



Housing for Wyoming's Workers

Wyoming Housing Trust Fund Proposal



Overview/Introduction

Housing is in short supply in Wyoming, and it costs us dearly. Due to a lack of housing, business leaders, hospitals, and educators statewide are challenged to recruit and retain a workforce; workforce shortages lead to erosion of revenue and service quality. Without stable businesses and essential services, communities struggle to maintain themselves, populations decline, the tax base erodes, student performance declines, the risk of homelessness increases, and communities deteriorate. To date, Wyoming has relied on federal funds to finance workforce housing developments, but federal funds only benefit low to moderate income families and are increasingly unreliable and meet less than half of our housing need. ***Wyoming must address its housing needs to promote economic development and strengthen community infrastructure, because Wyoming knows best how to address Wyoming's housing needs!***

Purpose

The entire state of Wyoming is experiencing housing challenges. While Wyoming's current housing needs vary across the state, in 2014 Wyoming only had a 2.2% vacancy rate in rentals and about 1% vacancy rate in for sale houses overall (American Community Survey.) Over 2,600 low-income households statewide are waiting for federal housing benefits through a Public Housing Authority.

Of the housing stock in Wyoming, 54.6% were built before 1980, 42.7% were built between 1980 and 2000 and 19.1% were built after 2000. About 22% of homes (56,381) in Wyoming have a housing problem (overcrowding, lack of suitable plumbing/facilities, or are cost burdened). 36% of renters pay more than 30% of their income on rent and 25.2% of homeowners pay more than 30% of their income on housing.

Housing needs will continue to grow. Wyoming has relied on federal funds to address its housing need, and federal funds address at most 50% of the current and future need. The February 2017 Housing Needs Forecast prepared by Western Economic Services for the Wyoming Community Development Authority reported by 2040 the shortage of housing available to Wyoming households earning 0 to 96+% of Area Median Income (AMI) will grow, as a result of moderate to very strong growth, to a need for 13,965 to 18,156 new rental units and 35,527 to 42,344 new homeownership units¹.

A Wyoming Housing Trust Fund (WHTF) will:

1. Invest in Wyoming by providing loans to preserve and increase the inventory of rental and ownership housing available to Wyoming citizens unable to afford market rate housing.
2. Increase Wyoming's non-profit and for-profit housing development and property management capacity by prioritizing funding awards to Wyoming firms.
3. Generate a positive return on the Trust Fund's investment by ensuring each annual allocation of funds results in long-term Return on Investment (interest income from loans approved exceeds the amount of grant funds awarded).

Wyoming Workers Targeted by the WHTF:

1. Households with total income that does not exceed 120% of HUD's Area Median Income.
2. Multiple-wage-earner households working in food service, retail, entry level banking, and similar vocations.
3. Single-wage-earner households primarily targeted by the WHTF, based upon Wyoming's May 2016 State Occupational Employment and Wage Estimates, include but are not limited to wage earners in the following vocations:
 - Education Administrators, Preschool and Childcare Centers
 - Human Resource and Labor Relations Specialists
 - Market Research Analysts and Marketing Specialists

¹ See Attachment 1

- Title Examiners
- Educational Guidance, School, and Vocational Counselors
- Architectural and Civil Drafters, Interior Designers
- Elementary School Teachers, Librarians
- Cardiovascular Technologists
- Occupational and Physical Therapist Assistants
- Utility Meter Readers
- Extraction Workers, Oil and Gas Roustabouts
- Police and Sheriff's Patrol Officers
- First Line Supervisors of Office Workers
- Rail-Track Maintenance Equipment Operators, Railroad Conductors and Yardmasters
- Water and Wastewater Treatment Plant System Operators

Housing Trust Fund (HTF):

- Established by legislation, a HTF is a dedicated fund designed to increase and preserve the housing inventory.
- Unlike federal funds, the HTF will be designed to finance Wyoming's unique statewide housing needs. It will be flexible enough to fund housing for Wyoming's workforce, homeless citizens, low income to moderate income rental housing, and moderate income home ownership.

Affordable/Workforce Housing

- The standard definition of affordability is 30% of income for housing, including utilities. Families paying more than 30%, especially families earning less than Area Median Income, are considered cost burdened because they may have difficulty paying for non-housing needs such as food, clothing, transportation, childcare, and medical care.

Area Median Income

- Area Median Income is established by the Department of Housing and Urban Development (HUD), is unique to each County, and is used to calculate income limits for eligibility in a variety of housing programs.
- HUD estimates the median family income for an area each year and adjusts the amount for different family sizes so family incomes may be expressed as a percentage of the Area Median Income.



Stadium Place Apartments, Sheridan

HTF Level of Funding

Using a moderate growth scenario from Western Economic Services and assuming Federal Funds remain static:

Background: Families earning less than the Area Median Income often cannot afford market rents for suitable housing. Availability of workforce housing for low and moderate income households is a growing statewide issue. WCDA uses Federal programs and the National Housing Trust Fund to subsidize the construction of housing, and then requires the property owner to rent units to extremely low income and very low income households at restricted rent levels for a period of time.

Forecast: Based upon moderate growth projections, Wyoming will need to build 8,425 new rental units for low income families (household income <80% of area median income) by 2040. WCDA estimates 4,350² units can be funded through Low Income Housing Tax Credits (LIHTC), HOME funds and the National Housing Trust Fund (NHTF), leaving 4,075 units unfunded (without federal subsidy). Moderate income persons (household income 81-96% of area median income) will require an additional 3,778 units by 2040. There are currently no subsidies available for these units.

Moderate growth is a conservative or slow growth projection. When Wyoming's economy turns and the state experiences strong or very strong growth, the projected need for additional rental housing units by 2040 increases to 13,965, leaving 9,615³ units unfunded (without federal subsidy).

Bottom Line: The estimated subsidy necessary to incentivize the construction of low-maintenance low income rental units is \$93K/unit, and the subsidy necessary for a low-maintenance moderate-income rental unit is \$37K/unit. Over the next 25 years, WCDA estimates current funding levels can accommodate 17% of the needed subsidies. Constructing enough workforce housing to keep pace with moderate population growth requires an additional \$22.6M in annual subsidies. \$22.6M could be generated through annual payments, an endowment of \$564M, or a sinking fund of \$339M. An endowment would fund the HTF perpetually. A sinking fund considers a corpus of money collecting 4% interest that disburses the \$22.6M annual subsidy. The sinking fund balance would gradually decrease each year, would be completely depleted by 2040, and would need to be replenished in 2040 to meet future need.

Low and Moderate Income Rental Housing Demand (through 2040) Based Upon Moderate Growth Projections			
Income Level	Net Unfunded Units	Subsidy Needed to Fund Units	Annualized Subsidy
Low (0 to 80% AMI)	4,075	\$ 378,975,000 ⁴	\$ 15,159,000
Moderate (81-96% AMI)	3,778	\$ 139,786,000 ⁵	\$ 5,591,440
Total	7,853	\$ 518,761,000	\$ 20,750,440

²See Attachments 2 and 3

³ 13,965 total units needed minus 4,350 (LIHTC, HOME, and NHTF federally funded units) = 9,615

⁴ Based upon a per-unit subsidy of \$93,000

⁵ Based upon a per-unit subsidy of \$37,000

Revenue Sources

Potential revenue sources include:

- State of Wyoming investment.
- Dedicate annually 1% of the Rainy-Day Fund.
- Principle and interest payments returned to the WHTF by recipients of WHTF loans, i.e. “program income.”
- Real estate fees (transfer fees, document recording fees).
- Donation of government owned property on which workforce housing could be constructed, such as schools or other decommissioned facilities.
- Dedicate a percentage of mineral royalties when the market returns.
- Investments by businesses operating in Wyoming that would benefit from an increased supply of housing for their employees.

HTF Return on Investment (ROI) Example

Year 1 Investment:

The HTF invests \$1,250,000 (as a loan) in the construction of a multifamily rental housing development consisting of eight 2-bedroom, 1 bath units with an attached garage and fenced back yard; the development site is donated by a local partner. The development serves Wyoming Workers earning up to 115% of Area Median Income; rent is \$875/month. The \$1,250,000 loan is approved at 2 % interest over a 30-year term, the loan is repaid out of the development’s annual cash flow. The total ROI after 30 years would be \$1,663,286; the net gain after 30 years would be \$413,286.



Pioneer Homestead, Jackson

Year 2:

The HTF receives its first annual Principle and Interest (P&I) payment of \$55,443 for its \$1,250,000 Investment in Year 1. The Principle portion would be applied to repay the HTF investment loan, the \$24,719 Interest payment could be used to:

- Pay housing predevelopment costs to a Wyoming nonprofit, which would be repaid from Developer Fees if the development is funded and constructed
- Fund homeless prevention activities

Economic Impact of an 8 Unit Development:⁶

The economic impact in a typical state of the construction of the 8-unit multifamily development example above:

- Construction generates 7.2 jobs and \$1,366,662 income (personal, business and taxes)

⁶ National Association of Homebuilders: “The Economic Impact of Home Building in a Typical State, Income, Jobs, and Taxes Generated”, April 2015

- Ripple Effects During Construction generate 6.48 jobs and \$879,060 income (personal, business, and taxes)
- Ongoing Annual Effect after construction when housing is occupied generates 3.92 jobs and \$539,824 income (personal, business, and taxes)

Note: Construction of single family homes for home ownership and rehabilitation of rental or owner occupied single family homes would also generate a ROI. The inclusion of only a multifamily rental development ROI is intended to concisely inform the reader of the ROI potential of the WHTF.

As a real-time measurement, the last ten placed in service multifamily units facilitated by WCDA produced 290 units with total development costs of \$50.4 million. This housing production created 458 jobs as a result of construction and future operational positions. Following the employment support numbers brings in \$16.68 million of local income, \$408,000 in sales tax revenues, and \$4.4 million in property tax receipts. These multifamily projects go to support families with children and elderly tenants all over Wyoming, ranging from Cheyenne, Jackson, Laramie, Powell, Cody, Casper, and Lander.

Administration

The following model for administration is based upon best practices in other states with a HTF.

The WHTF will be governed by an eleven-member Oversight Commission appointed by the Administering Agency. The Commission shall be comprised of housing leaders from across the state, including representatives from economic development, the non-profit and for-profit housing industry, financial institutions, owners and/or managers of multifamily properties, Housing Authorities, City/County/State government, and special needs (i.e. homelessness, mental health, drug and alcohol) advocates.

Roles of the Oversight Commission

- Govern the WHTF.
- Review and approve a monitoring and reporting system established by the Administering Agency.
- Assess and prioritize eligible activities for funding each year.
- Establish with the Administering Agency a points system and review criteria for the evaluation and ranking of proposals.
- Review and approve funding proposal recommendations submitted by the Administering Agency.



High Plains Apartments, Torrington

Roles of the Administering Agency

- Develop a statewide housing plan.
- Develop program guidelines.
- Market the fund to eligible applicants.

- Receive, review and evaluate proposals.
- Submit funding proposal recommendations to the Oversight Commission.
- Administer annual monitoring and reporting on the fund, which will be reviewed and approved by the Oversight Commission and submitted to the State Legislature.
- Create operating rules and guidelines for the Oversight Commission
- Monitor compliance with rules and guidelines
- Perform all other activities necessary to support the administration of the WHTF.

No more than 10% of the annual allocation may be spent for administrative costs.

Program

WHTF Functions:

- Provide grants, loans, loan guarantees, and/or loan subsidies to eligible recipients to fund residential housing to meet target population guidelines.
- Require deed restrictions of 30 to 50 years on funded properties to preserve housing affordability.

Eligible Applicants:

- Eligibility to access the WHTF is limited to for-profit and non-profit entities, Native American tribes, Housing Authorities, and agencies of local and state government.
- Funding is available to organizations/business entities only, not for individuals.
- Preference points will be awarded to Wyoming entities and partnerships with Wyoming non-profit organizations.

Eligible Activities:

- New construction of rental or ownership housing.
- Substantial or moderate rehabilitation to preserve rental or ownership housing, including modifications required to make homes more accessible to individuals with disabilities.
- Predevelopment activities.
- Homeless prevention activities.
- The Oversight Commission may assess and prioritize activities each year.

Geographic Zones:

- Funds may be allocated to the seven geographic regions below listed based upon criteria established by the Administering Agency and Oversight Commission.
 - ✓ East Central (Converse, Natrona, and Niobrara Counties)
 - ✓ Northeast (Campbell, Crook, Johnson, Sheridan, and Weston Counties)
 - ✓ Northwest (Big Horn, Hot Springs, Park, and Washakie Counties)
 - ✓ South Central (Carbon and Sweetwater Counties)
 - ✓ Southeast (Albany, Goshen, Laramie, and Platte Counties)
 - ✓ Southwest (Lincoln, Sublette, and Uinta Counties)
 - ✓ West Central (Fremont and Teton Counties)
- If approved applications for each region are less than the amount set aside, the remaining amount may be made available for qualified applications from the other regions.

- Geographic Distribution takes precedence over Income Targeting Guidelines during the evaluations.

Income Targeting / Target Populations:

The WHTF will target households that meet the following criteria:

- Household income does not exceed 120% of AMI based upon HUD's annual AMI calculation.
- Head of household is a United States citizen who has lived in Wyoming for at least one year.
- At least one household member is employed by a Wyoming employer, disabled, retired, or homeless.

Distribution of Funds:

- Funds will be awarded through a competitive process. Applications will be evaluated and scored based on criteria established by the Administering Agency and Oversight Commission. Applicants will be encouraged to leverage WHTF funds with other resources including but not limited to land donations, reduction of City/County development fees, and other forms of local match.

Evaluation Criteria:

- Proposals will be evaluated based upon objective review criteria and a point system established by the Oversight Commission and Administering Agency.



Glacier Place Apartments, Laramie