

Housing Levy Technical Advisory Committee
September 9, 2008
Meeting Summary

Attendees: Martha Barkman, Barry Blanton, Donald Burton, Andrea Caupain, Tara Connor, Margret Graham, Jim Greenfield, Betsy Hunter, Hyeok Kim, Sandy Lowe, Vince Matulionis, Sara Nikolic, Tim Overland, Suzanne Petersen, Paul Purcell, Jonathan Rosenblum, Jinn Schladweiler, Charles Spaeth, Dinah Thoreson, Christine VanDerwerf, Stephen Walker, David Wertheimer.

Guests: Councilmember Richard McIver, Myisha Chambers, Nathan Torgelson, Paul Fischburg, Sara Levin

Office of Housing: Adrienne Quinn, Rick Hooper, Bill Rumpf, Maureen Kostyack, Julie Moore, Jess Chow

1. Welcome and Introductions

Adrienne Quinn thanked the committee members for their participation. She briefly reviewed the process and schedule for renewing the Seattle Housing Levy in 2009. She explained the role of the Technical advisory Committee to advise the Office of Housing in developing recommendations to the Mayor and Council. We will be presenting some long-running Levy programs as well as some new ideas. We are looking for candid feedback. We are looking for the Committee's advice to evaluate options, help make choices, and identify ideas that we may have missed.

2. Addressing Seattle's Housing Needs

Rick Hooper presented a summary of housing needs and market trends in Seattle. This summary describes the full range of housing needs in Seattle, including very low-income households who face severe cost burdens and sometimes homelessness. The report was available in draft form; a final printed version will be completed in a few weeks.

In response to questions, Rick explained that the City programs have produced over 11,000 affordable units since the 1980s, out of a total of about 22,000 subsidized units in the City. Overall there are about 120,000 rental units in Seattle. About 20,000 renter households pay more than half their income for housing each month. A question was asked about how the percentage of Seattle workers who live outside the city has changed over time. Unfortunately good trend data is not available, but we expect better data moving forward.

Members of the committee made suggestions about how to show the gap between market housing and what is considered affordable, as well as ideas about how to appeal to people's commitment to a unique and great community.

3. Housing Levy Overview

Adrienne spoke about Seattle's history of four voter-approved housing initiatives. A summary of these ballot measures was provided. The 1981 Senior Housing bond provided all the funding up front, and the housing was developed by the Seattle Housing Authority. Subsequent ballots in 1986, 1995, and 2002 were all housing levies, with funds coming in each year of the levy. Adrienne referred to three maps showing the impact of Levy funding in Seattle: the location of subsidized City-funded rental housing, all subsidized rental housing, and home purchases by first-time buyers using City-funded downpayment loans.

Adrienne then reviewed the programs and accomplishments of the current 2002 Housing Levy. The Levy includes five programs, with the main focus on rental housing production. All programs are meeting Council-adopted goals.

4. Levy Program Area: Rental Preservation and Production

Bill Rumpf walked through the white paper on rental housing that was provided to the committee in advance. He explained that OH is primarily a housing finance agency -- the City funds housing developments that serve low-income people at rents not delivered in the market. The allocation of these funds is very competitive. Seattle's long history of funding nonprofit housing has helped establish a number of very capable developers and owners.

Bill used two project examples to illustrate major trends in rental housing production. The first, Plymouth on Stewart by Plymouth Housing Group, serves individuals with long histories of homelessness. Due to the very low incomes of the residents, the project cannot carry debt, and requires operating subsidies. Projects like Plymouth on Stewart rely heavily on the federal Low Income Housing Tax Credit program, which provided equity to cover fully half of the development budget. Plymouth on Stewart is also notable for its Housing First program - 20 units are set-aside for residents who used high levels of expensive medical and other services. The program demonstrated \$1.5 million in savings in its first year.

The second project, Stone Way Apartments developed by Housing Resources Group, serves residents with low-wage employment earning \$25,000 to \$35,000 per year. The project also sets aside apartments for people with disabilities and formerly homeless families. With this affordability mix the project can carry debt. About 25% of its development budget is tax credit equity. Like several other Levy-funded housing developments, Stone Way Apartments has achieved a Leadership in Energy and Environmental Design (LEED) silver award.

Bill explained that the ability of OH's program to meet its production and affordability goals is due to leverage of other fund sources. By far the most significant is tax credit equity, which doubled in the 2002 Levy compared to the 1995 Levy. King County funding and private foundation contributions also grew substantially. Federal sources declined.

Bill also described recent work to reduce the time and effort required to assemble housing capital, operating and services funding, especially for homeless housing. Funders are now participating in a combined funding application process. They are also actively working to identify fund sources to fill gaps in funded projects.

In response to a question, Bill explained that King County funds have increased largely due to the increased attention to ending homelessness. These include State-authorized document recording fees, dedicated sales tax revenues, and the Veterans and Human Services Levy.

A question was asked, what does this tell us about how to plan? Estimating future leverage sources and amounts is key to maximizing our use of our own fund sources. Some sources we can't predict, for example, we can imagine the possibility of new federal funding for transit-oriented development.

Members discussed how our strong market has attracted national resources, both private investment and philanthropy. The MacArthur Foundation is now working here. A national study showed that property values are stable near tax credit projects in Seattle. But the current market for tax credits is terrible, and soft money (like the Housing Levy) to reduce investor risk will be essential. The question was raised, are there other ways to attract investors, like reserves?

A question was asked about how the City's multifamily tax exemption is used with Levy projects. Adrienne explained that MFTE is a tool used in private developments serving higher income levels. The suggestion was made to map out the various tools that the City uses for housing at different income levels.

5. Discussion

Adrienne reviewed goals for the new housing levy, and asked whether continuing to emphasize rental housing production and preservation met the goals.

General comments about the goals:

Can we get more homeless units if we are not committed to maximizing the overall number of units produced? It was noted that that goal to maximize units produced and contribute to ending homelessness might be in conflict.

Has the City maximized the use of city-owned property? Is there potential to reduce cost by acquiring free sites or co-locating housing and other projects?

It was noted that homebuyer assistance doesn't seem to fit the focus on serving the lowest income people or people with the greatest needs.

It was suggested that we add a goal that creates a clear link to environmental conservation. This led to discussion of Seattle's green building guide which has been emulated by Washington State and nationally, and the potential for new siting policies to promote transit-oriented development.

It was noted that new resources, external to Seattle's projected trends, might focus on opportunities for very low income households below 30% of median income. What would the levy then do to address or incentivize other housing, for example in mixed-use developments?

The comment was made that the goal for workforce housing did not seem explicit, and that some nonprofits are working on community development as well as housing. It was acknowledged that enhancing communities is a key goal. This was followed by a discussion of terminology. OH has preferred to use "housing for low and moderate wage working people" because workforce housing is sometimes used for housing affordable to households above 80% of median income, which is not eligible for the Levy. To further complicate the workforce terminology, many homeless people work, or would like to.

There was a discussion of how the Levy goals relate to Ten Year Plan to End Homelessness goals. These goals are closely aligned. The Levy is a key resource that contributes to ending homelessness, but many other fund sources and systems reforms will also be essential. The question was raised whether existing affordable units that are dedicated to homeless housing - such as the proposal to use SHA's Jefferson Terrace units as respite housing -- would be counted. In this case the answer is yes, because the units will be replaced by SHA and the term of affordability would be extended.

The question was asked, will we look for more large units in the next levy? We don't expect this level of specificity in the levy ordinance, but flexibility would allow us to prioritize units of certain sizes as funds are awarded.

The suggestion was made that we consider an additional goal to address inequalities. The housing needs brochure explains racial and ethnic disparities in household income, housing and homelessness. Can levy programs include incentives to address these?

Comments about the goal to maximize the leverage of other fund sources:

There was a discussion of how to create the capacity to respond to unanticipated opportunities and challenges. Perhaps the Levy could help create an "affordable housing institute" that could pursue leverage sources.

It was agreed that leverage is critical. Even a small amount is key for involvement of private sector developers and investors. It's essential to try to make it less cumbersome. This could be another job for the "institute."

Several suggestions were about options to explore for use of Levy funds and/or leverage sources:

- Use the Levy for credit enhancement or tax credit guarantees. Combine with a bank letter of credit, as previously done with CDBG
- Use City reserves as reserves for credit enhancement
- Use levy funds for float loans
- Work with churches to tap into the equity of church-owned property
- Work with employers to help employees pay rent in nearby housing rather than subsidizing their transportation to far-away housing
- Work to recycle bond volume cap under new federal legislation. This would require creating a pipeline of projects and complementary financing in order to move fast.
- Partner with public employees retirement systems as potential investors
- Work with the PSRC's Prosperity Partnership to generate new ideas and resources