

AFFORDABLE HOUSING COMMITTEE

Wednesday July 22, 2020, 1:00 – 3:00 pm

INTRODUCTIONS

Agenda

1:00 p.m.	Introductions and Agenda Review
1:05 p.m.	Meeting Minutes <ul style="list-style-type: none">Action: Approval of May 15, 2020 minutes
1:10 p.m.	Revised 2020 Work Plan Adoption <ul style="list-style-type: none">Overview of work plan revisionsAction: Concurrence from members
1:15 p.m.	Work Plan Item: Shaping COVID-induced Strategic Acquisition for Affordable Housing <ul style="list-style-type: none">Overview of statement and stakeholder engagementAction: Possible vote to adopt
1:40 p.m.	Work Plan Item: Analyze and identify unused and new revenue sources and help build the case for greater investment <ul style="list-style-type: none">Briefing: Key affordable housing finance and revenue conceptsMember reflections
2:10 p.m.	Work Plan Item: Advocacy <ul style="list-style-type: none">Briefing: Washington Low Income Housing Alliance's approach to setting a legislative agenda and takeaways from listening tours
2:25 p.m.	Work Plan Items: Project Updates <ul style="list-style-type: none">Community Partners Table, Dashboard, Countywide Planning Policies
2:40 p.m.	Member-Driven Initiatives <ul style="list-style-type: none">Overview of subcommittee and scopeOverview of Sound Cities Association's draft statement on the eviction moratorium
2:55 p.m.	Next Steps <ul style="list-style-type: none">Next meeting (September 30, 2020, 1-3 p.m.)
3:00 p.m.	Adjourn

MEETING MINUTES

Meeting packet reference material: [Draft May 15, 2020 AHC Meeting Minutes](#)

REVISED 2020 WORK PLAN ADOPTION

Meeting packet reference material: [AHC Quad Charts](#)

McCaella Daffern

Regional Affordable Housing Implementation Manager
King County Department of Community and Human Services

Work Plan Revisions

Based on Committee feedback, the HIJT recommends:

Add

- Further increased alignment and coordination during the 2021 state legislative session
- Shape regional strategic acquisition activity
- Member-driven initiatives

Remove and reconsider for 2021

- Increase and diversify housing choice, with a focus in areas with transit
- Create a community engagement toolkit

Work Plan Status Summary

PROJECT

STATUS

DELIVERABLES

Centering Equity



On Track

Consultant hired (Nov 2020)

Affordable Housing Dashboard



At Risk

Dashboard and companion pieces (Nov 2020)

Revenue



On Track

Adopted shared principles (Nov 2020)

CPP Housing Chapter Amendments



At Risk

Adopted recommended amendments (Nov 2020)

Advocacy



On Track

Committee knowledgeable about Washington Low Income Housing Alliance's (WLIHA) 2021 state legislative priorities (Nov 2021)

STRATEGIC ACQUISITION FOR AFFORDABLE HOUSING

Meeting packet reference material: [Draft AHC Strategic Acquisition Statement](#)

Sunaree Marshall

Housing Policy and Special Projects Manager
King County Department of Community and Human Services

KEY AFFORDABLE HOUSING FINANCE AND REVENUE CONCEPTS

Briefing

Meeting packet reference materials: [Affordable Housing Desk: Reference for Local Governments and New and Untapped Revenue Sources](#)

Jackie Moynahan

Assistant Division Director

King County Department of Community and Human Services

Housing, Homelessness and Community Development Division

Work Plan Scope



Learning objectives for today's presentation

Overarching Goal

To provide a level-setting, high-level overview of affordable housing finance and prepare the Committee to develop shared principles to guide efforts to shape untapped and new revenue sources sufficient to support the federal, state, countywide, and local funding needed to build or preserve 44,000 affordable units by 2024

Key Topics

- The level of government support necessary to meet the need at different income levels
- Why affordable housing development requires so many fund sources and subsidy programs
- A typical development timeline for an affordable housing project
- What sources of funding are currently available to fund affordable housing and which remain untapped
- Key challenges identified by the HIJT
- Next steps

Things to consider

As you listen to the presentation, make note of:

- New insights
- Something you didn't really understand
- What you would like more information about

A photograph of an elderly woman with short, wavy grey hair, smiling warmly at the camera. She is wearing a black and white patterned short-sleeved top. She is holding a small bunch of green leafy herbs in her right hand and a blue container in her left. She stands in a garden area with raised wooden beds containing various plants. In the background, there are multi-story apartment buildings with yellow and brown facades, some parked cars, and trees under an overcast sky. The entire image has a semi-transparent dark grey overlay.

Let's start with a few definitions

Source: King County Housing Authority
William Wright Photography

“Affordable”

Residents pay at most 30% of their income on housing costs

Rental Housing Cost = Rent + Utilities

Ownership Housing Cost = Principal + Interest + Taxes + Insurance

Source: 2019 HUD Definition of Income Limits

“Cost Burdened”

30% or more of their income on housing costs

“Severely Cost Burdened”

50% or more of their income on housing costs

“Low-Income Housing”

Housing affordable to households making 80% or less of area median income

Source: Washington Administrative Code (WAC) 365-196-410

“Area Median Income”

HUD’s AMI for 4 people in the King-Snohomish area in 2019 was \$108,625

HUD 2019 Household Income Limits

	1 Person	2 People	4 People
30% Area Median Income = Extremely Low Income			
Household Income	\$23,250	\$26,600	\$33,200
Corresponding Monthly Rent Limit	\$581	\$623	\$863
50% Area Median Income = Very Low Income			
Household Income	\$38,750	\$44,300	\$55,350
Corresponding Monthly Rent Limit	\$968	\$1,038	\$1,439
80% Area Median Income = Low Income (60% is maximum for low-income tax credits)			
Household Income	\$60,800	\$69,500	\$86,900
Corresponding Rent Limit	\$1,520	\$1,628	\$2,259
Estimated Corresponding Purchase Price*	\$360,528	\$386,144	\$535,811

Source: King County 2019 Income and Rent Limits - Multifamily Rental Housing Published by HUD on April 24th, 2019, effective April 24th, 2019

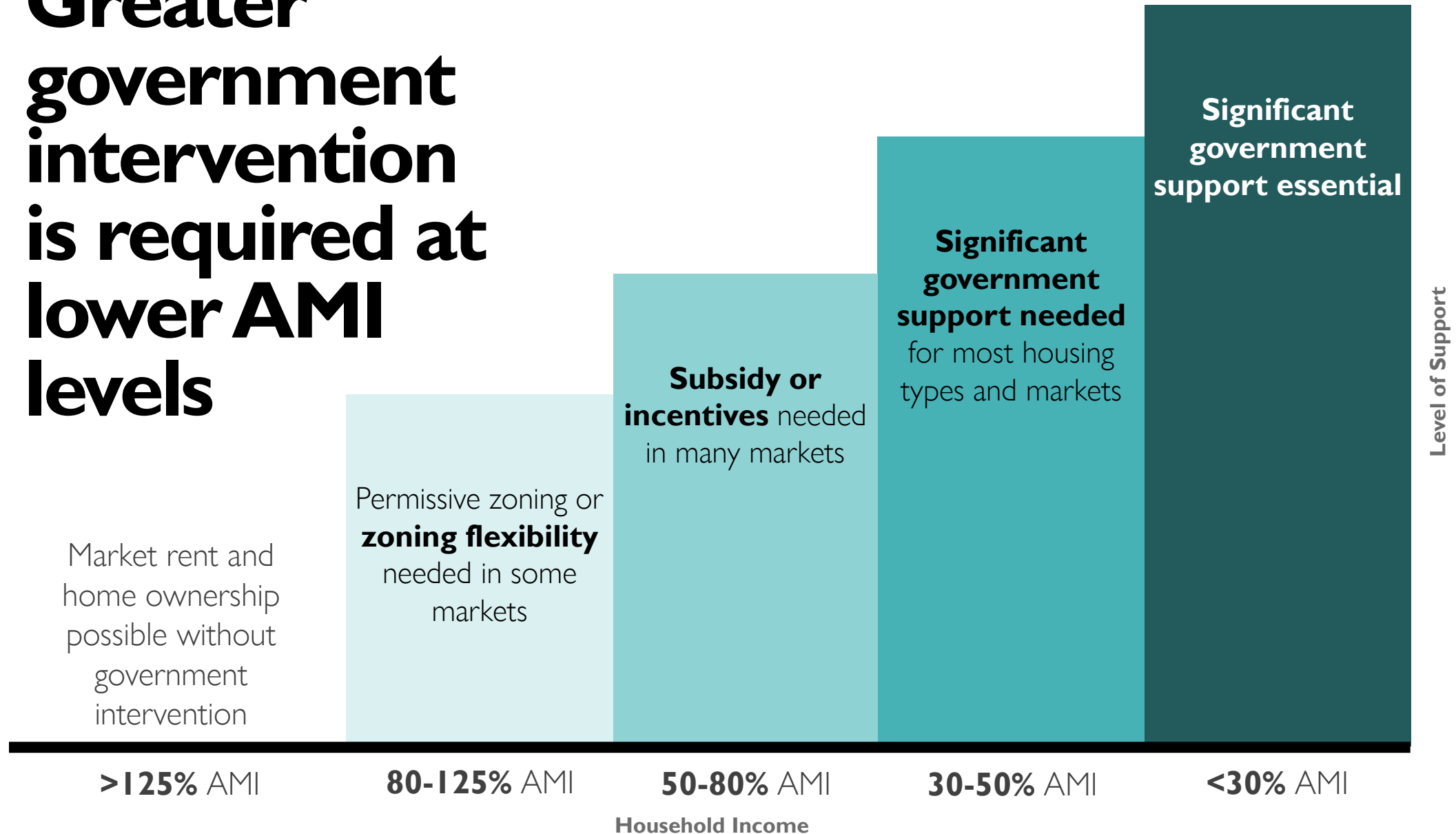
* The purchase price a King County household earning 80% of AMI could afford with no mortgage assistance, a 3% interest rate, and a 30 year mortgage.

An aerial photograph of a bustling outdoor market on a grassy field. Numerous people, including families with children, are scattered across the scene. Some are standing near stalls or displays, while others are walking. A large, iridescent bubble is visible in the center-right. The lighting suggests late afternoon or early morning, with long shadows cast across the grass. The overall atmosphere is lively and community-oriented.



Affordable housing meets a range of needs for low-income households

Source: City of Redmond
Pictured: So Bazaar Street Market

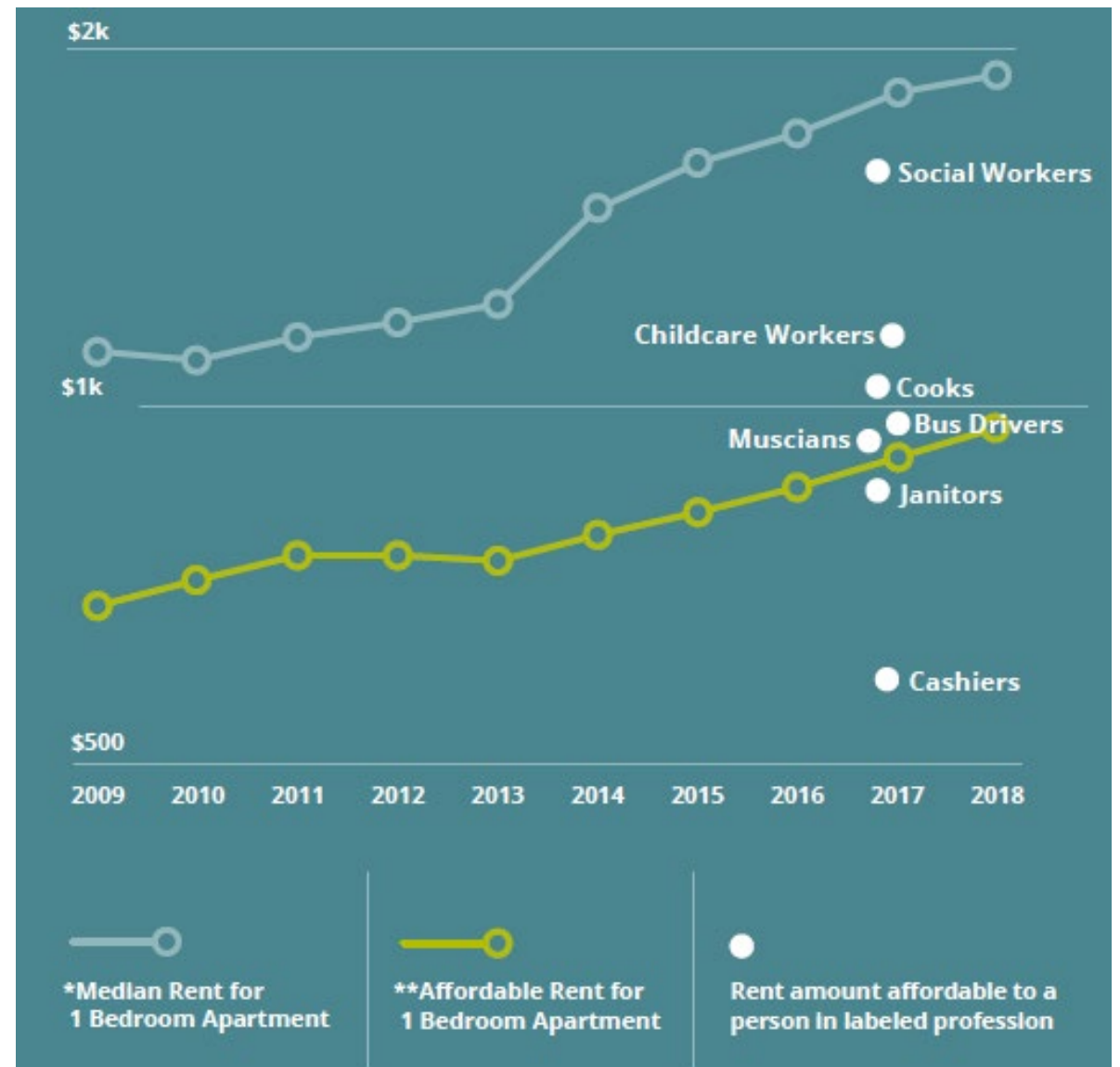
Greater government intervention is required at lower AMI levels



Who qualifies?

		Significant government support needed for most housing types and markets		Significant government support essential
Household size		80% AMI	50% AMI	30% AMI
	Full-time welder (\$48,548)	Teacher (\$37,447) Restaurant cook (\$30,281)	Cashier earning (\$25,410 at \$12.20/hr) Home health aide (\$25,864 at \$12.40/hr)	
	Retired couple (\$42,200) Full-time taxi driver (\$26,340) <i>plus</i> childcare worker earning (\$26,038)			
	Biologist (\$76,900)	Secretary (\$49,569)	Janitor (\$31,799)	
	Accountant (\$69,940) Full-time office clerk (\$37,566) <i>plus</i> full-time security guard (\$32,427)	Auto Mechanic (\$31,640)	Retail Worker (\$31,640)	

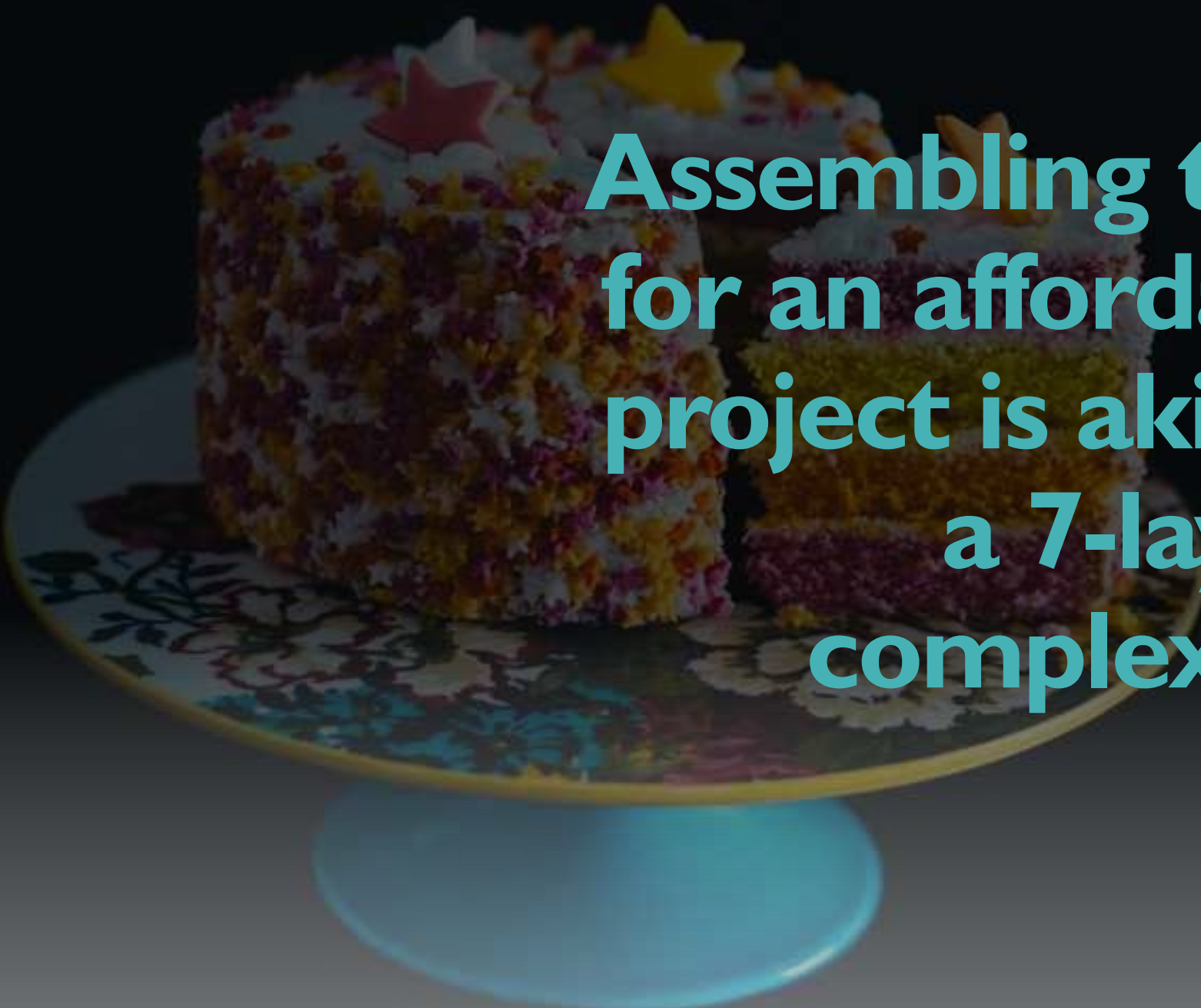
There's a growing gap between incomes and rent in King County



Source: Bellwether Housing Building Opportunity brochure

*Salaries are derived from the 2017 Occupational Employment and Wage estimates published by the WA State Employment Security Department. Monthly housing expenses have been calculated at 30% of income which is the maximum amount of income that can be devoted to housing costs before a household is considered burdened.

**Monthly rent affordable to a single person earning up to 60% of AMI for King County. Affordable rent is calculated as 30% of monthly income. Median Family Income (MFI) for all counties are published annually by the U.S. Department of Housing and Urban Development (HUD), available from Washington State Housing Finance Commission.



**Assembling the financing
for an affordable housing
project is akin to making
a 7-layer cake: it's
complex and takes a
long time**

Developers must consider building AND operation and maintenance costs

BUILDING SIDE

(acquisition, financing, construction/arch and engineering)

Conventional

- Total Project Cost = Debt + Owner Equity
- Debt paid by rental income
- Equity recaptured through cash flow, appreciation, and sale of asset

Affordable

- Reduced rents - limited to no ability to service debt (sometimes none, if target affordability level is)
- Non-profits: provide limited equity and do not sell
- Investor equity based on sale of tax credits
- Gap funding from public sources

OPERATING SIDE

(operations, maintenance, services)

Conventional

- Market Rents - Operating Expenses = Net Operating Income
- Net Cash Flow goes to Owner as return on investment

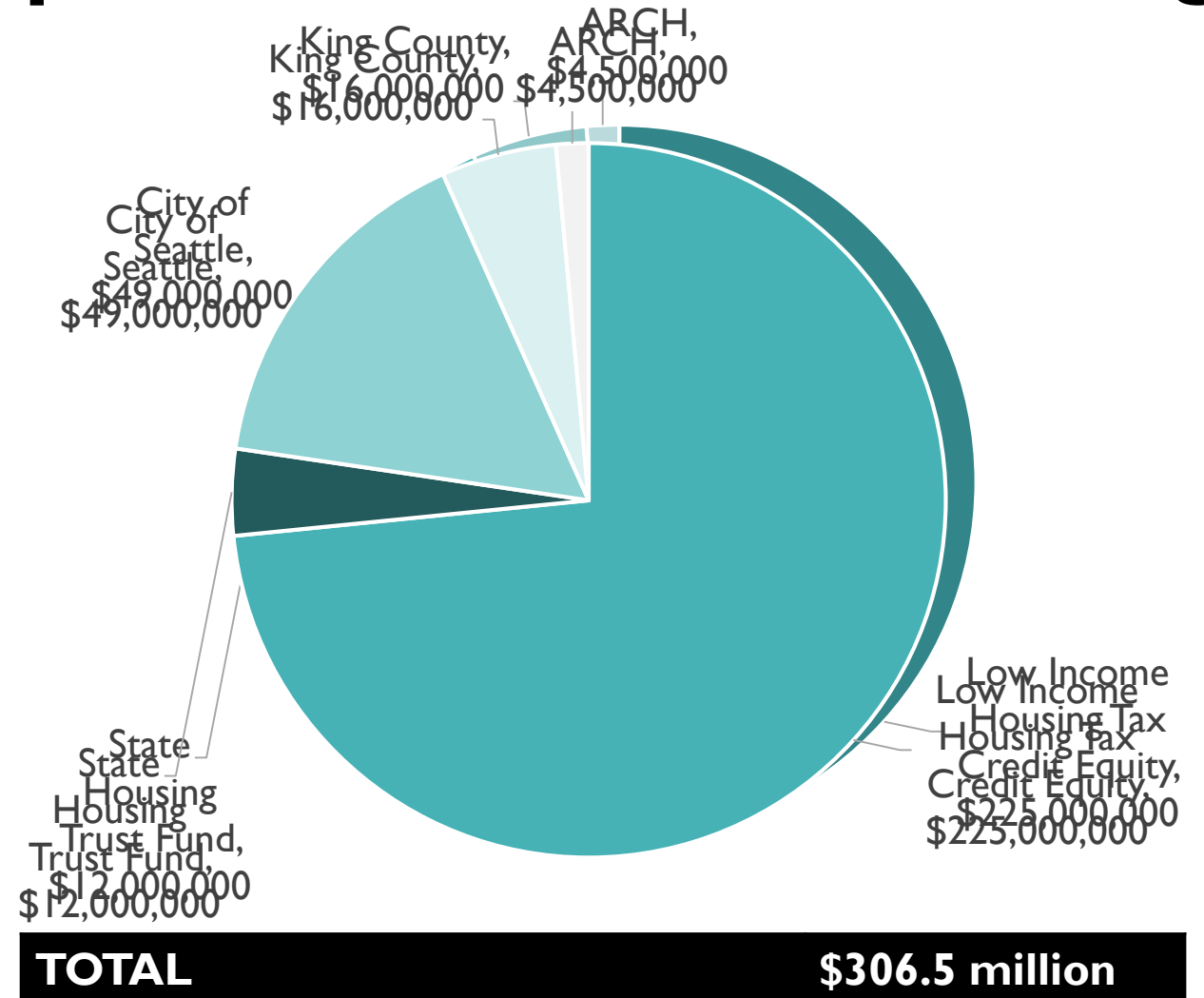
Affordable

- Reduced rents based on affordability levels
- Projects serving 50%-60% AMI may break even or support a small amount of debt
- Projects serving $\leq 30\%$ need subsidies to pay basic management, utilities, maintenance, etc.
- Additional subsidies required for resident services, especially for permanent supportive housing

The federal government plays an important role in funding the creation & operation of affordable housing

CAPITAL FUNDS FOR AFFORDABLE HOUSING

(ANNUAL AVERAGE, 2012-2017)



How does the Low Income Housing Tax Credit (LIHTC) program work?

Key Facts

- Born out of the Tax Reform Act of 1986
- Program out of the IRS: Section 42 of the Internal Revenue Code
- Federal tax incentive and biggest financing vehicle for creation and preservation of affordable housing
 - Over 3 million units and counting since 1987

	<u>9%</u> Highly competitive application	<u>4%</u> As of right with tax exempt bond allocation & increasingly competitive
Credit Allocation	\$2,000,000	\$500,000
10 Years of Credit	\$20,000,000	\$5,000,000
Investor Buy Credits	0.95	0.95
Equity to Project	\$19,000,000	\$4,750,000

Station House, Seattle, WA

by Community Roots Housing (formerly Capitol Hill Housing)

110 Units affordable at 30%-60% AMI

A mix of studios, 1, 3 and 3 bedroom units

Opened Jan 2020

<u>Funding Sources</u>	<u>Amount</u>
Senior Permanent Loan	9,353,000
Seattle Office of Housing:	8,746,000
King County	4,750,000
LIHTC (4%):	10,678,000
Deferred Developer Fee	1,795,000
Community Room	500,000
TOTAL RESIDENTIAL COST	35,822,000

Operating expenses (year 1) total \$671,343 or
\$5,750 per unit per year

No operating subsidies or services



Kent Supportive Housing, Kent, WA

by Catholic Housing

80 units at 30% and 50% AMI

Studios and 1 bedroom units

Est Opening Nov. 2020

<u>Funding Sources</u>	<u>Amount</u>
Dept. of Commerce HTF	3,000,000
King County	4,400,000
<u>LIHTC (9%)</u>	<u>17,121,000</u>
TOTAL RESIDENTIAL COST	24,521,000

Operating expenses (year 1) total \$1,0254,537 or
\$12,807 per unit per year

Supportive services on site; Project Based Vouchers
for all 80 units from King County Housing Authority
and operating/service subsidies from King County



An aerial photograph of a modern, multi-story apartment complex with light-colored siding and dark roofs. In the foreground, a fenced-in playground area features a circular sandpit, a wooden bridge over a small stream, and various play structures. Numerous children are playing in the area. The background shows more apartment buildings and parked cars.

**More resources are needed to
fund affordable housing**

Source: King County Housing Authority
William Wright Photography
Pictured: Birch Creek Apartments, Kent, WA

Task Force assumptions

- **~\$384 million/year** federal, state, and local funds invested in affordable housing in King County (2012-2017 averages)
- Public dollars able to purchase fewer units over time.
 - Increase cost to purchase/build all types of housing.
- Affordable units will cost on average **\$350,000/unit** to preserve or build.

Task Force findings

- Significant **new funding resources are necessary**
- **44,000 units needed by 2024** for households earning **less than 50% AMI**
- **Must increase housing supply and other supports** for lowest-income households
- **Each jurisdiction should consider:**
 - Suitability of **available options** under current law
 - Working **collaboratively to increase funding available** for affordable housing preservation and development.
 - **Impact** to other **critical services**
 - **Capacity to accept additional tax burden** without further contributing to the affordability crisis.
 - **Land use and zoning changes** that support increasing supply at 50-80% AMI

Key challenges

Source: King County Housing Authority
William Wright Photography

Pictured: Villages at Overlake Station, Redmond, WA

Key challenges for future revenue conversations

Equity

- Regressive nature of existing revenue tools mean that low-income people are disproportionately impacted
- Insufficient resources or political will targeted to the greatest need (0-30%)
- Limited capacity building and other dollars to support organizations led by and for communities of color in leading and operating community-driven development projects

Flexibility

- Lack of flexibility in funding system limits region's ability to adapt
- Limited resources to address displacement in areas without frequent transit
- Limited resources to support affordable homeownership through community land trusts

Leverage

- Increased local affordable housing funding may have minimal impact on creating more housing if larger pots of money don't increase at the same time

Comprehensive View of Needs

- Need to continue funding services for existing permanent supportive housing buildings



What's next?

Source: King County Housing Authority
William Wright Photography
Pictured: Villages at South Station, Tukwila, WA

Stakeholder outreach | August

HIJT will share presentation and solicit input from stakeholders

- Community-based organizations that serve low-income communities
- Organizations led by and for communities of color
- Affordable housing advocates
- Affordable housing developers and providers
- Sub-regional affordable housing collaborations, such as ARCH and SKHHP
- Local elected officials
- Taxpayers

Questions include

- What are the most important considerations for your stakeholders?
- How would you incorporate equity and social justice in the shared principles?

Funding need and gap analysis | July-Sept

- HIJT will estimate the cost to build 244,000 and identify the resource gap
- Methodology will account for planning tools that cities and the County will employ to reduce the need for public subsidy. Tools will vary by jurisdiction.

Shared principles adoption | Sept-Nov

September

- The HIJT will develop draft shared principles based on stakeholder feedback
- The HIJT will brief the AHC on stakeholder input and the additional revenue needed to build or preserve 44,000 affordable homes by 2024.
- The Committee will review and discuss draft shared principles to guide efforts to implement new and unused resources

November

- AHC will potentially vote to adopt shared principles

A photograph of a middle-aged couple walking hand-in-hand on a concrete sidewalk. The woman on the left is wearing a pink short-sleeved button-down shirt and blue jeans, and she has glasses. The man on the right is wearing a black t-shirt with a yellow graphic and khaki pants. They are both smiling. In the background, there is a house with light-colored siding and a white fence. To the left of the couple are two large, round, light-colored planters containing green shrubs. The overall scene is bright and sunny.

Reflections?

Source: King County Housing Authority
William Wright Photography
Pictured: Wonderland Estates, Renton, WA

Let's return to the “listen-fors”

- Did you have a new insight?
- Was there something that you didn't really understand?
- What you would like more information about?

ADVOCACY

Meeting packet reference material: [WLIHA Census Data Report on June Rent Payments](#)

Michele Thomas

Director of Policy and Advocacy
Washington Low Income Housing Alliance



WASHINGTON LOW INCOME
Housing Alliance

Washington Low Income Housing Alliance

June 2020 rental payment status in Washington State

Data visualized from the following sources:

- Household Pulse Survey - US Census Bureau¹
- Outreach Reach Report - National Low Income Housing Coalition²

¹ US Census Bureau, Household Pulse Survey. July 2020. Retrieved from <https://www.census.gov/data-tools/demo/hhp/>

² National Low Income Housing Coalition. July 2020. Retrieved from <https://reports.nlihc.org/oor>

Hundreds of thousands of Washington renter households unable to pay June rent

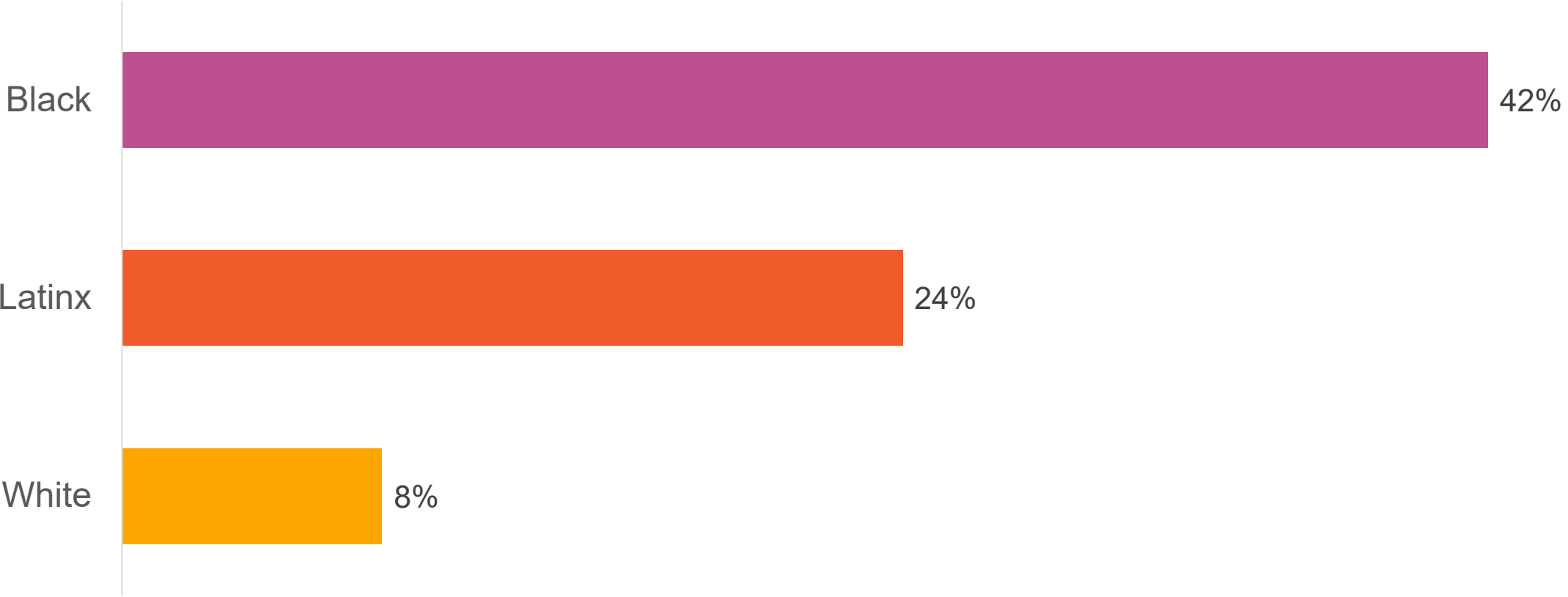
Washington State

- 247,959 renter households were unable to pay rent in June.

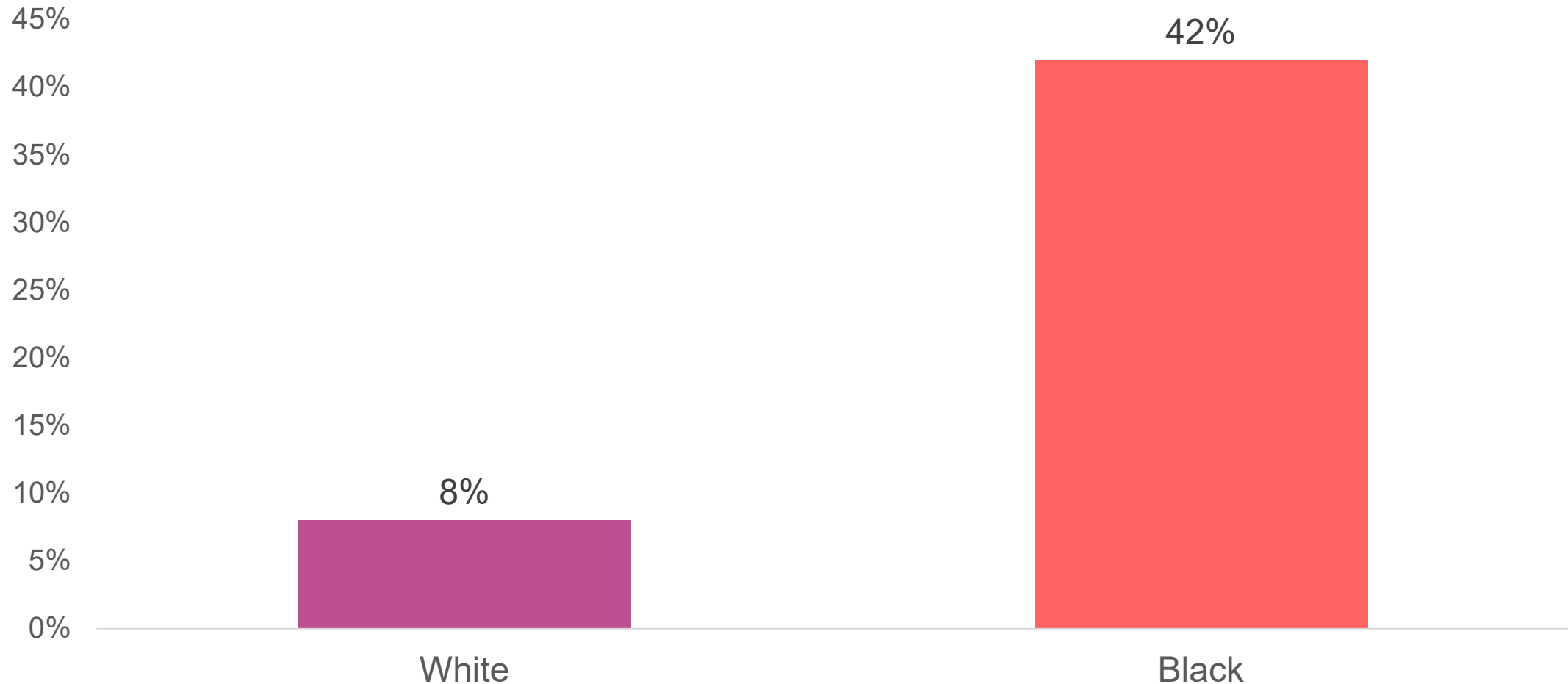
Seattle/Tacoma/Bellevue metro area

- 151,584, over 8% of the renters surveyed, could not pay the rent in June.

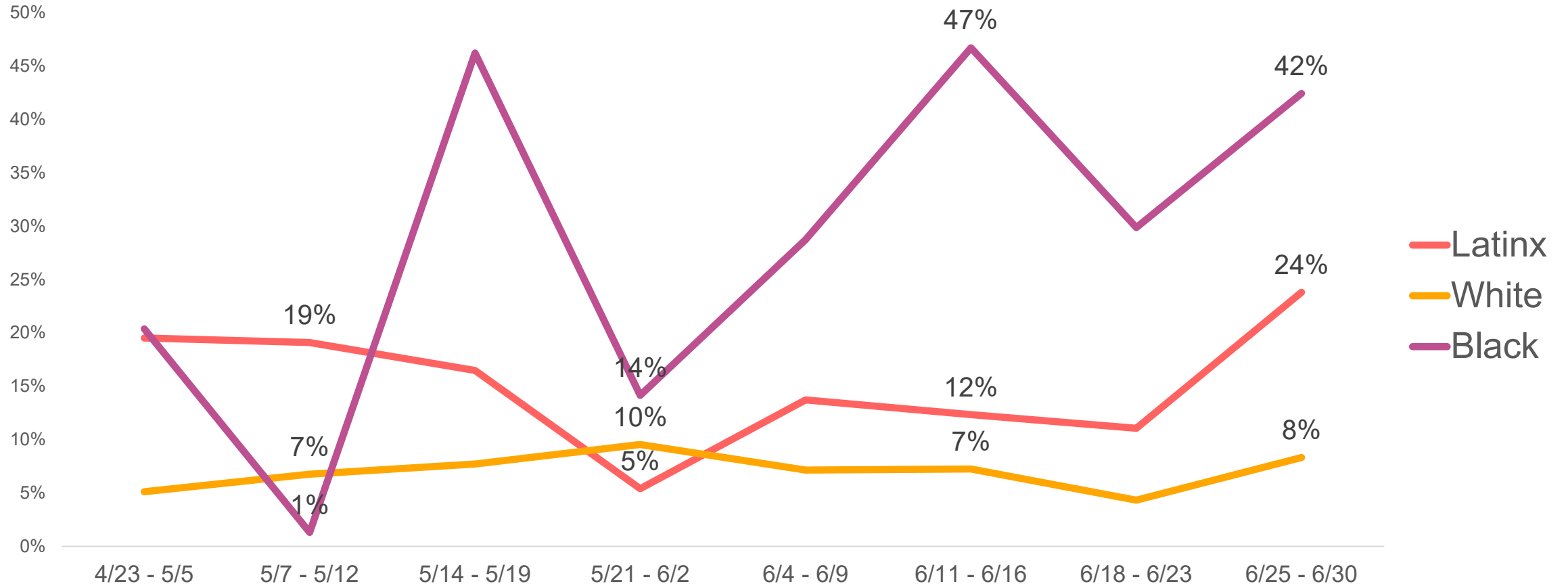
Percentage of Washington Renter Households Unable to Pay June Rent by Race



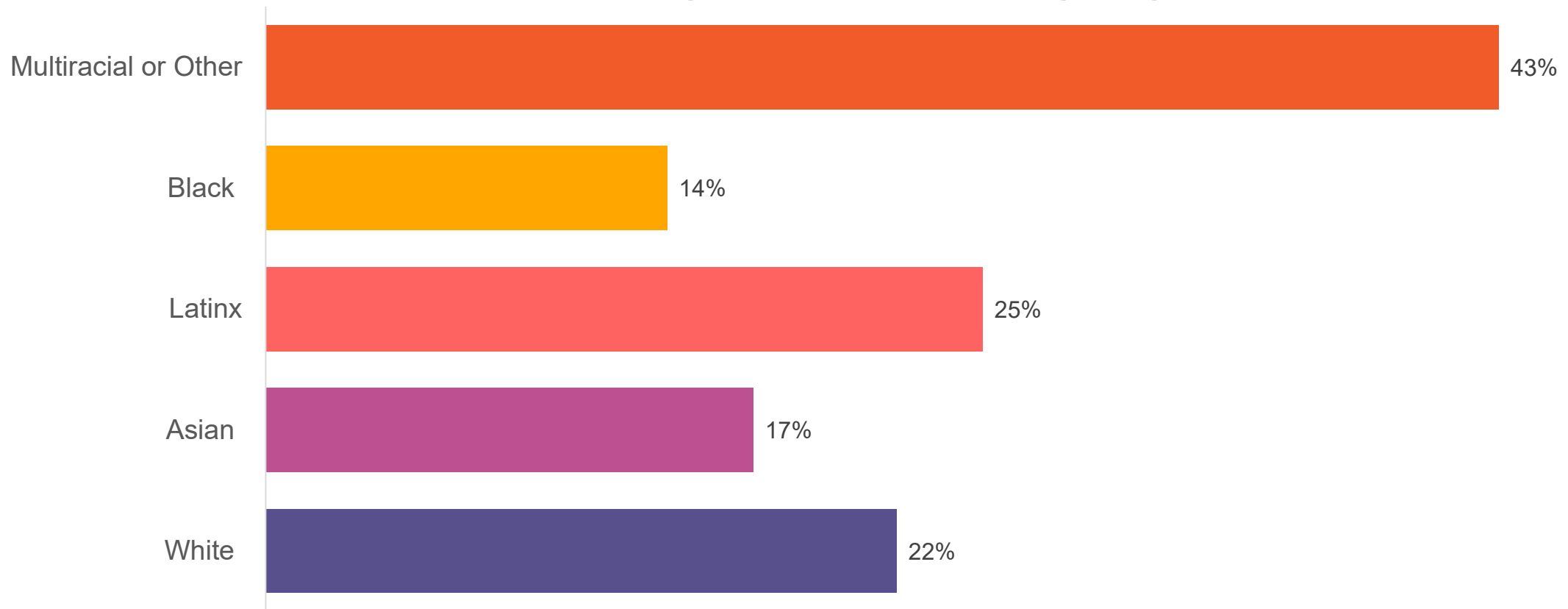
White vs Black Renters Unable to Pay June Rent in Washington



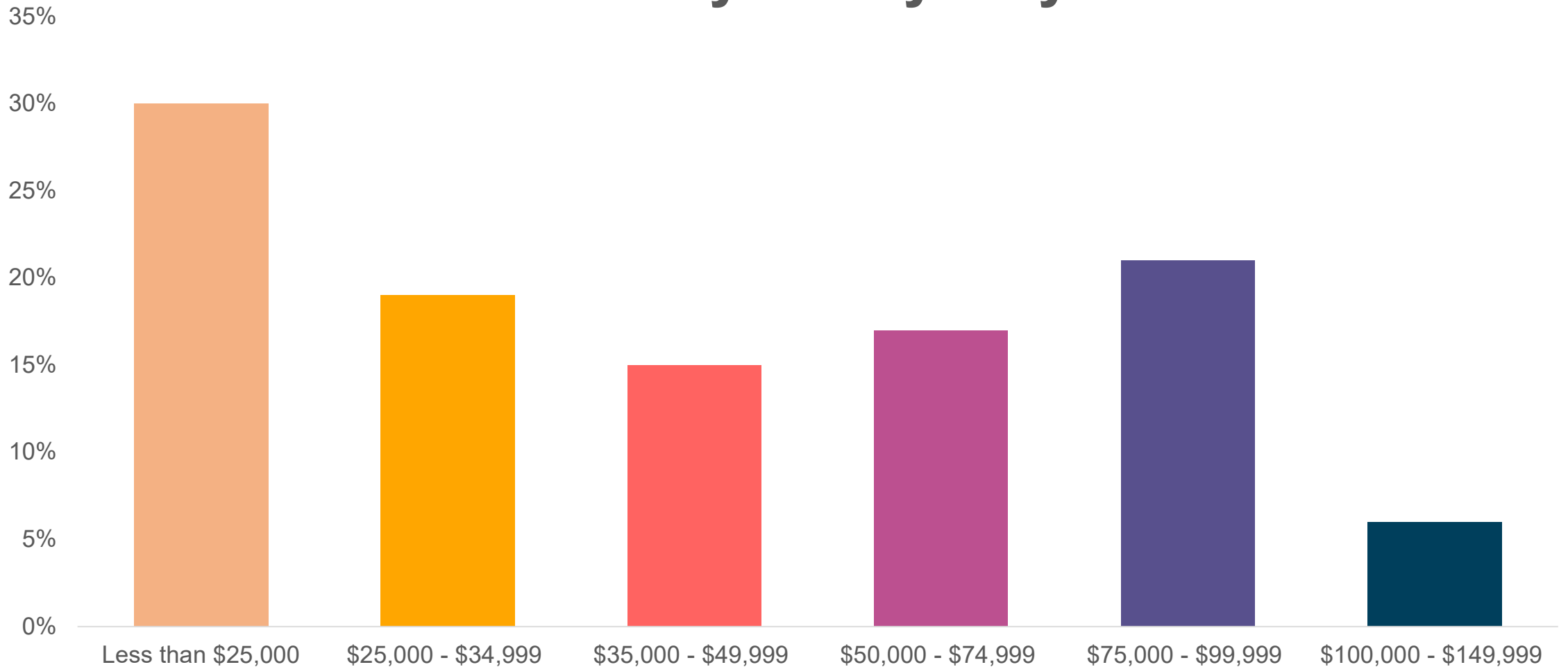
Non-Payment of Rent in Washington over Time, by Race



Percentage of People by Race Who Have Slight to No Confidence that They Will Be Able to Pay Rent in July by Race



Percentage of Individuals by Income with Slight to No Confidence in Ability to Pay July Rent



A looming debt crisis

525,835 people reported using credit cards or loans in order to meet their needs. According to WalletHub, the average credit card interest rate is 15.09% APR³.

More tenants report using credit cards rather than unemployment benefits to meet their needs.

Used in the last 7 days to meet spending needs*

Regular income sources like those used before the pandemic	1,423,275
Credit cards or loans	525,835
Money from savings or selling assets	562,045
Borrowing from friends or family	408,366
Unemployment insurance (UI) benefit payments	225,710
Stimulus (economic impact) payment	405,932
Money saved from deferred or forgiven payments (to meet spending needs)	92,576
Did not report	9,361

* Totals may not sum to 100% as the question allowed for multiple categories to be marked.

³ WalletHub, What is the Average Credit Card Interest Rate? April 6, 2020. Retrieved from <https://wallethub.com/edu/cc/average-credit-cardinterest-rate/50841/>

PROJECT UPDATES

Meeting packet reference material: [AHC Quad Charts](#)

Melissa Arias

Janet Lee

McCaela Daffern

King County Department of Community and Human Services

Community Partners Table (CPT)

Purpose

Provides a space for historically underrepresented communities to:

- Collaborate with the Affordable Housing Committee in reducing the disproportionate impacts of housing affordability challenges
- Surface and strategize around housing issues of importance to the communities that members are connected to
- Influence long range housing policy such as land use, zoning, and revenue policy decisions upstream

Membership Selection

- Prioritizing onboarding of consultant to assist with membership selection
- Working with the HIJT to define a selection process and identify who should be involved

CPT Next Steps | What's Next

July-Sept 2020

- Hire consultant through RFI/RFP process
- Develop and execute recruitment strategy

Oct-Dec 2020

- Execute robust orientation
- Plan first meeting and joint AHC/CPT meeting

Jan-March 2021

- Hold first meeting
- CPT to define priorities and next steps

Dashboard

Status

- Readjusted scope and schedule to accommodate AHC request for more involvement.
- Working on gathering data for three Task Force goals, determining methodologies for two other Task Force goals, and finalizing visualizations for remaining two Task Force goals.
- Initiated new data partnership between King County and the Puget Sound Regional Council
- Finalized rental data purchase from CoStar
- Developing methodology to monitor racial disparities within low-income cost burdened households.

What's Next?

Aug 31

Optional Beta Input Webinar (2:00-3:45 p.m.)

Late Oct

Optional Beta Input Webinar (*date TBD*)

Nov 13

AHC Meeting Release Dashboard

Mid-Nov

Optional Release Orientation Webinar (*date TBD*)

Regional Collaboration in 2019

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Which groups are represented on the Affordable Housing Committee? ● King County ● Business
● Subregional Collaborations ● Seattle ● Nonprofit ● Sound Cities Association ● Regional Transit Agency
● Construction Industry ● Housing Authority

* This slide shows placeholder text in Latin. Text is currently under development

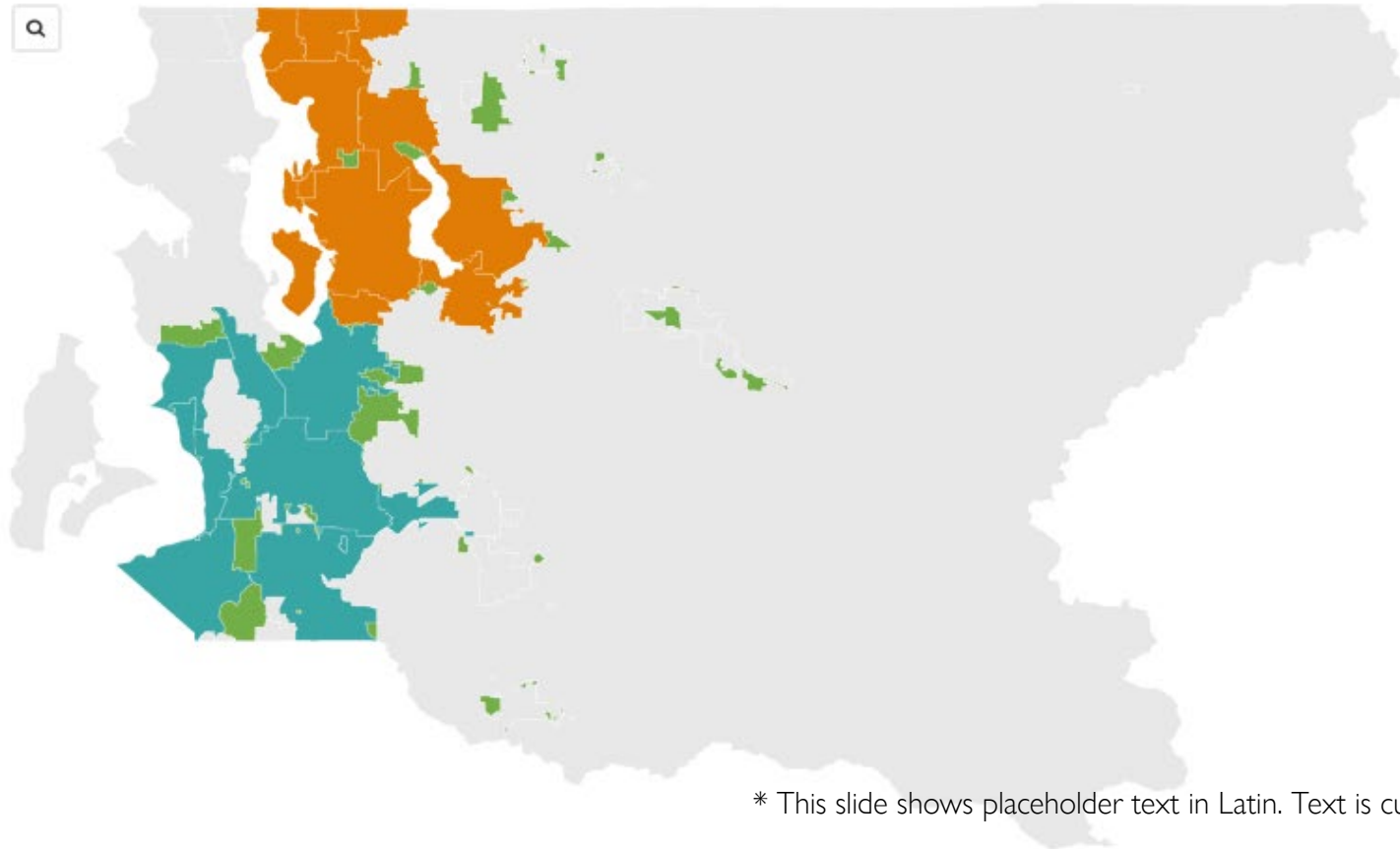
Subregional Collaborations in 2019

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Who participated in a collaboration?

Which collaboration did they belong to?

And did they implement HB 1406?



* This slide shows placeholder text in Latin. Text is currently under development

Countywide Planning Policies | Status

Early AHC Direction on CPPs | January

Align "housing need" definition with the RAH Task Force's

- Number of units needed to eliminate housing cost burden by 2045 for very low-, low-, and moderate-income households.

Share the county's affordable housing needs equitably rather than equally

- Ensure availability of affordable housing options countywide but targeting affordable housing in areas of opportunity with access to transit, jobs, high performing schools, and parks/open space.
- Address potential displacement of communities of color, low-income households, and other marginalized populations.

Establish methods to ensure local and regional accountability

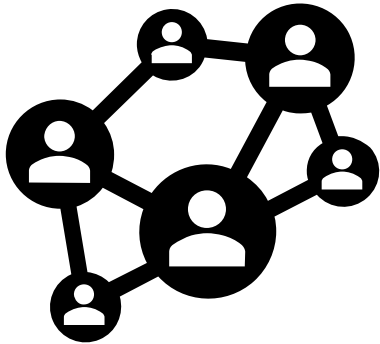
- AHC and dashboard to serve as accountability mechanisms.
- The dashboard should reflect the jurisdictional share of overall housing need in terms of number of units and each jurisdiction's progress towards meeting their share.

Address housing need for very low income households

- Include strategies to better ensure the housing needs of our region's very low-income households are met.

Countywide Planning Policies | Status

CPP Engagement and Analysis



Engagement Around Draft Concepts (Feb-May)

- Housing Development Consortium (HDC) Webinar
- South King County Joint Planners and Developers Workgroup
- South King Housing and Homelessness Partners Staff (SKHHP) Workgroup and South King Housing (SoKiHo) HB 1923-funded Regional Housing Action Plan Group



Policy Analysis (May-July)

- Staff embraced the gift of time to step back and identify issues requiring more regional consensus.

CPP HOUSING CHAPTER TIMELINE

Key Highlights



Jan 17 & 30

AHC briefed on CPP Housing Chapter and provided initial direction



July 22

AHC briefed on progress and stakeholder feedback



Sept 30

AHC considers draft CPPs Housing Chapter amendments



Nov 13

AHC considers revisions and votes to recommend CPPs Housing Chapter amendments to GMPC



December 2

GMPC considers and comments on all CPPs, including AHC-recommended amendments

MEMBER-DRIVEN INITIATIVES

Meeting packet reference material: [SCA Caucus Statement Regarding Expiration of Eviction Moratorium](#)

Claudia Balducci

Council Chair

King County Council

Updates

Subcommittee Report-Out

- Overview of subcommittee and scope

Statement on Eviction Moratorium

- Overview of Sound Cities Association's draft statement on the eviction moratorium

NEXT STEPS

Next AHC Meeting

- Wednesday, September 30, 2020 1-3 p.m.

Potential Agenda Topics

- 2019 AHC annual report
- Overview of revenue stakeholder outreach in August
- Review and discussion of draft revenue shared principles
- Review and discussion of draft CPP Housing Chapter amendments

THANK YOU