEU FEE BASED ON 20 ADDITIIONAL UNITS OF HOUSING CREATED (RENTAL)

	Year	Scenario 1	Scenario 2	Scenario 3
Unit Value Increase		$ 10,000	$ 12,500	$ 15,000
Additional Units Created		20	20	20
In Lieu Fee (Upfront)		$ 200,000	$ 250,000	$ 300,000
Annual Buy-down (per year)		$ (4,000)	$ (5,000)	$ (6,000)
Annual Balance (year-end)	1	$ 196,000	$ 245,000	$ 294,000
	2	$ 192,000	$ 240,000	$ 288,000
	3	$ 188,000	$ 235,000	$ 282,000
	4	$ 184,000	$ 230,000	$ 276,000
	5	$ 180,000	$ 225,000	$ 270,000
	6	$ 176,000	$ 220,000	$ 264,000
	7	$ 172,000	$ 215,000	$ 258,000
	8	$ 168,000	$ 210,000	$ 252,000
	9	$ 164,000	$ 205,000	$ 246,000
	10	$ 160,000	$ 200,000	$ 240,000
	11	$ 156,000	$ 195,000	$ 234,000
	12	$ 152,000	$ 190,000	$ 228,000
	13	$ 148,000	$ 185,000	$ 222,000
	14	$ 144,000	$ 180,000	$ 216,000
	15	$ 140,000	$ 175,000	$ 210,000
	16	$ 136,000	$ 170,000	$ 204,000
	17	$ 132,000	$ 165,000	$ 198,000
	18	$ 128,000	$ 160,000	$ 192,000
	19	$ 124,000	$ 155,000	$ 186,000
	20	$ 120,000	$ 150,000	$ 180,000
	21	$ 116,000	$ 145,000	$ 174,000
	22	$ 112,000	$ 140,000	$ 168,000
	23	$ 108,000	$ 135,000	$ 162,000
	24	$ 104,000	$ 130,000	$ 156,000
	25	$ 100,000	$ 125,000	$ 150,000
	26	$ 96,000	$ 120,000	$ 144,000
	27	$ 92,000	$ 115,000	$ 138,000
	28	$ 88,000	$ 110,000	$ 132,000
	29	$ 84,000	$ 105,000	$ 126,000
	30	$ 80,000	$ 100,000	$ 120,000
	31	$ 76,000	$ 95,000	$ 114,000
	32	$ 72,000	$ 90,000	$ 108,000
	33	$ 68,000	$ 85,000	$ 102,000
	34	$ 64,000	$ 80,000	$ 96,000
	35	$ 60,000	$ 75,000	$ 90,000
	36	$ 56,000	$ 70,000	$ 84,000
	37	$ 52,000	$ 65,000	$ 78,000
	38	$ 48,000	$ 60,000	$ 72,000
	39	$ 44,000	$ 55,000	$ 66,000
	40	$ 40,000	$ 50,000	$ 60,000
	41	$ 36,000	$ 45,000	$ 54,000
	42	$ 32,000	$ 40,000	$ 48,000
	43	$ 28,000	$ 35,000	$ 42,000
	44	$ 24,000	$ 30,000	$ 36,000
	45	$ 20,000	$ 25,000	$ 30,000
	46	$ 16,000	$ 20,000	$ 24,000
	47	$ 12,000	$ 15,000	$ 18,000
	48	$ 8,000	$ 10,000	$ 12,000
	49	$ 4,000	$ 5,000	$ 6,000
	50	$ -	$ -	$ -

Shaded column denotes recommended scenario

HOME Program Income Limits
HOME Effective: June 1, 2015

Family Size	Median Income	30% of Median Income Limit	50% of Median Income Limit	60% of Median Income Limit	65% of Median Income Limit	80% of Median Income Limit
1	$49,700	$14,900	$24,850	$29,820	$32,305	$39,700
2	56,800	17,000	28,400	34,080	36,920	45,400
3	63,900	19,150	31,950	38,340	41,535	51,050
4	70,900	21,250	35,450	42,540	46,085	56,700
5	76,600	22,950	38,300	45,960	49,790	61,250
6	82,300	24,650	41,150	49,380	53,495	65,800
7	88,000	26,350	44,000	52,800	57,200	70,350
8	93,600	28,050	46,800	56,160	60,840	74,850

Rent Limits: Effective June 1, 2015

	Studio	1-Bedroom	2-Bedroom	3-Bedroom	4-Bedroom	5-Bedroom	6-Bedroom
Fair Market	$689	$839	$1,093	$1,611	$1,936	$2,226	$2,517
Low Home Rent	627	672	807	932	1,040	1,148	1,254
High Home Rent	689	839	1,027	1,178	1,295	1,410	1,525

The maximum SF home value for an existing home is $204,000 (after-rehab value), as of 4/13/2015.
The maximum SF home value for new construction is $264,000, as of 4/13/2015.

Tacoma Housing Authority Utility Allowance

Sewer/water	0-BD	1-BD	2-BD	3-BD	4-BD	5+BD
Landlord pays	$40	$58	$77	$106	$130	$151
Tenant pays	$111	$134	$167	$210	$248	$284

effective January 1, 2014