



February 1, 2023

Margaret Solle Salazar  
Regional Administrator, HUD Region 10 of the Department of Housing and Urban Development  
*Delivered via email*

Re: Ft. Lawton Cost Estimates and Funding Sources

Dear Regional Administrator Salazar:

Thank you for our recent discussion. As you are aware, the City of Seattle (hereinafter “City”) has been responding to the deadlines presented in the timeline attached to the City’s August 5, 2022 letter. The February 1<sup>st</sup> deliverable requires two City of Seattle actions:

- 1) Identification of external funding sources to finance the infrastructure improvements
- 2) A completed schedule for submitting funding requests

Please see Attachment A for our identification of external funding sources, which address timing associated with availability of these opportunities.

In December 2022, the City of Seattle received the refined infrastructure costs associated with the [2019 Fort Lawton Redevelopment Plan](#). The Redevelopment Plan consists of homeless housing, as well as self-help and multifamily affordable housing, land for Seattle Parks and Recreation, and multipurpose fields for use by Seattle Public Schools. The refined infrastructure costs are substantially greater than the 2019 internal City estimates.

We have also attached, per request in HUD’s September 21, 2022 letter, refined infrastructure costs (Attachment B) associated with the 2019 Fort Lawton Redevelopment Plan. The scale of these infrastructure estimates played a critical role in defining which external funding sources to explore. Developed by Davido Consulting Group, this report provides a range of infrastructure construction estimates. Wide ranges were provided for the infrastructure costs and can be narrowed when the project enters the design phase. Considering the range within the Class 5 estimate, the City wanted to escalate for inflation to provide a future look at the potential cost. The City projects a \$122 million averaged cost for infrastructure calculating for inflation for the 2024 – 2027 time period.

Most of the infrastructure expenses are associated with the 237 homeless and affordable housing units. To maximize cost efficiencies in construction, the Davido report provides a range of cost estimates to build new infrastructure for both the homelessness housing and other development on the unimproved site. The City of Seattle, in moving forward in an intentional and thoughtful stewardship role, needs to identify and understand the costs for all the affordable housing and identify potential resources to help fund these expenses.

This average cost estimate does not include the costs of housing construction, which the city has estimated at \$40 million for the City's portion, leveraging other sources such as Low-Income Housing Tax Credits, State Housing Trust Fund and other resources, and other financing.

Assuming an average estimated cost of \$122 million for infrastructure and \$40 million for housing construction, the average cost to the City for the 237 units of affordable housing is estimated at \$683,000 per unit, which is triple the City's anticipated per-unit contribution in upcoming housing funding plans. Additional factors complicating the funding scenarios relate to the requirement to build the homeless housing in a timely fashion.

As noted in the 2019 Redevelopment Plan, the City Council ordinance requires the construction of affordable housing and prohibits construction of market-rate housing on this site. The plan goes well beyond infrastructure "improvements"; it involves building new infrastructure on unimproved land where the City does not yet have site control. Many external funding sources require municipalities to prove site control before submitting funding proposals.

As with every major city in America, the pandemic and subsequent economic shocks have changed the City's near-term and longer-term financial outlook.

- In November 2022, the Seattle City Council adopted a 2023 General Fund revenue forecast projected to be nearly \$140 million less than the revised 2022 revenues at \$1.623 billion. Revenue growth for 2024 is projected at an anemic \$11 million over 2023. Although technically balanced for 2023-24, the City Budget Office projects a revenue shortfall beginning in fiscal year 2025 of nearly \$221 million. The City's revenues are also at significant risk over this period due to uncertainty around the severity of a likely recession in the next 6-12 months, and continuing effects from the war in the Ukraine, supply chain disruptions and changing work force, real estate and retailing environments stemming from COVID, and other factors. All of this, plus inflationary effects on the City's overall costs including labor, signals serious budget constraints facing the City and substantial pressure on our people, especially the poorest among us. It underscores a fundamental responsibility to deploy available public dollars where the most people are provided quality affordable housing in the shortest period of time.
- With this commitment to providing quality affordable housing to Seattle residents, the Seattle City Council voted to approve and the Mayor signed into law in early December the City's 2023-2024 biennial budget. Despite revenue shortfalls, the City appropriated over \$500 million to building, acquiring, preserving and operating affordable housing, as well as creating permanently affordable homeownership opportunities. In addition, the City will devote more than \$225 million over the biennium to its homelessness response, including nearly \$200 million to support the services and programming of the King County Regional Homelessness Authority (KCRHA).

In summary, the refined infrastructure costs averaged at an estimated \$122 million, which does not include housing construction costs, present a significant set of challenges to the City at this

time. Additionally, HUD's expectation that the City provide homeless housing in a timely fashion is concerning considering the challenges the project faces. Attachment A is list of external funding sources that may be available to finance the project's infrastructure development.

Given the urgent need to acquire or build thousands of units of quality affordable housing and create hundreds of units for unhoused residents, the City is making it an immediate priority to invest public funds and resources while leveraging external funding sources on meeting these needs. This includes partnering with regional, state, federal, private non-profit, and philanthropic entities in the coming months to support existing organizations such as King County Regional Homelessness Authority, identify and acquire existing buildings to convert into housing, and build new housing on improved lands. The state of homelessness is a crisis, and we must act with the urgency that the situation demands.

The City of Seattle affirms our commitment to affirmatively furthering fair housing and meeting our City's equity goals. Given these current circumstances, we welcome the opportunity to have a continued conversation with HUD in our collective efforts to help people access affordable housing.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Washington', with a stylized flourish at the end.

Tiffany Washington  
Deputy Mayor of Housing and Homelessness, City of Seattle

Attachments:

- A. Funding Sources
- B. Davido Consulting Report

## ***Attachment A – Funding Sources***

The external sources of funding under consideration include Washington State, federal agencies, federal earmarks, and philanthropic sources. The City did not explore public-private partnerships with private developers due to the City Council ordinance to build affordable housing exclusively in this development, thereby precluding construction of some market-rate units to offset infrastructure expenses.

***City funding priorities and options.*** The City's funding priorities affect whether the City is eligible and competitive for certain external sources of funding. City resources will be used in the near term to acquire or build quality affordable housing that spends precious public dollars on creating the most units to house the largest number of people. City funding options include:

*Tax Increment Finance (TIF) option.* TIFs are a financing tool available to Washington State municipalities. The purpose of the tax is to build infrastructure that would encourage development. It is uncertain how much the TIF would collect because positive impact has not been evaluated for the surrounding community. This option requires community engagement and City Council action and there is no estimate available for when such legislation may be considered.

*Local Improvement Districts (LIDs) option.* A financing tool for capital improvement through the formation of special assessment districts. The special assessment would be paid over a period of time and assessed to benefiting properties. It is uncertain how much the TIF would collect because positive impact has not been evaluated for the surrounding community. This option requires community engagement and City Council action and there is no estimate available for when such legislation may be considered.

*Levy Lid Lift option.* The Levy Lift is a Levy that exceeds the levy limitation for a designated area to increase revenue. This option requires community engagement and City Council action.

*City Bonds option.* While in some cases the City issuing bonds is an appropriate option, the City does not believe Fort Lawton is the best project for such financing. Bonding for the infrastructure would increase the cost of the project and make it more prohibitive.

*Dedicated housing construction revenues.* Housing construction funds are anticipated to be available through the City housing levy, which is up for renewal later this year, and Payroll Expense Tax revenues. The City expects developers will seek funding from our state's Housing Trust Fund and Low-Income Housing Tax Credits for the homeless and multifamily rental projects on the proposed redevelopment site.

***State funding options.*** Washington State has been and continues to be a critical funding partner with the City to address our affordable housing and homelessness emergencies.

*State Bonding Proposal.* The State legislature is currently in session, and a major proposal currently in discussion is House Bill 1149, which considers issuing a \$4 billion bond dedicated to building 1 million housing units over 10 years. The Governor-requested bill was introduced in the January 2023 legislative session and, if it passes, would need to go before voters in November 2023 for approval. This new revenue source could be utilized for this project, but it is too early in the legislative process to project what resources may be available for infrastructure construction and how the resources will be distributed.

*Connecting Housing to Infrastructure Program (CHIP) funds.* CHIP funds are available through a competitive process through the Washington State Department of Commerce. The allocations for this current biennium have been expended. Another application period is being considered and written into proposed HB 1149 at \$50 million per biennium for 10 years (a total of \$250 million). CHIP's future as a funding source is uncertain if the bond does not pass. This is the one identified source of funding for infrastructure for affordable housing at the state level.

***Federal funding options.*** The City continues to explore opportunities to compete for federal funding for infrastructure construction associated with quality affordable housing. We are actively monitoring announcements from federal agencies that are implementing the Bipartisan Infrastructure Law (BIL) and Inflation Reduction Act (IRA). Our City has successfully competed for BIL grants from the U.S. Department of Transportation to support other critical infrastructure needs in our City. Additionally, the City has explored federal loan programs such as TIFIA loans and HUD Section 108 loans for housing construction efforts. Congressionally Directed Spending requests/Community Project Funding, as well as other federal appropriations avenues, could also be components of potential federal funding, but they require meeting certain criteria to be competitive for grants that typically range from \$500,000 to several million dollars. The City is also exploring whether resources provided to HUD through the Fiscal Year 2023 omnibus could provide potential support for the project.

***Philanthropic funding options.*** Philanthropic funding sources are helping municipalities tackle the affordable housing and homelessness emergencies in our city and region. These philanthropic efforts include business-philanthropic partnerships to build and provide housing as a basic human right. For example, Partnership for Zero ([wearein.org/partnership-for-zero](https://wearein.org/partnership-for-zero)) seeks to accelerate the work of KCRHA. As one of KCRHA's co-founders with King County and its largest public funding source, Seattle strongly supports these philanthropic efforts to accelerate and expand KCRHA's impact. It would be counterproductive for the City to divert philanthropic investments away from these existing efforts to address immediate housing needs.

***Attachment B – Davido Consulting Report***