

# **Housing Levy Oversight Committee Meeting (Virtual)**

## **September 24, 2020 Minutes**

**Committee Members Present:** Doug Ito, Kelli Larsen (will join for first 30 mins), Traci Ratzliff, Vallerie Fisher, Ann Melone (via phone), Colin Morgan-Cross, Kelly Rider, Erin Christensen Ishizaki, Kelli Larsen, Leslie Brinson

**City Staff Present:** Emily Alvarado (OH), Laurie Olson (OH), Erika Malone (OH), Stephanie Velasco (OH)

### **1. Welcome and Updates on COVID-19 Procedures for Boards & Commissions (9:04)**

- Governor made a proclamation in March re: Open Public Meetings Act and Public Records Act, which prohibited in-person public meetings. This was extended through Sept. 1, and Seattle Boards & Commissions have not yet been informed of the duration of a further extension.
  - For the time being, we will continue to hold virtual meetings – still open to the public, with the virtual meeting information being shared on public calendars.
- On the topic of appointments, re-appointments, term expirations – In the first week of March, the staff who coordinate Boards & Commissions sent out revised guidance about these processes (there was a recognition that these had been going very slowly for all boards/committees).
  - For the time being, we are holding at the current roster of Committee members, and Stephanie will continue to work with Boards & Commissions staff, Mayor and Council staff, to update roster.

### **2. Use of Levy Funds to Support COVID-19 Response (9:10)**

- Emily: Thank you to everyone who is taking on other different work during COVID-19.
- Some of OH's work during this time includes:
  - OH running point on creating and implementing rental assistance programs for folks who have been economically impacted by COVID. Ensure they're not in significant debt and at risk of eviction when moratorium ends.
    - UWKC - \$12M total to complement King County's existing process. And then 2021 shift to eviction prevention program
  - Additional CDBG to complement this work
  - Additional funding in Homelessness Prevention program (forward commitment of Levy funds)
  - Emily will be at Council today to talk about spend plan
  - OH-specific rental assistance program - \$4M additional CARES Act into this program, which needs to be spent
    - Many HHs unable to pay rent
    - Impacts on non-profit orgs that were feeling strain

- Colin question: is OH tracking data – not just at OH portfolio, but also across the City? Mercy: some buildings are not seeing much of a change, but other buildings are very highly affected
  - Emily: Census PULSE survey – Seattle Sept. 7-14: 14% of all renters were currently not caught up on rent payments // racial disparities are striking. 58% of Black HHs, 5% white, 22% Latinx // 17% have no or only slight confidence of making next month’s rent
  - Emily: across the portfolio, many buildings operating with very little delinquency, others 12%. Across the board 9-10%
  - Emily: hearing from providers, more interested in \$ in 2021, given mounting uncertainty and longer-term resources and operational strain
  - Kelli: Plymouth is seeing triple rent arrears, year over year. Residents know there are no consequences, and there’s concern about getting residents back on track with rent payments.
    - EA: assistance from SHA on income recertification to reassess?
    - Kelli: one-time infusion of feds. \$200K for whole portfolio. Now worried about months ahead.
  - Kelly: How much is arrears? Kelli: \$100s of thousands.
  - Traci: Population served? Mostly fed/local/state support? Or working folks, and now not working?
    - Kelli: focusing on 900-1000 apartments with PSH. Most are on fed. disability insurance, with fixed incomes. Their obligation is 30% of that, and ppl are not paying and getting behind. Not able to do recertifications. Those who are working have lost jobs. Folks who are on disability check and know there are no consequences. Majority folks on long-term disability
    - EA: Serving on Gov’s eviction moratorium task force – Landlord associations estimating approx. 4% of nonpayment is “elective” – fairly low number.
    - Colin: Looked portfolio-wide, across WA state. Which pops and properties have been hit harder? Senior buildings operating very well. Challenges in PSH, but especially in family housing (working families at 50% AMI with job loss – lag in unemployment assistance). 88-89% collections.
- EA: How might this commission be more broadly useful to policy questions beyond our specific purview?
- EA: Other announcement – around PSH Pilot. Specific NOFA to scale and expedite delivery of greatest # of PSH units in a single year. Supported 599 units. Biggest takeaway: forward commitment, functionally pulling 2 years (2020 and 2021 Rental Housing Capital Funds). We know that money will be there, and we can spend it now to get homeless ppl off the street more quickly. Efficiencies through permitting process and construction. Proud that we were able to use this resource to at this time.
  - Scaling momentum, at City and King County.

- Erika: New use for funds in 2016 Levy – homeowners stabilization rescue funds – mortgage assistance, legal fees with loan modifications, etc. → 2-year pilot. Funds were not used during that time period, because we were behind the curve and the foreclosure rate went very low (good thing!). Was in the process of reallocating funds, but given circumstances, are now able to use these funds
  - Administered through Homesight, referred through a housing counselor
  - Lowest amt \$2,000 up to \$30,000 – silent second loan, either deferred until sale or refinance, or if homeowners can afford it.
  - Due to this committee’s prescience, we were well poised to address this crisis. Patchwork of many different loan servicers and products that can’t move forward. Many folks under forbearance, with first wave expiring in spring.
  - Housing counseling ecosystem – trying to position to be ready for that upcoming tsunami
  - Levy funds, compromise bill with mayor & council. \$700K to homeowner counseling – ½ to direct lending
  - Vallerie: How is info being disseminated to community so people are aware that there is help?
    - EM: Hotline number, short blurb in English translated to 11 different languages. Disseminated throughout housing counseling orgs. EM will connect with Vallerie
    - EM: Specific outreach to ethnic media. Doug: Connected with DON? EM: Yes.
    - EM will send out the translation to this list.

### 3. 2020 OH Funding Awards to Date and Fall Notices of Funding Availability (9:30)

- Laurie: 2020 has been an incredibly busy year. OH offered our first spring NOFA in a decade. Creative financing (4% LIHTC projects) to get projects moving more quickly
  - Awarded 3 projects – GMD Fremont Eclipse Project. First project at scale that’s not a 4% project. Encouraged folks to creatively finance, without
  - Along with funding, the City has expedited permitting so some of these projects from the spring NOFA are already under construction. Same for PSH Pilot.
  - Opportunities to acquire existing housing, for example Link Studios in Mount Baker. This building was purchased in 2019 for \$9 million, which was a good deal. Plus \$3 million this year secures income and rent-restrictions.
- EA: This was the first spring NOFA in over a decade. Heard feedback from housing partners about wanting more frequent funding. Now all 3 spring projects are moving fast with creative financing, and are geographically distributed across the City. Given the timing of these awards and the murder of George Floyd, OH and the Mayor’s Office decided to wait until Fall NOFA announcement to publish a press release and make a public announcement.
- CMC: Were Levy funds used in Spring NOFA? LO: Fund sources for Spring round include no Levy, mostly MHA/IZ. Depending on funding availability, OH may want to continue regularly offering Spring round, as it helps support more projects.
- LO: PSH Pilot
  - \$60 million to support 599 units, with cost per unit limited to \$250,000 and development readiness. This pilot was structured to be a cost- and time-efficient response to COVID-19 pandemic.

- Having temporary provisions (related to permitting and design review) allows for more speed. Most projects are closing this fall.
  - For this pilot, it's almost turn-key style development, with the general contractor taking a bigger role.
- CMC: Without typical leverage sources, how do we evaluate leverage versus Levy dollars per unit?
  - LO: We're still hoping for traditional leverage, but taking a risk to move quickly. LIHTC and Housing Trust Fund agreed to waive per-sponsor limit for developments serving people with chronic mental illness, so there's no cap on these applications. As with more traditional projects, we still anticipate seeing a combination of fund sources.
  - EA: When we say "risk", we mean being prepared to put more local dollars in, even if leverage is not available to get units online quickly. Securing leverage can take a long time.
  - CMC: Appreciate the balance of weighing goals – "risk" of needing to invest more local dollars and needing to build more homes as quickly as possible.
- KR: Could you share some numbers, in terms of amount of investment?
  - LO: Levy = \$60 million, and competitive projects would limit cost per unit to \$250,000, excluding land and reserves.
  - EA: Even factoring in land and reserves, we are still significantly lower than investments for past rounds. We don't want land to be a cost driver, in regards to achieving geographic equity.
- CMC: Seeing in California the conversion of a lot of hotel/motels to PSH.
  - LO: There are not a lot of hotels in Seattle. This may be a great suburban response, but there's not as much opportunity in the city. City has purchased hotels in the past (World's Fair), and this can be part of the tool belt when/if appropriate.
  - EA: In outer parts of King County, we're seeing a shift in the hotel/motel market that's not happening in Seattle. This pilot leveraged low-cost land opportunities (entitled land) that can help projects move more quickly. The context of real estate markets matters. Land opportunities in Seattle are good, and complementary strategies make sense in areas where the land market is different.
- EM: Spring round of homeownership projects
  - We had enough funding to be able to invest in all projects that applied – all Habitat for Humanity. These include:
    - South Park Cottages: partnership with Duwamish Valley Affordable Housing Coalition. DVAHC has already pre-qualified prospective homeowners from the community.
    - Trenton Four: Will be closing in the spring
    - 3 Acquisition/Rehab projects that will convert housing to permanently affordable
    - The 410: owned by Community Roots Housing, who was looking to sell and needed rehab. Habitat is the new owner and will demolish the building – residents will be rehoused through Community Roots. The new building will be 13 condo units (6 1-bedrooms, 5 2-bedrooms, 3 3-bedrooms), all affordable to

households earning 80% AMI or below for 50 years. Putting in place a 99 year ground lease for ongoing affordability.

- EA: Previously this building was 6 studio units. Will need to keep thinking about acquiring these types of smaller buildings that can result in net new units.
- TR: Thanks from CM and colleagues to the creativity and hard work working with developers who didn't initially see this as a place for them to step in and develop quickly and cost-efficiently.
- DI: Kudos to OH on getting Council and SDCI behind design review exemptions and permitting, heavy lift.
- EA: Kudos to LO – consistent hard work with developers. Immediate outreach to investors, working with Commerce to make sure policies align.
- LO: Fall NOFA: Responsiveness to BIPOC community needs
  - 10 applications for \$20M.
  - 7 applicants for new construction, 3 applicants for rehabs (2 in portfolio, 1 not).
  - Opportunities with Mt. Zion in Central Area, FAME/Catholic Housing – Rainier Beach, YWCA in downtown corridor
  - More large-scale 4% projects in the City. In the midst of the underwrite right now. 3<sup>rd</sup> multifamily rental round for the year.
    - While also closing 8 projects this fall – highly successful in LIHTC bond round – 5 projects.
- EA: As we fund BIPOC community groups, we also need to strategize around capacity-building to not set groups up for failure. Will also see some rehab needs (Levy goals around reinvestment and recapitalization) – given competitiveness of leverage sources, we need to think together about what a rehab/recap strategy is.

#### 4. Ongoing OH Initiatives (10:00)

- Religious Org-Owned Land (because this will be city-funded housing) – one-pager, link to OPCD website
- Permit expediting for AH:
  - CB 119877 (extension for temporary provisions that were put in place in April, including exemption from design review and access to Type I decisions for certain departures).
    - Voted out of Land Use & Neighborhoods Committee on 9/23, on its way to Full Council with support from 3 CMs (Mosqueda, Strauss, Lewis)
    - Amendment to extend 60 days beyond the end of the civil emergency.
  - Light touch: interest in implementing permanent exemption from design review for PSH (timing & cost-efficiency)
  - TR: If there are folks who have found these provisions helpful. It would be helpful for CMs to hear from you.
  - DI: working with other groups (including AIA)
    - EA: would be good to emphasize design/beauty of these projects, even without design review. Awards on design.
    - TR: not ignoring community on these projects – actually going above and beyond, given OH's requirements.

- A&F Plan Updates: Typically start this process several months prior (from Council adoption, which by normal calendars would be Q1 2021).
  - Have not had opportunity to do a lot of planning re: Council availability, and with the volume of COVID-19 related bills being considered, Council is averse to taking on more technical/administrative bills, which this one would be.
  - EA: Welcome feedback if there's anything you want to discuss. Everyone has provided good feedback in the past, welcome your input.
    - Because of COVID, it has been harder to be at Council and move legislation. Will be working closely with Traci on this going forward.
- Sound Transit Sites:
  - OH has been working with ST over the past 2 years, which aren't appropriate for MF rental, but yes for permanently affordable homeownership
  - 10 sites identified, going to ST Board in Oct. to approve no-cost transfer to OH. Capacity for 140 homes, want to focus on family-size housing (3+ townhomes and stacked flats in 2-4 BR range).
  - Hopeful that transfer will be successful. Along with significant community engagement process to help in design, implementation.

**5. Topics for Next Meeting (10:15 – adjourn at 10:20)**

- DI: ongoing update at Ft. Lawton
- AM: Kudos to OH. Not forget that 3 projects won Charles Edson awards (LIHI, 2 Mercy projects)
- Other topics will include:
  - A&F Plan Updates – summary of proposed changes