OFFICE OF HOUSING (OH)

2026 PROPOSED BUDGET

OVERVIEW & POLICY CONSIDERATIONS PAPER

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Table 1. Department Budget Summary

Budget Summary Level	2025 Adopted	2026 Endorsed	% Change	2026 Proposed	% Change
Operating Budget					
Homeownership & Sustainability	$30.1M	$29.7M	(1.2%)	$29.9M	0.6%
Leadership & Administration	$11.6M	$11.0M	(5.1%)	$11.8M	7.3%
Multifamily Housing	$302.7M	$307.5M	1.6%	$302.8M	(1.5%)
Operating Total:	**$344.3M**	**$348.2M**	**1.1%**	**$344.5M**	**(1.1%)**

I. OVERVIEW AND SUMMARY

Overall, OH's budget decreased by 1.1% from the 2026 Endorsed Budget to the 2026 Proposed Budget. See below for a description of the specific changes made to OH's budget.

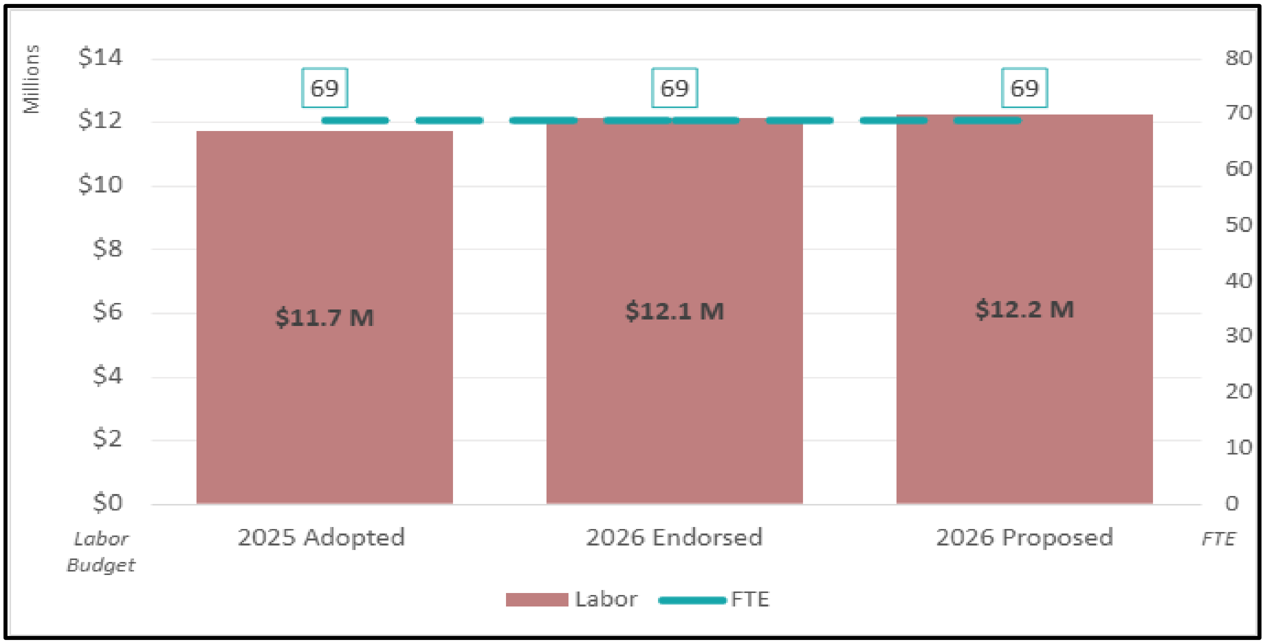
A. Operating Budget

Proposed changes to the 2026 Proposed Budget include the following:

- The Multi-Family Housing Budget Summary Level (BSL) decreased by about $4.7 million (1.5%) between the 2026 Endorsed Budget and the 2026 Proposed Budget. This is not due to a reduction in funds available for affordable housing. Instead, it reflects that in the 2026 Proposed Budget, $5 million of Payroll Expense Tax (PET) is transferred from OH to Finance General (FG) for the Seattle Housing Authority's (SHA) Northgate Commons project. See Section II for further discussion of this topic.
- The Leadership and Administration BSL increased by about $800,000 or 7.3% from the 2026 Endorsed Budget to 2026 Proposed Budget. These increases are due to technical adjustments, increases in citywide indirect costs, and increased costs due to staff reclassifications.
- $20 million of the Office of Housing's PET budget is proposed to be used in 2026 for the Mayor's new Anti-Displacement and Reparations Housing Fund, with the intent to fund a total of $80 million over four years. The 2026 Proposed Budget does not provide new funding for this purpose; it would use base appropriations within the Multifamily Housing BSL. See Section II for further discussion of this topic.

B. FTE & Labor Changes

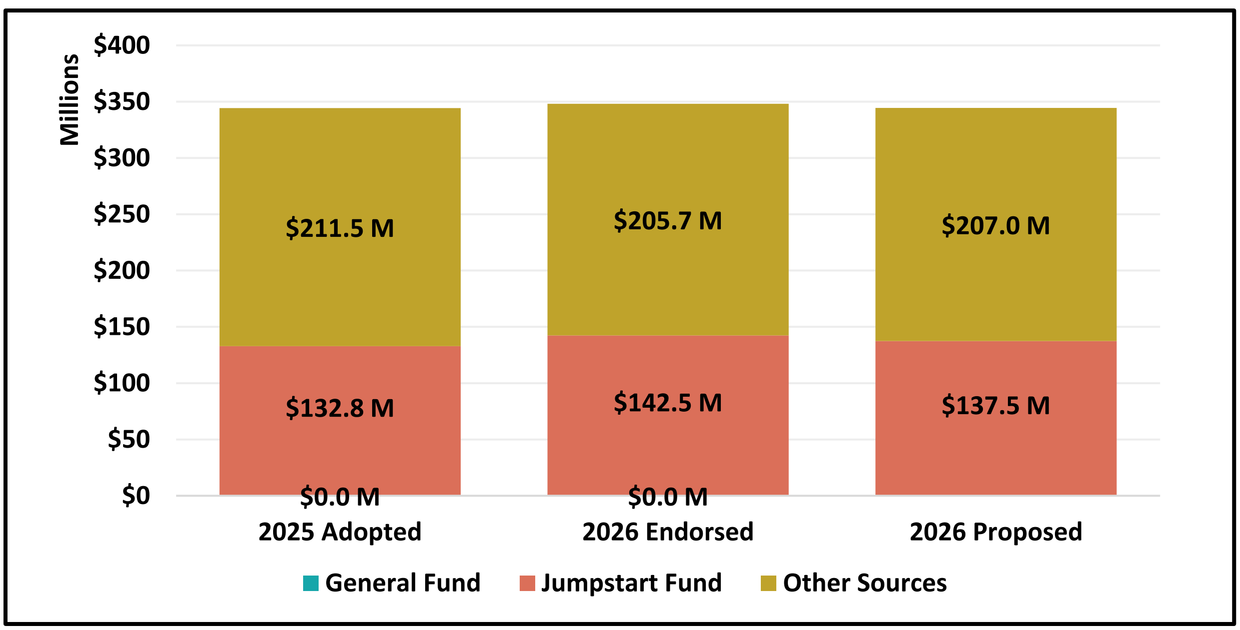
Figure 1. FTE & Labor Budget Summary



- The number of staff at OH has remained consistent, at 69 FTE, between the 2025 Adopted Budget, 2026 Endorsed Budget and 2026 Proposed Budget.
- Labor costs increased by $100,000 from 2026 Endorsed Budget to 2026 Proposed Budget due to completed and anticipated reclassifications for several staff members. The source of funds for this increase is PET.

C. Fund Appropriations Summary

Figure 2. Fund Appropriations Summary



- PET/JumpStart Is reduced by $5 million, due to the transfer of $5 million from OH to FG for SHA's Northgate Common project.
- In the 2026 Proposed Budget, "Other Sources" includes, but is not limited to, the 2023 Housing Levy, Mandatory Housing Affordability (MHA) fees, weatherization funding and federal HOME funding. Anticipated revenue in 2026 for those other sources are: Seattle Housing Levy ($130M), MHA fees ($20 million), weatherization funding ($12 million) and HOME ($2 million).
- OH receives no GF dollars.

II. ISSUES FOR COUNCIL CONSIDERATION DURING BUDGET DELIBERATIONS

1. Oversight of Northgate Commons funding

The 2026 Proposed Budget transfers $5 million of PET from OH to FG for SHA's Northgate Commons project, the first tranche of what will eventually be a $20 million award. SHA purchased this 8-acre site in 2019, which consists of six sub-divided parcels. SHA plans to develop up to two parcels as low-income housing and sell the remaining four parcels for market rate housing. The $5 million in the Mayor's Proposed Budget will support pre-development work that is necessary to meet the estimated construction start date of late 2027 for Site 1.

The transfer of the $5 million to FG means that Northgate Commons may not be subject to the same policies or oversight as other OH funded affordable housing projects. A contract between the City and SHA will be necessary to transfer these funds but it is not clear who will be responsible for negotiating the contract, since Finance General does not operate like a traditional department. It is not known if OH will provide a review of the project for feasibility or alignment with Housing Funding Policies or review invoices before issuing payment. The Executive has stated that while the Site 1 project will count towards OH production goals, OH will not provide any ongoing compliance monitoring. Currently, OH is providing compliance monitoring for 24 OH-funded SHA projects, so this represents a significant departure from past practice.

The Executive has stated that the $5 million is being transferred to FG, because if OH administered the funding a direct allocation to SHA would not be allowed under the Housing Funding Policies. SHA's Yesler Terrace project provides an example of an alternative approach that allows a direct allocation while maintaining OH oversight. The Yesler Terrace Cooperative Agreement, adopted by Council, allowed for a direct allocation of OH funding to SHA while also requiring a specific number of low-income units in return. Council also amended the Housing Funding Policies to allow this direct allocation but required that SHA submit a detailed application and for OH to review the application to ensure it was in accordance with City funding guidelines.

While SHA is an experienced municipal corporation, the City has a responsibility to provide appropriate oversight for its funding. Council could consider an alternative method to allocate money to Northgate Commons that allows OH to maintain oversight of what will eventually be a $20 million award.

Options:

A. Do not transfer $5 million PET from OH to FG. Amend the Housing Funding Policies or adopt an ordinance in 2026 to allow a direct allocation to SHA for the Northgate Commons Project while maintaining OH oversight

B. No change.

2. Potential Overcommitment of PET Resources

OH may not have sufficient PET revenue to cover all their proposed or expected uses of PET. OH recently submitted a Housing Investment Plan in response to SLI OH-001S. The plan shows that, in a significant change from modeling completed in 2023 as part of Housing Levy renewal, $327 million of PET will be needed between 2024-2030 simply to meet Housing Levy production goals. This substantially impacts the amount of PET that is available for other uses, as shown in table 1.

Table 1: 2026 Proposed Uses for OH PET

PET Proposed Uses in 2026	Amount	Notes
PET capital needed to meet Housing Levy Rental Production goals	$46.8 million	
Operating, Maintenance, Services, Workforce Stabilization & Resident Services	$44.2 million	
Homeownership	$8.4 million	
Oil to Electric Conversions	$1.6 million	
Administrative Costs	$6.8 million	
Operating Stabilization	$18 million*	OH anticipates combining up to $18 million of 2026 PET with $10 million of 2025 PET for an operating stabilization RFP to be released in early 2026. OH will determine the final RFP amount after assessing the results of the $14 million for operating stabilization provided in 2024 and engaging with stakeholders to understand remaining needs.
Amount remaining	$11.5 million	OH's Housing Investment Plan assumes that this remaining amount will be used to support rental housing production.
Total	**$137.4 million**	

The Executive has two commitments with 2026 PET that do not have a specific line item in Table 1:

- The Community Self Determination Fund (CDSF) provides financing and capacity building support to community-based organizations (CBOs) to develop housing, as a strategy to mitigate displacement. In 2026 OH intends to set aside $24 million for CSDF.
- The Executive is proposing to use $20 million of 2026 OH PET for an Anti-Displacement and Reparation Housing Fund. Exact use of funding is still to be determined, pending further analysis and program design. PET funding may remain with OH and be used to support new rental or homeownership units, or funds may be transferred to OPCD for other types of housing related activities. See Issue #3 for a further discussion of this topic.

The Executive’s position is that they don’t see the CSDF or the Anti-Displacement and Reparation Housing Fund commitments, which total $44 million, as competing with each other or other PET uses as described in the table. The Executive anticipates the same dollar could be used to satisfy multiple commitments. For example, funding for a homeownership project could help meet overall production goals and be counted as an Anti-Displacement and Reparations Housing Fund project. Or, funding for a rental project could be counted as an Anti-Displacement and Reparations Housing Fund, CSDF, and Housing Levy project.

It may not be a realistic expectation to satisfy all commitments in this manner. For example, as discussed in Issue #3 below, some PET may ultimately be transferred from OH to OPCD. Trade-offs may need to be made about how to use limited PET dollars, and those trade-offs could impact the City’s ability to meet Housing Levy goals or other housing production targets in the Housing Investment Plan.

Options:

A. Proviso funding and specify the amounts that should be spent on PET uses, such as operating stabilization, the CSDF and/or the Anti-Displacement Reparations fund.

B. Adopt a SLI or impose a proviso that requests the Executive to report back on how they will use the remaining PET funding prior to issuing an RFP for any new awards.

C. No change

3. Details not known Anti-Displacement and Reparations Housing Fund

The proposed budget allocates $20 million of the Office of Housing's existing PET funds to the first year of the Mayor's proposed Anti-Displacement and Reparations Housing Fund, with the intent to fund $80 million over four years. The Executive’s vision for this program is that it will remedy past harms caused to Black, Indigenous, and People of Color households, with a focus on housing. The Executive does not yet know if this funding will remain at OH or if they will propose transferring some or all of the funds to OPCD in a future budget. That decision will depend ultimately on the programmatic activities identified by the analysis and program design conducted by Office of Civil Rights (OCR) and Office of Planning and Community Development (OPCD). See the next paragraph for a further description of the work to be conducted by those two departments. Council authorization would be needed before any transfer of funds to OPCD could occur.

The Executive has indicated that while they have a vision for this program, the details are still being determined. The 2026 Proposed Budget repurposes $50,000 of existing GF in OCR, who would be responsible for compiling a housing reparations report that includes: analysis of historical City laws, policies, and/or practices that were discriminatory towards descendants of Black slaves and resulted in quantifiable harm to this community; programs that could address these harms; and recommendations on the types of programs requested by community based on community outreach. This report would then be used by OPCD to develop a detailed plan for how to allocate the $80 million of OH funds. $200,000 of new PET was added to OPCD’s proposed budget for this body of work.

See the options in Issue #2 regarding imposing a proviso or SLI that would address use of OH PET for the Anti-Displacement and Reparations Housing Fund. See the OPCD Policy Considerations memo for a further discussion of OPCD’s work and some options for Council to obtain more information about this initiative or provide more specific direction as it is developed. See also OCR’s Policy Considerations for further discussion of the OCR scope of work.

4. **Better Reporting on Progress for OH-Awarded Projects**

In the annual Investment Report submitted to Council, OH typically reports only on two milestones for each awarded project – when the project is initially awarded funding and when it opens. Council could consider requesting that OH include more detailed information on project status in the annual Investment Report, as a way to monitor that appropriate progress is being made. For example, OH could report on when the OH loan closes and construction starts. This information could be provided for each individual project but also in a more easily digestible dashboard format. In addition, the Council requested SLI OH-001S-A that resulted in the development of a five-year Housing Investment Plan. This SLI response lays out the City's housing goals for 2024-2030 and an estimate of the number of units that will be produced with available city funds and programs over that time period. The annual Investment Report could provide the opportunity for OH to provide an annual update on progress in achieving expected production relative to the housing goals included in the Housing Investment Report.

Options:

A. Adopt a Statement of Legislation Intent requesting OH to incorporate more information in the annual Investment Report submitted to Council on the status of awarded projects and an update on housing production relative to housing production goals included in the Housing Investment Plan.

B. No change.

III. BUDGET LEGISLATION

1. **2025 Year-End Supplemental**

- This legislation provides an additional $1.4 million in appropriation authority to OH to support the department's Database Upgrade Project, which is anticipated to be completed in spring of 2026.
- It also makes other changes, such as providing increase appropriation authority related to low-income weatherization funding and other technical fixes.

2. **2025 Year-End Acceptance Legislation**

This legislation increases appropriation authority at OH by $1.5 million for weatherization grants to support low-income households.