

**Dave Somers** *County Executive* 

### **MEMORANDUM**

**TO:** Snohomish County Council

FROM: Kara Main-Hester, Chief Recovery & Resilience Officer

**DATE:** July 2, 2024

RE: 2024 American Rescue Plan Act (ARPA) Affordable Housing Preservation Grantees

# Background

The Snohomish County Office of Recovery and Resilience performed community wide conversations and outreach during the summer of 2022. This led to six community recovery priorities. One of those priorities was to navigate growth and affordability, specifically related to affordable housing. During the pandemic, federal assistance allowed the County to provide eviction prevention and rental assistance relief to many low-income households, but as those programs have concluded, the ongoing need for more affordable housing units continues to be a vast community need.

While building new affordable housing units is a priority for the Snohomish County community, ensuring that current units are preserved is the base upon which growth can occur. In 2023 affordable housing providers met with Snohomish County leadership to relay the significant impacts that pandemic has had on their financial stability. Affordable housing providers operate units using revenue from grants and income-adjusted rent. Because costs for utilities, insurance, maintenance and staffing have outpaced household income, a trend that rapidly accelerated during the COVID-19 pandemic and has not abated, revenue at pre-pandemic levels for maintaining units cannot keep up. As relayed by Catholic Housing Services, pandemic recovery programs aided in supplementing provider income in the short term, but the amount of rent arrears due to the eviction moratorium has counter-balanced that short-term funding. Housing Hope, Snohomish County's largest affordable housing provider also noted that the lack of access to units during the pandemic prevented regular maintenance and inspections which has increased the need and cost for deferred maintenance. Both of these affordable housing developers identified the need for funds to address the increase in pandemic-related operating and maintenance costs as a critical need to ensure the proper maintenance of housing units and organizational solvency.

Finally, the compounding factors of the fentanyl/opioid crisis which has been impacted by the pandemic, pandemic-related social isolation, and decreased availability of behavioral health support has led to increased staffing needs and maintenance costs across many properties. Providers did request some funds for decontamination related to substance abuse, though the vast majority of funding is needed for unforeseen cost increases resulting from staffing shortages, supply chain interruptions,

inflation, and industry-wide increases<sup>1</sup> in insurance along with a need for modernization of security systems.

## Affordable Housing Preservation Grantees

The Affordable Housing Preservation Grant program is funded with \$4 million of ARPA funding. Requirements for the program is that the provider must have 50 or more units of affordable housing that has been financed with funds from Snohomish County whose units serve individuals at 80% AMI or lower. Units must also already have a 20-year use restriction held by Snohomish County as a result of Snohomish County's investment of federal grant funds into the capital funding for the buildings. Only four affordable housing providers with a total of 1,095 units met the requirements of this ARPA-funded grant program. Using a formula, each provider was recommended for \$3,686 per unit. Each request for funding is described below.

#### **Catholic Housing Services**

Units: 154 Allocated Grant Funding: \$567,644

Request	Percentage of Funding
<b>Communications Services and Equipment</b>	14%
Utilities	47%
Supplies for repair and maintenance	39%

#### Compass Health

Units: 129 Allocated Grant Funding: \$475,494

Request	Percentage of Funding
On-site Security*	34%
Insurance*	35%
Utilities*	27%
Repairs and maintenance* – grounds, fire	4%
safety, elevator, pest control, general	

\* From the application: "Since the Pandemic, Compass Health has experienced year over year increases in operational expenditures for our entire housing portfolio. Since 2020, Janitorial costs have escalated approximately 30%; Security patrols to ensure staff and residents are safe have increased approximately 43%, repair and maintenance due to unit damages have increased approximately 33%, Utilities (18%) and Third-Party Management expenditures have escalated approximately 10%. Two years ago, insurance premiums doubled for our low-income housing portfolio."

<sup>&</sup>lt;sup>1</sup> A recent study by the National Leased Housing Association (NLHA) found for 2022-2023 policy renewals, 1 in 3 providers had a rate increase of over 25%. https://hudnlha.com/wp-content/uploads/documents/NDP-NLHA-Housing-Provider-Insurance-Costs-Report-Oct-2023-v2.pdf

#### Housing Hope

Units: 578 Allocated Grant Funding: \$2,130,508

Request	Percentage of Funding
Insurance*	27%
Utilities	25%
Property repairs and maintenance*	48%

<sup>\*</sup> From application: Housing Hope has experienced a 40% increase in insurance premiums across all properties. Maintenance and repairs include exterior painting, roof repairs, replacing broken light fixtures, pressure washing and dryer vent cleaning. While the original application recommended hiring an in-house decontamination specialist, Housing Hope decided to prioritize expenses that were non-reimbursable under other grants and were less administratively burdensome for the County.

#### **YWCA**

Units: 224 Allocated Grant Funding: \$825,664

Request	Percentage of Funding
Repairs - Carpet, painting, replacing fixtures,	39%
cleaning and electrical upgrades	
Appliances and Fire Panel upgrade	20%
Construction - Paving, plumbing and roof repair	30%
Camera systems and decontamination	11%

## Conclusion

The Office of Recovery and Resilience recommends approving these four grants to support the preservation of critically needed affordable housing units in which Snohomish County has a significant investment. With this funding, providers can pivot to reopening units and use more flexible funding they may have to build more housing.