

Housing Levy Oversight Committee

December 20, 2016 Meeting Minutes

Committee Members Present: Vallerie Fisher, Jon Grant, Doug Ito, Tory Laughlin Taylor, Nicole Macri, Kelly Rider, Alice Shobe, Doug Vann, Maiko Winkler-Chin

Staff: Miriam Roskin, Laurie Olson, Emily Alvarado, Maureen Kostyack

1. Welcome and Minutes

Maiko Winker-Chin opened the meeting at 3:00 pm. The minutes of the October 19, 2016 meeting were approved with Tory Laughlin Taylor abstaining.

2. 2016 Rental Housing Funding Awards

Laurie Olson presented OH's funding awards for 2016, which were recently announced. Through the annual Notice of Funds Available (NOFA) process, OH awarded \$47 million in Housing Levy, Bonus, and federal HOME funds. The total funding will support development of six new projects with 472 units, and will fund repairs to preserve three low-income buildings in OH's portfolio. Of these, five of the new projects will receive Levy funding. The amount of Levy funding in each project will be determined over the next few weeks and reported to the committee at the next meeting.

Laurie provided copies of the press packet for the funding award announcement: press release, table of projects showing units by affordability level, map of existing and newly funded rental housing, and a project fact sheet for each development. She discussed each project and special features such as co-located facilities.

Alice Shobe asked about any trends for this funding year. Laurie replied that we are seeing increased development costs and higher OH funding amounts, with some projects exceeding \$100,000 per unit. The Housing Trust Fund is a less flexible leverage source due to population set-asides and unit goals set by the legislature; nonetheless Seattle projects were awarded \$4 million from the state's limited funds. Given the changes nationally, there is increasing uncertainty about low income housing tax credits – reduced pricing of \$0.01/credit can cost a project \$100,000. In addition, in Seattle's competitive market, developers are struggling to find sites. OH is encouraging larger projects, over 100 units, to address these cost issues. This year we funded two relatively large projects at 110 and 98 units.

Vallerie Fisher asked if the new City law limiting up-front fees would apply to these projects. Laurie responded that affordable housing generally doesn't charge high fees.

Nicole Macri asked about the future of the low income housing tax credit. Laurie said that if the corporate tax rate drops, the tax credit value will drop. OH is currently asking 9% tax credit projects to continue pricing at \$1.05 per credit. OH may need to fill a funding gap. Tax reform could take effect in 2018, therefore 2017 is a year of uncertainty. Miriam Roskin noted that the planning assumption for the 2016 Levy was \$0.98/credit. Maiko Winkler Chin added that Community Reinvestment Act requirements could also change, adding another uncertainty.

Kelly Rider asked what projects were not funded. Laurie replied that there were two projects -- a SCIDpda/Interim partnership project and a LIHI project at Othello -- and both are expected to apply again next year.

Maiko Winkler Chin asked about family sized housing. Laurie replied that OH is asking for 2- and 3-BR units, for example, in the Little Saigon project this year. Larger units can result in a lower total number of units in the development. Doug Vann asked if we ever include 4-BR units. Laurie said they are not common. Maiko added that renting a house is about the same cost.

Tory Laughlin Taylor asked how OH was addressing unreinforced masonry (URM) in preservation projects. Laurie replied that OH recognizes the need to support capital needs of existing low-income housing. We prioritize buildings with extremely low income and homeless residents, since other buildings can refinance. Doug Ito said URM projects can't be done in occupied buildings, and tenant displacement and relocation adds more costs. Nicole Macri said temporary relocation is very hard for high needs residents.

Nicole Macri asked about King County funding this year. Laurie replied that King County was a great partner, awarding TOD bond funding and Behavioral Health capital funds, and coordinating to achieve five projects with 9% tax credits countywide.

Maiko Winker Chin asked whether OH would have just one funding round in 2017. Laurie replied that we are considering a Spring round but the problem is lack of leverage funding, since other sources award funds only in the Fall. [Update: OH will not host a Spring round in 2017.]

3. Update on Levy Administrative and Financial Plan

Maureen Kostyack described recent work to develop the A&F Plan for the new levy. OH held two community meetings in November, and posted 11 issue papers and a summary document online. We received about a dozen written comments and additional calls with comments and questions. Our next step is to draft the plan and post it online for public comment, in late January or early February. The plan is will be reviewed by the Oversight Committee and transmitted to City Council by the end of March.

Alice Shobe asked for more information about who attended the meetings, which issues were most controversial, and the role of the Oversight Committee. Maureen replied that the first meeting was geared to anyone interested in the levy, and the second meeting was focused on specific policy changes and attracted stakeholders who use levy funds. The committee's role is to recommend policies to the Mayor and Council, and OH will provide an overview of the entire plan as well as the process for developing the policies at the February meeting.

It was agreed that the remaining meeting time should focus on policy development for new elements of the levy. Maureen first described policies for the new Acquisition and Preservation Program. OH is recommending policies modeled on the past levy's Acquisition and Opportunity Program which expired in 2012. The new short-term loan program will put more emphasis on preservation projects, including occupied buildings, as directed by City Council.

Maureen then described OH's proposal for an RFP process that could be used to select a developer and award funds for housing development on a publicly owned site. This competitive process would be an alternative to awarding funds through the NOFA. Miriam Roskin noted that since these are public sites, either City or other public agency, the applicants would compete based on criteria specified in the RFP, such as number of units, affordability levels, family-sized units, etc. There was discussion of the complexity of these projects and the high cost of design and other predevelopment costs for the applicants. Doug Vann noted that these projects could involve multiple uses, potentially blending

housing funds with other sources. Kelly Rider commented that the developer would then be negotiating with OH rather than Sound Transit or another owner. Laurie Olson said the OH and the other public agency would work together to set the parameters for the project. The proposed policy would allow OH to pay for some predevelopment work prior to the RFP.

Emily Alvarado then discussed the Rental Rehab program, which is intended to be a small (roughly \$2m/year) resource for making improvements to privately owned housing that commits to restricting rents and incomes on at least half the units for at least 10 years. Tory Laughlin Taylor asked about the intended participants, which Emily described as owners who want to hold, not sell, their property. She said that small owners were most interested, but these might not be the most efficient projects to fund. Doug Ito suggested talking with property management companies who work with family owners to find properties in the 30- to 40-unit range.

4. Celebrate a Successful 2009 Housing Levy

OH thanked all the members of the committee for their contributions to a successful 2009 Housing Levy. A special thanks to Maiko Winkler Chin who served a third term and chaired the committee through the levy renewal period. Five members, including Maiko, are leaving the committee. Six community representatives, plus the two City staff representatives, will continue on to the 2016 Levy Oversight Committee.

Maiko ended the meeting at 4:30 pm.