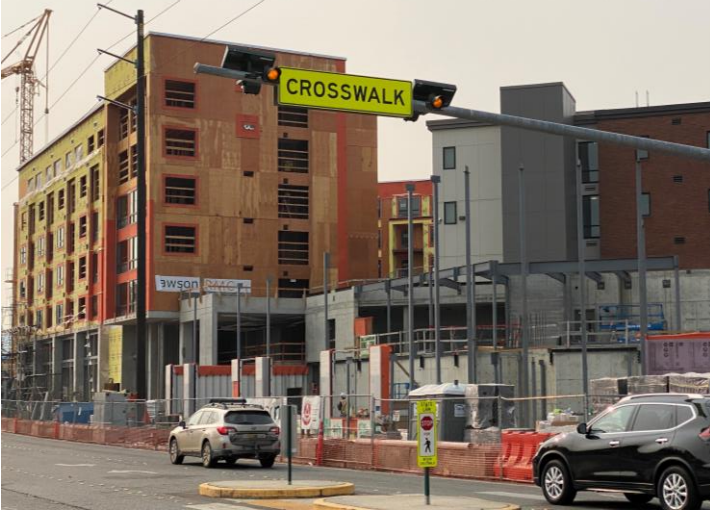


2022 ANNUAL PERFORMANCE REPORT

Covering the Period from July 1, 2022 – June 30, 2023



*L: BHA Samish Commons under development
R: MHNW Trailview Housing under development
Photos by Samya Lutz*

**Bellingham Housing Levy
Bellingham Affordable Housing Sales Tax
Bellingham General Fund
Community Development Block Grant (CDBG)
Special allocation CDBG-CV (COVID)
HOME Investment Partnership Program
Special allocation HOME-ARP (COVID)**



Seth Fleetwood, Mayor
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DRAFT for public comment, August 10, 2023

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About this Report

The City receives formula grants from the U.S. Department of Housing and Urban Development ("HUD") for housing and community development activities. In addition, Bellingham voters approved a Levy in 2012 for housing activities and renewed this levy in 2018. Both funding sources require preparation of an Annual Performance Report that shows progress towards meeting goals. For HUD purposes, this report is the Consolidated Annual Performance Evaluation Report, or "CAPER."

This report covers the "2022" Action Plan year, also referred to as a program year. In 2013, the City changed its Action Plan year from a calendar year (January 1 - December 31) to a cycle starting July 1 and ending on June 30. **This report covers the period from July 1, 2022 through June 30, 2023.** Where contractual obligations run for a period different from this, figures are adjusted to best reflect the performance and commitments over this July 1, 2022 through June 30, 2023 Action Plan period.

The CAPER is required under the United States, Code of Federal Regulations (CFR), specifically at 24 CFR 91.520(a). HUD typically requires the submittal of the CAPER within 90 days after the end of the jurisdiction's program year; Bellingham's program year ends on June 30.

Community Participation

HUD requires the City to provide the public with two opportunities for input annually. The City provides one of those opportunities to comment on this Annual Performance Report (CAPER). The hearing occurred before the City's Community Development Advisory Board ("CDAB") on August 10, 2023. Publication announcing the CAPER, the public comment period and hearing printed on August 3, 2023 in the Bellingham Herald. This draft version will be edited based on CDAB discussion, description of and responses to public comments, editorial corrections, and HUD staff clarifications prior to publication of the final CAPER.

Submission of Report

HUD requires the Annual Performance Report to be submitted each year. The City provides the findings to the Mayor, City Council, and Library and posts the report on the city's webpage:

<https://cob.org/services/housing/planning-and-performance-documents>.

For More Information

Contact the Planning and Community Development department with any questions about this report or the funding programs.

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FINANCIAL PERFORMANCE

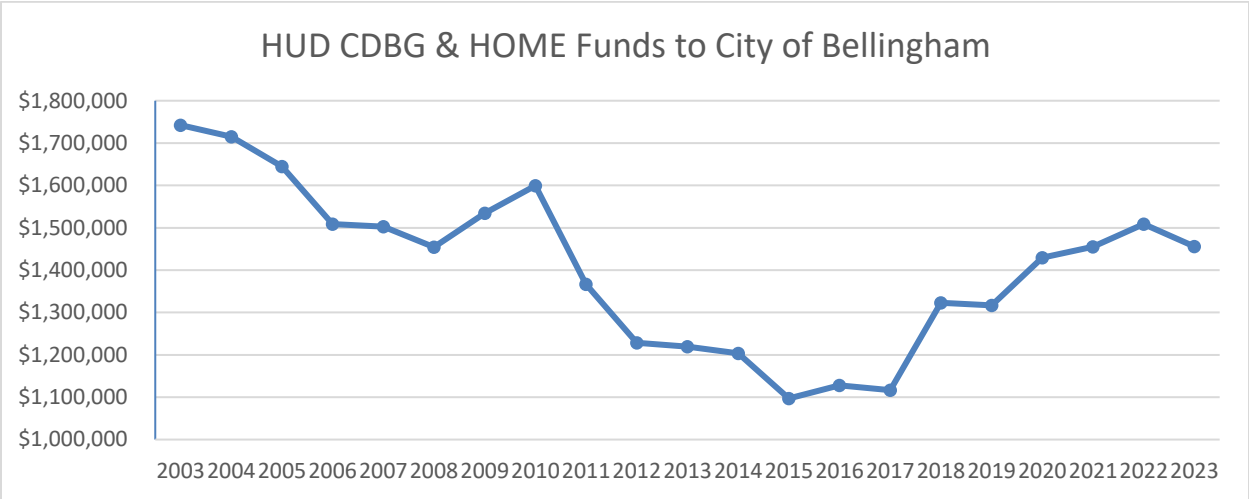
Bellingham receives federal and local funding for the housing and community development activities covered by this Annual Performance Report.

Federal Funds

Bellingham receives two "entitlement" grants from the U.S. Department of Housing and Urban Development (HUD):

- Community Development Block Grant (CDBG)
- HOME Investment Partnership (HOME)

The City receives these grants based on a formula adopted by Congress and HUD. The formula takes into account numerous factors to allocate funds after Congressional appropriation to the program. The grants from HUD in 2023 had a net increase, with CDBG decreasing and HOME increasing. The graph below shows the variability in federal funding to the City since 2003, *not adjusted* for inflation.



During the 2020 Program Year, HUD announced additional fund availability through CDBG as a response to the coronavirus pandemic (COVID-19). These funds are referred to as CDBG-CV. The first tranch of CDBG-CV was received directly from HUD during the 2020 Program year (\$495,646); the second tranch was received through the State Department of Commerce in the 2021 and 2022 Program Years (\$634,877); and a third tranch of CDBG-CV was received directly from HUD in the 2022 Program Year (\$653,580). During the 2022 Program Year, HUD announced additional fund availability through HOME to stimulate COVID-19 recovery (allocated as part of the American Rescue Plan Act). These funds are referred to as HOME-ARP. Receipt of HOME-ARP funds began with limited administrative funds in the 2022 Program Year, with program funding expected to be disbursed in the 2023 Program Year.

CDBG and HOME have their own respective rules about commitment of funds and timeliness of expenditure. The federal grants cannot be drawn until expenses have been incurred. HOME rules do not allow funds to be committed until the entire project has been funded. The following table shows the amount of all prior year funds left to commit and draw, and includes commitments made as part of the 2022 Program Year Action Plan. It does not include program income that is returned to the City from prior loans, and in turn used for additional activity funding, and does not reflect new commitments through the 2023 Program Year Action Plan.

Fund	Authorized Amount	Amount Committed	Net Drawn Amount	Available to Commit	Available to Draw
CDBG (2021)	852,590	852,590	720,518	0	132,072
HOME (2021)	602,793	602,793	602,793	0	0
CDBG (2022)	836,947	386,974	0	449,973	836,947
HOME (2022)	672,057	672,057	290,773	0	381,284
HOME-ARP ¹	2,184,701	0	8,112	2,184,701	2,176,589
CDBG (2023)	808,663	0	0	808,663	808,663
HOME (2023)	647,380	0	0	647,380	647,380

Bellingham Housing Levy (aka "Home Fund")

In 2017, Bellingham voters approved a renewal of a property tax levy that was initially approved in 2012. The 2017 levy has a budget of \$40 million over a 10-year period (2019-2028) to provide, produce, and/or preserve affordable housing. As with the original levy, 2/3 of the funding must benefit those households earning less than 50% of the Area Median Income (AMI).



Most property owners pay their property tax in two installments; the first half taxes are due on April 30 and the balance on October 31. In addition to property taxes collected, interest is earned on the balance, and occasionally payments are made on loans. As of June 30, 2023, the City had \$5,423,167 available to draw from levy funds, the vast majority of which is committed to projects.

Bellingham Affordable Housing Sales Tax

The City began collecting a 1/10th of 1% "Affordable Housing Sales Tax" for housing and housing services in the 2021 Action Plan year, as authorized by the State legislature. In the 2022 Action Plan year, the City spent \$608,049 from this source to support housing production, operations of new housing units, housing services, and administration. As of June 30, 2023, the City had \$6,183,557 available to draw from sales tax funds, the vast majority of which is committed to programs and projects.

Bellingham General Fund

The City allocates "general fund" money for housing and human service grants as well as some ongoing programs. For the 2022 Action Plan year, the City spent \$612,002 from this source for human service grants. This includes support that was provided to the Opportunity Council to support the administration of the Whatcom Homeless Service Center (\$44,860). In addition, the general fund

¹ The HOME-ARP allocation has been released, with final RPF process to come

supported some general administrative costs of the programs covered in this report, and the City's contribution to the Ground-level Response and Coordinated Engagement (GRACE) program that operates countywide and provides intensive case managers and mental health specialists who work with the Bellingham Community Paramedic and Police Department; this program expanded to include a Law Enforcement Assisted Diversion (LEAD) element last program year (total annual budget at \$392,000/year).

Outstanding Loans

When the City financially assists with improvements or construction on real property, the City most often provides the funding in the form of a loan that is secured on the property. There are two basic types of loans the City provides:

- 1) Deferred Payment Loan - Repayment is not required as long as the housing or community development facility continues to provide benefit for low-income persons or households. Once that benefit ends, through sale or otherwise, repayment is required.
- 2) Payment Loan - repayment of the loan is required, most often at reduced rates and extended terms.

The tables showing the amount of **all loans with an outstanding balance** the City has by program and fund as of June 30, 2023, and of **only deferred payment loans with an outstanding balance** the City has (a subset of the prior table) will be included in the final CAPER.

PROGRAMS AND HUD REQUIREMENTS

Introduction

The City has six main program areas for housing, human service, and community facility programs. These program areas are used to solicit grant or loan applications, set goals, and monitor progress. These programs include:

- Production of Rental Housing (includes interim housing as well)
- Homebuyer
- Preservation of Housing
- Rental Assistance and Supportive Services (includes human services)
- Community Facilities
- Administration

Production of Rental Housing

The program objectives include:

- Provide a mix of affordable rental housing, promoting housing opportunity and choice throughout the City.
- Work collaboratively with other funders to ensure that the greatest number of affordable housing units are produced each funding round.
- Contribute to countywide efforts to end homelessness by providing housing that serves individuals and families who are homeless or at risk of homelessness.
- Promote cost-effective sustainable design, construction, rehabilitation, and operations of affordable housing.
- Promote the development of housing that is sited in already urbanized areas and close to basic services.
- Promote the development of housing that is energy efficient, resulting in the reduction of resources and costs to low-income households.
- Contribute to the revitalization of low-income communities through development of affordable housing, including mixed-income housing.

Sources of Funds and Projects Funded

All funding sources can be used to help support the production of rental housing. CDBG funds are generally not used, however, because construction of new permanent residential structures is not eligible (though acquisition of existing housing and rehabilitation is eligible, and housing for special needs populations can also be eligible). CDBG funds can be used to pay for other costs associated with rental housing for low-income persons, including rehabilitation of existing housing or public facility and improvement costs (e.g. sewer or storm water extensions). The primary funding sources used for this program are HOME and Housing Levy, with Affordable Housing Sales Tax to be used in the future as well. An additional source reflected in this CAPER is the City's State and Local Fiscal Recovery Act funding allocated as a result of the American Rescue Plan Act (ARPA), referred to here simply as "ARPA" funding.

Housing Levy, HOME, and CDBG funds were budgeted and committed in the 2022 program year for the production of rental housing. Budget and expenditures include commitments from years prior to 2022.

Summary of Rental Housing Development Projects to which the City Committed Funds in the 2022 program year

Some projects committed in prior years are still underway and not reflected below under either new commitments or completed projects. These include phases 2 and 3 of the Samish Commons project by Bellingham Housing Authority, and the relocation of NWYS's PAD (adolescent shelter), where construction and/or acquisition has happened, but occupancy and close-out requirements have not been completed and the projects will be reflected in the 2023 CAPER.

Project Sponsor <i>Project Name</i> Neighborhood	Project Description	Units	City \$	Project \$
Sean Humphrey <i>Karen Durham House</i> Happy Valley Neighborhood	The City committed to supporting Sean Humphrey House with the acquisition of an existing six-bedroom home to use as a 2 nd adult family home for the agency who operates housing for very low income adults with HIV. This project was funded through the HUD Community Facilities Program as a facility for people with HIV, but is included under our housing program due to its provision of housing. <u>Income Target:</u> 4 below 30% AMI; 2 below 50% AMI	6	\$158,000 (CDBG)	\$968,168
Opportunity Council <i>Laurel & Forest</i> Sehome Neighborhood	The City committed to supporting Opportunity Council in its development of 56 units for seniors, along with an early learning center. 10% are set-aside for homeless-on-entry. This project is also supported with 9% low-income housing tax credits. <u>Income Target:</u> 28 below 30% AMI; 28 below 50% AMI	56	\$2,000,000 (Levy + Sales Tax)	\$25,690,468
Mercy HNW <i>Millworks Housing</i> City Center, Waterfront District	The City committed to supporting Mercy Housing NW in its development of 83 units for a mix of families and individuals, along with an early learning center. 10% are set-aside for homeless-on-entry. This project is also supported with 4% housing tax credits. <u>Income Target:</u> 15 below 30% AMI; 6 below 50% AMI; 62 below 60% AMI	83	\$3,894,189 (housing – Levy + ARPA)	\$33,399,121
TOTAL:		145	\$6,052,189	\$60,057,757

Summary of Rental Housing Development Projects Completed in the 2022 Program Year

Project Sponsor <i>Project Name</i> Neighborhood	Project Description	Units	City \$	Project \$
Lydia Place <i>Heart House</i> Puget Neighborhood	Heart House is now home to 11 families previously experiencing homelessness. This permanent supportive housing development incorporates supportive services	11	\$1,723,750 (HOME + Levy)	\$4,571,012

	and an early learning center run by the YMCA on the ground floor. Income Target: 8 below 30% AMI; 3 below 50% AMI			
Mercy Housing NW <i>Evergreen Ridge</i> Barkley Neighborhood	The City committed to help Mercy Housing NW purchase an existing 145-unit property in the Barkley neighborhood. Two of the units are set-aside for property management staff. Units are a mix of 1-, 2-, and 3-bedrooms, some of which are occupied by families who entered from homelessness with supportive services. This project is also supported with a short-term levy loan in addition to the amount listed. This project preserved privately-owned affordable housing due to lose its affordability and convert to market rate. As this housing is newly added to the City's affordable housing inventory, it is listed as a housing 'production' project. <u>Income Target:</u> 143 units averaging below 60% AMI	143	\$2,525,000 (ARPA) \$1,800,000 (Levy)	\$44,277,000
Mercy Housing NW <i>Trailview (Barkley Family) Housing</i> Barkley Neighborhood	The City committed to help Mercy Housing NW develop a 77-unit multifamily project with a childcare center on the ground floor in the Barley neighborhood. Units are a mix of 1-, 2-, and 3-bedrooms, primarily targeted to families with children, 20% of which are targeted to homeless-on-entry. This project is also supported with 9% low-income housing tax credits. <u>Income Target:</u> 39 below 30% AMI; 38 below 50% AMI	77	\$3,350,000 (Levy + HOME)	\$25,126,000
Sean Humphrey <i>Karen Durham House</i> Happy Valley Neighborhood	The City committed to supporting Sean Humphrey House with the acquisition of an existing six-bedroom home to use as a 2 nd adult family home for the agency who operates housing for very low income adults with HIV. This project was funded through the HUD Community Facilities Program as a facility for people with HIV, but is included under our housing program due to its provision of housing. <u>Income Target:</u> 4 below 30% AMI; 2 below 50% AMI	6	\$158,000 (CDBG)	\$968,168
TOTAL:		237	\$9,556,750	\$74,942,180

Rental Housing Production Goals

Rental Housing Production Consolidated Plan Goals:

The 2018-2023 Consolidated Plan identifies the HUD goals and outcomes related to the priority City needs. In the case of housing production, there is one goal and one corresponding outcome indicator. The following table shows the five-year goal, the number of units where funding was committed to activities in 2022, and the number of units actually completed. This table is updated as the 5-year Consolidated Planning period progresses.

Goal Description	Outcome	Goal	Prior Committed	Prior Actual	2022 Committed	2022 Actual	% of Goal Committed	% of Goal Actual
Increase affordable housing supply for rental and interim housing	Rental units constructed	316	437	116	145	237	184%	112%
TOTALS:		316	132	116	145	237	88%	112%

Rental Housing Production Levy Goals:

The renewed Housing Levy that began in 2020 set goals for the program areas funded by the Levy, including the Housing Production and Preservation (combined), Homebuyer, and Rental Assistance and Supportive Services. The combined goal for both Production and Preservation of Housing is 600 units over ten years. See the section on Preservation of Housing regarding achievement towards this goal.

Preservation of Housing

The housing preservation program objectives include:

- Working collaboratively with other funders of affordable rental housing, ensure that the greatest number of quality affordable housing units are preserved each funding round.
- Contribute to countywide efforts to end homelessness by providing housing that serves individuals and families who are homeless or at risk of homelessness.
- Promote cost-effective sustainable design, construction, rehabilitation, and operations of affordable housing.
- Promote the preservation of housing that is energy efficient, resulting in the reduction of resources and costs to low-income households.
- Promote preservation of affordable housing, and prevent displacement of low-income residents, through purchase and rehabilitation of existing housing.
- Contribute to the revitalization of low-income communities through preservation of affordable housing, including mixed-income housing and housing opportunities for existing low-income residents at risk of being displaced by redevelopment and rising housing costs.
- Promote the preservation of owner-occupied housing, allowing seniors to age in place and the disabled to improve mobility and accessibility.

Sources of Funds and Projects Funded

All funding sources can be used to help support the preservation of housing.

Housing Levy, CDBG and HOME funds were budgeted and committed in 2022 for the preservation of housing. Budget and expenditures include commitments from years prior to 2022.

Summary of Preservation of Housing Projects to which the City Committed Funds in the 2022 program year

Project Sponsor Project Name Neighborhood	Project Description	Units	City \$	Project \$
City of Bellingham Homeowner Rehabilitation Program Various	The City of Bellingham provides financial assistance to low-income homeowners for repairs and weatherization of their homes. <u>Income Target:</u> 6 below 50% AMI; 7 below 80% AMI	14	\$420,000 CDBG	\$420,000

Project Sponsor <i>Project Name</i> Neighborhood	Project Description	Units	City \$	Project \$
Opportunity Council <i>Manufactured Home Repair</i> Various	The Opportunity Council coordinates with the low-income home weatherization and minor home repair program to rehabilitate and repair mobile homes in the City. Typical repairs or replacements will include roof, subfloor, electrical and plumbing, window and door, and heating system. <u>Income Target:</u> 13 below 50% AMI; 5 below 80% AMI	18	\$125,000 Levy	\$125,000
TOTALS:		32	\$ 545,000	\$ 545,000

The City also sets aside \$50,000 each year in Housing Levy dollars for **Emergency Repair**, on an *as-needed basis* (if funds not used, they will be returned to the fund balance).

Summary of Preservation of Housing Projects Completed in the 2022 Program Year

Project Sponsor <i>Project Name</i> Neighborhood	Project Description	Units	City \$	Project \$
Opportunity Council <i>Manufactured Home Repair</i> Various	The Opportunity Council coordinates with the low-income home weatherization and minor home repair program to rehabilitate and repair mobile homes in the city. Typical repairs or replacements will include roof, subfloor, electrical and plumbing, window and door, and heating system. <u>Income Target:</u> 1 below 30% AMI; 1 below 50% AMI	2	\$13,925.26 Levy	\$20,425.33
City of Bellingham <i>Homeowner Rehabilitation Program</i> Various	The City of Bellingham provided financial assistance to low-income homeowners for repairs and weatherization of their homes. <u>Income Target:</u> 2 below 30% AMI; 1 below 50% AMI; and 4 below 80% AMI	10	\$246,429.76 CDBG	\$ 246,429.76
TOTALS:		12	\$ 260,355	\$ 266,855

Preservation of Housing Goals

The City has established goals and outcomes in the 2018-2023 Consolidated Plan and the Housing Levy Administrative and Financial Plan (both of these documents can be found here:

<https://www.cob.org/services/housing/Pages/planning-and-performance-documents.aspx>).

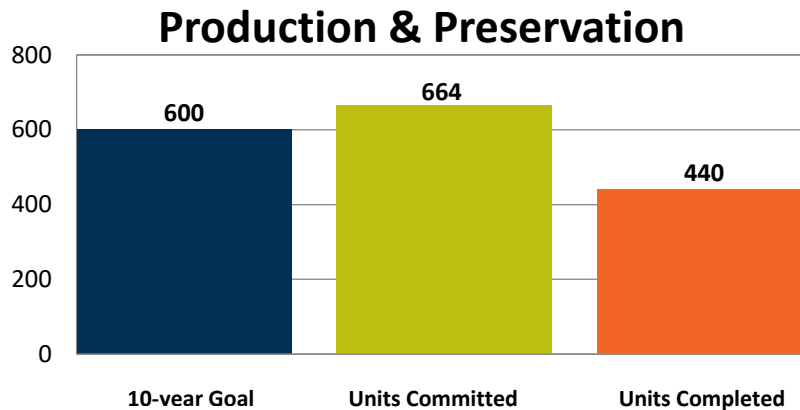
Consolidated Plan Goals:

The 2018-2023 Consolidated Plan identifies the HUD goals and outcomes related to the priority City needs. In the case of housing preservation, there is one goal with two corresponding outcome indicators. The following table shows the five-year goal, the number of units where funding was committed to activities in 2022, and the number of units actually completed. This table is updated as the 5-year Consolidated Planning period progresses.

Goal Description	Outcome	Goal	Prior Committed	Prior Actual	2022 Committed	2022 Actual	% of Goal Committed	% of Goal Actual
Rehabilitation of existing units	Homeowner housing rehabilitated	75	95	84	32	12	169%	128%
	Rental units rehabilitated	62	20	38	0	0	32%	61%
TOTALS:		75	95	65	32	19	169%	112%

Levy Goals:

The 10-year Levy goal for the Production of Rental Homes and the Preservation of Housing programs combined is 600 units. The goal does not distinguish between either program. Not reflected under levy goals are projects solely completed with HUD funding.



The following table identifies the number of units by program:

Program	Commitment	Units Completed
Production	582	369
Preservation	82	71
	664	440