

# Seattle Senior Housing Program

## 2010 Report to the Seattle City Council



On June 16, 2003, the Seattle City Council adopted Resolution 30588, stating the Council’s support for the Seattle Housing Authority’s (Seattle Housing) Seattle Senior Housing Program (SSHP) and requesting annual reports regarding the operation of the SSHP. This report addresses issues specified in the resolution. It covers the Seattle Housing Authority fiscal year 2010, January 1, 2010 – December 31, 2010.

### Seattle Senior Housing Program

The citizens of Seattle passed a bond issue in 1981 to develop low-income senior housing. Seattle Housing was charged with developing and managing this housing stock. Today, Seattle Housing manages 993 rental units in 23 senior housing buildings.<sup>1</sup> Appendix B lists SSHP communities. The 1981 bond issue covered only development costs. Thereafter, SSHP was intended to be self-supporting, with all on-going operating and capital costs paid for by rent revenues.

### Seattle Senior Housing Program Rent Policy

In 2003 Seattle Housing convened the SSHP Rent Structure Advisory Committee to help craft a new rent policy that would maintain both the program’s long-term financial viability and access for extremely-low-income households. The Rent Structure Advisory Committee developed a rent policy that establishes a series of flat rents for people with incomes between 20 and 80 percent of area median income (AMI) and “a sustainable distribution of rents.” Rents are increased annually based on:

- The annual Social Security cost of living increase for tenants with incomes at or below 30 percent of area median who do not have a Housing Choice Voucher; and
- The Consumer Price Index, for tenants with incomes above 30 percent of area median who do not have a Housing Choice Voucher.

The rent policy assumes that about 150 SSHP units will receive Housing Choice Voucher (HCV) rental assistance. The policy also removed the asset limit on eligibility and instituted an extra charge for two bedroom units. The new rent policy was adopted by the Board of Commissioners in June, for implementation on October 1, 2003 (Resolution 4699).

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<sup>1</sup> In addition, 99 SSHP units are leased to and managed by other agencies and are not subject to the SSHP rent policy. These include Heritage House, a 62-unit assisted living facility managed by Providence Health System; Keystone House, a 32-unit facility for mentally ill residents managed by Community Psychiatric Clinic; and Daybreak House, a 5-person group home run by Puget Sound Residential Services. For each of these properties, Seattle Housing is responsible for major capital replacements.

## Sustainable distribution of rents and amounts

The SSHP rent policy established a “sustainable distribution of rents” as targets for maximizing the number of extremely low-income households served, while generating sufficient income to meet the portfolio’s projected operating and capital costs. Below is a table showing the target distribution of household on rent tiers and the corresponding rent tier amounts for 2010 and 2011.

Tenants' Income as a Percentage of Area Median Income (AMI)	Below20% AMI	20-30% AMI	30-40% AMI	40-80% AMI	Housing Choice Vouchers
Sustainable Distribution of Rents	31%	36%	14%	4%	15%
Rent Tiers in 2010	\$269	\$427	\$579	\$753	Based on income
Rent Tiers in 2011	\$269	\$427	\$581	\$755	per HCV rules

## Grandfathered rents

Most residents of SSHP as of the date the policy went into effect were grandfathered in at their rent at that time (30 percent of their gross income) plus annual rent increases based on the same criteria as those under the new policy.

## SSHP Rent Policy Performance

Income distribution of residents	Below 20% Median Income	20% - 30% Median Income	30% - 40% Median Income	Over 40% Median Income	Housing Choice Vouchers
<b>Actual percent of households</b>					
October 1, 2003	42%	26%	10%	5%	16% (154)
December 31, 2009	29%	30%	14%	10%	18% (170)
<b>December 31, 2010</b>	<b>31%</b>	<b>29%</b>	<b>13%</b>	<b>10%</b>	<b>17% (163)</b>
<b>Goal (sustainable distribution)</b>	<b>31%</b>	<b>36%</b>	<b>14%</b>	<b>4%</b>	<b>15% (150)</b>

Number of non-voucher households paying flat rent tiers	1 <sup>st</sup> tier	2 <sup>nd</sup> tier	3 <sup>rd</sup> tier	4 <sup>th</sup> tier	Total on tiers	Other amount*
September 30, 2004	129	72	31	26	258	551
December 31, 2009	206	184	87	76	553	236
<b>December 31, 2010</b>	<b>231</b>	<b>202</b>	<b>83</b>	<b>72</b>	<b>588</b>	<b>203</b>

2010 Area Median Income	20% AMI	30% AMI	40% AMI	80% AMI
One person household	\$11,800	\$17,700	\$23,600	\$47,200
Two person household	\$13,480	\$20,220	\$26,960	\$53,920

At the end of 2010 66 non-voucher households grandfathered in 2003 were paying less than the minimum rent, down only slightly from 69 at the beginning of the year and 83 at the beginning of the prior year. A total of 40 households were paying more than their rent tier because they opted for a two-bedroom unit, but are included in their applicable rent tier above.

## Applicant and resident impacts

No applicants were passed over for higher income applicants.

*Rent burden:* Seattle Housing only certifies income for SSHP residents at the time of move-in. The annual income amounts Seattle Housing has on file do not necessarily include cost of living adjustments to social security or other fixed income sources that would keep rent affordable. Therefore, this analysis only looks at tenants who moved in during 2010, because their income information is current.

One hundred and three (103) people moved into SSHP for the first time during 2010. Of these, fourteen households are paying more than 40 percent of their income for rent. These households have financial help from family members or are paying less rent in SSHP than they were in the private market so are able to sustain or improve their standard of living.

## Accomplishments

Overall vacancy percentage for the year was 1.6 percent.

## Financial Performance\*

The following represents unaudited year-end financial information.

	Actual**	Adopted Budget	Percent of Budget
Revenue	\$5,381,000	\$5,239,000	103%
Expenses	<u>4,669,000</u>	<u>4,839,000</u>	<u>96%</u>
Net Income (to be contributed to reserves)	712,000	401,000	178%

\*The financial report excludes Ravenna School, which has a separate budget because of the tax credit partnership, and excludes master-leased SSHP buildings: Heritage House, Keystone and Daybreak.

\*\* FY 2010 Actual Totals represent draft, unaudited year-end financials. If the final, audited financials are significantly different, a revised report will be submitted.

Revenues were three percent greater than budgeted primarily due to a higher than expected number of residents on the fourth rent tier, slightly higher occupancy rates, and increases in rooftop antenna income. Expenses were four percent under budget predominantly due to reduced landscaping, janitorial and elevator contracts expenses. A saving from in-house solid waste expenses offset increases in other utility expenses. Overall, SHA was able to meet the budgeted reserve contribution for 2010.

At year end, SSHP's reserve balance was \$3,118,000. All but \$113,000 of this balance is committed toward capital projects currently underway or planned to begin in 2011. These capital projects are all related to water intrusion, building envelope repair, and window replacement.

While Seattle Housing has generally operated within or exceeded the goals of the rent policy, the revenue generated though the rent policy has been insufficient to keep up with rising operating costs and the portfolio's immense capital needs. In 2010 Seattle Housing and the SSHP Rent Policy Advisory Committee began exploring the idea of bringing Low Income Public Housing subsidy into some or the entire SSHP portfolio. If it is determined that this is indeed the best course of action, Seattle Housing will utilize its Moving to Work status with the U.S. Department of Housing and Urban Development to keep

the portfolio looking and feeling much the same as it does today. Doing so may bring approximately \$4.5 million in additional subsidy.

## **Capital Activity**

In recent years Seattle Housing became aware of significant capital needs in SSHP communities due to water intrusion issues. Additionally, given the age of the portfolio (averaging more than 25 years), a number of life cycle capital needs are impending, including elevator and roof repairs and replacements.

Working with the Capital Subcommittee of the SSHP Rent Policy Advisory Committee, it was determined that the best course of action was to dedicate efforts to the most pressing needs with the resources available, while looking aggressively for other funding sources.

Seattle Housing completed major building envelope repairs, window replacement, and weatherization work at Schwabacher House in early 2010. Based on the experience with Schwabacher, Seattle Housing developed plans for, and began similar work at Willis House and Reunion House in 2010. Additionally, Willis House received a new roof and heat pump and other energy efficiency measures. This work was funded in part by \$850,000 in American Recovery and Reinvestment Act (ARRA) Community Development Block Grant (CDBG) funds from the City. SSHP reserves, the City's weatherization program, and the Washington State Housing Trust Fund also contributed funding to enable this work to be done. In 2011 SHA will begin major water intrusion repair work and window replacement at Nelson Manor and Olmsted Manor, as well as repair and prevention work at Blakely and Bitter Lake Manors funded with \$3 million in matching funds from the City's Housing Levy.

SSHP has been able to participate in the City's HomeWise Weatherization program. This has resulted in the replacement of inefficient bath fans, heat lamps, and kitchen and bath lighting with energy efficient fixtures in five SSHP buildings so far, including three outlined above. This work will continue in 2011.

All 2010 capital expenditures are described in Appendix A of this report.

## **Transfers of Ownership**

In 2010 Seattle Housing began exploring the possibility of transferring ownership of Keystone, Daybreak, and Heritage House to the non-profit partners who have operated these properties from the beginning of the Seattle Senior Housing Program. In addition, Sea-Mar expressed interest in assuming ownership of South Park Manor, given its proximity to their primary location and consistency with their mission. In 2010 Seattle Housing Authority's Board of Commissioners approved the transfer of South Park Manor to Sea-Mar and Keystone Apartments to Community Psychiatric Clinic. Seattle Housing is currently working with the City's Office of Housing to bring these transfers to City Council in 2011. Seattle Housing continues to work with Sisters of Providence and with Puget Sound Residential Services to explore transfers of Heritage House and Daybreak, respectively.

## **SSHP Review Committee**

As requested by the City Council resolution, Seattle Housing continues to convene a review committee to monitor implementation of the rent policy (September 2003, Resolution 4709).

The Committee's purpose is to review SSHP's financial performance, income group distribution of SSHP residents compared to the adopted rent policy and sustainable distribution of rents, and other performance measures at least annually; and to recommend changes to the rent policy, if needed, to the Board of Commissioners. In 2008 an ad-hoc subcommittee was established to look more closely at the capital challenges of the SSHP portfolio and review strategies for addressing them.

In 2010, Committee members were:

- Two SSHP residents: Bob Fuller; Lowell "Wally" Walton
- Two representatives of the City of Seattle: Bill Rumpf/Cindy Erickson, Office of Housing; Traci Ratzliff, Council Central Staff
- Two low-income housing industry experts or practitioners: Nora Gibson, Elder Health Northwest; Sue Yuzer, Housing Resources Group
- Two other knowledgeable and interested stakeholders: John Fox, Seattle Displacement Coalition; Margaret Casey, senior advocate
- One at-large member from any of the above categories: Maiko Winkler-Chin, Seattle Chinatown International District Preservation Development Authority (resigned in early 2010), position currently vacant.
- The SSHP Senior Property Manager: Judith Anderson
- The Executive Director or designee: Seattle Housing Director of Housing Finance and Asset Management, Ann-Marie Lindboe

## Appendix A: Seattle Senior Housing Program 2010 Capital Expenditures

### Seattle Housing-operated SSHP Communities

Community	Capital Activities	2010 Expenditures
Bitter Lake Manor	Building Envelope repairs project-preliminary design	\$ 70,244
Blakely Manor	Building Envelope repairs project-preliminary design	67,919
Carroll Terrace	Building Envelope repairs	10,212
Gideon Mathews Garden	Painting	16,959
Island View	Replace fans and lights, Building Envelope repairs	93,582
Leschi House	Building Envelope repairs	920
Nelson Manor	Building Envelope repairs project preliminary design, window replacement	80,005
Olmstead Manor	Building Envelope repairs project preliminary design, window replacement	82,779
Pinehurst Court	Building Envelope repairs	4,140
Pleasant Valley Plaza	Building Envelope repairs	30,404
Primeau Place	Replace fans and lights, Building Envelope repairs	71,277
Reunion House	Water Intrusion	1,070,290
Schwabacher House	Window replacement	364,351
Wildwood Glen	Building Envelope repairs	13,460
Willis House	Water Intrusion projects	1,256,790
<b>Total Capital Expenditures in SHA-Operated Communities</b>		<b>\$3,233,333</b>

### Non-Profit Agency-Operated SSHP Communities

Community	Non-Profit Operator	Capital Activities	2010 Expenditures
Heritage House	Providence Health Systems	Heat Pump repairs, ADA Elevator Phone	\$2,734
Keystone	Community Psychiatric Clinic	Repair deck, replace carpet, paint	1,603
<b>Total Capital Expenditures in Non-Profit Agency-Operated Communities</b>			<b>\$4,337</b>

## Appendix B: Seattle Senior Housing Program Building Inventory<sup>2</sup>

Community Name	Address	Zip code	Year Built	Total Units	1 BR	2 BR
Bitter Lake Manor	620 N 130th Street	98133	1983	72	65	7
Blakeley Manor	2401 NE Blakeley Street	98105	1984	70	61	9
Carroll Terrace	600 5th Avenue W	98119	1985	26	22	4
Columbia Place	4628 S Holly Street	98118	1983	65	57	8
Fort Lawton Place	3401 W Government Way	98199	1984	24	22	2
Fremont Place	4601 Phinney Avenue N	98103	1983	31	27	4
Gideon-Mathews Gardens	323 25th Avenue S	98144	1986	45	41	4
Island View	3033 California Avenue SW	98116	1984	48	43	5
Leschi House	1011 S Weller Street	98104	1988	34	31	3
Michaelson Manor	320 W Roy Street	98119	1985	57	52	5
Nelson Manor	2258 NW 58th Street	98107	1985	32	28	4
Olmsted Manor	501 Ravenna Blvd NE	98115	1986	35	31	4
Phinney Terrace	6561 Phinney Avenue N	98103	1984	51	47	4
Pinehurst Court	12702 15th Avenue NE	98125	1984	73	66	7
Pleasant Valley Plaza	3801 34th Avenue W	98199	1984	41	37	4
Primeau Place	308 14th Avenue E	98112	1984	53	48	5
Ravenna School Apartments	6545 Ravenna Avenue NE	98115	1979	39	34	5
Reunion House	530 10th Avenue E	98102	1984	28	26	2
Schwabacher House	1715 NW 59th Street	98107	1984	44	39	5
South Park Manor	520 S Cloverdale Street	98108	1983	27	25	2
Sunrise Manor	1530 NW 57th Street	98107	1985	32	28	4
Wildwood Glen	4502 Wildwood Place SW	98136	1983	24	22	2
Willis House	6341 5th Avenue NE	98115	1983	42	38	4
<b>Total</b>				<b>993</b>	<b>890</b>	<b>103</b>

<sup>2</sup> Excludes 99 SSHP units leased to and managed by other agencies and not subject to the SSHP rent policy. These include Heritage House, a 62-unit assisted living facility managed by Providence Health System; Keystone House, a 32-unit facility for mentally ill residents managed by Community Psychiatric Clinic; and Daybreak House, a 5-person group home run by Puget Sound Residential Services. For each of these properties, Seattle Housing is responsible for major capital replacements.