

## Strategic Land Acquisition in King County

Acquisition and preservation of existing affordable multifamily housing has long been a key strategy in addressing the regional affordable housing crisis. The COVID-19 pandemic and associated economic downturn will likely have a lasting impact on the real estate market in the Puget Sound region and could change the pace and nature of acquisitions. In addition to the potential for more multifamily residential buildings being put on the market for sale, new types of real estate that could be converted into housing, such as hotels and office buildings, may also be put up for sale at a greater rate. This context may provide unique opportunities for unprecedented acquisitions of property that could be preserved as or converted into housing affordable to residents earning 80% of Area Median Income or below.

Given the potential for increased real estate activity due the COVID-19 pandemic, the Affordable Housing Committee<sup>1</sup> prepared the following list of available resources and recommendations for King County jurisdictions, affordable housing developers, and other entities interested in strategic land acquisition for affordable housing.

### Resources:

**Financing Programs:** Although long-term take-out financing<sup>2</sup> is needed to successfully develop affordable housing on acquired sites, the region offers a number of bridge financing programs that may assist entities seeking to acquire property for affordable housing. They include:

- **King County Interim Loan Program<sup>3</sup>** provides low-cost financing for the acquisition of property that will be developed to provide low income housing, prioritizing permanent affordable housing development proposals with at least 25 percent of the units for homeless households. Additionally, units must be affordable to households at or below 50 percent of area median income.
- **Regional Equitable Development Initiative (REDI) Fund<sup>4</sup>**, administered by Enterprise Community Partners, helps finance the acquisition of property along transit corridors ½ mile walk shed of light rail or commuter rail, or within a ¼ mile walk shed of frequent bus service or streetcar stops to preserve the affordability of future housing and community facilities. Projects financed by the REDI Fund must have a minimum of 10% of units affordable to households at or below 80% area median income (AMI) or 20% of units below the market

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<sup>1</sup> The Affordable Housing Committee was created to support greater coordination among cities, sub-regional housing collaborations, and King County in their collective efforts to meet the affordable housing crisis in our region. The creation of the Committee was a key recommendation of the Regional Affordable Housing Task Force, which estimated that King County needed 156,000 additional affordable homes in 2018, and a total of 244,000 built or preserved affordable homes by 2040 to ensure low-income households have a safe and affordable place to call home.

<sup>2</sup> Takeout financing (or permanent financing) is the long-term financing, typically in the form of loan(s), grants or investor equity that stay in the project for the long term which are procured later and used to replace the initial short-term loan, often called a bridge loan.

<sup>3</sup> More information: <https://www.kingcounty.gov/depts/community-human-services/housing/services/housing-finance.aspx>

<sup>4</sup> More information: <https://www.enterprisecommunity.org/financing-and-development/community-loan-fund/redi-fund>

rent for a comparable unit in the submarket of the acquired property. A covenant reflecting this requirement will be recorded at the acquisition closing.

- **Washington State Housing Finance Commission (WSHFC) Land Acquisition Program (LAP)**<sup>5</sup>. The LAP assists eligible nonprofit organizations in Washington to purchase unimproved or improved land suited for either multifamily or single family affordable housing development. LAP is a revolving loan program intended to assist with site acquisition for eventual use as affordable housing.
- **Impact Capital Acquisition Loan Product**<sup>6</sup>. Impact Capital, a Community Development Finance Institution, provides loans to eligible nonprofit organizations, housing authorities and tribal entities. Acquisition loans may be used for residential, commercial or mixed-use properties that will serve low-and moderate-income populations and/or contribute to an articulated community development strategy, including certain federally-assisted properties and developable land. Impact Capital also has other loan products that may be useful for strategic acquisition.

### Recommendations:

As entities seek to acquire properties, the Committee recommends:

- Advancing preservation efforts and equitable development in partnership with communities of color, immigrant and refugees, and low-income communities most impacted by and at risk of displacement in gentrifying areas.
- Prioritizing acquisition of sites in high opportunity areas throughout the county, including areas in proximity to jobs, transit and key services, when possible.
- Prioritizing construction and preservation of affordable homes for households earning at or below 30% AMI to the greatest extent possible.
- Jurisdictions identify potential sites for acquisition for affordable housing and share the information with entities interested in building or preserving affordable housing.
- For developers and other entities considering an acquisition opportunity, coordinating with local government staff and leadership early and often. Local jurisdictional staff offer a wealth of information on existing plans and policies that may affect the feasibility of potential site development for affordable housing.
- For jurisdictions seeking to advance preservation and acquisition efforts, considering policies and practices that would provide advanced notice regarding potential property sales including establishing relationships with property brokers and/or implementing a *Notice of Intent to Sell* policy. Under the City of Seattle and City of Burien's policies, owners of certain multifamily rental housing buildings who intend to sell their property, must notify the City 60-90 days prior to listing the building for sale. This policy provides the City with information about the intention to sell residential rental property with at least one unit rented at 80% of

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<sup>5</sup> More information: <https://www.wshfc.org/mhcf/lap/index.htm>

<sup>6</sup> More information: <https://www.impactcapital.org/wp-content/uploads/2020/06/Impact-Capital-Loan-Product-Summary.pdf>

Area Median Income or below. The City and community partners can use the notification information to evaluate properties and deploy a range of property preservation tools, including incentives and acquisition.

Approved July 22, 2020 by the Affordable Housing Committee of the King County Growth Management Planning Council.

Committee Membership:

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To learn more about the Affordable Housing Committee, please visit: [www.kingcounty.gov/AHC](http://www.kingcounty.gov/AHC) .