

# Seattle Senior Housing Program

## 2011 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 2011, January 1, 2011 – December 31, 2011.

### 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 994 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 established a series of four 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 policy 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).

In addition, the rent policy assumed that about 150 SSHP units would receive Housing Choice Voucher (HCV) rental assistance.

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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.

## 2011 Changes – Public Housing Subsidy

While Seattle Housing has generally operated within or exceeded the goals of the rent policy, the revenue generated by the properties has been insufficient to keep up with rising operating costs and the portfolio's immense capital needs. In 2011, with the support of the SSHP Rent Structure Advisory Committee, Seattle Housing commenced adding Low Income Public Housing (Public Housing) subsidy to the majority of SSHP units in order to address the long term financial stability of the program and continue serving the same population. Seattle Housing utilized 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. Nonetheless, a few changes were made to the rent policy:

- The extra charge for two-bedroom units was changed to a flat 10 percent above the regular rent tier rather than \$25-\$100 depending on market conditions.
- Housing Choice Voucher participation ended for all households in units now receiving Public Housing subsidy, because both subsidy types cannot go to the same unit at the same time. These households were grandfathered at their HCV rent level and the sustainable distribution of rents was revised. Both of these impacts are further described below.

Public Housing subsidy was not added to South Park Manor, Ravenna School Apartments, and Leschi House, but may be in the future. Fifteen Housing Choice Vouchers were reserved for tenants in these buildings.

## 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 also intending to generate sufficient income to meet the portfolio's projected operating and capital costs. In 2011 the sustainable distribution was redistributed to reflect the removal of about 135 Vouchers previously dedicated to the program while continuing to serve the same population (below 30% of AMI). Below is a table showing the target distribution of households on rent tiers and the corresponding rent tier amounts for 2010 and 2011.

<b>Tenants' Income as a Percentage of Area Median Income (AMI)</b>	<b>Below20% AMI</b>	<b>20-30% AMI</b>	<b>30-40% AMI</b>	<b>40-80% AMI</b>	<b>Housing Choice Vouchers</b>
Previous Sustainable Distribution of Rents	31%	36%	14%	4%	15%
Rent Tiers in 2010	\$269	\$427	\$579	\$753	Per HCV rules
Current Sustainable Distribution of Rents	Combined 80%		14%	4%	2%
Rent Tiers in 2011	\$269	\$427	\$581	\$755	Per HCV rules

## Grandfathered rents

Most residents of SSHP as of the date the rent policy went into effect (October 2003) were grandfathered in at their rent at that time (typically 30 percent of their gross income). In addition, all tenants who were participating in the Housing Choice Voucher program at the time their unit began receiving Public Housing

subsidy (December 2011) were grandfathered in at their rent at the time. Tenants with grandfathered rents are still subject to annual rent increases based on the same criteria as those under the new policy and must report any permanent changes in income.

## SSHP Rent Policy Performance

2011 Area Median Income	20% AMI	30% AMI	40% AMI	80% AMI
One person household	\$12,160	\$18,240	\$24,320	\$45,500
Two person household	\$13,900	\$20,850	\$27,800	\$52,000

Income distribution of residents	Below 20% AMI	20% - 30% AMI	30% - 40% AMI	Over 40% AMI	Housing Choice Vouchers
Actual - October 1, 2003	42%	26%	10%	5%	16% (154)
Actual - December 31, 2010	31%	29%	13%	10%	17% (163)
<i>Goal</i>	80%		14%	4%	2% (15)
<b>Actual - December 31, 2011</b>	<b>46%</b>	<b>30%</b>	<b>14%</b>	<b>8%</b>	<b>2% (15)</b>

Number of households paying flat rent tiers*	1st tier	2nd tier	3rd tier	4th tier	Total on tiers	Other amount*
September 30, 2004	129	72	31	26	258	551
<b>December 31, 2010</b>	231	202	83	72	588	203
<b>December 31, 2011</b>	259	205	90	77	615	343

\*At the end of 2011 187 households were paying less than the minimum rent. Of these, 57 were not prior voucher holders, down slightly from 66 at the beginning of the year and 69 at the beginning of the prior year. The remaining 130 households paying less than the minimum rent were participating in the Housing Choice Voucher program prior to bringing Public Housing subsidy into the program. A total of 72 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:* Since 2003 Seattle Housing has only certified income for SSHP residents at the time of move-in. In 2011, due primarily to the addition of Public Housing subsidy, incomes were reviewed for residents in 21 buildings. For the remaining two buildings, the annual income amounts Seattle Housing has on file does 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 whose income was reviewed in 2011, because their income information is current. In addition, this analysis only looks at tenants in one-bedroom units, as tenants in two-bedroom units choose to pay a higher amount of rent.

Currently 65 one-bedroom SSHP households are paying more than 40 percent of their income for rent. Of these 15 are at the lowest rent tier. 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 1.9 percent.

## Financial Performance<sup>2</sup>

	Actual <sup>3</sup>	Adopted Budget	Percent of Budget
Revenue	\$5,247,008	\$5,162,318	102%
Expenses	4,859,544	4,993,736	97%
<b>Net Income (to be contributed to reserves)</b>	<b>387,464</b>	<b>168,582</b>	<b>230%</b>

Total revenue was 1.6 percent higher than budget mainly due to an increase in tenants on higher rent tiers and slightly higher than anticipated income from rooftop antennae at a few communities. Expenses were below budget by 2.7 percent mostly due to a concerted effort to lower maintenance and repair expenses, including the costs associated with preparing a vacated unit for rental. Utilities expenses were also lower than anticipated due primarily to lower than projected sewer rate increases and efforts to reduce solid waste, including a new organic waste program. Seattle Housing was able to make contribute an additional \$242,000 to capital reserves above the projected contribution for the portfolio's capital needs.

## 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.

In 2011 SHA began 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. Much of this work was funded with \$3 million in matching funds from the City's Office of Housing along with Seattle Housing sources. The projects have been timed to start about three months apart with Olmsted Manor beginning in late summer 2011, followed by Nelson and then Blakely. Bitter Lake was bid in November and construction will start in January of 2012. All the repairs will be completed by the end of 2012.

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

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<sup>2</sup> 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.

<sup>3</sup> FY 2011 Actual Totals represent draft, unaudited year-end financials. If the final, audited financials are significantly different, a revised report will be submitted.

in all the SSHP buildings except Wildwood Glen, South Park Manor and Heritage House. The funding was exhausted before these last properties could be done.

Seattle Housing is planning a rehab of Leschi House that will not only address water intrusion and life cycle issues, but also double the number of affordable senior housing units available on this highly desirable site. In 2011 Seattle Housing applied for City funding for this work. City staff anticipated that their funding would not stretch far enough in 2011, so Seattle Housing plans to apply again in 2012. Also in 2012 elevator modernizations will begin in the SSHP buildings. Fremont Place will be the first to be modernized.

All 2011 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 2010 Seattle Housing Authority's Board of Commissioners approved the transfer of Keystone Apartments to Community Psychiatric Clinic (CPC). In 2011 City Council approved the transfer of Keystone to CPC and Seattle Housing is currently working with the City's Office of Housing to finalize the transfer, which is expected in early 2012. Seattle Housing continues to work with Sisters of Providence and with Puget Sound Residential Services to explore transfers of Heritage House and Daybreak, respectively.

In addition, in 2010 Sea-Mar expressed interest in assuming ownership of South Park Manor, given its proximity to their primary location and consistency with their mission. Seattle Housing Authority's Board of Commissioners approved the transfer of South Park Manor to Sea-Mar. However, in 2011 Sea-Mar determined that the requirements of the City made the deal impractical and they declined to accept the transfer.

## **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 2011, Committee members were:

- Two SSHP residents: Bob Fuller; Lowell "Wally" Walton
- Two representatives of the City of Seattle: Cindy Erickson, Office of Housing; Traci Ratzliff, Council Central Staff
- Two low-income housing industry experts or practitioners: Nora Gibson, Elder Health Northwest; Sue Selman, Housing Resources Group
- Two other knowledgeable and interested stakeholders: John Fox, Seattle Displacement Coalition; Denise Klein, Senior Services

- One at-large member from any of the above categories: 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 2011 Capital Expenditures

### Seattle Housing Capital Sources

<b>Community</b>	<b>Capital Activities</b>	<b>2011 Expenditures</b>
Bitter Lake Manor	Building envelope repairs project-preliminary design	9,800
Blakely Manor	Building envelope repairs project-preliminary design	15,500
Carroll Terrace	Fans and Lighting	25,400
Columbia Place	Fans and Lighting	54,000
Fort Lawton	Fans and Lighting	21,100
Fremont Place	Fans and Lighting	30,700
Island View	Fans and Lighting	7,700
Leschi House	Building envelope preliminary design	185,700
Michaelson Manor	Fans and Lighting	54,500
Nelson Manor	Building envelope repairs project preliminary design, window replacement	165,700
Olmstead Manor	Building envelope repairs project preliminary design, window replacement	312,200
Phinney Terrace	Fans and Lighting	40,400
Pleasant Valley	Fans and Lighting	82,800
Primeau Place	Fans and Lighting	7,800
Sunrise Manor	Fans and Lighting	50,800
<b>Total Capital Expenditures</b>		<b>\$1,064,000<sup>4</sup></b>

<sup>4</sup> A total of \$375,200 was expended on fan and lighting upgrades to improve energy use and moisture issues in eight SSHP buildings in 2011. In turn, Seattle Housing received \$287,500 (89 percent) in rebates from the City of Seattle's HomeWise Weatherization program.

## Appendix B: Seattle Senior Housing Program Building Inventory<sup>5</sup>

Community Name	Address	Zip Code	Year Built	Total Units	1 BR	2 BR	Public Housing
Bitter Lake Manor	620 N 130th Street	98133	1983	72	65	7	Yes
Blakeley Manor	2401 NE Blakeley Street	98105	1984	70	61	9	Yes
Carroll Terrace	600 5th Avenue W	98119	1985	26	22	4	Yes
Columbia Place	4628 S Holly Street	98118	1983	66	58	8	Yes
Fort Lawton Place	3401 W Government Way	98199	1984	24	22	2	Yes
Fremont Place	4601 Phinney Avenue N	98103	1983	31	27	4	Yes
Gideon-Mathews Gardens	323 25th Avenue S	98144	1986	45	41	4	Yes
Island View	3033 California Avenue SW	98116	1984	48	43	5	Yes
Leschi House	1011 S Weller Street	98104	1988	34	31	3	No
Michaelson Manor	320 W Roy Street	98119	1985	57	52	5	Yes
Nelson Manor	2258 NW 58th Street	98107	1985	32	28	4	Yes
Olmsted Manor	501 Ravenna Blvd NE	98115	1986	35	31	4	Yes
Phinney Terrace	6561 Phinney Avenue N	98103	1984	51	47	4	Yes
Pinehurst Court	12702 15th Avenue NE	98125	1984	73	66	7	Yes
Pleasant Valley Plaza	3801 34th Avenue W	98199	1984	41	37	4	Yes
Primeau Place	308 14th Avenue E	98112	1984	53	48	5	Yes
Ravenna School Apts.	6545 Ravenna Avenue NE	98115	1979	39	34	5	No
Reunion House	530 10th Avenue E	98102	1984	28	26	2	Yes
Schwabacher House	1715 NW 59th Street	98107	1984	44	39	5	Yes
South Park Manor	520 S Cloverdale Street	98108	1983	27	25	2	No
Sunrise Manor	1530 NW 57th Street	98107	1985	32	28	4	Yes
Wildwood Glen	4502 Wildwood Place SW	98136	1983	24	22	2	Yes
Willis House	6341 5th Avenue NE	98115	1983	42	38	4	Yes
<b>Total</b>				994	891	103	20

<sup>5</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.