

City of Seattle

Housing Levy Impact

2010 REPORT OF ACCOMPLISHMENTS

City of Seattle

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Seattle City Council

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Seattle Office of Housing

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March 2011

Housing Levy Oversight Committee

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Maiko Winkler Chin, Seattle Chinatown International District PDA

About the 2009 Seattle Housing Levy

In November 2009, Seattle voters passed a seven-year, \$145 million property tax levy to provide affordable housing opportunities for low-income Seattle residents. The Housing Levy funds five programs that create and preserve affordable rental housing, assist first-time homebuyers to purchase a home, and provide emergency rent assistance to prevent homelessness. This funding directly assists some of the most vulnerable people in our community – homeless families and individuals, seniors and people with disabilities living on fixed incomes – as well as people working for low wages who struggle to make ends meet.

Affordable Rental Housing

More than half of the Levy's Rental Production and Preservation Program funding is dedicated to serving households earning below 30% area median income, up to \$18,000 annually for a single person or \$23,150 for a three-person family. This includes our neighbors with the fewest resources – seniors and people with disabilities who live on social security alone, plus homeless individuals with severe disabilities who've lived on the street for a year or more, and need both housing and supportive services to regain health and stability. This income group also includes hard-working people with minimum-wage jobs and those unable to find full-time work, many of whom support children or other dependents. Nearly 62% of Levy funding awarded in 2010 will provide safe, decent affordable rental housing to these extremely low-income families and individuals.



Preserving Affordable Rental Housing: Sunset House

In 2010, OH awarded up to \$2.29 million to Housing Resources Group for Sunset House, an existing 82-unit apartment building in Belltown. Built in 1981, Sunset House is home to seniors and people with disabilities who largely earn less than 30% of area median income, with commercial store fronts at the street level. A HUD contract has kept the rents affordable, but with that due to expire in March 2011, the building could have been sold and potentially converted to market-rate housing, thus displacing its current tenants. Levy funding is helping HRG acquire and rehabilitate the building, while preserving the affordability for its current and future tenants for at least 50 years.



Margarite has found her home at Sunset House. People say that you can be one paycheck away from being homeless. This was true for Margarite, who grew up in Seattle. When she thinks about her life, things are different than she had imagined. She didn't think that she would get sick and that, at this point in her life, it would be a problem to do some things. Today, her days vary. Some days she doesn't get out because of her health.

Margarite moved into Sunset House in June 2010, one of the first new residents to move in following the acquisition of the property by Housing Resources Group. Margarite likes that her apartment is clean and airy, full of sunlight. The neighborhood is great as well because there are restaurants and bus lines. She is happy living at Sunset

House and, by living in housing she can afford, she also can afford her medications and buy healthier food. Margarite feels safer at Sunset House than she did at any of the other places she has lived, and she likes that feeling of security.



The Housing Levy serves many hard-working individuals and their families, households that simply do not earn enough to afford rent and other necessary expenses.

The rest of the Rental Production and Preservation Program funding awarded in 2010 will serve households earning between 31% and 60% of area median income, about \$18,000 to \$36,000 for a single person or \$23,150 to \$46,260 for a three-person family. People who fall into this income bracket include those who provide valuable every day services to Seattle residents and visitors: food service workers, hotel staff like maids, retail salespersons and office support workers. While providing vital services to our community, these households simply don't make enough money to afford market-rate rents near their jobs and cover costs of other necessities like groceries, child care, utilities and transportation. About 38% of Levy funding awarded in 2010 will provide affordable rental housing in our community to these hard-working, low- to moderate-wage individuals and their families.

Homeownership Opportunities

The Levy's Homebuyer Assistance Program, assists first-time buyers earning up to 80% of area median income, about \$45,100 for a single person or \$58,000 for a three-person family. Through downpayment loans, this program gives families and individuals the opportunity to purchase an affordable home close to where they work. This program serves a variety of moderate-income workers and their families, including hotel and motel, restaurant and retail workers; school employees such as teachers, teacher aides and service workers; cab drivers; self-employed individuals who provide professional services like bookkeeping, copywriting, housekeeping and technology support; plus those working in health and social services, often for non-profit agencies.

Supporting Affordable Homeownership Opportunities: Wolcott Homes

When the lender foreclosed upon an unfinished development of 15 single family homes on Wolcott Avenue in Rainier Beach in summer 2010, it could have remained incomplete and vacant for years. With five homes finished but unsold, two homes half built, and foundations alone standing on the remaining eight lots, the subdivision likely would have attracted graffiti and other crime to a neighborhood already hit hard by foreclosures. Instead, with the help of a \$1.45 million short-term acquisition loan through the Housing Levy Acquisition & Opportunity Loan Program, Homestead Community Land Trust purchased the development, is finishing the homes, and began selling them to moderate-income first-time homebuyers. As part of a land trust, the homes will remain affordable to future Seattle households.

For Antonio Li's family, their welcome home gift is a home. Antonio has been working in the U.S. for seven years. While waiting to be reunited with his wife and 12-year-old daughter still residing in the Philippines, he has been working diligently to make sure that when his family arrives, they have a place they can call home. For Antonio, finding Homestead Community Land Trust was the answer to his dreams. "Homestead is a very good program, I felt they sincerely wanted to help me. Without the help, I couldn't have done it."

Despite working two jobs and saving every penny he could, for Antonio homeownership seemed like it would remain just a dream. Since he relies on public transportation, moving too far out was not a viable choice. If he elected to purchase a market-rate house within the city, his only options were run-down homes that would end up costing him too much in the long run simply to maintain. Now, his brand new home is within walking distance of the light rail station and several bus routes.

Antonio closed on his house in March and is looking forward to the next steps: making the home ready for his family, who he hopes will be in Seattle and happily living in their new home this summer.



Antonio Li proudly holds up the keys to his new home.

Funding Awards in 2010

In 2010, the first year of the 2009 Housing Levy, three programs began awarding funds:

- Rental Production & Preservation Program awarded \$14.7 million to seven housing developments with 449 affordable units.
- Acquisition & Opportunity loans totaling \$3.2 million were awarded to three projects; this includes \$2.3 million in 2009 Levy funds to two projects that will create about 125 units.
- Homebuyer Assistance Program committed \$1.12 million to three lending programs that will assist at least 28 first-time homebuyers.

Two Housing Levy programs did not allocate funds in 2010:

- Operating & Maintenance program funds will be awarded beginning next year. Projects that received 2009 Levy capital funds are eligible to apply for operating subsidy.
- Rental Assistance program funds will be available beginning in 2012.

The following table summarizes funding and production in 2010 for each Levy program. The three programs awarding funds are all on track to meet the Levy's seven-year production goals.

**Seattle Housing Levy Summary
Funding and Housing to be Produced, 2010**

| Levy Program | Funding | | Housing Produced | |
|--|-------------------------------|---------------------------|-----------------------|----------------------------|
| | Total Levy Funding 7 years | Funding Committed 2010 | Levy Goals 7 years | Housing Production 2010 |
| Rental Production & Preservation | \$104m | \$14.7m | 1,670 rental units | 449 |
| Acquisition & Opportunity Loans ¹ | \$6.5m | \$2.3m | 175 housing units | 125 |
| Operating & Maintenance | \$14.4m | NA | 220 rental units | NA |
| Homebuyer Assistance | \$9.1m | \$1.2m | 180 home purchases | 28 |
| Rental Assistance / Homeless Prevention | \$4.25m | NA | 3,025 households | NA |

¹ Acquisition & Opportunity Loans are made with other 2009 Levy program funds that are not yet expended. Funded projects are anticipated to receive permanent financing through the Levy Rental Production and Preservation Program or Homebuyer Assistance Program, so housing units may be counted in both programs.

Rental Production & Preservation Program

The largest Levy program provides approximately \$14.7 million annually in capital funds to support development of affordable rental housing. Levy funds serve vulnerable people in communities throughout the city, and leverages other public and private investment for housing. The program funds:

- New construction or acquisition and rehabilitation to preserve housing
- Housing that provides supportive services as needed for residents with special needs
- Housing that will serve eligible residents for a minimum of 50 years.

2010 Funding Summary

Housing Production. The Rental Production & Preservation Program awarded \$14.7 million in 2009 Levy funds and \$5.8 million in other City-administered funds to seven housing developments. These projects will provide 449 affordable rental units. With this level of production, the program is off to a strong start – more than one-quarter of the way to meeting its seven-year goal of 1,670 units. See the table on Page 12 for project details.

Populations Served. The 2010 projects address the **funding priorities in the current Levy Administrative and Financial Plan:**

- *Housing for families, individuals and youth, including chronically homeless individuals with disabling conditions.* Housing Levy funding awards in 2010 demonstrate City support for the Ten Year Plan to End Homelessness in King County. Three projects will provide 213 units of permanent supportive housing with on-site services for individuals who have been homeless.
- *Housing for Seniors and People with Disabilities.* Levy funds will preserve 82 units of existing housing serving seniors and people with disabilities close to transportation and services in the Belltown neighborhood. In addition, one of the homeless housing projects will serve seniors: 45 units are set-aside for homeless seniors and 15 units will serve other low-income seniors.
- *Housing for low-wage working families and individuals.* Housing Levy funds will also support construction of three projects with 151 housing units providing rents that are affordable for families and individuals earning low wages. These developments contain some larger units for families and accessible units available for people with disabilities.

Housing Affordability. Fund awards in 2010 also met the affordability requirements established in the Levy ordinance. At least 60% of program funding must support housing that will serve extremely low-income households below 30% of median income. No more than 10% of funding may serve households at 60% to 80% of median income. The remaining funding must support housing serving households at 30% to 60% of median income.

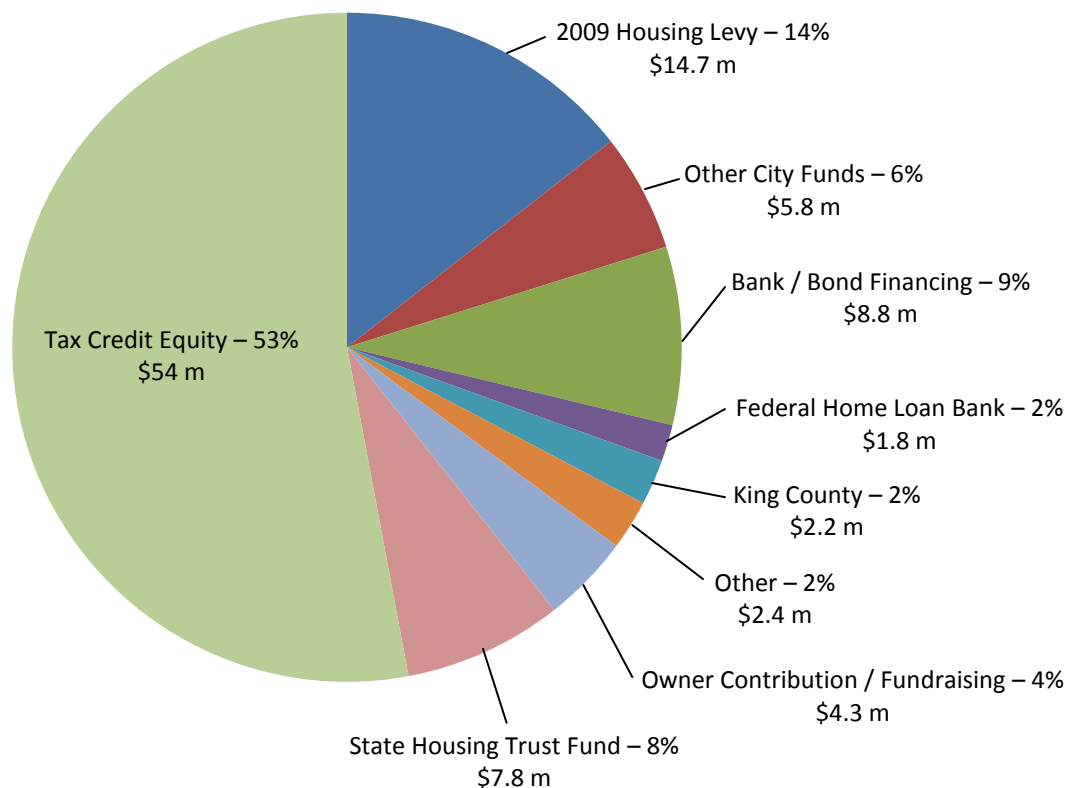
| Affordability Level | Affordability Policy % of Funds | Funds Awarded in 2010 | Percent of Funds Awarded |
|---------------------|---------------------------------|-----------------------|--------------------------|
| 0 - 30% AMI | At least 60% | \$ 9.12 million | 61.9% |
| 31 - 60% AMI | Up to 40% | \$ 5.61 million | 38.1% |
| 61 - 80% AMI | Up to 10% | | 0% |

AMI: Area median income for Seattle, indexed by household size, established annually by the US Department of Housing and Urban Development (HUD)

Capital Funds Leveraged. The success of the Rental Production & Preservation Program depends on successful leverage of other public and private fund sources. In the current economic climate, securing these other sources has become more uncertain and challenging. Nevertheless, housing developments funded in 2010 will secure substantial leverage funding – bringing about \$82 million in capital investment in low-income housing development to Seattle, or \$4 in other capital funding for each City dollar invested.

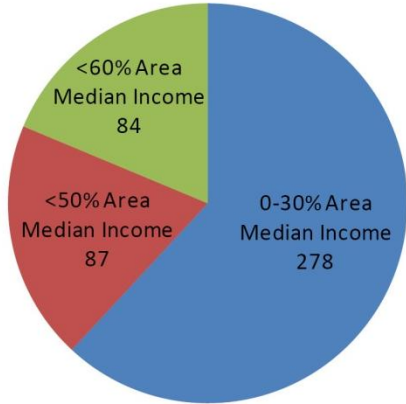
The following table shows the major sources of leverage funds. Tax credit equity investments by private sector partners continues to be the largest source, and strong nonprofit organizations are able to compete well for this resource. Private sector lending is also a significant source for housing developments that are able to support mortgage debt. The State Housing Trust Fund, which had limited funds available in 2010, continued to be an important resource because Seattle developments competed well for special program funds. King County continues to supply solid capital leverage for homeless housing projects developed in Seattle and is a major partner in providing service and operating funds for these projects.

Capital Funds Leveraged
2009 Levy Rental Projects Funded in 2010
449 Units / 7 Projects
Total Residential Development Cost = \$122.4 million



Rental Projects Summary Information

Unit Affordability
2009 Levy Rental Projects Funded in 2010
449 Units / 7 Projects



Project Locations
Levy Rental Projects Funded in 2010



Acquisition & Opportunity Loans

Acquisition & Opportunity Loans are a new strategy in the 2009 Housing Levy, designed to respond to opportunities in a slower economic environment. They provide short-term financing to encourage strategic acquisition of sites for low-income housing development, either rental or homeownership. These loans are expected to be repaid with permanent project financing, using City and/or non-City sources, producing housing that will provide long-term affordability.

- *Funding is prioritized for projects that take advantage of current market conditions with a low acquisition cost and/or projects expected to leverage significant capital, operating or services funding, and short-term acquisition financing is critical to achieving cost savings or leverage.*
- *Preference is given to development in high-capacity transit station areas and acquisition/rehab of existing buildings.*
- *Loans are available throughout the year to enable sponsors to acquire properties when they become available.*

Available Funding

The 2009 Housing Levy identified \$6.5 million for A&O Loans, using funds from other Levy programs that are not yet needed for planned projects. In addition, the City Council provided authority for up to \$5 million in short-term acquisition lending using the fund balance of the Levy Operating & Maintenance Program from prior levies.

2010 Approved Loans

Three housing developments received Levy-funded acquisition loans, using \$2.3 million from the 2009 Levy and \$1.6 million from O&M fund balances from prior levies:

- *Downtown Emergency Services Center, \$1,175,000.* To acquire a partially vacant site on Aurora Avenue North for development of 84 units of permanent supportive housing for chronically homeless adults with disabilities including chemical dependency and mental illness. Due to current economic conditions, DESC was able to acquire the property at a significantly reduced price.
- *Low Income Housing Institute, \$1,275,000.* To acquire a foreclosed commercially zoned site in the Central Area. The large site will be developed in two phases. The first phase will be a five-story 60 unit building for serving chronically homeless seniors with comprehensive mental health services provided on site. Preliminary plans for the second phase would create 50 units of workforce housing. United Way of King County contributed an additional \$425,000 to this acquisition.
- *Homestead Community Land Trust, \$1,450,000.* To acquire a partially completed foreclosed subdivision in Rainier Beach to provide 15 three- and four-bedroom homes for first-time homebuyers. The property includes 5 completed homes, 2 partially completed homes, and 8 lots with foundations and utility stubs. The permanent financing includes federal Neighborhood Stabilization Program funds administered by OH, as well as Levy down payment loans to the homebuyers.

Operating & Maintenance Program

The Operating & Maintenance (O&M) Program provides annual subsidies for buildings that serve extremely low-income residents who pay very low rents that are insufficient to support building operations. Levy funds provide supplemental operating income to ensure that the City-assisted housing is well maintained and financially viable.

- *Funds are awarded to housing that has received 2009 Levy capital funds and will serve extremely low income and/or homeless residents below 30% of median income.*
- *Projects receive a 20-year operating support commitment. Funds are allocated each year to fill the gap between project income and expenses, up to a maximum of \$2,500 per unit per year, with future adjustments for inflation.*

Additional Operating Support Using Section 8 Vouchers

In addition to Levy O&M funds, project-based Section 8 vouchers provide operating income for housing that receives capital funding through the Levy. The Seattle Housing Authority committed 500 Section 8 vouchers over the seven-year term of the Housing Levy, or 70 vouchers per year, depending on availability of federal funds. As with the Levy O&M funding, housing with Section 8 vouchers must serve households that have incomes below 30% of median income and need supportive services to live independently. Section 8 voucher awards are subject to the approval of the Seattle Housing Authority Director.

Funding Awards

Awards of Levy O&M funds and Section 8 vouchers will begin in 2011, as funded projects near completion and are ready to begin occupancy. Three rental housing projects that received Levy capital funding in 2010 will require operating support to serve the intended residents and will be eligible to apply.

Homebuyer Assistance Program

The Homebuyer Assistance Program provides low-interest deferred loans to first-time homebuyers purchasing a single family home, townhome or condominium anywhere in Seattle. Approximately \$1.2 million in new funding is available annually, plus any loan repayments from prior housing levies.

- Homebuyers apply for loans through nonprofit housing agencies, participating lenders, and housing developers that have received an allocation of City funds.
- The program provides deferred downpayment loans up to \$55,000, depending on each borrower's need. Borrowers may receive larger loans, up to \$70,000, if City funds are pooled with other subsidies and the average City subsidy is no greater than \$45,000 per loan.
- Loans are repaid upon resale or refinancing, providing revolving funds for additional homebuyer loans

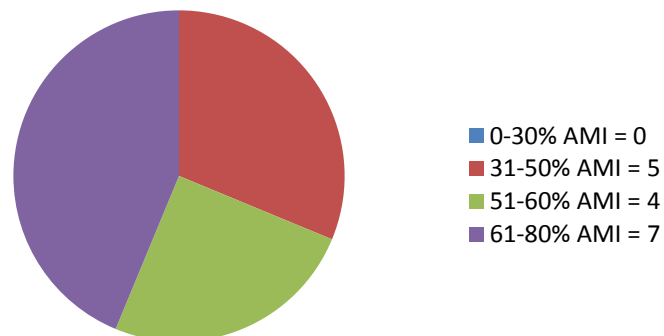
2010 Funding Summary

Funding Commitments. Funds were awarded to three lending programs. The Levy funding will support approximately 28 first-time purchasers:

- *HomeSight: \$125,700 Levy; \$504,300 other OH funds.* HomeSight will pool Seattle funds with State funds to assist 14 buyers up to 80% of median income purchase a home in Seattle.
- *Homestead Community Land Trust: \$550,000 Levy, \$600,000 other OH funds.* Homestead will assist 29 buyers to purchase existing homes; for at least 16 homes Homestead has leveraged price reductions by participating developers.
- *Washington State Housing Finance Commission: \$448,756 Levy, \$91,244 other OH funds.* The Commission will assist 18 buyers using the Commission's House Key first mortgage plus up to \$15,000 in down payment assistance to match City funding.

Home Purchases. In 2010, sixteen first-time homebuyers purchased homes using 2009 Levy funds or funds from prior housing levies. The average down payment assistance per buyer was \$31,800, which is lower than typical due to the availability of pooled financing. Levy funds that were committed in 2010 but not yet expended will result in approximately 25 additional home purchase loans.

Homebuyer Program Participant Income
Homes purchased in 2010
 16 homebuyers



Rental Assistance Program

The Rental Assistance Program provides temporary rent assistance to individuals and families who are at risk of homelessness due to job loss, illness, or other family crisis. It is also available to help families or individuals who have already lost their housing. Beginning in 2012, approximately \$850,000 will be available annually. The program supports:

- *Temporary assistance to prevent eviction*
- *Funding for move-in expenses and other costs to access housing.*
- *Referrals to services and benefits that will help the family or individual maintain stable housing.*

Program Development in 2010 and 2011

The Human Services Department, which administers the Rental Assistance Program, is developing policy guidelines that will be adopted in the Levy Administrative and Financial Plan for 2012-2013. Council is expected to adopt policies in Spring 2011, and HSD will announce the availability of funding in Summer 2011.

The Levy Rental Assistance Program will build on HSD's existing Homelessness Prevention Program that is funded with federal Homelessness Prevention and Rapid Rehousing Grant (HPRP) stimulus funds and other local funds. The federal stimulus funds will expire in 2012. The existing program has emphasized consistent program guidelines across all contractors, assisting households to access to all benefits for which they are eligible, and data collection through Safe Harbors (our region's Homelessness Management Information System).

Policy development for the Levy-funded program will include analysis of program data and outcomes from the existing local program, and research of national best practices. In addition, HSD will conduct community forums and focus groups with program participants.

Levy Funding Policies

Administrative & Financial Plan. Housing Levy programs are guided by policies in the Levy Administrative and Financial Plan adopted by the City Council every two years. The plan is prepared by the Seattle Office of Housing, with the participation of the Seattle Department of Human Services, the Housing Levy Oversight Committee, and the involvement of stakeholders for each of the five Levy program areas.

Allocation of Levy Funds. Levy funds are awarded through a competitive application process. The Rental Production & Preservation funds and Operating & Maintenance Funds are announced in a combined funding notice, typically twice each year, along with other housing funds administered by the Office of Housing and other public funders. Applicants are typically non-profit housing developers, often in partnership with agencies that provide supportive services. Organizations that receive City funds commit to provide below-market-rate housing to low-income households for a minimum of 50 years.

The Levy Homebuyer Assistance funds, combined with federal funds administered by the Office of Housing, are awarded through a competitive process to housing development projects and/or lending programs. First-time homebuyers apply for downpayment assistance loans through the selected lenders and nonprofit partners.

The availability of Acquisition & Opportunity Loans was announced in 2010. Applicants may continue to submit project proposals on a rolling basis, depending of the timing of the proposed acquisition project.

Rental Assistance funds will be administered by the Seattle Human Services Department, which will competitively select service providers who will distribute funds.

Housing Levy Oversight Committee. A Housing Levy Oversight Committee is appointed by the Mayor and City Council to monitor the progress of Levy programs. The Oversight Committee reports to the Mayor and Council on program accomplishments and makes recommendations for policy changes in the Administrative and Financial Plan. The Oversight Committee typically meets quarterly and is staffed by the Office of Housing.

Housing Levy Funding Awards for Rental Housing in 2010

| Project Sponsor Project Name Location | Project Description | Capital Funding | | |
|--|---|-----------------|---------------|------------------|
| | | Levy Units | Levy Funding | Other OH Funding |
| Capitol Hill Housing 12th & East Jefferson Workforce Housing 500 12th Avenue | New construction of housing for families and individuals, affordable for households earning up to 60% of area median income | 39 | \$ 2,400,000 | |
| Downtown Emergency Services Center Aurora Supportive Housing 10507 Aurora Avenue N. | New construction of permanent supportive housing for homeless individuals in north Seattle. DESC will provide on-site services, including mental health and chemical dependency services. | 87 | \$ 4,505,474 | |
| Mercy Housing Northwest Columbia City Station Apartments 4484 MLK Jr. Way S | New construction of housing affordable for families and individuals at 50% and 60% of median income. Part of Seattle Housing Authority's Rainier Vista redevelopment, located just two blocks from the Columbia City light rail station. | 52 | \$ 1,777,485 | \$ 2,146,515 |
| Housing Resources Group Sunset House 2519 1st Avenue | Acquisition and rehabilitation of existing affordable housing with an expiring HUD contract serving extremely low income seniors and people with disabilities in the Belltown neighborhood. Preservation of existing Section 8 operating subsidies. | 80 | \$ 2,293,163 | |
| Plymouth Housing Group Pontius Apartments 219 Pontius Avenue N. | New construction of permanent supportive housing for homeless individuals in the South Lake Union neighborhood. PHG will provide on-site services. | 81 | \$ 746,246.87 | \$ 2,091,061.13 |
| Artspace Projects, Inc. Mt Baker Lofts 2915 Rainier Ave. S. | New construction of housing designed to meet the needs of artists and their families, including large families and people with disabilities. Located near the Mt Baker light rail station. | 50 | \$ 1,800,000 | |
| Low Income Housing Institute Jackson Street Senior Housing 2010 South Jackson | New construction of senior housing, including 45 units of permanent supportive for homeless seniors, in the Central Area. Sound Mental Health will provide on-site services. | 60 | \$ 1,205,301 | \$ 1,558,359 |