



# 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

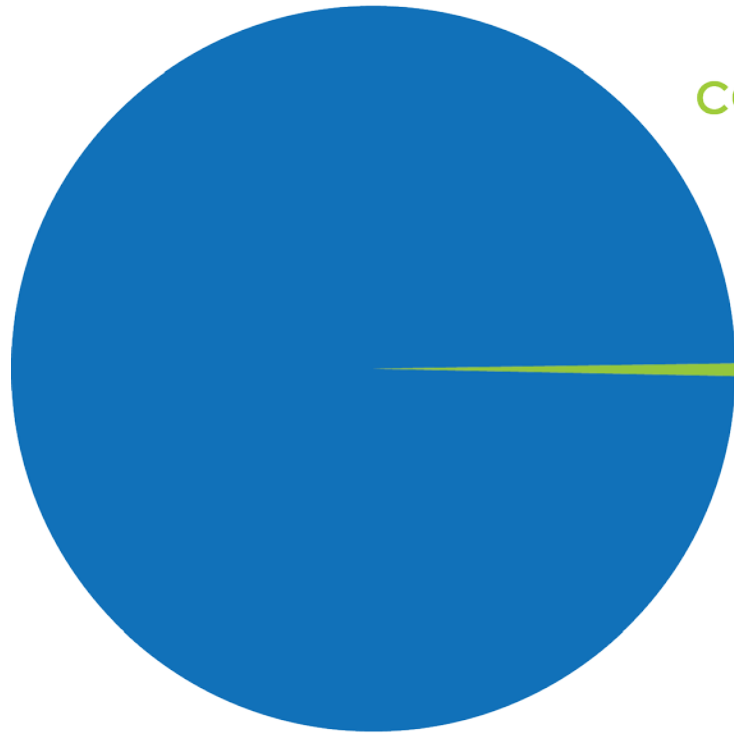
## What is the history of the Growth Fund?

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



# PRESERVATION GROWTH FUND

Tax Year 2015



**GENERAL FUND**

\$1,043,000,000

**FIRST YEAR  
CONSTRUCTION REVENUE**

\$4,033,640

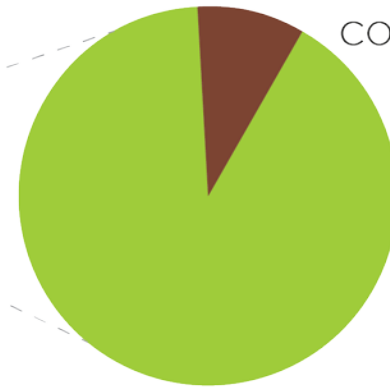
.39% of GENERAL FUND

**PRESERVATION  
GROWTH FUND**

\$375,000

9.3% of

CONSTRUCTION  
REVENUE





## 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
<b>(1) Debt Service Subsidy Needed if Fully Financed with City Bonds</b>					
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
<b>(2) Capital Subsidy if Small Portion Financed with City Bonds Fully Supported by Rents</b>					
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



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

### 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