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City of Seattle

# Housing Levy Impact

## 2011 REPORT OF ACCOMPLISHMENTS

**City of Seattle**
Michael McGinn, Mayor

**Seattle City Council**
Nick Licata, Chair, Housing, Human Services, Health & Culture Committee

**Seattle Office of Housing**
Rick Hooper, Director

**February 2012**

## Housing Levy Oversight Committee

Josephine Tamayo Murray, Chair, Catholic Community Services of Western Washington

Hal Ferris, Vice Chair, Spectrum Development Solutions

Jerry DeGrieck, Office of Mayor McGinn

Marty Kooistra, Habitat for Humanity of Seattle/South King County

Dan Landes, Puget Sound Regional Council

Nicole Macri, Downtown Emergency Service Center

Erika Malone, National Community Land Trust Network

Kollin Min, Bill & Melinda Gates Foundation

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Traci Ratzliff, City Council Central Staff

Christine Roveda Rush, Wells Fargo Bank

Steve Walker, Washington State Housing Finance Commission

Maiko Winkler-Chin, Seattle Chinatown International District Public Development Authority

# About the 2009 Seattle Housing Levy

***In November 2009, Seattle voters passed a seven-year, $145 million property tax levy to provide affordable housing opportunities*** *for low-income Seattle residents. The Seattle Housing Levy funds programs that create and preserve affordable rental housing, assist first-time homebuyers to purchase a home, and provide emergency rent assistance to prevent homelessness. This funding directly assists some of the most vulnerable people in our community – homeless families and individuals, seniors and people with disabilities living on fixed incomes – as well as people working for low wages who struggle to make ends meet.*

## *An opportunity to live in a safe, affordable home*

### *Affordable Rental Housing*

More than half the Levy's Rental Production and Preservation Program funding is dedicated to serving households earning below 30% of the median income, up to $18,500 for a single person or $30,800 for a three-person family. This includes our neighbors with the fewest resources – seniors and people with disabilities who live on social security alone, and people with minimum wage jobs and those unable to find full-time work. This also includes people experiencing the crisis of homelessness – families facing economic hardship and domestic violence, and homelessness and people with severe disabilities who've lived on the street and need both housing and supportive services.

The rest of the Rental Production and Preservation funding provides affordable rental housing for people earning up to 60% of median income, about $37,000 for a single person or $47,500 for a family of three. People who fall into this income bracket provide valuable everyday services to Seattle residents and visitors – food service workers, hotel staff, retail sales persons, child care providers and office support workers.

### *Homeownership Opportunities*

The Homebuyer Program assists first-time buyers earning up to 80% of area median income, up to $45,500 for a single person and $58,500 for a three-person family, giving them an opportunity to live close to where they work. These families include a variety of moderat-income workers, such as hotel, office and retail workers, teachers and other school employees, people providing bookkeeping, copywriting and technology support, plus those working in health and social services.

### *Preventing Homelessness*

Beginning in 2012, Levy funding will provide rental assistance to help individuals and families manage short-term economic crises to prevent homelessness and, for those who have become homeless, to rapidly regain stable housing.

## *Helping neighbors weather the current economic downturn*

Affordable housing produced over past several decades assists many people in our community who are struggling with reduced incomes and employment opportunities. Rental housing is kept affordable for a minimum of 50 years – there are now over 10,000 City-funded apartments available for lower-income Seattle residents. In addition, over 800 homebuyers purchased their first home with affordable City-funded loans, avoiding risky mortgage loans that have fueled the current foreclosure crisis. The investment that Seattle voters made in affordable housing also creates job, particularly in the hardest-hit construction sector.

## Summary of Levy Fund Allocation in 2011

In 2011, the second year of the 2009 Housing Levy, three programs awarded Levy funds:

- Rental Production & Preservation Program awarded $17.7 million to five housing developments with 339 affordable units.
- One agency received an Acquisition & Opportunity loan totaling $800,000 to secure a future project site; three prior loans were repaid.
- Homebuyer Program committed $1.3 million to five lending programs that will assist approximately 27 first-time homebuyers.

The Operating & Maintenance Program and the Rental Assistance Program will begin awarding funds in 2012. Details about each of the Levy programs begin on page 3.

## 2009 Housing Levy Cumulative Funding

The following table summarizes funding and production in 2010 and 2011 for each Levy program. The three programs awarding funds are on track to meet the Levy's seven-year production goals.

**Seattle Housing Levy Summary**
**Funding Awards and Housing to be Produced, 2010-2011**

| | Funding | | Housing Produced | |
|---|---|---|---|---|
| **Levy Program** | **Total Levy Funding** 7 years | **Funding Committed** 2010-2011 | **Levy Goals** 7 years | **Housing Production** 2010-2011 |
| **Rental Production & Preservation** | $104m | $29.2m | 1,670 rental units | 788 |
| **Acquisition & Opportunity Loans**[1] | $6.5m | $2.3m | 175 housing units | 125 |
| **Operating & Maintenance** | $14.4m | NA | 220 rental units | NA |
| **Homebuyer Assistance** | $9.1m | $2.5m | 180 home purchases | 55 |
| **Rental Assistance / Homeless Prevention** | $4.25m | NA | 3,025 households | NA |

[1] Acquisition & Opportunity Loans are short-term loans made with other 2009 Levy program funds that are not yet expended. Funded projects are anticipated to receive permanent financing through the Levy Rental Production and Preservation Program or Homebuyer Program, so housing units may be counted in both programs.

# Rental Production & Preservation Program

*The largest Levy program provides approximately $14.7 million annually in capital funds to support development of affordable rental housing. Levy funds serve vulnerable people in communities throughout the city, and leverage other public and private investment for housing. The program funds:*

- *New construction or acquisition and rehabilitation to preserve housing*
- *Housing that provides supportive services as needed for residents with special needs*
- *Housing that will serve eligible residents for a minimum of 50 years*

## 2011 Funding Summary

The Rental Production & Preservation Program funded five housing developments that will provide 339 affordable rental units, and awarded additional funding to one previously funded project. The funding included $17.7 million in 2009 Levy funds and $4.5 million in other City-administered funds. A portion of the Levy funding allocated this year, $2.25 million, was previously awarded to projects in 2010, and then replaced by other City funds that were facing expenditure deadlines. The number of housing projects and units funded in 2010 is the same as previously reported. See the table on Page11 for project details.

The five new projects address the funding priorities in the current Levy Administrative & Financial Plan:

***Housing for families, individuals and youth, including chronically homeless individuals with disabling conditions:***

- Delridge Supportive Housing, Downtown Emergency Service Center: 66 units
- Aurora Supportive Housing, Catholic Housing Services: 71 units
- Sand Point Supportive Housing, Solid Ground: 54 units

***Housing for seniors and people with disabilities:*** The homeless projects above will provide extensive services to help people with serious disabling conditions achieve housing stability. In addition, OH awarded non-Levy funding to construct a 62-unit senior housing development in Southeast Seattle, and to make repairs on four Seattle Housing Authority buildings for seniors and people with disabilities.

***Housing for low-wage working families and individuals:***

- 12th Avenue Arts, Capitol Hill Housing: 88 units
- Impact Family Village, Urban Impact and Mercy Housing: 60 units

### Housing Affordability 2010-2011

Funding awarded in 2010 and 2011 met the affordability requirements established in the Levy ordinance. At least 60% of program funding must support housing that will serve extremely low-income households below 30% of median income. No more than 10% of funding may serve households at 60% to 80% of median income. The remaining funding must support housing serving households at 30% to 60% of median income.

| Affordability Level | Affordability Policy % of Funds | Funds Awarded in 2010-2011 | Percent of Funds Awarded |
|---|---|---|---|
| 0 - 30% AMI | At least 60% | $ 18.5 million | 63% |
| 31 - 60% AMI | Up to 40% | $ 10.7 million | 27% |
| 61 - 80% AMI | Up to 10% | | 0% |

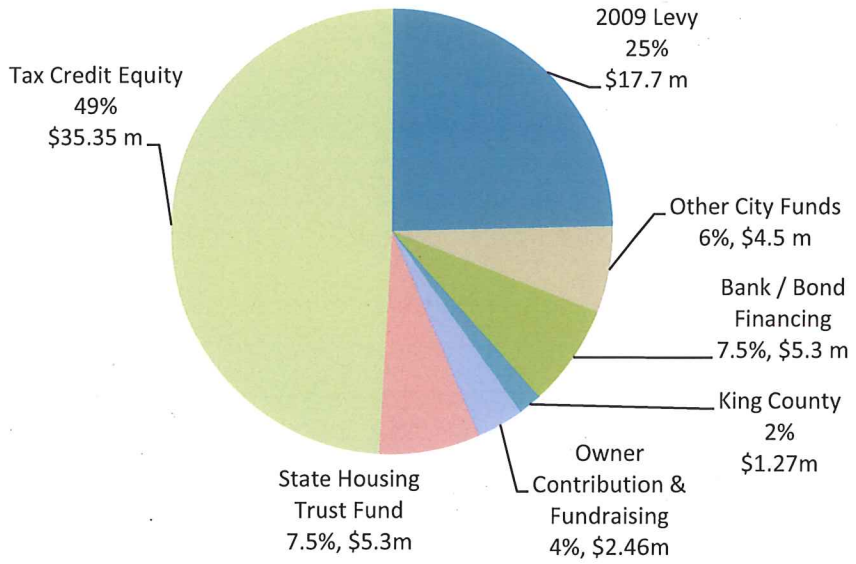
*AMI: Area median income for Seattle, indexed by household size, established annually by the US Department of Housing and Urban Development (HUD)*

## Capital Funds Leveraged

The success of the Rental Production & Preservation Program depends on leverage of other public and private funds. In the current economic climate, securing other capital sources has become more uncertain and challenging. Although these sources were diminished in 2011, the amount of capital funding to be leveraged by Levy-funded project is remarkable in this environment. Levy-funded housing developments will secure an estimated $50 million – resulting in about $72 million in total capital investment in low-income housing development. This investment creates jobs – both construction and ongoing employment – and generates State and local revenue.

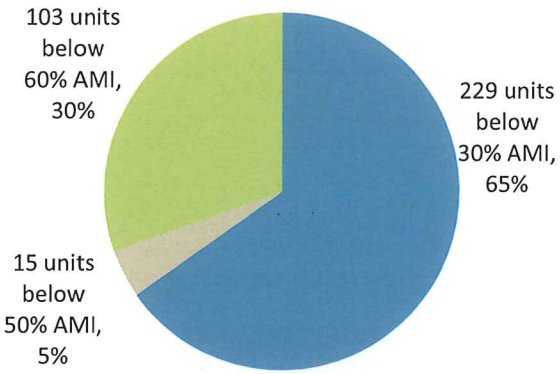
The following table shows the major sources of leverage funds. Tax credit equity investment by private sector partners continues to be the largest source. Private sector lending is also a significant source for housing developments that are able to support mortgage debt. The State Housing Trust Fund, which had limited funds available in 2010, continued to be an important resource.

**Capital Funds Leveraged**
**2009 Levy Rental Projects Funded in 2011**
**339 Units / 5 Projects**
**Total Residential Development Cost = $72 million**



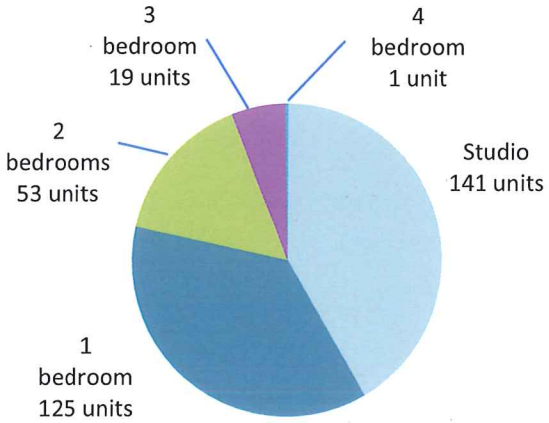
# Rental Projects Summary Information

**Unit Affordability***
**2009 Levy Rental Projects**
**Funded in 2011**
**339 Units / 5 Projects**




*AMI is Area Median Income, adjusted by household size. Unit rents are capped at amounts affordable to this income level, and units are rented to income-eligible residents.

**Unit Types**
**2009 Levy Rental Projects**
**Funded in 2011**
**339 Units / 5 Projects**




**Project Location**
**2009 Levy Rental Projects**
**Funded in 2011**

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# Acquisition & Opportunity Loans

*Acquisition & Opportunity Loans are a new strategy in the 2009 Housing Levy, designed to respond to opportunities in a slower economic environment. They provide short-term financing to encourage strategic acquisition of sites for low-income housing development, either rental or homeownership. These loans are expected to be repaid with permanent project financing, using City and non-City sources, producing housing that will provide long-term affordability.*

- *Funding is prioritized for projects that take advantage of current market conditions with a low acquisition cost and/or projects expected to leverage significant capital, operating or services funding, and short-term acquisition financing is critical to achieving cost savings or leverage.*
- *Preference is given to development in high-capacity transit station areas and acquisition/rehab of existing buildings.*
- *Loans are available throughout the year to enable sponsors to acquire properties when they become available.*

**Available Funding.** The 2009 Housing Levy identified $6.5 million for A&O Loans, using funds from other 2009 Levy programs that are not yet needed for planned projects. In addition, the City Council provided authority for up to $5 million in short-term acquisition lending using the fund balance of the Operating & Maintenance Program from prior levies.

## 2011 Approved Loans

One housing development received a Levy-funded acquisition loan, using O&M fund balances from prior levies:

- **Downtown Emergency Service Center**, $800,000, to acquire a vacant site on Delridge Way for a proposed 66-unit supportive housing development. The acquisition loan enabled DESC to close in 2011, taking advantage of a favorable purchase price. This project – Delridge Supportive Housing -- received Levy Rental Production & Preservation funds in 2011. The A&O Loan will be repaid when the remaining capital development sources have been secured.

## Loans Repaid During 2011

Three Levy acquisition loans approved in 2010 have been repaid. All three received permanent financing through Levy programs.

- Low Income Housing Institute, Jackson Senior Housing – under construction
- Downtown Emergency Service Center, Aurora Supportive Housing – under construction
- Homestead Community Land Trust, Wolcott Homes – construction completed and homes sold to first-time homebuyers

OH currently has three outstanding acquisition loans with a combined balance of $2.8 million.

# Operating & Maintenance Program

*The Operating & Maintenance (O&M) Program provides annual subsidies for buildings that serve extremely low-income residents who pay very low rents that are insufficient to support building operations. Levy funds provide supplemental operating income to ensure that the City-assisted housing is well maintained and financially viable.*

- *Funds are awarded to housing that has received Levy capital funds and will serve extremely low income and/or homeless residents below 30% of median income.*
- *Projects receive a 20-year operating support commitment. Funds are allocated each year to fill the gap between project income and expenses, up to a maximum of $2,500 per unit per year, with future adjustments for inflation.*

**Additional Operating Support Using Section 8 Vouchers.** Projects that receive capital funding through the Levy may apply for project-based Section 8 vouchers. The Seattle Housing Authority committed 500 Section 8 vouchers over the seven-year term of the Housing Levy, depending on availability of federal funds. As with the Levy O&M funding, housing with Section 8 vouchers must serve households that have incomes below 30% of median income. Voucher awards are subject to the approval of the Seattle Housing Authority Director.

## 2011 Funding Commitments

O&M awards are made to previously funded Levy projects that will begin operating within the next year. The projects are reviewed in coordination with other funders through the King County Operating, Rent Assistance and Services (ORS) funding round, which allows strategic allocation of federal and local sources as projects come on line.

In 2011, a housing development that received capital funding through the prior 2002 Housing Levy applied for operating and services funding. The 2002 Levy O&M Program made its final 20-year funding commitment to this project, which also received services funding through the ORS process.

- **Compass Housing Alliance, Nyer Urness House**: $60,110 annual subsidy for permanent supportive housing in Ballard. The project will house veterans, chronically homeless persons, people with significant drug and alcohol addictions or chronic medical conditions, persons exiting the Medical Respite Program, and people who are high users of emergency shelter and sobering services. O&M will support 70 units serving households below 30% AMI.

OH will begin awarding 2009 Levy O&M funds in 2012.

# Homebuyer Program

*The Homebuyer Program creates affordable homeownership opportunities through low-interest deferred loans to first-time homebuyers and loans to nonprofits. Eligible homebuyers may purchase a single family home, townhome or condominium anywhere in Seattle. Approximately $1.3 million in new funding is available annually, plus any loan repayments from prior housing levies.*

- *Homebuyers apply for assistance through nonprofit housing agencies, participating lenders, and housing developers that have received an allocation of City funds.*
- *The program provides deferred loans up to $55,000, depending on each borrower's need. Borrowers may receive larger loans, up to $70,000, if City funds are pooled with other subsidies and the average City subsidy is no greater than $45,000 per loan.*
- *Loans are repaid upon resale or refinancing, providing revolving funds for additional homebuyer loans, or are invested in homes that will remain affordable in perpetuity.*

## 2011 Funding Commitments

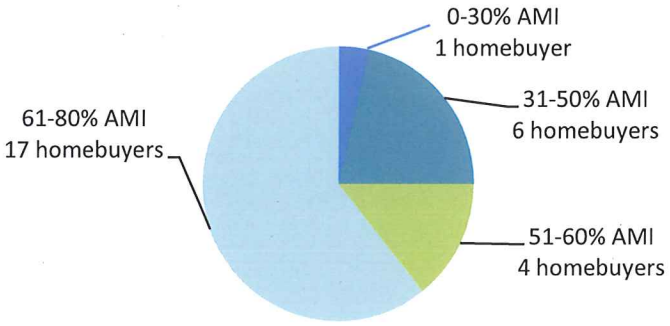
OH awarded $1.3 million in Levy funds and $1.5 million in other OH sources to five lending programs. The programs will assist approximately 65 homebuyers, of whom about 27 will receive Levy-funded loans, over the next 12 to 18 months.

- **Habitat for Humanity:** $195,000 Levy, $25,000 other OH funds. Habitat will assist four homebuyers at Rainier Vista, within ½ mile of the Columbia City light rail station.
- **Homestead Community Land Trust**: $510,000 Levy, $834,564 other OH funds. Homestead will acquire up to 26 homes; a number of the homes are available through partnerships with developers who offer reduced purchase price of the home or land.
- **HomeSight:** $420,000 Levy, $187,423 other OH funds. Seattle funds will be matched with Housing Trust Fund dollars in HomeSight's pooled lending program to assist up to 14 homebuyers.
- **Parkview Services:** $135,000 Levy. Parkview Services specializes in serving the needs of people living with disabilities, and expects to assist 3 first-time homebuyers.
- **Washington State Housing Finance Commission**: $40,000 Levy, $500,000 other OH funds. The Commission will assist up to 18 homebuyers, matching City funding with up to $15,000 per buyer with its own House Key Plus down payment assistance program.

## 2011 Home Purchases

In 2011, twenty-eight buyers purchased homes their first home – 26 using previously awarded Levy funds and two using "Levy match" loans made with non-City funds as part of HomeSight's loan pool. The average Levy loan amount was $38,510.

**Homebuyer Program Participant Income**
**Homes Purchased in 2011**
*28 homebuyers*



# Rental Assistance Program

*The Rental Assistance Program provides temporary rent assistance to individuals and families who are at risk of homelessness due to job loss, illness, or other family crisis. It is also available to help families or individuals who have already lost their housing. Beginning in 2012, approximately $850,000 will be available annually. The program supports:*

- *Temporary assistance to prevent eviction*
- *Funding for move-in expenses and other costs to access housing.*
- *Referrals to services and benefits that will help the family or individual maintain stable housing.*

## Program Development

The Human Services Department, which administers the Rental Assistance Program, developed policy guidelines over the past two years. The program was built on HSD's existing Homelessness Prevention Program, funded by the federal Homelessness Prevention and Rapid Rehousing Grant stimulus dollars and other local funds. In Spring 2011 Seattle City Council adopted Rental Assistance Program policies in the Levy Administrative & Financial Plan for 2012-2013.

HSD announced availability of Levy funding in Summer 2011 as part of its Homelessness Prevention Program. The YWCA, YMCA, Wellspring Family Services, Solid Ground, Neighborhood House, Muslim Housing, International District Housing Alliance were selected as providers.

The program started January 2012. Program funding and outcomes will be reported in the 2012 Housing Levy Annual Report.

# Levy Funding Policies

## Administrative & Financial Plan

Housing Levy programs are guided by policies in the Levy Administrative & Financial Plan adopted by the City Council every two years. The plan is prepared by the Seattle Office of Housing, with the participation of the Seattle Department of Human Services, the Housing Levy Oversight Committee, and the involvement of stakeholders for each of the five Levy programs.

## Allocation of Levy Funds

All Levy programs award funds through a competitive application process. The Rental Production & Preservation funds are made available via a combined Notice of Fund Availability (NOFA) along with other housing funds administered by the Office of Housing and funds administered by other local and statewide funders. Applicants are typically nonprofit housing developers, sometimes in partnership with agencies that provide supportive services. Organizations that receive Levy funds commit to provide below-market-rate housing to low-income households for at least 50 years.

Operating & Maintenance Funds are also made available in a combined NOFA with other sources that support building operations, rental assistance, housing-based services and other housing assistance. This coordinated funding approach helps to maximize the operating and services funding that can be secured, enabling Levy-funded housing to serve extremely low-income and homeless people.

Levy Homebuyer Assistance funds, combined with federal funds administered by the Office of Housing, are awarded through a competitive process to housing development projects and/or mortgage lending programs. First-time homebuyers apply for down payment assistance loans through the selected lenders and nonprofit partners.

The availability of Acquisition & Opportunity Loans was announced in 2010. Unlike other Levy programs, applicants may submit project proposals on a rolling basis rather than a set deadline, enabling project sponsors to take advantage of market opportunities. This highly competitive program requires that applicants and projects meet additional selection criteria.

Rental Assistance funds are administered by the Seattle Human Services Department, which selected service providers via a Request for Investment process.

## Housing Levy Oversight Committee

A Housing Levy Oversight Committee is appointed by the Mayor and City Council to monitor the progress of Levy programs. The Oversight Committee reports to the Mayor and Council on program accomplishments and makes recommendations for policy changes in the Administrative & Financial Plan. The Oversight Committee typically meets quarterly and is staffed by the Office of Housing.

# Housing Levy Funding Awards
## for Rental Housing in 2011

| **Project Sponsor**<br>*Project Name*<br>Location | **Project Description** | **Levy Units** | **Levy Funding** *(rounded)* | **Other OH Funding** |
|---|---|---|---|---|
| **Capitol Hill Housing**<br>*12th Avenue Arts*<br>1606 12th Avenue | New construction of housing for low-income families and individuals in the Capitol Hill. Includes theater and performing arts space. | 88 | $7m | $0.67m |
| **Catholic Housing Services**<br>*4251 Aurora Supportive Housing*<br>4251 Aurora Ave N | New construction of supportive housing for homeless individuals in north Seattle. CHS will provide on-site services. | 71 | $0.96m | $0.7m |
| **Downtown Emergency Service Center**<br>*Delridge Supportive Housing*<br>5434 Delridge Way SW | New construction of supportive housing for homeless individuals. DESC will provide on-site services | 66 | $4.45m | |
| **Solid Ground**<br>*Sand Point Phase 2b*<br>7400 Sand Pt Way NE | New construction of supportive housing units for homeless individuals at Sand Point. Solid Ground will provide on-site services. | 54 | $1.4m | $1.2m |
| **Urban Impact and Mercy Housing**<br>*Impact Family Village*<br>7700 Rainier Ave S | New construction of housing for low-income families in the Rainier Beach neighborhood. | 60 | $3.9m | $2m |
| **Funding Amendment** | | | | |
| **Artspace Projects, Inc.**<br>*Mt Baker Lofts*<br>2915 Rainier Ave. S.<br>*(includes $1.8m awarded in 2010)* | New construction of housing designed to meet the needs of artists and their families, including large families and people with disabilities. Located near the Mt Baker light rail station. | 57 | $3.8m | $1.7m |