

Preservation of Apartment and Mobile Home Communities in King County

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Existing Conditions

Apartment Communities: There are approximately 70,000 cost burdened renter households in King County primarily living in 350,000 existing multifamily units generally in older class “B” or “C” properties that make up the bulk of the inventory. Approximately, 55,000 new multifamily units have been added since 2010 or about 5,500 units per year although with escalating market rents have boosted multifamily housing production to a projected 18,600 units for 2018.

Mobile Home Communities: There are also approximately 9,400 mobile homes in mobile home parks in King County. Mobile home parks are largely populated by lower income families and seniors with space rents ranging from \$500 - \$900 per month. The average doublewide sells for approximately \$85,000. Singlewide sales prices range from \$20,000 to \$40,000. No new mobile home parks are being developed and approximately 205 units have been lost over the last 5 years due to the closure of 5 mobile home parks. Other mobile home parks such as the 68 space Firs Mobile Home Park in SeaTac are under the imminent threat of closure and redevelopment.

Affordable Housing Development

New Construction: Most new affordable housing is developed through new construction even though developable land is scarce and the vast majority of the rent burdened renter population lives in existing multifamily housing. Also, the cost of purchasing older, existing multifamily housing is typically 60%-75% the cost of new construction on a square foot basis.

Acquisition: Preservation of existing affordable housing through acquisition by an affordable housing developer is challenging from a public financing standpoint since very few public funding programs or organizations are able to assemble the needed capital in the very short time frames required to buy existing apartments and mobile home parks in the private market. Acquisitions generally need to close in 90 days or less and occur without firm public funding commitments.

KCHA’s Acquisition and Preservation Program

Program: Since 1990, KCHA has used its access to low cost borrowed capital to acquire 62 multifamily properties comprising 6,081 units of housing. During that time, KCHA has also acquired 3 mobile home parks comprised of 459 spaces. Notable recent acquisitions include Ballinger Commons in 2017 (486 units in Shoreline), Friendly Village Mobile Home Park in 2017 (224 spaces in Redmond), Abbey Ridge in 2016 (146 units in SeaTac), and Highland Village in 2015 (76 units in Bellevue). Most of these properties were acquired with borrowed funds without direct public subsidies.

Purpose: Most of these properties were acquired to preserve the affordable, workforce rent structure in place at the time of acquisition. Public/nonprofit acquisition locks in the capital cost and allows the property to operate without market driven rent increases. As market rents increase and underlying debt is paid off, the acquired properties become increasingly affordable and, in high cost areas, serve as a submarket entry point for Section 8 voucher holders. Some acquired properties such as Highland Village in Bellevue and Wonderland Estates in Renton were under immediate threat of redevelopment and displacement of residents. Other acquisitions have served to insulate residents from “repositioning” and “value add” improvements by private investors that result in accelerating market rents and displacement of lower income residents. Mobile home park residents are particularly vulnerable to capricious rent increases.

Pros and Cons of Acquisition and Preservations Programs

Pros:

- Focuses on existing inventory. Wider selection of real estate- better locations and more efficient property sizes
- Lower per unit cost- avoids lengthy development schedules and risky land use/permitting issues
- Immediate ownership. Avoids displacement of lower income residents- both immediate and gradual over time
- Mixed income workforce housing. Subsidies for very low income can be provided over time on select units

Cons:

- No immediate affordability without direct subsidy. Affordability occurs over time or as subsidies are added
- Public funding programs not currently designed for opportunistic and immediate acquisition of private property
- Requires immediate access to large amounts of capital and an experienced purchaser of commercial properties
- Risks associated with price and condition of older apartment and mobile home park properties