

**CITY OF SEATTLE DRAFT APPLICATION TO THE
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FUNDING
PROGRAM: PATHWAYS TO REMOVING OBSTACLES TO HOUSING
(PRO HOUSING, FR-6800-N-98)**

October 15, 2024

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Exhibit A: Executive Summary
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Exhibit A: Executive Summary

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The City of Seattle appreciates the opportunity to apply for PRO Housing Round 2 (FY 2024) funding to support and expand the two programs for which we received funding in Round 1 (FY 2023). This additional funding will increase the positive impact these programs can have on the stability of low-income residents in Seattle.

Seattle has done as much as or more than any other big city in America to lower barriers to expand affordable housing production. Yet, despite the extensive efforts of policy makers, elected officials, voters, and our substantial community development nonprofit sector, Seattle still faces significant barriers to further progress. Everyone deserves a safe, healthy, and affordable place to call home, but this is increasingly out of reach for Seattle-area residents. Growing income disparity doesn't just strain budgets and push the limits of past programmatic innovations but also perpetuates racial inequality, with Black, Indigenous, and People of Color (BIPOC) households bearing the brunt of housing insecurity that pushes them out of the city in search of less expensive housing and decreases the diversity, vibrancy, and resilience of our community.

Deep engagement with the populations most directly impacted by this housing unaffordability has underscored a consistent need for greater focus on preserving and expanding low-income homeownership opportunities. To date, the City has primarily focused its policy incentives, financial resources, and nonprofit partner capacity on high-volume rental housing production. While important, it leaves limited resources available to address critical preservation challenges.

Both the housing stock and low-income families living in that rental and ownership housing are currently at risk in Seattle's high displacement neighborhoods. Without action, these homes will likely be lost to the market. But preserving these existing properties provides an opportunity to improve their quality through rehabilitation and stabilize low-income homeowners through the financial opportunity of redevelopment.

Our funding proposal includes expanding two transformative programs designed not only to mitigate displacement but redress past harms:

1. The **Homeownership as Preservation (HOP)** program aims to preserve smaller multifamily affordable housing units, while empowering low-income residents and creating homeownership opportunities, fostering stability and staving off displacement. The HOP program expansion proposed in this round seek to convert market-rate rentals, in addition to currently subsidized affordable rentals, to permanently affordable homeownership.
2. The **Legacy Homeowner Program** aims to provide supports that help lower-income homeowners, particularly in communities of color at risk of displacement, overcome the structural barriers they face to upgrading and adding housing to their property. Through connections with public and private support resources that will continue to grow after the pilot phase, homeowners vulnerable to displacement pressures will be able to leverage the equity in their property for greater financial and household stability and participate in

redevelopment opportunities, which will expand through forthcoming citywide upzoning, that typically disproportionately benefit wealthier white households.

By removing the remaining barriers as outlined below, these programs will actualize the vision of Seattle as a city where development does not lead to displacement and where progress goes hand in hand with preservation.

**Exhibit B: Threshold Requirements and Other Submission Requirements
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City staff have confirmed that there are no outstanding or unresolved civil rights matters that would make the City ineligible for this funding opportunity. Signed certifications are included with this application as an Attachment.

Exhibit C: Need
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Exhibit C: Need

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Seattle's efforts to remove barriers to affordable housing production and preservation are longstanding and diverse. To date, this has included establishing local funding sources for affordable housing, streamlining permitting review, administering various incentives for affordable housing, donating surplus land for affordable housing, and adopting cutting-edge construction code innovations for cost efficiency and quality:

- **Establishing local sources of financing for income-restricted housing.** For the past 40 years, Seattle's Office of Housing has increased the availability of financing and subsidies for affordable housing by creating and administering various local sources of funding to support the production, preservation, and operation of affordable income-restricted housing for households at or below 80% AMI. The existing portfolio of City-funded, income-restricted rental housing includes over 20,000 units. Additionally, these funds have supported homebuyer assistance activities serving just over 1,000 income eligible households and have created more than 250 owner-occupied homes with lasting affordability through resale-restrictions, in partnership with nonprofit stewardship entities like community land trusts. There are currently another 250 permanently affordable for sale homes in production,
- **Operating, maintenance, and services program (OMS).** In addition to the programs described above, local funding sources provide ongoing OMS for affordable rental housing. Housing Levy funds and JumpStart Payroll Expense Tax funds, along with other critical operating subsidies, support property maintenance and workers in these buildings through wage stabilization funds. These critical resources are consistently oversubscribed.
- **Support for existing low- and moderate-income (LMI) homeowners.** The City offers financial and service support to low-income homeowners to maintain tenure and quality of their homes through programs, including foreclosure prevention loans, home repair programs, and weatherization services.
- **Incentives for affordable housing.** Under Mandatory Housing Affordability (MHA), all multifamily and commercial development in Seattle must contribute to affordable housing. Implemented 2016-2019 through upzones, MHA has resulted in 246 affordable homes through on-site performance and more than \$246 million in in-lieu payments for permanently affordable housing. The voluntary Multifamily Tax Exemption (MFTE) provides a property tax exemption in exchange for reserving a portion of new units at restricted rents or sales prices for income-eligible households. Reauthorized five times since initial adoption in 1998, MFTE has produced 6,334 rental units and 81 ownership units affordable at 40-90% and 100-120% of AMI, respectively.
- **Dedicating surplus public lands to affordable housing.** Recent changes in both State law and City code now allow the disposition of surplus public property below fair-market value to be used for permanently affordable housing. Due to these updated policies, City of Seattle has transferred or is in the process of transferring 17 public parcels to facilitate the development of approximately 820 income-restricted housing units.

- **Permitting reform for income-restricted units.** Seattle created more predictable and streamlined permitting processes for affordable housing development. Exemptions from the City’s Design Review program for income-restricted housing developments were piloted in 2020 and made permanent in July 2023. These exemptions have shortened permitting timeframes by 60-120 days for 16 projects with 1,944 affordable homes.
- **Supporting affordable housing on faith-owned land.** In 2021 Seattle adopted legislation providing additional density for development of income-restricted housing (up to 80% AMI) on property owned or controlled by a religious organization. Religious institutions are critical partners in addressing displacement, particularly Black churches who are some of the largest landowners in Seattle’s historically Black Central District but have faced challenges, including restrictive zoning, to redeveloping their sites with affordable housing.
- **Innovation in construction methods.** In recent years, Seattle updated its building code to allow 6-over-2 construction that increase density and feasibility, amended zoning to allow modular highrise housing, and revised codes to encourage cross-laminated timber (CLT) up to 18 stories. Through this new flexibility, the Heartwood building opened in 2023 as the first Type IV-C tall wood building in the country, with 126 units affordable at a range of incomes up to 120% AMI in an eight-story CLT building with a fully exposed timber superstructure.
- **Expanding middle housing.** Seattle has begun undoing the harms of a century of restrictive single-family-only zoning. In 2010 and 2022, Lowrise zoning reforms to improve townhouse and rowhouse production, expanding multifamily zoning through MHA implementation in 2019, and encouraging ADUs. In 2019, Seattle adopted the most progressive local ADU regulations in North America, and in 2020 launched ADUniverse as a one-stop portal for ADU guidance, resources, and pre-approved DADU designs. Nearly 1,000 ADU permits were issued per year by Seattle in both 2022 and 2023, almost four times the number issued in 2018, with a large portion affordable at below-market rents. We are now developing zoning reform legislation that would allow at least 4-6 units throughout all residential zones, as required in Washington’s new middle housing legislation (House Bill 1110) adopted in April 2023.

Despite these many efforts, Seattle continues to face substantial shortfalls in affordable housing at all income levels.

Our application proposes to serve a priority geographic area — the City of Seattle — based on the factor that the development of affordable housing is not keeping pace with population growth. The offpace factor reflects the ratio of an area’s total population change to the change in homes affordable to households with incomes at or below 80% AMI from 2009 to 2019. Factors greater than zero indicate that affordable housing production is not keeping pace with overall population growth. Seattle’s offpace factor is 0.36, suggesting that our population is growing 36 percent faster than our supply of affordable homes, which puts upward pressure on housing prices and is one factor displacing LMI households and households of color from Seattle.

Table 1 below shows local housing supply estimates and need projections¹ that demonstrate a substantial need for homes affordable at or below 100% AMI. Through 2044, Seattle requires 112,000 total new housing units, of which 68 percent (76,148 units) is needed to serve households at or below 100% AMI. The greatest housing needs are for the lowest income bands.

TABLE 1

Seattle Housing Supply Estimates and Need Projections								
	AMI Level Served							
	0 to ≤30%		>30% to ≤50%	>50% to ≤80%	>80% to ≤100%	>100% to ≤120%	>120%	Total
	Non-PSH	PSH						
Net New Housing Need: 2019-2044	28,572	15,024	19,144	7,986	5,422	6,150	29,702	112,000
Total Future Housing Need: 2044	42,041	20,255	45,691	62,050	76,752	50,327	183,191	480,307
Baseline Housing Supply: 2019	13,469	5,231	26,547	54,064	71,330	44,177	153,489	368,307
Source: King County Ordinance 19660 adopting GMPC Motion 23-1 to amend the 2021 King County Countywide Planning Policies, August 15, 2023								

Households at or below 100% AMI are increasingly being displaced from Seattle. Between 2010 and 2019, the share of Seattle households with incomes over 120% AMI increased 4.6 percent, while the shares decreased in categories ranging from 50% to 120% AMI. The largest decline was in the 50-80% band, which shrank 3.6 percent, a net loss of 5,000 low-income households.

The large majority of low-income households in Seattle are cost burdened. Roughly 7 in 10 households with incomes at or below 80% AMI are cost burdened, and 3 in 10 households 80-100% AMI are cost burdened. This includes 6 in 10 owner households at or below 80% AMI and 4 in 10 with incomes 80-100% AMI.

Meanwhile, housing produced through Seattle’s private market is largely unaffordable to low- and middle-income households without subsidies and incentives, as described in Seattle’s recent Market Rate Housing Needs and Supply Analysis. In 2022, studio and one-bedroom apartments built within the last decade were, on average, affordable to households with incomes of 68% AMI and 91% AMI, respectively. Two- and three-bedroom apartments

¹ A collaborative countywide process in partnership with the Washington State Department of Commerce and the state Office of Financial Management allocates housing need estimates to cities and unincorporated areas.

appropriate for larger households were affordable only at or above 108% AMI and 144% AMI, respectively.

Homeownership is also increasingly out of reach to most households in our region. Seattle faces an acute shortage of market-rate ownership units affordable to low- and middle-income households. In 2022, the median sales price for homes built in the last decade was unaffordable to households under 120% AMI. With a 20% down payment, the median detached home built in the last decade requires an income of at least 236% of AMI, the median townhouse an income of 134% AMI, and the median multifamily condominium an income of 163% AMI. These homes would require a down payment between \$151,000 and \$322,000.

The high cost of housing, especially homeownership, perpetuates and worsens the racial wealth gap. Just 1 in 4 Black households in Seattle own their home, compared to 51 percent of non-Hispanic white households. As the primary way people accumulate and pass on wealth in the U.S., this racial disparity in homeownership reflects both the history of public- and private-sector racism in housing and the ongoing escalation of home prices and income inequality in our region. Today, the percentage of Black households with zero net worth in Seattle is almost twice that of white households.

Scarcity and insufficient resources also drive other racial disparities in housing. Half of Seattle's households of color have incomes at or below 80% of AMI, compared to less than one-third of non-Hispanic white households. Half of Black households and roughly 4 in 10 Native American and Hispanic households are cost burdened, compared with 3 in 10 white non-hispanic households. In many communities, ongoing displacement due to rising housing costs has reduced the share of BIPOC residents substantially in recent decades. In Seattle's Central District, the percentage of Black residents dropped from more than 70 percent in 1970 to barely 10 percent in 2017.

Despite the efforts described above, several significant barriers remain that limit Seattle's ability to produce adequate housing, meet housing needs, and address ongoing race and class disparities in housing. Several pertain to the challenges facing preservation of existing affordable housing and supporting affordable homeownership opportunities. To overcome these critical barriers, we are proposing a pair of innovative strategies that are poised for success and will be replicable.

This section describes these barriers in detail, including:

- Insufficient availability of financing and subsidy for affordable rental housing preservation
- Limited capacity of the City and nonprofit rental housing providers to preserve income-restricted rental units in smaller buildings
- Aging and substandard rental housing stock
- Lack of tenant organizing support
- Lack of viable options to prevent displacement for low-income homeowners

Given Seattle's past and ongoing success addressing many barriers, as outlined above, these represent key remaining barriers to the continued production and preservation of affordable housing necessary to fulfill the housing needs identified.

Insufficient availability of financing and subsidy for affordable rental housing preservation

This barrier came into sharp focus during our planning for the current seven-year Housing Levy renewal proposal, formally adopted by Seattle voters in the fall of 2023, and through housing need projections as part of the ongoing update of Seattle's Comprehensive Plan. Though substantial, the City's recent investments in affordable housing are largely devoted to producing new affordable rental homes and their ongoing operating costs, a prioritization that reflects Seattle's enormous affordable need, particularly at 0-30% AMI.

Office of Housing (OH) staff developed sophisticated financial models to understand the financial needs for the development of income-restricted multifamily rental housing. This analysis incorporated reinvestment needs in the City's portfolio of existing income-restricted housing and ongoing needs, including operation, maintenance, and tenant services (OMS) for residents of permanent supportive housing (PSH).

Accounting for all local financing sources and outside sources of leverage financing, substantial capital and OMS funding gaps remain to meet Seattle's housing needs for households at or below 80% AMI, as quantified in Table 1. The estimated gap through 2044 totals \$30.4 billion (\$27.7 billion for capital costs and \$2.7 billion for PSH OMS costs).

This dynamic creates tension. We must vastly expand affordable housing production — yet we face numerous challenges with an existing portfolio of aging housing that requires reinvestment to continue operating soundly. The City and other public funders operate with similar priorities, leaving the owners and operators of aging affordable housing stock facing serious capital needs and few options for financing.

Limited capacity of the City and nonprofit rental housing providers to preserve rent- and income-restricted small buildings

It is increasingly expensive and difficult for existing nonprofit rental housing owners and operators to maintain rental projects of roughly 30 units or fewer. In Seattle, costs are particularly high because projects at this small scale tend to be older and therefore have higher OMS per unit costs associated with older buildings. With low-income housing tax credits routinely oversubscribed and focused on the production of new units, few resources exist for maintaining and rehabilitating these small projects.

With operators unable to recover the cost of OMS through income-restricted rents, they are increasingly approaching the City with a desire to sell these smaller projects to private investors. This is most common for older buildings with fewer units and for those with deep income restrictions at or below 50% of AMI. In 2023, a nonprofit owner sold a 115-year-old 12-unit apartment building in Seattle to a real estate investor for \$5 million, a concerning bellwether for affordable housing advocates as other publicly funded restrictions approach expiration. The purchasing parties tend to be market-rate housing providers who intend to raise rents to unaffordable levels in order to cover building upgrades and turn a profit. Since our application for round 1 in 2023, this same owner has given notice to sell five additional buildings. These are currently encumbered by OH debt and as such are being considered as candidates for conversion to tenant ownership through the HOP.

The City seeks to intervene to preserve, improve, and expand housing opportunities on these sites. City staff and partners have explored new preservation and affordable homeownership strategies, and identified the barriers to them, to support several goals: residents wishing to remain in their homes with affordable housing costs, nonprofit organizations seeking financial sustainability, and the City's interest in new mechanisms to support all impacted parties and in preserving affordability wherever possible.

Aging and substandard rental housing stock

Many subsidized rental projects of modest size (under 40 units) were built more than 30 years ago, and their nonprofit, owner-operators have deferred maintenance for various reasons. This is the case among market-rate buildings as well. The HOP Program will satisfactorily relocate low-income tenants in higher-quality affordable rental housing or allow them the opportunity to purchase a rehabilitated home in their current building.

Lack of tenant organizing support

While nonprofit rental housing owner-operators struggle to manage these small buildings, Tenant Opportunity to Purchase programs in various communities have shown that tenants who become new homeowners *can* manage these types of buildings if adequately supported. A necessary element to successfully implement a rental-to-ownership conversion program as is proposed here is tenant organizing support. Tenant organizing support is critical to educate and empower tenants to engage in the process to influence the outcome.

In February 2023, the Office of Housing contracted with community development consultants, Street Level Advisors and Whitney Jennings, to assess the feasibility of a tenant purchase program in Seattle. The two primary barriers identified were 1) the current lack of any local tenant organizing capacity and 2) the lack of capital that could be mobilized quickly enough to affect a market-rate transaction.

After 32 interviews with housing advocates, nonprofit developers, and CBOs in the Seattle area, their high-level assessment of the environment is that Seattle's tenant organizing capacity has ebbed and flowed substantially over the years. The current state was seen as insufficient to readily advance tenant's opportunity to purchase. The assessment concluded that no single organization currently has both the technical knowledge and community trust to conduct the tenant organizing, homebuyer education, legal and financial counseling for low-income renters necessary to prepare tenants to purchase existing rental stock. That said, several organizations expressed a keen interest in and mission alignment with providing tenant organizing and other support services if sufficiently resourced to do so.

The opportunity to work with patient sellers — that is, our nonprofit rental housing owner-operators — mitigates the second environmental deficit, the lack of speedy capital, to create project success and demonstrate program viability to private funders who could contribute such flexible funding to this cause.

Lack of viable options to prevent displacement of low-income homeowners

Though ownership may reduce their susceptibility to certain displacement pressures compared to renters, homeowners with low or moderate incomes nonetheless experience displacement when facing the rising costs of maintaining homeownership. This is particularly true for homeowners of color in growing and gentrifying neighborhoods where displacement risk is high.

In 2023, the Office of Planning and Community Development (OPCD) contracted with Wa Na Wari / CACE 21, an initiative focused on expanding Black homeownership and cultural space in these communities. Their summary report describes the barriers to preventing further loss of Black ownership, including “the need for development of new housing to accommodate multigenerational homes” and an overall “lack of intervention by the City to prevent displacement, especially among Legacy Homeowners in the Central District.”

Longtime homeowners of color often express that, as growth unfolds in their community, they feel limited to one of two options: sell their property and relocate, thereby exacerbating cultural displacement, or stay as their neighborhood changes around them, unable to take advantage of development opportunities that require substantial wealth, access to financing, or specialized knowledge and expertise. They also often encounter predatory behaviors that add pressure to these decisions, such as unsolicited phone calls or mail from investors wishing to buy and redevelop their property.

Wealthier homeowners can leverage their resources to maintain homeownership and invest in their property, but low-income homeowners have fewer options. This disparity already plays out today in Seattle’s Neighborhood Residential (NR) zones, where property owners have expanded flexibility to add accessory dwelling units (ADUs) to their site thanks to legislation adopted in 2019. Our recent survey of ADU development found that households permitting ADUs are disproportionately wealthy (income over \$200,000) and white (85%) far above Seattle average generally and even Seattle homeowners specifically. The high cost and complexity of development means these opportunities aren’t available to the residents who might in fact most benefit from them.

These challenges are even greater for Legacy Homeowners in areas that have recently been or next year will be upzoned for greater housing density, as they have the theoretical right to add homes to their property but often cannot due to conventional lending practices and greater up-front soft costs. They are limited to hard money loans and risk foreclosure if their redevelopment project isn’t completed.

In 2025, these disparities are likely to grow absent proactive interventions, as Seattle must adopt new zoning to promote middle housing by June 2025. Allowing at least 4-6 homes per lot currently zoned for detached housing, as required by Washington House Bill 1110, presents a tremendous opportunity to increase the supply and variety of housing in areas where restrictive zoning has for a century contributed to racial and economic exclusion. But it only intensifies the barriers that LMI homeowners must overcome to take advantage of new opportunities to add triplexes, stacked flats, or courtyard housing is likely to perpetuate these inequitable patterns. Without supports, these homeowners will struggle to leverage their property while staying in place. They can stay and watch the neighborhood grow, they can sell and leave, but there’s no third option for them to participate in the equitable development of their community. As a result, the comparative appeal simply to sell one’s property and move away could further accelerate cultural displacement and undermine the promise of expanded housing choices as a tool for equity.

Exhibit D: Soundness of Approach
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Exhibit D: Soundness of Approach

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Seattle's current program expansion proposals offer a clear vision, co-created in partnership with key stakeholders, of increased housing opportunities, mitigating displacement in targeted neighborhoods in Seattle.

Vision: Equitable Growth without Displacement

Successful expansion of these newly launched programs will increase the supply and variety of affordable housing and the stability of low- and moderate-income households, specifically where restrictive zoning has for a century contributed to racial and economic exclusion.

The City of Seattle proposes to use additional PRO Housing funding to advance the two critical demonstration projects funded in Round 1 that aim to preserve affordable housing, prevent displacement, and address the racial wealth gap. While their initial impact may be limited, these demonstrations will serve as proof of concept to overcome key barriers, discover best practices, and build capacity for efforts that will then be improved and scaled for increased and sustained impact. The support of a second round of PRO Housing funding will boost the near-term impact of these programs during the pilot phase by increasing the number of households served and accelerate their scaling up.

The City's Office of Housing (OH) and Office of Planning and Community Development (OPCD) jointly propose to work with and support two types of existing property owners — nonprofit owners of small rental properties and individual owners of detached homes who currently face economic, cultural, and other pressures to sell their property or relocate.

The activities described below comprise a two-pronged strategy for housing advancement. First, we will support tenants in smaller nonprofit owned rental properties who face displacement pressures. By resourcing tenant organizing efforts, tenants will be educated and empowered to explore preservation and redevelopment strategies for their buildings, including conversion to homeownership. Secondly, we will support existing homeowners facing growing displacement pressures to build economic resiliency by exploring options for redevelopment of their property.

Our proposal will address the identified key barriers to preserve affordable housing, create more affordable homeownership opportunities, prevent displacement, and address the racial wealth gap in two ways. Both programs will invest resources in preserving existing housing, leveraging those investments to create new housing, building local capacity for tenant organizing, and giving existing homeowners alternatives to displacement.

Homeownership as Preservation (HOP) Program

The first strategy will be administered by the Office of Housing. Activities will include partnering with nonprofit rental housing owner-operators who, because of increasing costs and decreasing financial viability, face the tough decision of divesting from some of their smaller, older rental projects (usually around 30 units or less). This existing affordable rental stock is at-risk of being sold, eliminating affordability and displacing tenants. The solution proposed meets two national objectives as it will serve predominantly, if not exclusively, low- and moderate-

income households and prevent existing rental properties from falling into disrepair, potentially creating blight. Implementation of this strategy will create a win-win-win where 1) the nonprofit rental organizations can be relieved of assets that are a strain on their balance sheet, 2) low-income tenants will be empowered to decide whether to own a home (either a condominium unit or a cooperative share) and benefit from the stability and security of homeownership *and* 3a) housing is rehabilitated and preserved *or* 3b) the site is redeveloped with more, high-quality affordable homeownership opportunities for current and future homebuyers through on-going stewardship and resale-restrictions.

The HOP program would be a pilot program to not only demonstrate proof of concept but also to build organizational relationships, create capacity for tenant organizing and other support services, result in the conversion of an additional 1-2 projects (for an estimated 20 units total), and inform future policy and legislation to facilitate preservation of market rentals as affordable ownership.

Seattle has benefited from investing in a nonprofit organizational eco-system with significant capacity to develop and steward affordable homeownership opportunities. The proposed programs leverage that capacity and expertise while building the capacity for other needed activities like tenant support services.

PRO Housing funding would be used for several proposed activities. Funds will be used to seed a competitive grant pool for development and other services – building inspection and capital needs assessments, redevelopment financial analysis, rehabilitation and/or new construction management, etc. – from existing nonprofit homeownership organizations to purchase rental projects and convert them to ownership opportunities. Funding would support the existing nonprofit rental owner-operator's staff time to orient potential buyers to the status of existing tenants, the property and the building's needs. This staff would also support tenant relocation activities if needed.

The sub-grantee(s), competitively selected from the grant pool described above, would work in partnership with the existing rental owner-operator and the tenants, supported by the Office of Housing, to assess which of the paths listed below is most feasible for each of the demonstration buildings.

Possible HOP project pathways include:

1. Existing rental projects are rehabilitated, current tenants are organized to support the conversion to ownership (limited-equity cooperative or permanently affordable condominium) and they are then supported to purchase their units, or
2. Existing rental projects are rehabilitated, tenants are relocated, projects are converted to ownership and are sold to other eligible homebuyers, or
3. If rehabilitation is untenable, existing tenants are relocated, project is demolished, and new, permanently affordable homeownership opportunities are developed and sold to eligible homebuyers, some of whom may be former tenants. This scenario would most likely result in significantly more units at higher densities, as many of these older buildings do not maximize current development potential.

Regardless of the path, all resulting for-sale units would be either limited-equity cooperatives or condominium units with lasting affordability, all serving households at or below 80% of AMI.

The largest line item in the PRO Housing budget (\$2.695 million) would supplement and leverage OH funding (\$2.5 million) to pay for the capital costs for acquisition, rehabilitation, or new construction and/or tenant relocation depending on the preservation path forward for each project.

Finally, PRO Housing funding would be used to create much needed tenant organizing services and tenant organizing capacity. Grant funds would be awarded through a competitive Request for Proposal (RFP) process to nonprofit organizations to provide the necessary services of: organizing existing tenants, including financial and legal services; homebuyer education and counseling; affirmative outreach for new homebuyers; and other activities needed to make such a conversion program successful.

This same consultant team who identified the lack of tenant organizing capacity assisted with the Office of Housing assessment of rental to ownership conversion opportunities. They interviewed a wide range of Seattle's affordable housing developers. They began their interviews with several large housing nonprofits to understand the extent to which they had considered homeownership conversions in the past. In the second round of interviews, however, they spoke with several smaller community-based developers whose capacity was admittedly much lower than the large agencies. What they heard very strongly from this second group was their deep interest in being involved in assisting tenants to purchase their homes. Several of these executive directors suggested that their organizations could potentially play a role in tenant organizing as a steppingstone to building their experience and capacity in housing development more broadly. They pointed to their knowledge of their communities (both geographic and ethnic) and perhaps more importantly, the level of trust their communities place in them. These authentic community relationships suggest that these smaller developers could bring a new dimension to tenant organizing. In the forefront of all these conversations was the recognition that these organizations would need financial support to play such a role.

As stated earlier in the key barriers section, Seattle currently lacks any tenant organizing capacity, and while several community-based organizations are willing to fill that role, they need to be resourced to do so.

In assisting OH to create a draft plan for these small-scale, rental to homeownership conversions, consultants researched variations of programs established in other jurisdictions, namely Washington, DC and San Francisco, CA. Seattle is fortunate to benefit from programmatic experiences and learning from these other cities, including key elements to these two jurisdictions' success. A Tenant Opportunity to Purchase program and a Community Opportunity to Purchase program do not currently exist in the Seattle environment. Critical elements necessary that are absent here are 1) tenant organizing capacity and support services (financial and legal) for tenants and 2) capital that can be mobilized quickly to affect such purchases. OH proposes funding the tenant support services and organizing capacity with the PRO Housing funding and to operate a pilot program with patient sellers (nonprofit rental housing owner-

operators) that will inform the design of a program that would be implemented to convert market-rate rentals to permanently affordable homeownership.

Seattle is fortunate to have strong organizational partners that develop and steward the long-term affordability of homeownership opportunities and this proposed pilot would leverage the expertise of those organizations. Existing homeownership development partners have years of experience of successful development projects, affirmatively further fair housing by successfully reaching households least likely to apply for homeownership programs, and effectively steward on-going affordability of homes while also supporting long-term homeowner success.

The HOP demonstration will result in the development or conversion of an estimated 20 permanently affordable, for-sale homes for low- and moderate-income households over three years. A small portion of the PRO Housing funds will be used for consulting services to assist in the design, implementation, and documentation of the program to inform future program improvements and expansion.

This collaborative and innovative program approach will a) preserve, improve and/or increase affordable housing, specifically homeownership opportunities, b) prevent displacement or amiable relocation of existing tenants, c) stabilize and improve neighborhoods and d), be replicable and applicable to future market-acquisitions in Seattle and other similar markets throughout the country.

Legacy Homeowner Development Support

The second part of our proposal addresses the needs of low- to moderate-income (LMI) homeowners struggling to retain ownership of their property and remain in their community due to displacement pressures, the rising costs of homeownership, and structural barriers in access to development opportunities. To stabilize these homeowners and support equitable redevelopment opportunities, the Office of Planning and Community Development (OPCD) would supplement the funding received in Round 1 with roughly \$1.5 million in PRO Housing Round 2 funding to develop supports that help Legacy Homeowners with incomes up to 80% AMI overcome the barriers they face to upgrading and adding housing to their property.

As described above, LMI homeowners face a range of barriers that limit their ability to achieve stability, capture value equitably from their property, and contribute to new housing options, including:

- Difficulty understanding and navigating the complex world of design, land use regulation, permitting, and construction;
- Fewer financial resources available to pay for professional services like architects to conduct feasibility analyses, design, and permitting support;
- Limited access to the financing needed to complete a development project;
- Inability to afford the typical home size and type conventional developers build on their lots, which are often priced at a higher point than homeowners can sell their land for;
- Lack of information surrounding the development potential of their land, leading to the inability to engage in fair negotiations with developers; and
- Lack of resources and process familiarity to negotiate arrangements with developers to best protect the equity they have in their land.

To address these barriers, funding from Round 2 will expand the impact of this program from support for 10-15 homeowners to 20-30 (with funding from Rounds 1 and 2) in communities experiencing displacement to complete pre-development activities for development of housing on their property. The impact would span beyond these households as other community members will have clear examples of what is possible to develop on their own lots. We will provide these services through a combination of programmatic support from new and existing City staff positions and contracts with community-based development organizations, several of which have nascent work underway to support homeowner-led development to counter displacement pressures. Staff and community-based organizations will conduct the following activities:

- **Provide technical assistance**, tailored to their needs and delivered through trusted community representations and organizations, that helps Legacy Homeowners understand and assess their redevelopment options and navigate the design, permitting, and construction process.
- **Conduct pre-development services** for Legacy Homeowners who are seeking to add housing to their property to complete site assessment, evaluate development feasibility, develop a pro forma, set up a development legal entity, and ensure their desired projected can access necessary financing. When homeowners control this process, they can ensure the new units built on their land are affordable to their children and community. While funding of less than \$100k per site will not cover all pre-development soft costs, it will take each project to a point where most due diligence has been completed and additional capital can be more easily raised.
- **Legal support, counseling, and guidance on the generational transfer of ownership.** Many BIPOC homeowners are aging and looking to pass on their homes to their children. Creating multiple homes on a lot creates ways for this to be smoother (where some kids can sell out and others can be housed). Support with this process and the options that exist is valuable for getting buy-in from the current owner and descendants.
- **Foster community networking opportunities** through workshops and events that connect homeowners with designers, homebuilders, lenders, other practitioners, and City permitting staff. These forums would convene private- and public-sector stakeholders to support Legacy Homeowner needs. They would build on existing City events like the Seattle Department of Construction and Inspections (SDCI) Home Fair and ADU fairs held in 2019 by OPCD.
- **Identify City staff who help** Legacy Homeowners navigate the permitting process. This could include answering questions, offering one-on-one consultation, and supporting the resolution of corrections during the permitting process.
- **Facilitate the creation of loan products** and/or other financial tools to provide capital for these projects.

These activities would fulfill the national objectives of benefiting low- and moderate-income persons and meeting pressing community development needs in growing and gentrifying communities at high risk of displacement.

This pilot program targets a multi-win solution wherein households at risk of displacement can leverage their assets and not only remain in their historic neighborhood, but participate in its evolution by creating housing solutions for others.

This proposal aligns with existing local and regional planning initiatives and is an implementation strategy to fulfill our community vision for the future. Seattle is currently engaged in a major update of its Comprehensive Plan, the roadmap for where and how Seattle will grow and invest in communities over the next twenty years and beyond. The One Seattle Plan will chart a new course toward more equitable growth without displacement, a vision where growth in Seattle welcomes newcomers, supports current residents and businesses to remain and thrive in place, and creates pathways for people who have been displaced to return to their communities if they wish.

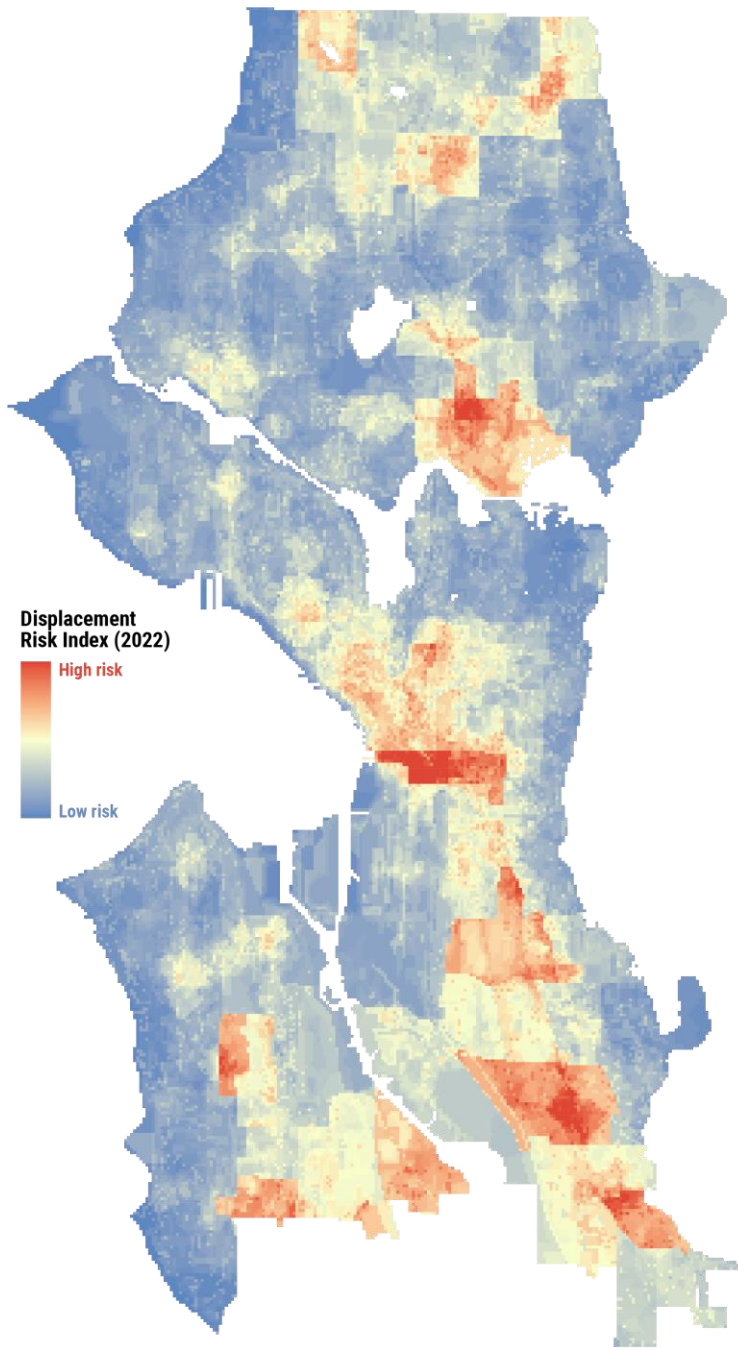
Achieving this vision will require us to address Seattle's longstanding and acute housing crisis, whose causes include an overall housing shortage, inadequate public resources to meet affordable housing needs, and displacement pressures. Seattle's recent high population and employment growth, which once again leads the nation, particularly rapid growth in high-income households, is fueling housing speculation and gentrification that, through both economic and cultural forces, lead low-income residents and people of color to leave neighborhoods they love or Seattle altogether. These proposed initiatives will address these challenges.

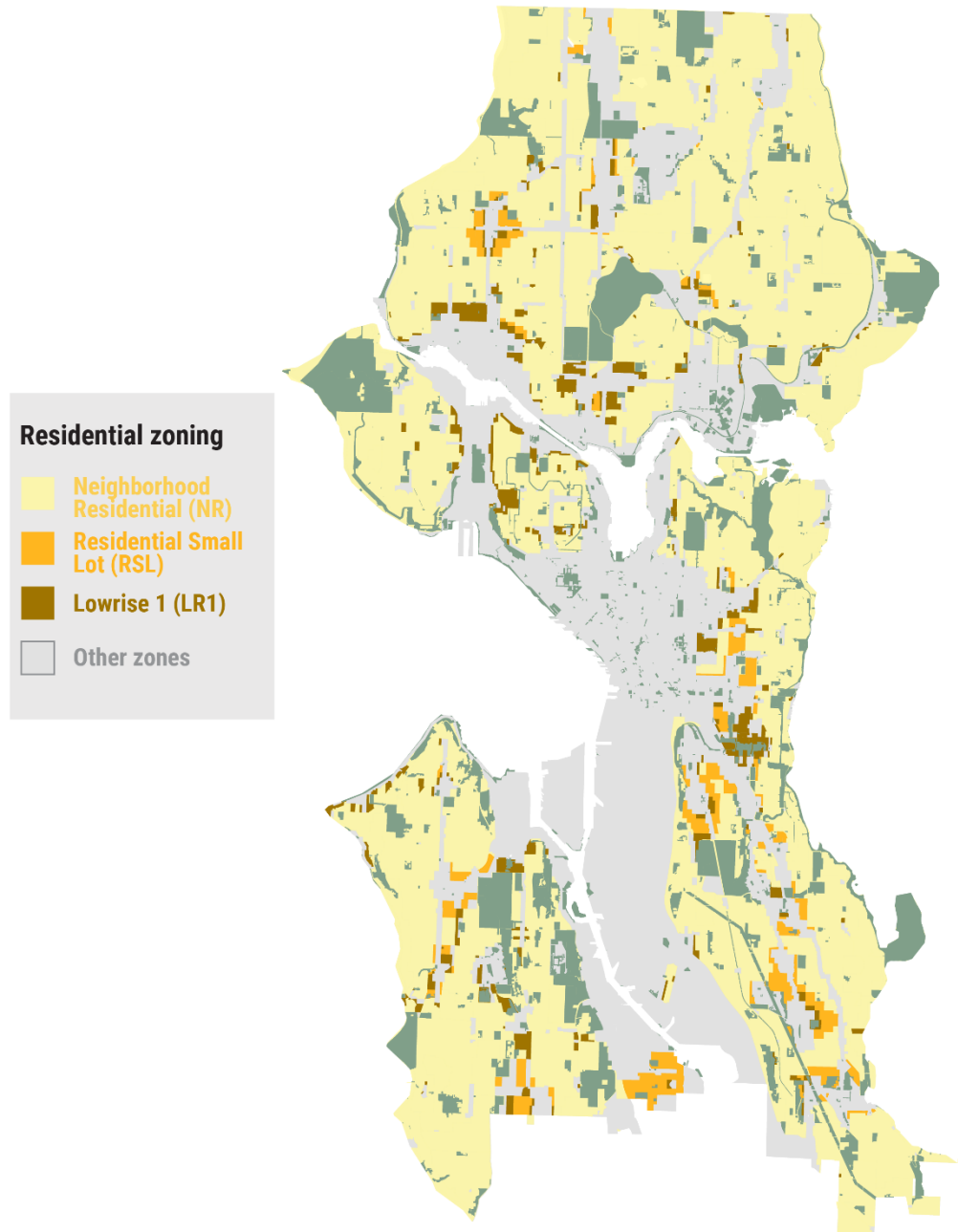
Geographic scope

Both proposed programs would be available throughout the entire City of Seattle, with an emphasis on investments and support for households in communities at high risk of displacement, where shares of BIPOC residents are larger. This geographic emphasis will help address longstanding racial disparities in who can access different neighborhoods, achieve stable homeownership, and participate in development opportunities that are rooted in a history of discrimination.

The nearly 40 potential projects suitable for HOP Program conversions or redevelopment are located in diverse neighborhoods throughout the city. With sufficient funding (from both Round 1 and 2) we will identify 2-4 conversion projects to undertake would reflect that geographic diversity. We will strive to pilot 1-2 projects in neighborhoods where low-income residents have a high risk of displacement and 1-2 projects in high-opportunity areas. In both contexts, it is important to preserve and increase the amount of high-quality affordable housing on these sites near transit, jobs, schools, and other services.

The Legacy Homeowner program would most directly serve homeowners with incomes up to 80% AMI, many of whom live in residential zones in areas where displacement risk is relatively high. The following maps show 1) the City's Displacement Risk Index, a composite of where vulnerable populations live and the physical and market factors that drive development pressure, and 2) key residential zoning districts where most low- and moderate-income homeowners who could benefit from the Legacy Homeowner demonstration program are located.





Like most major U.S. cities, Seattle has a long history of racist housing and land use policies and practices like racially restrictive covenants, redlining, and exclusionary zoning. These public- and private-sector practices excluded BIPOC residents from many neighborhoods, disinvested in the limited areas where they were allowed to live, and over generations concentrated wealth and property ownership among white households. The legacy of these practices persists today in the lasting racial segregation across Seattle neighborhoods and in our racial wealth gap, as noted in Exhibit C. Today, the highest-graded Seattle neighborhoods in the Home Owners' Loan Corporation (HOLC) maps remain disproportionately white, restrictively zoned, and characterized by high-cost detached housing. Because income and wealth are so strongly correlated with race, the zoning-driven scarcity that drives up housing prices reinforces the racial

segregation begun by redlining and racial covenants across much of Seattle. Our proposed programs are available in these areas as a tool to preserve affordable homeownership opportunities where they are scarce.

Likewise, the neighborhoods where BIPOC residents were effectively forced to live (because elsewhere they were explicitly barred through covenants and denied financing through redlining) became communities of color with rich histories and cultural networks that now face substantial gentrification and displacement pressure. The location of several such areas, like the Central District and Rainier Valley, close to downtown Seattle and the city's expanding light rail network, attract speculative development of new high-cost homes and in-migration of higher-income white households who outcompete current residents for housing. In these areas, it is vital to preserve existing affordable housing, expand homeownership opportunities as a bulwark against displacement, and ensure long-time LMI homeowners can participate in the growth and development of their community.

Key stakeholders and engagement

Both proposed programs build on years of deep engagement across Seattle's affordable housing, racial equity, and equitable development stakeholders. These stakeholders include:

- Nonprofit owners of affordable housing that is older and smaller in scale and its residents
- Equitable Communities Initiative Task Force members
- Nonprofit affordable homeownership developers and prospective homeowners
- Community-based organizations with culturally specific constituents
- Community-based organizations with some interest in providing tenant-organizing services (interviews conducted with 32)
- Black Home Initiative
- Other public funders of affordable housing (both rental and ownership)
- Black Legacy Homeowners, an existing community-led network of Black homeowners who have been advocating for greater support for Legacy Homeowners for several years
- Cultural organizations like Wa Na Wari / CACE 21, an initiative to organize Black homeowners in the Central District, promote measures to keep them in place, and create cultural spaces
- Architects, designers, and builders engaged in affordable housing and equitable development, including through the LISC Housing Equity Accelerator, which provides mentorship and capacity building curriculum for developers of color and pre-development grant funding for upfront costs for their projects. The cohort of developers of color who are participating in this program are potential practitioners who could support the aspirations of Legacy Homeowners to use the development potential of their property for housing production.
- Lenders, developers, and community development financial institutions (CDFIs) offering or exploring innovative financing tools and development models for homeowner-led development, such as Frolic

Homeownership as Preservation stakeholder engagement

The HOP program concept evolved slowly over the course of several years as community identified the distinct needs and barriers outlined above, including insufficient number of affordable for-sale homes, and aging and expensive to maintain small rental projects.

Community advocates have called for tenants to have greater opportunity to purchase the units they rent, with an increased interest in cooperatives as an ownership solution, which has led to the current OH review of our Notice of Intent to Sell program. The idea, with funding from both Round 1 and 2, to pilot a demonstration to explore the impact of converting 2-4 specific rental projects is driven by community need. Again, the glaring absence of any tenant organizing capacity within Seattle was one barrier we knew we needed resources to contend with. Drafts of the proposal were circulated to potential partners and input about project size and cost per project were incorporated in the final proposal.

OH recently conducted extensive public engagement to design its 2023 Housing Levy renewal proposal, including a specific focus group with homeownership stakeholders. With one-time funds, OH also engaged a consultant to develop policies to improve the effectiveness of the City's Notice of Intent to Sell program. This consultant work evolved into a focused examination of how the City might implement community and tenant opportunities to purchase affordable homes. The consultant team has also conducted intensive engagement with impacted stakeholders over the last two years, which directly informs this proposal for HOP.

Integral to the program design is continued dialogue with stakeholders including but not limited to existing tenants of affordable rental buildings, owner-operators of these buildings, tenant support service providers including organizations providing legal assistance, and sub-grantee organizations that will be rehabilitating, redeveloping and/or converting the building to ownership. The funded tenant organizer will convene and support a resident council at each subject property to give feedback on the program results. All program partners will participate in the final program report and policy recommendations after the demonstration period.

Legacy Homeowner stakeholder engagement

The Legacy Homeowner proposal reflects several years of ongoing engagement with these stakeholders as part of related recent and ongoing planning, housing, and community development work. This includes a multi-year effort to remove barriers to development of accessory dwelling units (ADUs) that produced regulatory reform, a Racial Equity Toolkit analysis, programmatic strategies to support homeowner-led development, and ongoing monitoring. It also builds on ongoing stakeholder engagement as part of the One Seattle Comprehensive Plan process through which we've engaged stakeholders working on anti-displacement strategies generally and sought tools to support BIPOC residents and homeowners specifically. Engagement documentation that includes specific recommendations has directly informed this proposal. This includes the Wa Na Wari / CACE 21 report mentioned earlier, community-initiated applications for funding from the Equitable Development Initiative to support Black Legacy Homeowners, and a series of community meetings about housing and displacement as part of the One Seattle Plan.

For the past two years, OPCD has also led Equitable Development Zoning (EDZ), an effort focused on aligning City land use policy more closely with equitable development goals and

outcomes. The City adopted OPCD's EDZ Phase I legislation in July 2023, which takes steps to remove regulatory barriers to equitable development projects. OPCD's EDZ work is informed by a stakeholder group that includes practitioners also involved in and advocating for Legacy Homeowner strategies, so the proposal builds on that engagement as well.

The City also undertook a Generational Wealth Initiative whose recent report identifies many of the same challenges discussed above. The Initiative included funding several pilot projects focused on, among other things, community ownership of real estate and wealth retention and asset building programs. The proposal would complement and build on the lessons from these demonstration efforts.

Ongoing engagement

If awarded funding, we plan to convene these stakeholders to inform City-led strategies and any competitive procurement processes we initiate. This would include both individual low-income homeowners in high displacement risk communities who are interested in adding housing to their property, face barriers to that outcome, and could potentially benefit from the proposed supports. It would also include consultation with the community organizations and community-based developers working to create a support network for these homeowners. Specific strategies to get further input from these stakeholders would include listening sessions, one-on-one conversations, focus groups, and engagement via trusted community-based organizations. OPCD and OH will use the feedback gathered during public engagement to inform these demonstration efforts, as well as future funding for mixed-use affordable housing buildings that complement broader equitable community development goals.

Alignment with requirements to affirmatively further fair housing

The HOP program increases access to homeownership opportunities by converting rental units into for-sale units and supports tenants to being homeowners. Displacement of Black and other households of color from Seattle leads to increased segregation. Our successful efforts to convert rental housing into high-quality, affordable homeownership opportunities coupled with affirmative marketing conducted by homeownership outreach partners will further increase opportunities for households who have faced systemic barriers to accessing affordable housing and homeownership opportunities and promote desegregation. Seattle's homeownership development partners have a strong track-record of reaching and serving households who are deemed "least likely to apply".

The Legacy Homeowner Program directly targets barriers to homeowner-led development that supports access to opportunity, household stability, and generational wealth. The high cost and complexity of development, limited technical assistance, and scarce financing tools are just some barriers that prevent LMI homeowners from leveraging their property and contributing to housing growth and that homeowners with financial resources available can more easily overcome. Homeownership and the ability to leverage one's equity are key vehicles for opportunity and stability. The program decreases segregation by helping to prevent the ongoing exodus of LMI homeowners and homeowners of color from Seattle. The current pattern in these neighborhoods is in migration of higher-income, typically white households who can afford the high cost of new and existing homes. Over time, this has led to historic communities of color

losing their racial diversity and to worsening economic segregation in most if not all Seattle neighborhoods.

Both proposed programs align with existing fair-housing plans and anti-displacement efforts and will serve households who have been disproportionately affected by the lack of affordable housing options and homeownership opportunities. Increasing the quality and accessibility of existing housing stock will better serve LMI residents with limited mobility as well. We see these programs as anti-displacement measures in themselves.

To launch the HOP Program OH intends to work with both with existing homeownership development partners as well as with other community-based organizations to conduct affirmative outreach to homebuyers who have historically been excluded from homeownership opportunities. OH's two primary partners that develop and steward homeownership opportunities with lasting affordability – Homestead Community Land Trust and Habitat for Humanity Seattle, King and Kittitas Counties – have a successful track record of reaching and serving households of color and others who may be unlikely or least likely to apply. Between the two organizations 65.6% of current homeowners are households of color. Black or African American households make up 28.8% of their homeowners, despite Black households making up just 12% of the Seattle population. We anticipate households who become homeowners as a result of HOP would mirror the current demographics of existing programs. Additionally, these organizations tend to serve larger households and households with children at a higher percentage than OH's current rental partners.

For the Legacy Homeowner proposal, we anticipate eligibility criteria for use of the funds for pre-development activities that include household income below 80 percent of AMI. With a geographic focus on areas at high risk of displacement, which often have above-average shares of BIPOC residents, the proposal will likely benefit a significant number of homeowners of color. This would help address Seattle's significant racial disparities in homeownership and wealth by stabilizing homeowners of color and helping them unlock the value in their property for housing creation. Supporting a broader range of homeowners to participate in development creates a more equitable development system that otherwise privileges applicants with more wealth, knowledge, and experience navigating the system. It also serves as a bulwark against the continued displacement of homeowners of color from neighborhoods that are rapidly becoming less affordable to areas of our region, like south King County, where access to opportunity is lower, commute time lengthens, and community ties are severed.

We will evaluate the success of the HOP programs by how many tenants were able to successfully purchase their unit and/or were relocated to an affordable rental in the same neighborhood, there by not being displaced. Another measure of success will be the number of new homeowners regardless of whether they were existing project tenants. We will judge the success of the Legacy Homeowner program by the number of homeowners who are able to successfully redevelop their property to maintain tenure and create additional housing.

Proposed Budget and Timeline

The City of Seattle requests a total of \$5 million in 2024 PRO Housing funding to expand the following demonstration activities, with a goal of completing program work within four years:

- \$3.5 million for the Office of Housing to expand the impact of the Homeownership as Preservation demonstration program
 - \$2,695,000 Permanent Development Subsidy
 - \$500,000 Subcontracted staffing support for:
 - Rental owner-operator staff time for transactions
 - Redevelopment Coordination/Stewardship
 - Tenant organizing
 - Other tenant services (financial, legal, etc.)
 - \$180,000 Relocation expenses (\$18K average per 10 households)
 - \$125,000 Consultant Contract
- \$1.5 million for the Office of Planning and Community Development to expand the impact of the Legacy Homeowner demonstration program

Example of possible conversion budget

Because the potential conversion projects have not yet been identified we do not yet know the real capital costs. For illustrative purposes, we have included a sample construction budget for 40-unit homeownership development project to give a sense of the scale of costs. These budget line items/percentage of overall project costs are typical for our multifamily homeownership development projects.

SAMPLE type of expense	Per unit	Per 20-unit project
8a – Administrative and legal expenses	33,850	677,000
8b – Land, structures, rights-of way, appraisal, etc.*	125,000	2,500,000
8c – Relocation expenses and payments (assuming half the tenants)	9,000	180,000
8d – Architectural and engineering fees	18,000	360,000
8e – Other architectural and engineering fees	42,773	855,460
8f – Project inspection fees		
8g – Site work	5,000	100,000
8h – Demolition and removal	11,250	2250,000
8i – Construction	316,250	6,325,000
8j - Equipment		
8k – Contingencies	15,000	300,000
8l – Miscellaneous	9,000	180,000
TOTAL	\$585,123	\$11,702,460

*Depending on the amount, type, and lender of the existing debt, this is the most variable line item. We may simply be able to restructure existing City subsidy sources to ensure compliance with on-going affordability requirements of homeownership.

We propose to use PRO Housing funding to subsidize land acquisition and soft costs and OH's funding to cover construction and other hard costs. Likely a conventional construction loan will be required but would be retired when homes are sold. Subsidy would remain in the project allowing homes to be sold at affordable prices to income eligible households. In the scenario outlined below the average sales prices to income-eligible homebuyers would be just over \$325,000.

Possible projected permanent take-out for this sample 20-unit project:

Fund Source	Amount
PRO Housing	\$2,695,000
Office of Housing	\$2,500,000
Buyer's downpayments + mortgages	\$6,507,460
	\$11,702,460

Combined the two programs would be successful if funded at 50% of the request. If Seattle received half the funding, as we did the last round, we would again scale the program accordingly. In order to preserve or convert one more project through the HOP Program with an estimated 15 households the minimum funding required is \$2,625,000. The Legacy Homeowner program would be able to support an additional 5 households with all necessary supports for a minimum of \$500,000 for a total minimum award of \$3,125,000.

HOP Program implementation timeline

Time since Round 2 award	Activities	Milestone
0-3 months	Draft and publish Requests for Proposals for tenant organizing and support services	Identify and contract with one or more organizations for tenant support services.
	Draft and publish Requests for Qualifications homeownership developers	Have short list of partners to engage in outcomes strategy
4-10 months	Draft project criteria and commence capital needs assessments	Identify a short list (5-7) of target projects
10-17 months	Continue building assessments and feasibility analysis	Identify final target projects (2-4)
	Tenant organizing and education	Determine outcome of each project with owners, tenants and developers
18-24 months	Temporarily relocate tenants and begin rehab activities, and/or	
	Permanently relocate tenants and begin redevelopment activities	

	Continue tenant organizing and education	
24-42 months	Continue rehab activities, and/or	Building renovated
	Continue redevelopment activities	New building completed
	Continue tenant organizing and education	Tenants ready to purchase if chose to pursue purchase
	Affirmative outreach and marketing to households least likely to apply if new homebuyers are needed	New homebuyers educated and ready to purchase
42-60 months	Sales of shares or units	~ 20 new homeowners
	Continue to document lessons learned	Programmatic road map completed and shared with other municipalities as requested
	Legislative action needed, if any, identified to smooth and increase speed of future conversion process	Legislative changes proposed

Legacy Homeowner Program implementation timeline

Time since Round 2 award	Activities	Milestone
0-3 months	Develop expanded program work plan that incorporates additional funding, informed by engagement with key City partners and community stakeholders	Expanded program work plan created
4-6 months	Revise RFPs drafted based on funding from Round 1 with expanded scopes for technical assistance and pre-development services, with more households served.	RFPs published
	OPCD leads an internal process to identify and formalize City staff support for homeowners navigating the permitting process. This builds on existing capacity in the Seattle Department of Construction and Inspections (SDCI) devoted to helping small businesses, cultural space projects, equitable development projects, and others overcome permitting challenges.	City staff identified to help Legacy Homeowners get coaching and navigate the permitting process
6-8 months	OPCD reviews RFP responses and selects contractors. Develop detailed scopes of work for consultant work and complete contracting process.	Consultants under contract

	Under Washington House Bill 1110, the City must adopt zoning changes to allow middle housing throughout residential areas by June 2025. This is likely to create new opportunities and new pressures for Legacy Homeowners.	Zoning changes are adopted
9-12 months	Selected community organization contractors conduct outreach to income-qualified homeowners seeking to add housing to their property and begin providing support services.	10-15 Legacy Homeowners are identified and begin receiving support
	OPCD and consultants organize and host the first community networking event, connecting Legacy Homeowners with architects, builders, development partners, funders, City permit experts, and other practitioners.	First networking event occurs
13-24 months	The contractors continue engagement to identify eligible homeowners	10-15 additional homeowners are identified and begin receiving support
	OPCD and consultants host a second community networking event.	Second networking event occurs
	Supported homeowners successfully advance their development projects. The milestones for this will vary case by case but could include securing construction financing or submitting a complete building permit application.	10-15 homeowners supported using FY2024 PRO Housing program secure financing, submit for a permit, or reach similar progress milestone

Exhibit E: Capacity
CITY OF SEATTLE

Exhibit E: Capacity

CITY OF SEATTLE

Applicant staff collaborated across two City departments to develop the program vision and funding application:

- Phillip Carnell, Planning and Equity Data Analyst, Seattle Office of Community Development and Planning
- Joy Hunt, Homeownership Policy and Programs Specialist, Seattle Office of Housing
- Erika Malone, Homeownership Division Manager, Seattle Office of Housing
- Kelli Larsen, Strategic Initiatives Manager, Seattle Office of Housing
- Amanda Sahali, Homeownership Specialist, Seattle Office of Housing
- Nick Welch, Senior Planner, Seattle Office of Community Development and Planning

OH will serve as the lead grantee for PRO Housing activities, working closely with OPCD staff, nonprofit community organizations and other contractors to implement the two demonstration projects. OH has experienced staff in both the Rental Lending Team and in the Homeownership Division. OH benefits from strong relationships with owner-operators of existing rental projects and homeownership development and stewardship organizations. Additionally, both OH and OPCD have strong finance teams that will oversee with procurement and internal controls. We are confident in our ability to launch these PRO Housing efforts with our existing network of providers, though the proposed capacity and staffing investments are critical to achieving the vision set forth.

The City of Seattle has managed federal, state, and local funds successfully for decades, with strong systems of internal and financial controls. The Office of Housing currently administers over \$250 million annually from over 30 fund sources and has a strong track record of success with implementation and innovation. In recent years, we have subcontracted with other government entities and CFDIs, provided loans and grants to nonprofit and for-profit developers, and launched new programs for operating, maintenance, and services in Permanent Supportive Housing. In 2020, the department responded to the pandemic by administering Emergency Rental Assistance and Coronavirus Relief Funds as quickly and efficiently as possible, while also ensuring high quality programming and successful outcomes. In 2022 alone, the Office of Housing awarded more than \$216 million to support the following programs:

- **Rental Housing Production & Preservation**
The Office of Housing awarded \$154.75 million in 2022 to build, acquire, and preserve 990 affordable rental homes in neighborhoods across Seattle. These investments support a spectrum of housing types for low-income residents, including supportive housing for those experiencing homelessness and apartments for low-income individuals and families.
- **Homeownership Programs**
In 2022 the Office of Housing awarded \$10.48 million to develop 95 permanently affordable, resale-restricted homes, provide purchase assistance loans to new low-income homebuyers, and provide foreclosure assistance to prevent displacement of low-income homeowners. The Office of Housing's Home Repair Program provided nearly \$486,693

in loans and grants in 2022 to low-income homeowners to address critical health, safety, and structural issues.

- **Weatherization Program**

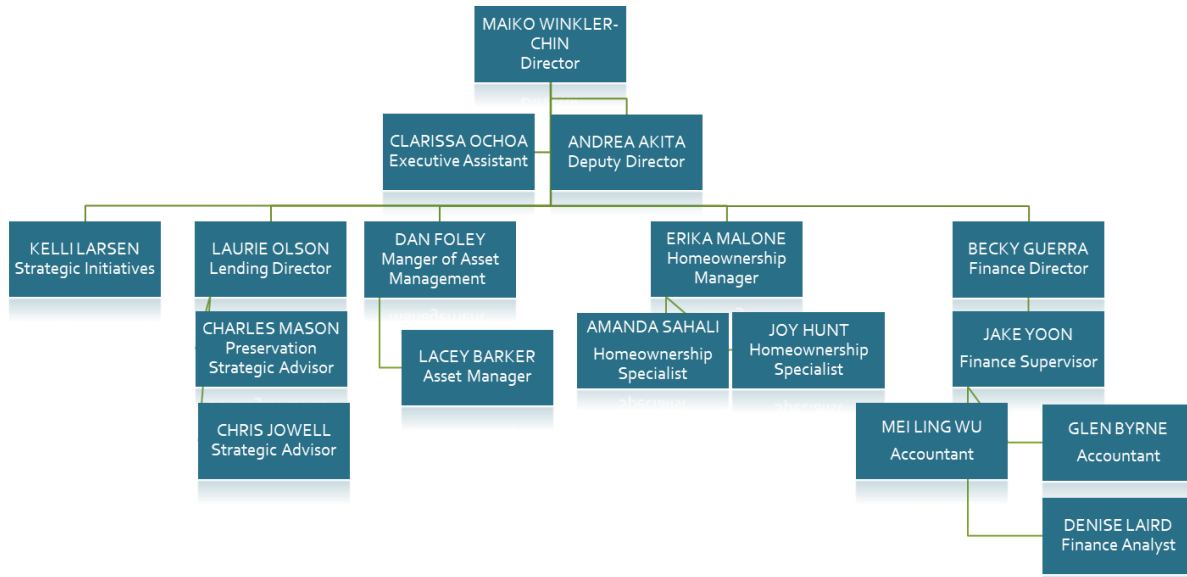
The Office of Housing’s HomeWise Weatherization Program expended \$4.73 million in 2022 to provide energy efficiency and indoor air quality improvements in affordable apartment buildings serving low-income renters and single-family homes with low-income owners. This program also supports oil to electric heat conversions, which reduces reliance on fossil fuels, lowers homes’ energy usage, improves indoor air quality, and reduces utility costs for low-income homeowners. OH has conducted successful multi-family weatherization projects for over 20 years, we have strong systems in place to manage multi-family projects. Those include an energy audit template used for all multi-family properties, a funding agreement for multi-family energy efficiency investments vetted by our Law Department, a strong review process prior to contract execution, a final inspection process to ensure work meets Standard Work Specifications, review to ensure invoices are paid only for completed measures in the funding agreement, and a database and internal control process that allows us to fund multiple measures in one project with different fund sources.

- **Emergency Rental Assistance**

In 2022, the City of Seattle continued its work to administer federal and state emergency rental assistance to provide stability for renters with low incomes who were economically impacted by the COVID-19 pandemic. By the end of 2022, approximately \$46.7 million in rental assistance had been paid out to 10,503 households. The City developed new program guidelines, templates, and data collection methods to support a variety of organizations to distribute assistance throughout the community and ensure funds could be analyzed and evaluated for impact.

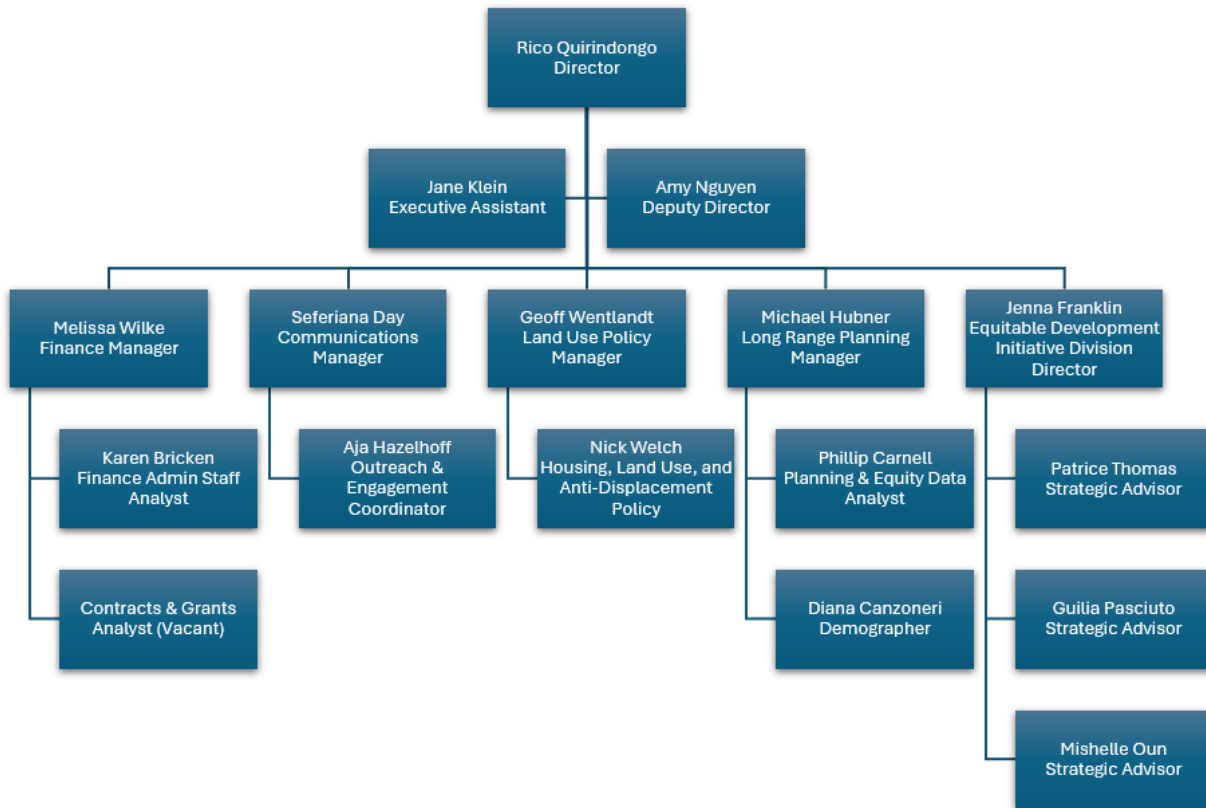
As a part of Seattle’s Citywide Race and Social Justice Initiative all departments are called on to analyze programmatic outcomes with a racial equity lens. OH and OPCD regularly and consistently conduct this analysis to ensure that existing and new programs are designed and implemented in ways that advance racial equity. Racial equity analyses recently completed by OH’s Homeownership Division produced the data shared earlier about the racial makeup of new homeowners served by our programs and partners. Ongoing analysis of racial disparities across a wide range of housing outcomes — including homeownership rates, household wealth, foreclosure rates, housing cost burden, use of existing developments opportunities, and displacement from Seattle due to housing cost increases — suggest that interventions and strategies like the proposed programs are necessary.

Seattle Office of Housing organizational chart for PRO Housing activities:



Seattle Office of Housing Director Maiko Winkler-Chin reports to Seattle Deputy Mayor Tiffany Washington, who reports to Seattle Mayor Bruce Harrell. Director Winkler-Chin and Deputy Director Andrea Akita share responsibilities for overseeing the activities of the office, with Director Winkler-Chin overseeing Policy, Strategic Initiatives, and Lending, and Deputy Director Akita overseeing Finance and Administration, Asset Management, Incentives Programs, and Homeownership. There will be five primary program staff, including Charles Mason and Chris Jowell on the Lending team and Erika Malone, Joy Hunt, and Amanda Sahali on the Homeownership team, though seven additional staff will play smaller roles, particularly on the Finance team. All Office of Housing staff who will work on this grant are represented in the organizational chart above, which is a partial listing of the department’s staff. Nonprofit partners will be critical for the HOP demonstration, and they will be selected through a competitive procurement process if PRO Housing funding is awarded.

Seattle Office of Planning and Community Development (OPCD) organizational chart for PRO Housing activities:



OPCD Development Director Rico Quirindongo reports to Seattle Chief Operating Officer Marco Lowe, who reports to Seattle Mayor Bruce Harrell. Director Quirindongo and Deputy Director Amy Nguyen share responsibilities for overseeing the activities of the office. The organizational chart above reflects the department’s existing staff. There will be three primary program staff, including Nick Welch from the Land Use Policy Division, Phillip Carnell from the Long-Range Planning Division, and the Equitable Development Initiative Director Jenna Franklin. Several additional staff will play smaller roles to support contract, administration, and community outreach. All existing Office of Planning and Community Development staff who will work on this grant are represented in the organizational chart above, which is a partial listing of the department’s staff. Nonprofit partners will be critical for the Legacy Homeowner demonstration, and they will be selected through a competitive procurement process in concurrence with PRO Housing funding requirements.

Exhibit F: Leverage
CITY OF SEATTLE

Exhibit F: Leverage
CITY OF SEATTLE

The Office of Housing commits \$2.5 million in development subsidy capital to assist with the hard costs of rehabilitation and/or new construction for this FY2024 PRO Housing grant application. A signed commitment letter is provided with this application as an attachment. Approximately \$200K of OH staff time will be leveraged to create this program from various teams and divisions, finance, contracts management, asset management, homeownership division and legal to name a few.

Exhibit G: Long-Term Effect
CITY OF SEATTLE

Exhibit G: Long-Term Effect

CITY OF SEATTLE

We anticipate multiple direct impacts achieved within the grant period as well as permanent, long-term positive effects resulting from implementation of these demonstration projects. For the remainder of this section, we estimate the combined long-term effects if City of Seattle were to receive our full FY2024 PRO Housing funding award of \$5M that supplements our FY2023 PRO Housing award for \$5M

Direct impacts

First, an estimated 60 Seattle households, particularly households of color, will directly benefit from these programs and receive support to live affordably and stably in their homes for many years.

The HOP demonstration will result in an estimated 40 low- and moderate-income households becoming homeowners. These outcomes are anticipated by the end of year 4. By providing financing and long-term funding resulting in the preservation and conversion of 2-4 rental projects and/or the new development of an estimated 40 units of for-sale homes with lasting affordability. These homes will be affordable at all future resales, serving Seattle low-income homebuyers for generations. A direct deliverable will be a program design report, cataloguing lessons learned and pitfalls to avoid.

The Legacy Homeowner program will directly result in an estimated 20-30 Seattle homeowners, particularly homeowners of color achieving stability, contributing to housing choices, and building generational wealth. The homeowners who, through support from the Legacy Homeowner program, add housing on their property will produce direct benefits for not only themselves but also the residents of those additional new homes.

Lasting change

Beyond these direct impacts, these programs will make lasting change by demonstrating how these new models for homeownership preservation and production can work. Each program will be improved and replicated or scaled.

For the HOP Program, this will mean:

- Producing the necessary tenant organizing capacity, that will last beyond this demonstration period and continue to support more renters and homeowners in the future.
- Building the programmatic infrastructure we currently lack by designing, testing, and improving partnerships and working agreement templates between owners, tenants and homeownership developer/stewards that lead to successful conversion of small-scale rental into affordable homeownership
- Identifying additional policy roadblocks that we could resolve through legislation
- Streamlining programmatic timelines to make this model viable for purchase and conversion of market-rate projects (as opposed to only patient nonprofit sellers)

- Documenting lessons learned for other jurisdictions interested in pursuing similar programs and committing engaging partners around the country to share what we learn, as we have learned from cities in the Bay Area and Washington, DC.

The largest barrier to this type of tenant conversion strategy is the lack of sufficient capital funding, especially for permanent subsidy. However, by achieving the long-term effects through PRO Housing funding, other sources of funding that may be reluctant to devote resources to an untested pilot will be willing to step in.

For the Legacy Homeowner program, long-term effects for the will extend beyond direct support to 20-30 estimated LMI homeowners seeking to achieve greater stability through the addition of housing on their property. The program will catalyze and solidify connections among these homeowners and the various practitioners involved in all phases of development (architects, lenders, permitting staff, contractors, etc.) that continue past the time horizon of this grant. Currently, these fields are often siloed and not attuned or tailored to the needs of LMI homeowners. The networks established, strengthened, and expanded through this demonstration program will outlast the initial pilot phase, as a cohort of development practitioners becomes more familiar with LMI homeowners needs, the City creates better permitting support infrastructure, and the homeowners themselves and their organizational structure in groups like Black Legacy Homeowners can relay lessons learned to other candidate homeowners. Several nascent community-based development organizations are emerging and will be strengthened through the support, both direct and indirect, of the funding from this grant.

A particular long-term effect will be growth in options for financing this type of homeowner-driven development. Lenders are risk averse. They will not fund a project if they can't point to something they've seen before with demonstrated success. Therefore, increasing familiarity within the lending industry with these project types will help address the financing challenges that pose one of the greatest barriers to homeowner-led development. As this demonstration project produces over time a portfolio of successful projects, lenders will come to perceive this type of lending as lower risk.

In Seattle alone, there are many LMI homeowners who stand to benefit from more equitable development opportunities that provide stability and add housing. Data suggest that Seattle has about 31,800 homeowners with incomes less than or equal to 80% of AMI and 11,000 additional homeowners with incomes 81-100% of AMI, many of whom likely face challenges to staying in their communities and could benefit from the tools and supports established through this demonstration program.

To support other cities replicating the approaches tested and benefiting from the lessons learned through these pilot programs, OPCD and OH would share findings through peer learning networks, like the Governing for Racial Equity (GARE) Housing, Land, and Development Network.

One challenge for the Legacy Homeowner program is navigating during the contracting process the limitations in state and federal law on the use of public-sector funds to support private individuals. The Washington State Constitution prohibits government entities from conferring benefits to private parties in certain ways (i.e., the Gift of Public Funds doctrine). The proposed

activities would avoid these limitations by limiting eligibility of any direct service provision to households at or below 100% of AMI and by resourcing community-based organizations to provide technical assistance and pre-development services as opposed to direct funding to individuals.

Proposed outcome metrics

We would track progress toward the following metrics during the program timeline. At the time of program, we would consider the demonstration projects successful based on the households directly served and affordable homes created or preserved, as enumerated below, but also based on the qualitative outcomes described above as lasting change.

For Homeownership as Preservation (HOP) program:

1. Number of households who own affordable owner-occupied homes
 - a. No fewer than 20 households
2. Number of new permanently affordable homes
 - a. No fewer than 20 homes

For Legacy Homeowner program:

1. Number of households enrolled in program
 - a. No fewer than 10 households

Other metrics and information for analysis

For Homeownership as Preservation (HOP) program:

1. Number, demographics, and other information of households participating in program, including:
 - a. Race and ethnicity, household size, income, etc.
 - b. Current rental housing costs and eventual ownership housing costs
 - c. Length of residency in home
 - d. Prior residential address and last year of residency
2. Number and characteristics of homes both engaged and converted
 - a. Bedroom mix, square footage, etc.
3. Total investment per project and per unit
4. Location and displacement risk index of homes engaged and converted through program
5. Deliverables from consultant include:
 - a. Regular meetings and interviews with key informants, including residents
 - b. Documentation of lessons learned
 - c. Final report and presentation
 - d. Recommendation regarding need for and characteristics of legislation

For Legacy Homeowner program:

1. Number and demographics of households stating interest in program
2. Number and demographics of households completing predeveloping services
3. Number of households submitting complete building permit application for housing development and number of housing units proposed
4. Demographics and other information of households engaged in program
 - a. Race and ethnicity, household size, income, etc.
 - b. Current rental housing costs and eventual ownership housing costs
 - c. Length of residency in home

- d. Prior residential address and last year of residency
- 5. Location and displacement risk index of homes participating in program