

AFFORDABLE HOMEOWNERSHIP FINANCING AND SUPPLY

Affordable homeownership is one of the methods used to address the housing needs of the **upper third of low-income households**, those who make 50 to 80% AMI. One of the advantages of homeownership is the ability of the homeowner to accrue equity while making a housing payment comparable to an affordable rent payment.

In King County, several agencies create and preserve homeownership opportunities for this income segment. Program models vary in order to address unique needs of different constituencies within the income segmentⁱⁱ.

Although they are employed as teachers, health-care workers, first-responders, corporate employees and other vital jobs, households in the 50 to 80% AMI income segment have seen King County home prices grow 325% since 1997 while incomes have grown only 86%.

Quality rental homes are scarce and expensive. National investors like Blackstone have scooped up entry-level priced homes forcing more people to become renters. With a growing population and affordable homes in short supply, the cost of housing has increased but wages for low- and middle-incomes have not kept pace.

Financing Affordable Homeownership

Nonprofit affordable homeownership developers can build a unit of homeownership – usually in multi-unit developments of 7 to 12 at a timeⁱⁱⁱ – for about \$400,000+/- . That is approximately \$180,000 more than what the typical 50 to 80% AMI household can afford. We call that difference the “gap.”

“Gap” financing comes from a number of public and private sources: Local funds like City of Seattle Levy Funds or County Housing Finance investments, surplus land, State Housing Trust Fund grants, Federal Home Loan Bank grants, and HUD Self-Help Opportunity Program Funds (sweat equity grants).

But public sources are not enough to fully fund the gap. Private contributions and miscellaneous grants are needed, ranging from \$19K to \$57K per unit.



Affordable Cost compared with Market Rate



Sources of financing affordable homeownership

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Funds Availability

Although this upper third of the low-income spectrum represents nearly 40% of the need, public investments in homeownership from many sources are less than 10%.

Income Segments	Households	Type	Percentage
0 to 30% AMI	29,700	Rental	61%
31 to 50% AMI	23,900		
51 to 80% AMI	34,500	Homeownership	39%
	88,100		

Households served by housing type

Income Segments	Type	Seattle Levy (2009-2016) \$131 Million	King County (2016) \$12.1 Million	Housing Trust Fund (2018) \$58 Million
0 to 30% AMI 31 to 50% AMI	Rental	90%	95%	92%
51 to 80% AMI	Homeownership	7%	5%	8%

King County is home to 30% of the people in Washington State in the income category 50 to 80% AMI, but received 24% of homeownership funds awarded by the Housing Trust Fund in early 2018.

New homes for ownership are funded by all sources in King County at a rate of about 24-36 per year, compared with 34,500 needed today^{iv}.

Cost-burdened families	Washington	King County	
Residents Earning 50 to 80% Area Median Income	500,866	151,300	30%
Cost-Burdened or Extremely Cost Burdened	198,355	67,000	
Percent Cost-Burdened or Extremely Cost Burdened	39%	44%	

Recommendations

- Emphasize investments that preserve affordability over multiple series of owners so that the stock of affordable homes for ownership grows (called “permanent affordability”).
- Increase allocation of housing funds to homeownership proportional to the need articulated in the Housing Affordability Task Force’s Oct. 31, 2017 Needs Assessment (39%).
- Target resources to achieve County-wide production of affordable homeownership units to 100 per year (Typical level is 11 to 24 per year outside Seattle, In Seattle 25 homes).
- Increase County contribution per housing unit to \$70K to \$90K (Current average is \$43K).
- Convene a series of educational summits for municipalities on best-practices in zoning incentives to support investments in affordable homeownership.
- Provide technical assistance to municipalities in the use of state incentives/resources to fund investments in infrastructure to support affordable homeownership.

ⁱ Rental housing is also used to address the 50 to 80% income segment but on a limited basis.

ⁱⁱ All financing examples are meant to be representative averages. Financing details vary by project and agency.

ⁱⁱⁱ Volume is limited by the amount of subsidy available.

^{iv} Regional Affordable Housing Task Force Needs Assessment Oct. 31, 2017