

# 2021 ANNUAL PERFORMANCE REPORT

Covering the Period from July 1, 2021 – June 30, 2022



*Phase 1 of the BHA Samish Way Redevelopment Project completed*

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



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**September 9, 2022**  
**DRAFT for Public Comment**

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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 "2021" 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, 2021 through June 30, 2022.** Where contractual obligations run for a period different from this, figures are adjusted to best reflect the performance and commitments over this July 1, 2021 through June 30, 2022 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 September 15, 2022. Publication announcing the CAPER, the public comment period and hearing printed on September 8, 2022 in the Bellingham Herald. [Describe participation after the comment period ends, including CDAB discussion, public participation in hearing, and/or comments submitted.]

### ***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

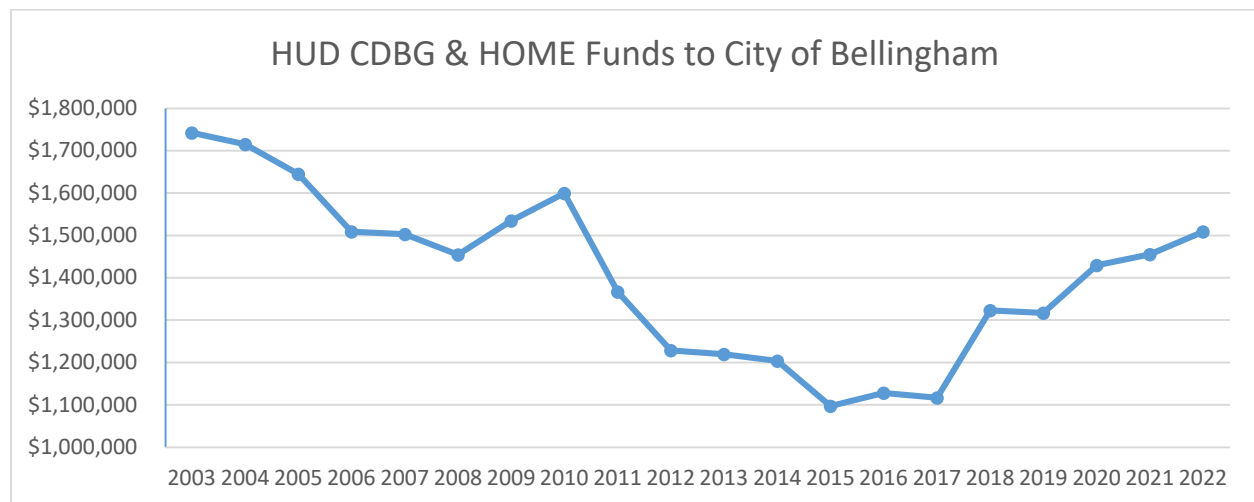
Bellingham receives federal and local funding for the housing and community development activities covered by this Annual Performance Report.

### 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 2022 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 tranche of CDBG-CV was received during the 2020 Program year (\$495,646), and a second tranche of CDBG-CV was received in the 2021 Program Year (\$653,580). During the 2021 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 is not expected until sometime in the 2022 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 2021 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.

Fund	Authorized Amount	Amount Committed	Net Drawn Amount	Available to Commit	Available to Draw
CDBG (2020)	842,424	842,424	665,434	0	176,990
HOME (2020)	586,639	586,639	586,639	0	0
CDBG-CV	1,149,226	1,149,226	772,466	0	376,760
CDBG (2021)	852,590	704,941	328,941	147,649	523,649
HOME (2021)	602,793	602,793	599,238	0	3,555
CDBG (2022)	836,947	350,000	0	486,947	836,947
HOME (2022)	672,057	672,057	0	0	672,057
HOME-ARP <sup>1</sup>	2,184,701	0	0	0	0

### 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, 2022, the City had \$8,047,659 available to draw from levy funds, the majority of which is already committed to projects.

### Bellingham Affordable Housing Sales Tax

The City began collecting a new 1/10<sup>th</sup> of 1% "Affordable Housing Sales Tax" for housing and housing services in the 2021 Action Plan year, as authorized by the State legislature. The City spent \$71,128 from this source to support a winter emergency youth shelter run by Northwest Youth Services. In addition, the sales tax fund supported some general administrative costs of the programs covered in this report. As of June 30, 2022, the City had \$2,923,653 available to draw from sales tax funds, the majority of which is already committed to a project.

### Bellingham General Fund

The City allocates "general fund" money for housing and human service grants as well as some ongoing programs. For the 2021 Action Plan year, the City spent \$585,252 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 (\$43,845). In addition, the general fund 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

<sup>1</sup> The HOME-ARP allocation has been announced but not released, therefore no funds are available

Enforcement Assisted Diversion (LEAD) element mid-way through the program year (budgeted at \$280,000/year).

### Leveraging Funds

An anticipation of both federal and city funding is that the funds will help leverage other non-federal or non-city funds. The following table shows the leveraging of activities *completed* in the 2021 program year. Keep in mind these are projected aggregate totals for the overall program areas, with leverage anticipated to vary by individual project. [ADD TABLE]

Leveraging fluctuates significantly from year to year and from program to program. This is influenced by the availability of funding, the competitiveness of City priority projects and programs relative to other funders' priorities, the absolute costs of project and program service delivery, and timing of project completion.

## 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 following table shows the amount of **all loans with an outstanding balance** the City has by program and fund as of June 30, 2022.

<b>Funding Source</b>	<b>Housing-CD Fund</b>	<b>Homebuyer</b>	<b>WA State HFC</b>	<b>Housing Rehab</b>	<b>TOTAL</b>
HOME	8,879,542	1,493,638	563,629	188,941	11,125,750
CDBG/CDBG-R	4,990,422	781,634		2,797,251	8,569,307
Levy	15,971,265	179,157	614,724		16,765,146
NSP		326,843			326,843
<b>TOTAL</b>	<b>29,841,229</b>	<b>2,781,272</b>	<b>1,178,353</b>	<b>2,986,191</b>	<b>36,787,046</b>

The following table shows the amount of **only deferred payment loans with an outstanding balance** the City has (a subset of the above table).

<b>Funding Source</b>	<b>Housing-CD Fund</b>	<b>Homebuyer</b>	<b>WA State HFC</b>	<b>Housing Rehab</b>	<b>TOTAL</b>
HOME	3,471,505	1,493,638	563,629	188,941	5,717,713
CDBG/CDBG-R	4,115,421	781,634		2,797,251	7,694,306
Levy	4,044,359	179,157	614,724		4,838,240
NSP		326,843			326,843
<b>TOTAL</b>	<b>11,631,286</b>	<b>2,781,272</b>	<b>1,178,353</b>	<b>2,986,191</b>	<b>18,577,102</b>



## HOUSING, HUMAN SERVICE AND COMMUNITY FACILITY PROGRAMS

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

#### Program Objectives

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.

#### Funding Sources

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.

#### Production of Rental Housing Funding Summary

Housing Levy, HOME, and CDBG funds were budgeted and committed in the 2021 program year for the production of rental housing. [Add fund balance information].

Budget and expenditures include commitments from years prior to 2021.

## Summary of Committed Rental Housing Development Program Projects

Some projects committed in prior years are still underway and not reflected below under either new commitments or completed projects.

<b>Project Sponsor</b> <i>Project Name</i> Neighborhood	<b>Project Description</b>	<b>Units</b>	<b>City \$</b>	<b>Project \$</b>
<b>Mercy Housing NW</b> <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
<b>Northwest Youth Services</b> <i>PAD Relocation</i> Samish Neighborhood	The City committed to help Northwest Youth Services purchase a home to utilize for their underage youth shelter currently located downtown. The interim housing facility will meet state licensing requirements after necessary work is completed, and ultimately house up to 12 youth, all of whom will be considered homeless-on-entry. This project is also supported with a short-term levy loan in addition to the amount listed.  <u>Income Target:</u> 12 below 30% AMI	12 beds	\$552,147 (CDBG) \$22,500 (Levy)	\$1,534,194
<b>TOTAL:</b>		<b>155</b>	<b>\$4,899,647</b>	<b>\$45,811,194</b>

## Summary of Completed Rental Housing Development Program Projects

<b>Project Sponsor</b> <i>Project Name</i> Neighborhood	<b>Project Description</b>	<b>Units</b>	<b>City \$</b>	<b>Project \$</b>
<b>Opportunity Council</b> <i>Recovery House</i> Roosevelt Neighborhood	The City committed to supporting Opportunity Council in its major rehabilitation of a site left vacant for 10 years by PeaceHealth. The property now serves up to 16 individuals in a Level 4 Recovery Residence otherwise at risk of homelessness to add in their stability, offering an average stay of 6 months.  <u>Income Target:</u> 14 below 30% AMI; 2 below 50% AMI	16	\$735,010 (Levy)	\$2,413,509
<b>Lydia Place</b> <i>Heart House</i> Puget Neighborhood	The City increased predevelopment funding to this project, and committed permanent project funding as part of the 2019 Action Plan. This report reflects the total predevelopment funding, and the increased units determined as part of feasibility (originally 8 units were included). All units will be for homeless-on-entry families.  <u>Income Target:</u> 8 below 30% AMI; 3 below 50% AMI	11	\$853,750 (levy) \$870,000 (HOME)	\$3,921,338
<b>TOTAL:</b>		<b>27</b>	<b>\$2,458,760</b>	<b>\$6,334,847</b>

## Production of Rental Housing Goals

The City has established goals and outcomes in the 2018-2022 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 2018-2022 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 2021, 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	2020 Committed	2020 Actual	% of Goal Committed	% of Goal Actual
Increase affordable housing supply for rental and interim housing	Rental units constructed	316	282	116	155	27	138%	45%
<b>TOTALS:</b>		<b>316</b>	<b>282</b>	<b>116</b>	<b>155</b>	<b>27</b>	<b>138%</b>	<b>45%</b>

### Levy Goals:

The renewed Housing Levy that began in 2020 set a combined goal for both Production and Preservation of Housing. The combined goal is 600 units over ten years. See the section on Preservation of Housing regarding achievement towards this goal.

## Preservation of Housing

### Program Objectives

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.

### Funding Sources

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

### Preservation of Housing Funding Summary

Housing Levy, CDBG and HOME funds were budgeted and committed in 2021 for the preservation of housing. [Add fund balance information].

Budget and expenditures include commitments from years prior to 2021.

### Summary of Committed Preservation of Housing Projects

<b>Project Sponsor</b> <i>Project Name</i> Neighborhood	<b>Project Description</b>	<b>Units</b>	<b>City \$</b>	<b>Project \$</b>
<b>City of Bellingham</b> <i>Homeowner Rehabilitation Program</i> 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
<b>Opportunity Council</b> <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
<b>TOTALS:</b>		<b>32</b>	<b>\$ 545,000</b>	<b>\$ 545,000</b>

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 Completed Preservation of Housing Projects

<b>Project Sponsor</b> <i>Project Name</i> Neighborhood	<b>Project Description</b>	<b>Units</b>	<b>City \$</b>	<b>Project \$</b>
<b>Opportunity Council</b> <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	12	\$86,503 Levy	\$125,000
<b>City of Bellingham</b> <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	7	\$ 169,052 CDBG	\$ 169,052
<b>TOTALS:</b>		<b>19</b>	<b>\$ 169,052</b>	<b>\$ 294,052</b>

### Preservation of Housing Goals

The City has established goals and outcomes in the 2018-2022 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>). Note that the Mount Baker Apartments unit numbers are not included in the goals as they are modifications of earlier plans that were counted in a prior year.

#### Consolidated Plan Goals:

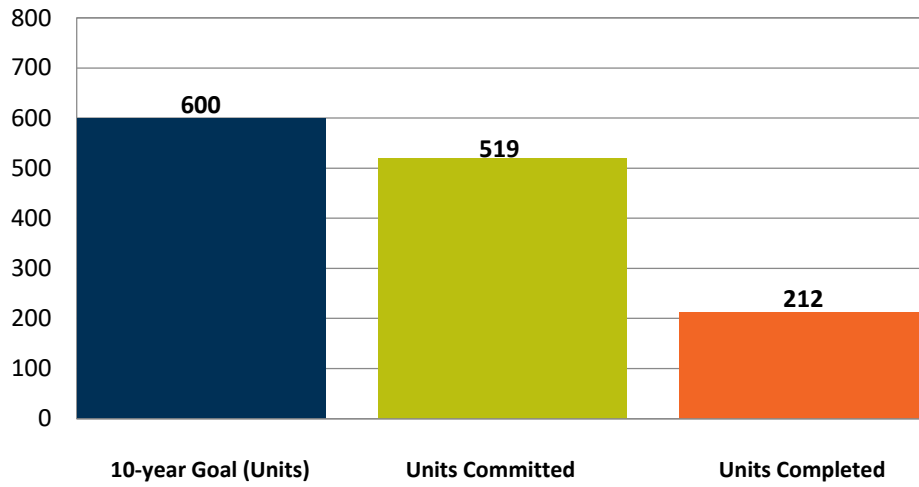
The 2018-2022 Consolidated Plan identifies the HUD goals and outcomes related to the priority City needs. In the case of housing preservation, there is one goal with two corresponding outcome indicators. The following table shows the five-year goal, the number of units where funding was committed to activities in 2021, and the number of units actually completed. This table is updated as the 5-year Consolidated Planning period progresses.

<b>Goal Description</b>	<b>Outcome</b>	<b>Goal</b>	<b>Prior Committed</b>	<b>Prior Actual</b>	<b>2020 Committed</b>	<b>2020 Actual</b>	<b>% of Goal Committed</b>	<b>% of Goal Actual</b>
Rehabilitation of existing units	Homeowner housing rehabilitated	75	95	65	32	19	169%	112%
	Rental units rehabilitated	62	20	38	0	0	32%	61%
<b>TOTALS:</b>		<b>75</b>	<b>95</b>	<b>65</b>	<b>32</b>	<b>19</b>	<b>169%</b>	<b>112%</b>

#### Levy Goals:

The renewed Housing Levy that began in 2020 set a goal for both the Production of Rental Homes and the Preservation of Housing programs. The goal does not distinguish between either program. Not reflected under levy goals are projects solely completed with HUD funding. The 10-year Levy goal is 600 units, with the City having committed funds towards 356 units and with 173 units completed.

## Production & Preservation



The following table identifies the number of units by program:

Program	Commitment	Units Completed
Production	437	143
Preservation	82	69
	<b>519</b>	<b>212</b>