

Housing Levy Oversight Committee

January 18, 2018 Meeting Minutes -- Approved March 15, 2018

Committee Members Present: Beth Boram, Valerie Fisher, Erin Christensen Ishizaki, Doug Ito, Ann Melone, Colin Morgan Cross, Kristin Pula, Doug Vann

Staff: Miriam Roskin, Laurie Olson, Jennifer LaBrecque, Maureen Kostyack

1. Welcome and Minutes

Doug Ito opened the meeting at 2:40 pm. The minutes from the September 21, 2017 meeting were approved.

Miriam Roskin welcomed and thanked committee members and gave an overview of OH's 2017 rental and ownership housing investments.

2. Rental Housing Program Funding Awards

Laurie Olson, Multifamily Lending Manager, presented the rental housing projects selected for 2017 funding. A record amount – nearly \$100 million – was available from the Housing Levy, Incentive Zoning payments from private development, federal funding, and \$29 million in bond authorized by City Council. As a result, OH was able to fund 9 new projects with 898 rental units as well as four portfolio preservation projects totaling 535 units. Of these, one project was funded at \$15 million through a request for proposals for transit-oriented development at the Roosevelt light rail station area. The balance of funding was awarded to projects through OH's annual NOFA process.

Laurie discussed challenges with leverage fund sources that required increased City funding per project. State Housing Trust fund dollars were unavailable because of legislature did not pass a capital budget in 2017. As a result, OH increased its funding commitments for several projects to fill the State funding gap. Beth Boram asked whether these funds could be returned, and Laurie explained that, when the State budget eventually passes, we anticipate that as much as \$15 million could awarded Seattle projects.

OH also needed to increase funding amounts because low income housing tax credits did not provide as much equity to the projects. Applicant budgets assumed lower pricing due to the lower corporate income tax rates proposed in Congress. Ann Melone confirmed that tax credit pricing was already lower in anticipation of the federal cuts, and will be reduced further because the final 21% corporate tax rate is lower than projected. She expects Seattle projects will continue to do better than other parts of the country due to investors who are motivated by Community Reinvestment Act requirements.

Laurie then discussed each project with the committee members, including affordability, populations served, ground floor commercial uses, and partnerships with community and social services organizations. For portfolio projects, including several historic structures, the improvements will extend the life of the buildings.

OH is still finalizing the amount of Housing Levy funds that will be awarded to specific projects. Laurie anticipates that as many as 600 of the units will be levy funded, providing a significant start on the levy production goal.

Doug Ito asked about funds available in 2018. Miriam replied that we anticipate significant funding, but most likely not as much as the past year. In addition to \$29 million in levy funds, Incentive Zoning payments could provide \$30 to \$40 million, and \$15 million is available from the Convention Center expansion.

3. Homeownership Program Funding Awards

Jennifer LaBrecque, Homeownership Program Manager, provided an overview of the four activities supported by Housing Levy funds. Home repair grants and foreclosure prevention loans for low-income homeowners began in 2017. For the ongoing homebuyer assistance program, the focus on down payment assistance loans is lessening due to rising prices in the private market. Therefore OH has increased the focus on development of long-term affordable ownership units. Over the past year we developed more specific policy guidance for these projects and hired staff with this expertise.

Two ownership developments were funded this year. The first will construct at least nine townhomes for first-time buyers below 80% of median income (AMI) on a surplus City-owned site in a rapidly gentrifying location in the Leschi neighborhood. The City was able to offer the land at no cost. A partnership of Homestead Community Land Trust and Edge Development was selected from three applicants via an RFP process. Beth Boram asked whether Edge did market rate development. Jennifer replied that OH encouraged the partnership between Homestead and this market rate developer. She and Miriam pointed out that keeping the sales price low is critical to maintain affordability at 80% AMI, so a developer able to ensure cost-effectiveness is key.

The second project is a 16-unit townhome development by Habitat for Humanity on a site purchased from Seattle Housing Authority. All units will have three bedrooms and will be affordable at 60% AMI, a Habitat priority. This project was funded through OH's NOFA process. As anticipated, there were no requests for down payment assistance funds as agencies still have unspent funds.

Jennifer explained that OH will begin to issue two NOFAs per year so funds will be available for development projects. Doug Ito asked whether applicants needed to be nonprofit. Jennifer explained that funds are not restricted to nonprofits, however, applicants must demonstrate capacity for stewardship of the housing over a 50+ year affordability period; this function would likely be done by a nonprofit. Turnkey development by a for-profit partner is another option we may see in the future.

4. Office of Housing Updates

Funding Policies

Miriam described recent City Council interest in amending OH funding policies related to site acquisition. Current policy allows OH to provide short-term acquisition loans to developers who have identified a site or building suitable for affordable housing development. The policy does not allow, however, funding for OH to acquire the site. Flexibility for OH to make a purchase would be desirable, for example, if the site is adjacent to another publicly owned site. It could also be useful for a below-market acquisition from another public agency. OH would then issue an RFP for a developer.

Committee members were supportive of adding this flexibility. Doug Ito suggested that the Oversight committee could provide a letter. Doug Vann noted that previous dispositions of Sound Transit property have raised questions of fairness to the original owners which, while not directly applicable here, should be considered in presenting the policy. Several members asked whether City ownership would reduce property tax cost during the development period. Members also asked whether OH anticipated a relatively small land-banking program and Miriam confirmed that OH site acquisition would be driven by

specific opportunities, rather than establishing a large program. Maureen pointed out that the Acquisition and Preservation (A&P) program is not separately funded, but uses fund balances from other programs that are committed to projects.

Miriam said that legislation would likely make a small edit to the A&P Program policies, and will move ahead this Spring. Maureen will keep the committee members informed.

Affirmative Marketing and Resident Preference

Maureen described OH's recently released affirmative marketing requirement for affordable units in buildings participating in the Multifamily Tax Exemption and Incentive Zoning programs. OH held a workshop for property managers last week that was well-received.

Maureen explained that while affirmative marketing has long been a requirement for housing receiving OH funding, we will now produce a more specific guideline for these projects as well. We will circulate it for comments in the next few months. As part of this work, we are exploring the option of including a resident preference policy. A preference policy could be available to developments intended to mitigate displacement in low-income communities of color, and could allow a preference for local residents in a portion of the units. OH is working with Seattle Office for Civil Rights staff to research best practices and propose options that fall within federal requirements to affirmatively further fair housing. OH is also planning a workshop for late February on community-driven objectives in affordable housing development, which will provide an opportunity to get early input on resident preferences from housing providers and community groups.

Committee members expressed interest and support for exploring resident preference and clarifying procedures. Erin Christensen Ishizaki suggested using the Equity Analysis done for the City's Comprehensive Plan, and Maureen agreed that the preference policy would probably use the Displacement Risk Index in the Equity Analysis to identify appropriate areas. Kristin Pula suggested a preference for residents recently displaced from these Seattle neighborhoods as well. Colin Morgan Cross described the extensive outreach done for Mercy Housing's Othello project in southeast Seattle, which resulted in more than half of applicants from the area. Doug Vann pointed out that procedures are in place for certain allowable resident preferences such as artists and, more recently, veterans.

Oversight Committee appointments

OH is working to fill two vacancies on the committee. Committee members agreed that someone with homelessness expertise would be a good addition.

5. Next meeting

The March meeting will focus on the 2017 levy annual report. March 15th is winning in the poll so far.

Doug Ito ended the meeting at 4:00 pm.