Enterprise®

November 4, 2016

Dear Councilmember Herbold:

First, a sincere thanks for creative thinking about how we how we address the enormous housing affordability challenges our City is facing. In response to your question about how the City could utilize approximately $30,000,000 in additional funding for affordable housing, were it available next year, we think the following strategies offer strong potential. We have offered a variety of solutions that address current gaps in affordable housing finance.

Gap financing - An additional $30 million investment on top of current city housing resources would enable development of 3-4 larger rental projects and an estimated 600+ apartment homes for households earning less than 60% of median income. This assumes a $50,000 per unit subsidy, and leverage using the Low-Income Housing Tax Credit (LIHTC) program and property tax exemptions. Developers would need to have the capacity to do develop at scale, employ cost efficiencies and secure required private financing.

Mixed-Income Equity – The City's potential investment of $30 million has the potential to create 400-500 middle-income apartment homes affordable at 70%-100% AMI alongside an equal number of low-income apartment homes below 60% AMI that might otherwise not be built for a total of 800+ new homes. A City equity fund could:

- Enable transit-oriented public sites to be developed at large scale as mixed-income apartments
- Build non-profit capacity to deliver large-scale housing developments
- Create long-term public interest in middle-income housing
- Leverage private financing and conventional affordable housing financing tools to create approximately one middle-income and one low-income apartment for each $65,000 invested

Subsidy to encourage homeownership – There are few resources available to create affordable homes for sale. The gap between conventional finance and cost to develop a home for sale affordable at 80-100% AMI is roughly $145,000. A $30 million investment could create approximately 200 homes for sale to middle-income households. Suggest verifying cost assumptions and resulting production assumptions with Homesight.

Seismic retrofit – Over 1,000 buildings have been identified, many of which are in lower-income and quickly gentrifying neighborhoods, which require expensive structural work to make them resilient to seismic events. In the absence of dollars to finance these retrofits, owners face the losing choice of maintaining potentially unsafe buildings or displacing low-rent tenants to finance rehabilitation. A City investment could preserve these homes as affordable while making them safe and resilient. The Yesler Community Collaborative area would be a proposed target area for this funding.

Predevelopment - Since speed of deployment is a driving factor, and since some excellent projects, including those developed on public land take longer, I would urge you to consider predevelopment

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for nonprofit partners to advance larger-scale projects as a use for the proceeds. This funding could remain in the project as permanent financing.

Preservation – As rents go up across the City, the preservation of existing affordable housing is becoming a stronger priority. Investment in our current housing stock alongside new development is an effective way to preserve affordability.

Home & Hope – Enterprise Community Partners is helping to convene public and non-profit land owners and developers through our new "Home & Hope" initiative. The initiative aims to accelerate the use of tax-exempt and public lands for the creation of housing, early childhood centers, and other education uses in areas of opportunity. Home & Hope and this bond issuance complement each other and other housing initiatives to both create a pipeline of new affordable housing developments and the permanent financing to bring those planned developments to reality.

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