Financing URM Retrofits
• The City of Seattle has 1,147 unreinforced masonry buildings—approximately 21.6 million square feet

However, approximately 12% of the inventory have already undergone prior substantial alterations and would likely not be subject to new regulation. In addition, within the remaining database are public facilities (68) which are likely to be funded through traditional public capital improvement processes. Our modified inventory is 944 buildings needing to be retrofitted.
## URM Inventory

### Retrofit Costs per SF

<table>
<thead>
<tr>
<th>New Estimates</th>
<th>BOLTS +</th>
<th>BOLTS ++</th>
<th>Full Seismic</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construction Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hard Costs</td>
<td>$ 17.13</td>
<td>$ 19.28</td>
<td>$ 61.99</td>
</tr>
<tr>
<td>Sales Tax</td>
<td>10.1%</td>
<td>$ 1.73</td>
<td>$ 1.95</td>
</tr>
<tr>
<td>Hard Costs Contingency</td>
<td>10%</td>
<td>$ 1.89</td>
<td>$ 2.12</td>
</tr>
<tr>
<td><strong>Total Hard Costs</strong></td>
<td>$ 20.75</td>
<td>$ 23.35</td>
<td>$ 75.08</td>
</tr>
<tr>
<td>Soft Costs</td>
<td>15%</td>
<td>$ 3.11</td>
<td>$ 3.50</td>
</tr>
<tr>
<td>Soft Costs Contingency</td>
<td>10%</td>
<td>$ 0.31</td>
<td>$ 0.35</td>
</tr>
<tr>
<td><strong>Total Soft Costs</strong></td>
<td>$ 3.42</td>
<td>$ 3.85</td>
<td>$ 12.39</td>
</tr>
<tr>
<td><strong>TOTAL CONSTRUCTION RELATED EXPENSES</strong></td>
<td>$ 24.17</td>
<td>$ 27.20</td>
<td>$ 87.46</td>
</tr>
<tr>
<td><strong>Relocation Costs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Residential</td>
<td>$ 2.50</td>
<td>$ 2.50</td>
<td>$ 2.50</td>
</tr>
<tr>
<td>Commercial</td>
<td>$ 8.00</td>
<td>$ 8.00</td>
<td>$ 8.00</td>
</tr>
<tr>
<td><strong>TOTAL INCLUDING RELOCATION EXPENSES</strong></td>
<td>$ 34.67</td>
<td>$ 37.70</td>
<td>$ 97.96</td>
</tr>
</tbody>
</table>
# URM Inventory

## Revised Total Retrofit Costs – Seattle URM Inventory

<table>
<thead>
<tr>
<th>Description</th>
<th>Total</th>
<th>Bolts+</th>
<th>Bolts++Frame</th>
<th>Full Seismic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Buildings</td>
<td>944</td>
<td>215</td>
<td>344</td>
<td>385</td>
</tr>
<tr>
<td>% of Total URMIs</td>
<td>100%</td>
<td>23%</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Hard Costs</td>
<td>$819,836,442</td>
<td>$90,794,132</td>
<td>$96,094,679</td>
<td>$632,947,631</td>
</tr>
<tr>
<td>Sales Tax (10.1%)</td>
<td>$91,083,829</td>
<td>$10,087,228</td>
<td>$10,676,119</td>
<td>$70,320,482</td>
</tr>
<tr>
<td>Hard Costs Contingency (10%)</td>
<td>$81,983,644</td>
<td>$9,079,413</td>
<td>$9,609,468</td>
<td>$63,294,763</td>
</tr>
<tr>
<td><strong>Total Hard Costs</strong></td>
<td>$992,903,915</td>
<td>$109,960,774</td>
<td>$116,380,266</td>
<td>$766,562,876</td>
</tr>
<tr>
<td>Soft Costs (15%)</td>
<td>$148,935,587</td>
<td>$16,494,116</td>
<td>$17,457,040</td>
<td>$114,984,431</td>
</tr>
<tr>
<td>Soft Costs Contingency (10%)</td>
<td>$14,893,559</td>
<td>$1,649,412</td>
<td>$1,745,704</td>
<td>$11,498,443</td>
</tr>
<tr>
<td><strong>Total Soft Costs</strong></td>
<td>$163,829,146</td>
<td>$18,143,528</td>
<td>$19,202,744</td>
<td>$126,482,874</td>
</tr>
<tr>
<td><strong>TOTAL CONSTRUCTION EXPENSES</strong></td>
<td>$1,156,733,061</td>
<td>$128,104,301</td>
<td>$135,583,010</td>
<td>$893,045,750</td>
</tr>
<tr>
<td>Relocation (Commercial)</td>
<td>$105,171,558</td>
<td>$19,549,429</td>
<td>$24,965,929</td>
<td>$60,656,200</td>
</tr>
<tr>
<td>Relocation (Residential)</td>
<td>$37,777,805</td>
<td>$17,517,013</td>
<td>$6,036,337</td>
<td>$14,217,455</td>
</tr>
<tr>
<td><strong>TOTAL INCL. RELOCATION</strong></td>
<td>$1,299,675,424</td>
<td>$165,170,743</td>
<td>$166,585,275</td>
<td>$967,919,405</td>
</tr>
</tbody>
</table>
MOVING FORWARD
Peer Program Review

Berkeley | Long Beach | Los Angeles | Oakland | Salt Lake City | San Francisco

- **MAKE IT MANDATORY!** So long as retrofits are optional the only retrofits will occur when buildings redevelopment or get torn down. A mandatory requirement pushes the development community to solve the problem and do something.

- **STAFF A PROGRAMMATIC EFFORT.** It is beneficial to have a program relationship to direct the various URM program needs. Requires internal and external relationships to help property owners navigate through the process.

- **THIS IS ONLY THE FIRST STEP!!** Due to the above, most coastal California cities have moved beyond URMs to address other vulnerable building types.

- **FEMA grants are an essential public contribution to retrofits.** Requires a plan to apply. In most California efforts now, FEMA grants are the only public funds involved in retrofits. Grants require match (private contribution) and is complex, arduous and competitive. Funding disbursement delays may cause postponed project start and completion dates. Uncertain if this can be eased with a good Seattle effort.

- **Private loans or self-financing is common.** Cities have typically created a publicly-sponsored financing program to support retrofit needs. Most of the funding, though, is done privately.

- **There is no Silver Bullet public financing solution.**
Financial Resources – Guiding Principals

1. Washington State Constitution limits use of public funds in private activities
2. Seismic retrofits – ALONE – bring no or limited financial benefit (at least in the short term)
3. Maximize existing program resources / Get programmatic
4. Minimize private debt and provide options
Funding Principles

- Will be inherently a public/private activity.
- Funds will mix and match based on building type and ownership.
- Buildings owned by non-profit organizations WILL require public funding support as some public programs only benefit a private owner.
- Use limited grant opportunities to help fund third-party costs, such as architect/engineering needs. This allows early work to confirm project needs to be done at little or no cost and puts the City in a good support/facilitator role.
Funding Options

Grant Funding
- Community Development Block Grants
- FEMA Grants
- Preservation Grants

Seattle Budget Adjustments
- Permit Fee Waivers/Discounts
- Seattle Sales Tax

Zoning - New Development Funding
- Transfer Development Rights
- New Development Credits

Federal Tax Credits
- Historic Building Tax Credits

Property Tax Relief
- Property Tax Abatement

Public Payer Financing Options
- GO Bonds
- Green Bonds
- HUD 108 Loan Fund

Private Payer Financing Options
- Lease Revenue Bonds
- Local Improvement Districts
- PACE Financing
- Private Lending Consortium
- Potential CDFI Revolving Loan Funds
Financial Resources – Maximize Existing Programs

WA State Special Property Valuation:

- Available to Landmarks
- Reduces property taxes based on improvement costs
- Value of property tax reduction is nearly 10% of project costs

WITH legislative adjustments, value could increase to 12-13%
Financial Resources – Maximize Existing Programs

Rehabilitation Tax Credit Small Investment Fund:

- Many projects don’t access credit equity due to small size
- Could partner with current small project funds OR create one for Seattle
- Utilize some public funding for fund costs (i.e., legal) to improve fund efficiency
- Value of credit equity is nearly 12% of project costs

WITH program improvements, value could increase to 14-20%
Financial Resources – New Program

Opportunity Zone Capital

• New tax law created federal Opportunity Zones
• Allows favorable tax treatment for investments in designated Opportunity Zones
• Funds are provided as project EQUITY and NOT DEBT
• 21% of the URM inventory is located in Seattle’s designated Opportunity Zones
• Effort of still new but City efforts could organize potential private investors to invest in building retrofits
Financial Resources – Expand Debt Financing Options

Building owners may use equity or existing bank relationships, BUT Providing options shows a commitment to assist retrofits

Public role could seek to:

- Provide lower financing rates – reducing annual debt service costs
- Provide longer terms – reducing annual debt service costs

SO: we looked everywhere for financing examples
<table>
<thead>
<tr>
<th>Scenarios</th>
<th>General Obligation Bonds(^{(1)})</th>
<th>Property Assessed Clean Energy (PACE)(^{(1)})</th>
<th>Assessment District(^{(1)})</th>
<th>Public Agency Conduit Financing</th>
<th>Affordable Housing Note(^{(1)})</th>
<th>Private Bank Loan(^{(2)})</th>
<th>Seattle CDBG 108 Loan Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term</td>
<td>30 Year</td>
<td>25 Year</td>
<td>30 Year</td>
<td>30 Year</td>
<td>35 Year</td>
<td>20 Year</td>
<td>20 Year</td>
</tr>
<tr>
<td>Type</td>
<td>Public Sale Bonds</td>
<td>Public Sale Bonds</td>
<td>Public Sale Bonds</td>
<td>Private Placement</td>
<td>Private Placement</td>
<td>Private Loan</td>
<td>Public Loan</td>
</tr>
<tr>
<td>City's Balance Sheet Impact</td>
<td>Yes</td>
<td>None</td>
<td>None</td>
<td>Possible</td>
<td>None</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Estimated Interest Rate</td>
<td>3.92(^{(3)})</td>
<td>6.50(^{(4)})</td>
<td>5.13(^{(5)})</td>
<td>5.13(^{(5)})</td>
<td>5.40(^{(6)})</td>
<td>5.50(^{(7)})</td>
<td>3.49(^{(8)})</td>
</tr>
<tr>
<td>Estimated Annual Repayment</td>
<td>$3,450</td>
<td>$4,400</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$3,644</td>
<td>$4,314</td>
<td>$3,396</td>
</tr>
</tbody>
</table>

(1) Assuming the project amount is $50,000.
(2) Assuming a single borrowing of $50,000.
(3) AAA Rates as of 11/30/2018. The rates are based on the scale of the City of Seattle Limited Tax General Obligation Improvement Bonds, 2018A.
(4) Indicative rate. The interest rate will be established on a case-by-case basis.
(5) BBB Special Tax Scale as of 11/30/2018. The actual rate is based on the size and diversity of the district.
(6) Indicative rate. Rate varies by the term and project.
(7) Indicative rate. Rate varies by the creditworthiness of the borrower.
(8) Rate based on 10 Year Treasury + .75 basis points.
Financing System Principles

• Will likely include public and private financing sources
• Any public system would be structured to access public terms and rates but limit public risk
• Need a public system option to facilitate retrofit needs. Most will use private debt
• PACE (Property Assessed Commercial Energy) financing is typically used for energy efficiency financing but is now being seen as a source for seismic retrofits. REQUIRES STATE LEGISLATION TO AUTHORIZE
  • In a conversation with San Francisco, “as of October 2018, 42 PACE financings have closed with an additional 110 in process. Over 2,450 buildings have been retrofitted.
  • Having a public conduit could provide the best mechanism to lower public sector rates and terms but “lending of credit” concerns will need to be clarified.
Financial Resources – Where Are We Now?

- State Legislation is looking to authorize PACER(R) Financing in WA
- Evaluating best approach to enhancing existing programs, including an Opportunity Zone effort
- Evaluating a range of scalable financing options, including use of Community Development Partners and Local CDFIs