Preservation: The Missing Piece of Our Affordable Housing Strategy

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Affordable Housing, Neighborhood and Finance Committee

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Preservation is a key missing piece of our affordable housing strategy

- **Renovation and demolition of less expensive older housing:**
  - Population and economy growth cause displacement
  - Every year the city loses some less-expensive private market housing
  - Impacts low income tenants
- **Housing Levy**
  - 2016 Levy focus is on new construction
  - 2009 Levy did not preserve any naturally occurring affordable units
  - 2015 Notice to Sell Multifamily Housing (Ord. 124861)
    - No current funding source to new implement new notice requirement

New Tools:

- A subsidy that is repaid from a separate revenue source dedicated to housing preservation

Results:

- Reduce displacement
- Minimize the loss of market rate affordable housing

HALA Recommendation

Launch a proactive preservation effort

Housing Bond

- The City should consider a bond issue to generate a pool of lower-cost capital for making loans with flexible terms/uses, including in new construction and preservation projects, and in projects that may or may not use the 4% LIHTC/bond programs.

Growth Fund

- Dedicate property taxes derived from new construction to affordable housing by reinstating the City Growth Fund.

Strategy 1: Utilize City's Limited Tax General Obligation (LTGO) bond

- Bond against the city's Full Faith and Credit
- Capital improvement projects
- LTGO's may be used when the debt service will be payable from a specific new revenue source that is sufficient to pay the debt service

Strategy 2: Preservation Growth Fund

What is the Growth Fund?

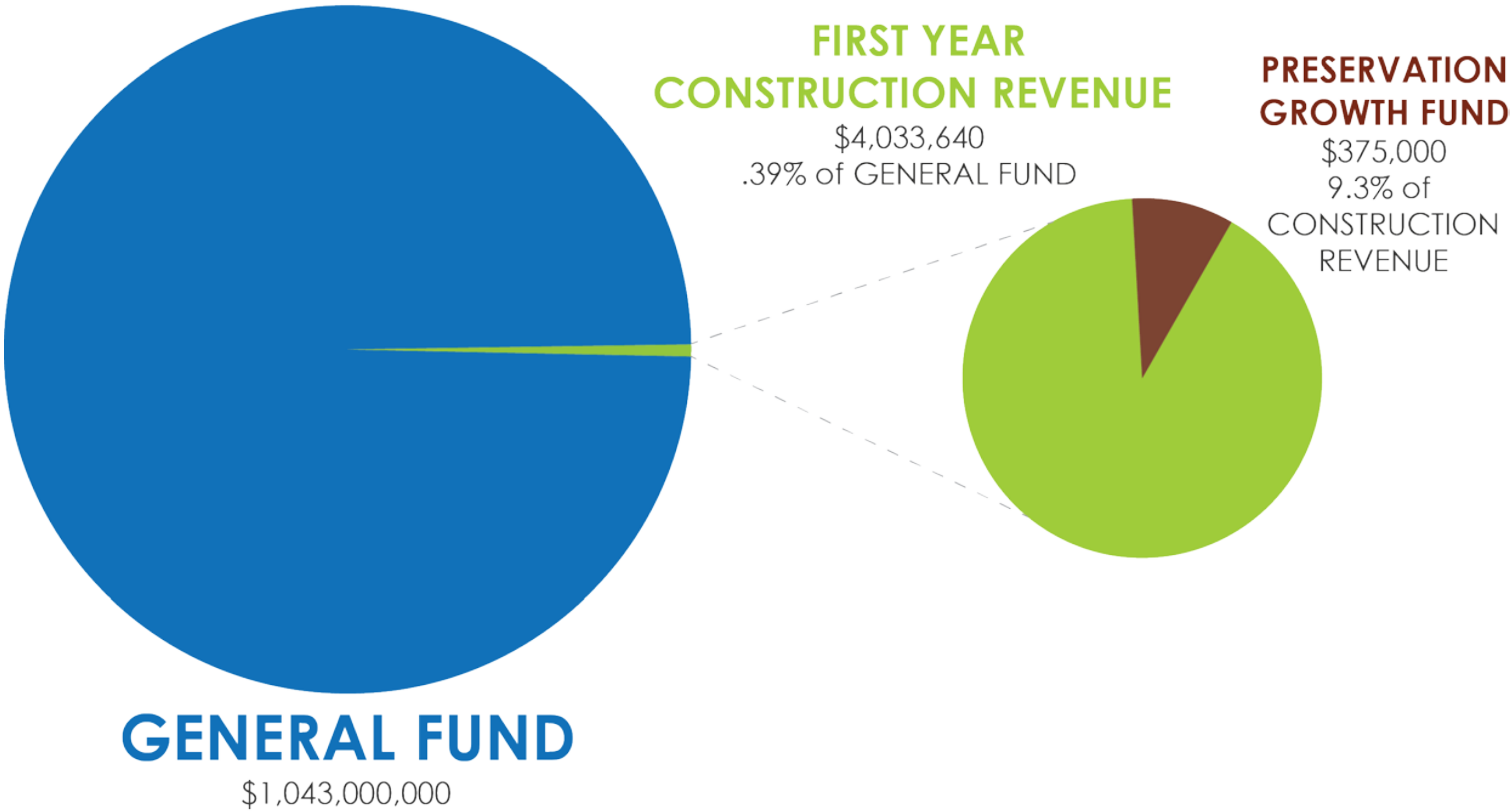
- A small portion of the property taxes derived from the new construction of affordable housing will be set aside for the Growth Fund
- The growth fund will be used to:
  - Fund Implement of the Notice to Sell Multifamily Housing Ordinance
  - Pay off a small housing bond

What is the history of the Growth Fund?

- Growth Fund from 1985-2002: Allocated $15.4 Million
- Financed 32 Projects
- Preserved 2100 units

PRESERVATION GROWTH FUND

Tax Year 2015



Development Option 1: Preservation of MF Buildings to preserve rental housing.

Summary of Capital Financing Needed for Five Options

	Option 1	Option 2	Option 3	Option 4	Option 5
	New Construction Workforce	New Construction ELI	New Construction Homeless*	Acq Rehab @ 60% AMI	Acq Rehab @60/80% AMI
City Capital Needed to Develop Project	$ 11,869,740	$ 13,732,367	$ 16,016,246	$ 5,871,855	$ 5,874,665
(1) Debt Service Subsidy Needed if Fully Financed with City Bonds					
Annual Bond Debt Service	$ 835,168	$ 966,224	$ 1,126,920	$ 413,150	$ 413,348
Annual Debt Service Supported By Rents	$ 79,187	$ 0	$ 0	$ 39,146	$ 149,879
Annual Gap in Debt Service	$ 755,981	$ 966,224	$ 1,126,920	$ 374,004	$ 263,469
Total 20 Year Gap in Debt Service	$ 15,119,613	$ 19,324,482	$ 22,538,406	$ 7,480,087	$ 5,269,380
(2) Capital Subsidy if Small Portion Financed with City Bonds Fully Supported by Rents					
Up front capital subsidy	$ 10,750,000	NA	NA	$ 5,350,000	NA
Portion financed with City bonds	$ 1,119,740	NA	NA	$ 521,855	NA

*assumes other funding for rental subsidy and supportive services

Potential cost for 50 units

- Total project Costs $13.5 MM
- Private Debt Subsidy Covers $7.6 MM
- Growth Fund pays annual debt service gap $374,004
- Total Bond Fund Contributions $7.5MM in additional subsidy

Development Option 2: Preservation of MF Buildings to create homeownership opportunities.

Why homeownership matters:

- Most important form of wealth for American households
- Dual role: build wealth and provide housing services
- Most Seattle families are shut out of wealth building

Can homeownership be affordable?

- Median market-rate sales price: $645,000
- Homestead affordable target price: $198,000
- Average market-rate rent: $1,750 / mo
- Homestead affordable target PITI cost: $1,490 / mo

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Conversion to homeownership

- DC Tenant Option to Purchase Act (TOPA)/ Seattle Multifamily Notice to Sell Multifamily Housing Ordinance
- Cooperatives
- More affordable per unit than fee simple

Use of bond funds

- Long term subsidy to bring down sales price
- Short term debt to facilitate purchase
- Possible long term debt