

City of Seattle

# Housing Levy Impact

## 2009 REPORT OF ACCOMPLISHMENTS

**City of Seattle**

Michael McGinn, Mayor

**Seattle City Council**

Nick Licata, Chair, Housing, Human Services, Health, & Culture Committee

**Seattle Office of Housing**

Bill Rumpf, Acting Director

February 2010

## **Housing Levy Oversight Committee**

Eric Franklin, Chair, Northwest Carpenters

Humberto Alvarez, Vice Chair, Solid Ground

Arminda Alexander, Housing Resources Group

Bill Block, Committee to End Homelessness in King County

Don Brewer, Chase Bank

Paul Lambros, Plymouth Housing Group

Kenny Pittman, Seattle Office of Policy and Management

Traci Ratzliff, Seattle City Council Central Staff

Josephine Tamayo Murray, Catholic Community Services

Linda Taylor, Urban League of Metropolitan Seattle

Steve Walker, Washington State Housing Finance Commission

Heyward Watson, Impact Capital

# About the 2002 Seattle Housing Levy

In September 2002, Seattle voters passed a seven-year, \$86 million property tax levy to provide affordable housing opportunities for low-income Seattle residents. The Housing Levy funds five programs that create and preserve affordable housing, assist first-time homebuyers to purchase a home, and provide emergency rental assistance to prevent homelessness.

The following table summarizes funding and production since the beginning of the 2002 Levy, covering all seven program years. All program funds are now committed except \$2.8 million in the Rental Preservation and Production Program. This funding, which includes interest earnings on fund balances and savings achieved when actual construction costs were lower than initial cost estimates, will be awarded in 2010. The Neighborhood Housing Opportunity Program and Homebuyer Assistance committed funding exceeded the initial program funding due to interest earnings on fund balances.

**Seattle Housing Levy Summary  
Funding and Housing Produced, 2003-2009**

Levy Program	Funding		Housing Produced	
	Total Levy Funding 7 years	Funding Committed 7 years	Levy Goals 7 years	Housing Production 7 years
Rental Preservation & Production <sup>1</sup>	\$56.1m	\$54.1m	1,522 rental units	1,882
Neighborhood Housing Opportunity Program <sup>1</sup>	\$7.2m	\$7.3m	196 rental units	333
Operating & Maintenance <sup>2</sup>	\$9.8m	\$9.8m	154 rental units	197
Homebuyer Assistance <sup>3</sup>	\$7.8m	\$8.1m	190 home purchases	244
Rental Assistance/ Homeless Prevention <sup>4</sup>	\$2.8m	\$2.8m	3,500 households	4,735

<sup>1</sup> The majority of NHOP-funded housing units also received funding from the Rental Preservation and Production Program, but are counted only in NHOP.

<sup>2</sup> Total O&M funding includes the first \$2m in Levy interest earnings; additional interest earnings are distributed among Levy programs.

<sup>3</sup> The Homebuyer Assistance production goal was originally set at 326 loans, but with dramatic increases in home prices, the average loan amount assumptions made in 2002 were no longer valid.

<sup>4</sup> The Rental Assistance Program's number of households contains some duplication.

# Rental Preservation & Production Program

The largest Levy program provides approximately \$8 million annually in capital funds to support development of affordable rental housing. The program provides affordable housing for people earning low and moderate wages, single individuals and families with children, people with disabilities, the elderly, and homeless families and individuals.

- New construction, acquisition and rehabilitation, and redevelopment of all types of rental housing is eligible for funding.
- Housing is located throughout the city.
- Housing serves eligible residents for a minimum of 50 years.

**2009 Funding.** The Rental Production & Preservation Program awarded \$7.7 million in Levy funds and \$3 million in other City-administered funds to four housing developments providing 333 affordable rental units.

The four housing developments include three new construction projects and one acquisition/rehabilitation project. The rehabilitation project will update a senior housing building in the Northgate neighborhood and includes preservation of existing Section 8 operating subsidies. See the table on page 10 for project details.

**Bridge Financing.** The Office of Housing also provides short-term bridge loans to assist housing sponsors to acquire property. These loans are made using Levy funds that are committed to other projects but not yet needed. The loans are repaid when the project secures permanent financing. In 2009, one project received bridge financing: the Low Income Housing Institute acquired a site in University District for future homeless housing. By the end of 2009 the bridge loan for that project and two earlier bridge loans were repaid. All three housing developments were awarded permanent financing and are proceeding.

**Housing Affordability.** The Rental Preservation and Production Program continues to meet Levy requirements for housing affordability. At least 59% of program funding must support housing that will serve extremely low-income households below 30% of median income (\$17,100 for a 1-person household). The remaining funding must support housing serving households up to 50% and 60% of median income. This policy is applied to all Rental Production funds, including any funds awarded to Neighborhood Housing Opportunity Program projects.

## Rental Preservation & Production Affordability Requirements

Affordability Level	Affordability Policy % of Funds	Funds Awarded in 2003-2009	Percent of Funds Awarded
Up to 30% AMI	At least 59%	\$40.6 m	75%
Up to 50% AMI	Up to 31%	\$10.8 m	20%
Up to 60% AMI	Up to 10%	\$ 2.7 m	5%

*AMI: Area median income for Seattle, indexed by household size, established annually by the US Department of Housing and Urban Development (HUD)*

# Neighborhood Housing Opportunity Program

The Neighborhood Housing Opportunity Program (NHOP) provides approximately \$1 million annually in capital funds for affordable rental housing development. NHOP encourages mixed-income and mixed-use developments that will help revitalize communities where private investment is lagging or affordable housing is being lost.

- Funding is prioritized for projects that are key to achieving community development objectives. Projects typically have a mix of income levels and affordability, and a mix of housing and commercial and/or public facility uses.
- At least 75% of program funding must occur in Housing Investment Areas (see map on page 9).
- Housing serves eligible residents for a minimum of 50 years.

In 2009, the Office of Housing awarded \$ 830,000 in Levy NHOP funds and \$3.4 million in other City-administered funds to Housing Resource Group's Rose Street Apartments in the Rainier Valley, a Housing Investment Area. OH also awarded federal HOME program funds to the project. Housing Resources Group will create 70 units of workforce housing on a vacant site at the corner of Rose Street and Rainier Avenue South. The project will include 40 1-bedroom apartments and 30 2-bedroom apartments, and serve households up to 60% of median income.

**Housing Affordability.** Funding awards to NHOP projects are consistent with Levy policies for housing affordability. At least 25% of program funding must support housing that will serve households with incomes at or below 30% of median income. The remaining funding can support housing for households up to 80% of median income.

NHOP Affordability Requirements			
Affordability Level	Affordability Policy % of Funds	Funds Awarded in 2003-2009	Percent of Funds Awarded
Up to 30% AMI	At least 25%	\$2.4 m	33%
Up to 80% AMI	Up to 75%	\$4.9 m	67%

*AMI: Area median income for Seattle, indexed by household size, established annually by the US Department of Housing and Urban Development (HUD)*

## Operating & Maintenance Program

The Operating & Maintenance (O&M) Program provides annual subsidies for buildings that serve extremely low-income residents who pay very low rents that are insufficient to support building operations. Levy funds provide supplemental operating income to ensure that the City-assisted housing is well maintained and financially viable. The 2002 Levy O&M Trust Fund is capitalized with \$1.1 million each year, plus the first \$2 million in Levy interest earnings.

- O&M funding supports housing serving people with incomes below 30% of median.
- Funds are awarded in conjunction with Levy capital funds, making Levy-funded projects available to extremely low-income households and people with disabilities.
- Projects receive a 20-year operating support commitment. Funds are allocated each year to fill the gap between project income and expenses, up to a maximum of \$2,500 per unit per year, with future adjustments for inflation.

In addition to Levy O&M funds, project-based Section 8 vouchers provide operating income for housing that receives capital funding through the Levy. The Seattle Housing Authority committed 500 Section 8 vouchers over the seven-year term of the Housing Levy, or 70 vouchers per year, depending on availability of federal funds. As with the Levy O&M funding, housing with Section 8 vouchers must serve households that have incomes below 30% of median income and need supportive services to live independently. Section 8 voucher awards are subject to the approval of the Seattle Housing Authority Director.

**2009 Funding.** All Levy O&M funding have been reserved for Levy-funded housing developments as of the end of 2008, therefore no O&M funds were awarded in 2009.

Similarly, all SHA Section 8 vouchers were committed to housing developments by the end of 2008. However, one of the projects receiving Rental Program funding this year preserved existing Section 8 vouchers. This nonprofit acquisition of a privately owned, 107-unit senior housing development prevented the conversion of these apartments to market-rate housing and loss of project-based Section 8 operating subsidies.

# Rental Housing Summary

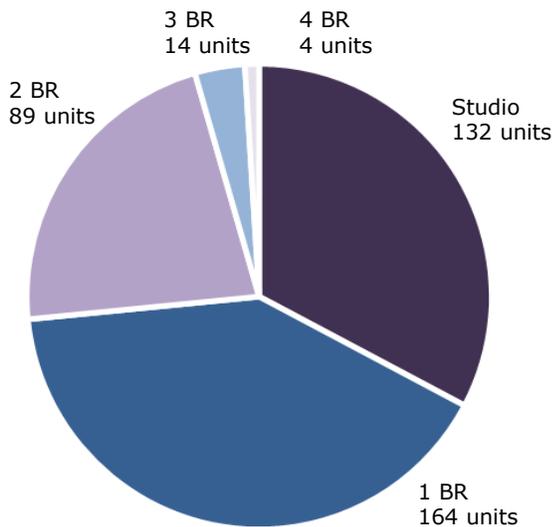
In total, the Office of Housing funded five new rental housing developments with 403 units in 2009. The following information describes these projects.

**Ending Homelessness.** Housing Levy funding awards in 2009 demonstrate City support for the Ten Year Plan to End Homelessness in King County. Two of the five projects will provide permanent supportive housing for people who have been homeless.

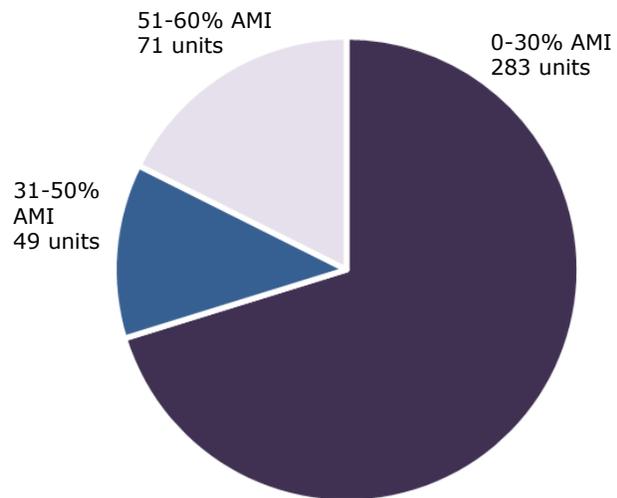
**Preserving Senior Housing.** Housing Levy funds preserved existing senior housing close to transportation and services in the Northgate area, preventing displacement of 107 low-income residents.

**Rental Housing for Working Families.** Housing Levy funds also supported construction of two projects with 155 housing units, providing rents that are affordable for families earning low and moderate wages.

**Unit Types**  
**2002 Levy Rental Projects Funded in 2009**  
 403 Units / 5 Projects



**Unit Affordability**  
**2002 Levy Rental Projects Funded in 2009**  
 403 Units / 5 Projects



**Leveraging Other Public and Private Capital Funding.** Projects funded with Housing Levy dollars leverage significant public and private investment in low-income housing development. In 2009 the largest source of public funding was \$9.5 million from Washington State. The largest source of private funding was \$32 million in private equity through the federal low income housing tax credit program, administered by the Washington State Housing Finance Commission. In addition, projects used \$15.5 million in private debt financing.

**Project Locations**  
**Levy Rental Projects Funded in 2009**



# Homebuyer Assistance Program

The Homebuyer Assistance Program provides low-interest deferred loans to first-time homebuyers purchasing a home in Seattle. Approximately \$1.1 million is available annually, plus revolving funds from any loan repayments.

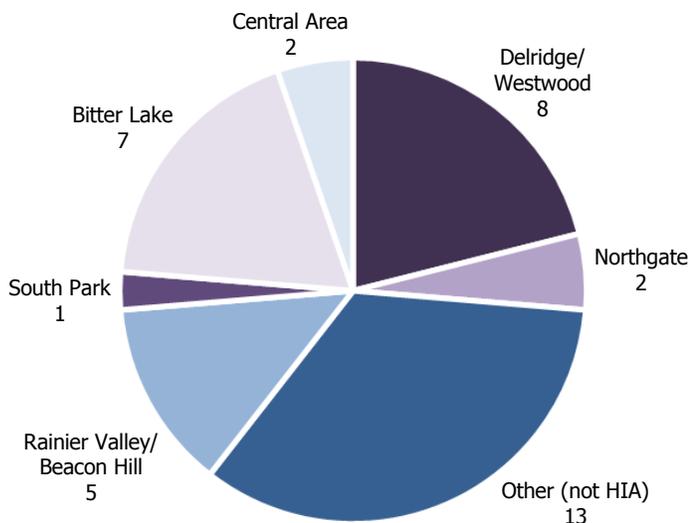
- Homebuyers apply for loans through nonprofit housing agencies, participating lenders, and housing developers that have received an allocation of City funds.
- The program provides deferred downpayment loans up to \$45,000, depending on each borrower's need. Borrowers may receive larger loans, up to \$70,000, if City funds are pooled with other subsidies and the average City subsidy is no greater than \$45,000 per loan.
- Funding is prioritized for purchases in Housing Investment Areas. See page 9 for a map of these areas.

**2009 Funding.** In 2009, 34 first-time homebuyers purchased homes using 2002 Levy funds awarded this year or in prior years. In addition, four buyers purchased homes with revolving Levy funds -- loan repayments from the prior 1995 Housing Levy. At the end of 2009, \$443,000 of committed Levy funding was not yet expended; based on the current average downpayment assistance loan at \$44,000, these funds will result in approximately 10 additional home purchase loans.

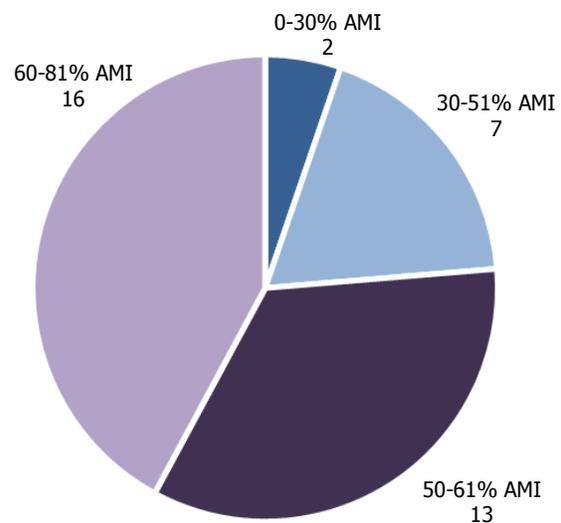
**Targeting to Housing Investment Areas.** The Program is successfully supporting home ownership in Housing Investment Areas, with 75% of funding from 2003 through 2008 supporting home purchases in these areas, meeting the target of 75% of funding.

**Affordability Goals.** The program is also meeting goals for targeting funds to lower-income buyers. At least 50% of Levy funding must assist first-time buyers with incomes at or below 60% of area median income. The remaining funds can assist homebuyers up to 80% of median income. To date 55% of funding has assisted buyers with incomes below 60% of median.

**Homebuyer Program**  
**Location of Purchased Homes, 2009**  
*38 homebuyers*



**Homebuyer Program**  
**Participant Income, 2009**  
*38 homebuyers*



## Rental Assistance / Homeless Prevention

Levy Rental Assistance funding supports two homeless prevention programs administered by the Seattle Human Services Department. The overall goal is to serve 500 households per year.

### Emergency Rent Assistance Program

- The program provides short-term, one-time financial help up to \$750 to renter households with incomes up to 50% of median who are facing temporary economic hardship.
- The Human Services Department contracts with nine community-based nonprofit organizations that distribute the rent assistance to their clients in housing loss crisis.
- These organizations contact the client households after six months to determine their success in meeting the goal of housing stability.
- \$300,000 is available annually.

During 2009, the Emergency Rent Assistance Program served 552 households (containing 1,290 individuals) with financial assistance averaging approximately \$595 per household. Of the total households served, 306 (65%) were families with a total of 571 children under 18 years old. Assistance provided to households served in 2009 included:

- 387 (70%) were assisted to remain in their current home
- 37 were assisted to move from high rent to more affordable housing
- 50 were assisted to move into permanent housing following housing loss (causes such as unavoidable eviction, unsafe/unsanitary conditions)
- 78 were assisted to move from homelessness into permanent housing

Since the inception of the program in 2003, emergency assistance has effectively helped households maintain stable housing. Of the 4,141 households that received emergency rent assistance through June 2008, 79% or 3272 households were documented to have maintained their housing six months after receiving services. This compares to a program goal of 70% of recipients who will succeed in maintaining permanent housing six months after assistance.

### Rental Stabilization Program

- The program provides rent subsidies over 6 to 18 months, combined with case management services, for families and individuals with incomes up to 50% of median who are transitioning from homelessness, or are in immediate danger of eviction or at risk of homelessness.
- The program also provides a follow-up assessment of each household six months after rent subsidies are terminated.
- \$106,000 is available annually, combined with \$138,380 in City-administered federal funds.

The Human Services Department contracts with the Salvation Army to administer the program. During 2009, the program assisted 58 households (39 new and 19 carried over from 2008). All households received financial assistance to remain stable in housing. Of households who exited the program before June 2009, 86% maintained housing stability six-months after exiting the program.

# Levy Funding Policies

Housing Levy programs are guided by policies in the Administrative and Financial (A&F) Plan adopted by the City Council every two years. The plan is prepared by the Seattle Office of Housing, with the participation of the Seattle Department of Human Services and involvement of stakeholders for each of the five Levy program areas.

Levy funds are awarded through a competitive application process. The Rental Preservation and Production funds, Neighborhood Housing Opportunity Program (NHOP), and Operating and Maintenance Funds are combined in a single funding round twice each year, along with federal housing funds administered by the Office of Housing. Applicants are typically non-profit housing developers, often in partnership with agencies that provide supportive services. Organizations that receive City funds commit to provide below-market-rate housing to low-income households for a minimum of 50 years.

The Levy Homebuyer Assistance funds are also combined with federal funds administered by the Office of Housing and awarded through a competitive process. First-time homebuyers apply for downpayment assistance loans through the selected lenders and nonprofit partners.

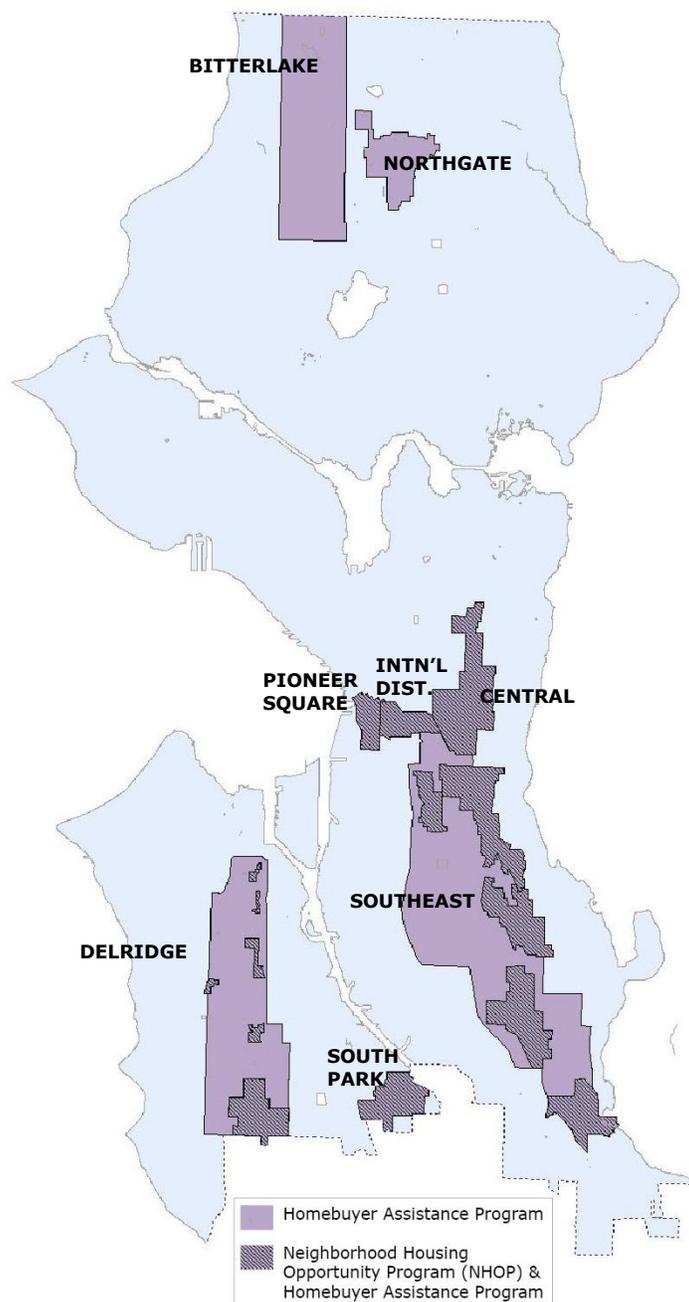
The Levy's Rental Assistance funds are administered by the City's Human Services Department, which competitively selects non-profit service providers who distribute funds.

A Housing Levy Oversight Committee is appointed by the Mayor and City Council to monitor the progress of Levy programs. The Oversight Committee reports to the Mayor and Council on program accomplishments and makes recommendations for policy changes in the Administrative and Financial Plan.

## Housing Investment Areas

Each of the Levy programs has specific guidelines that direct funds to serve households of certain income levels. In addition, two Levy programs – Homebuyer Assistance and NHOP – require the funds to be primarily used in communities where private housing investment is lagging or where existing affordable housing is being lost due to rising rents. Priority areas for this funding, known as Housing Investment Areas, were adopted by the City Council in September 2003. Both the Homebuyer Assistance program and NHOP must allocate at least 75% of program funding to housing in the Housing Investment Areas.

## Housing Investment Areas Housing Levy Homebuyer & NHOP Programs



## Housing Levy Funding Awards for Rental Housing 2009

<b>Project Sponsor</b> <i>Project Name</i> Location	<b>Project Description</b>
<b>Compass Housing Alliance</b> <i>Compass Center Ballard</i> 1753 NW 56th St	New construction of 79 permanent supportive housing units for homeless individuals plus one unit for an on-site resident manager in the Ballard Neighborhood. Compass Center will provide on-site services
<b>Seattle Housing Authority</b> <i>Lake City Village</i> 12536 33rd Ave NE	New construction of 85 permanent housing units for low-income families plus one unit for an on-site resident manager in the Lake City Neighborhood
<b>Low Income Housing Institute</b> <i>LIHI University Apartments</i> 4719 12th Ave NE	New Construction of 62 permanent supportive housing units for homeless individuals plus one unit for an on-site resident manager in the University Neighborhood. Sound Mental Health will provide on-site services.
<b>Housing Resources Group</b> <i>Meridian Manor</i> 10345 Meridian Avenue N.	Acquisition and rehabilitation of an affordable senior housing building in the Northgate neighborhood, including preservation of existing Section 8 operating subsidies.
<b>Housing Resources Group</b> <i>Rose Street Apartments</i> 8124 Rainier Ave. S.	New construction of 70 low-income workforce housing units plus one unit for an on-site resident manager in southeast Seattle.
<b>Short-term Bridge Financing</b>	
<b>Low Income Housing Institute</b> <i>LIHI University Apartments</i> 4719 12th Ave NE	New construction of 62 permanent supportive housing units for homeless individuals plus one unit for an on-site resident manager in the University Neighborhood. Sound Mental Health will provide on-site services.

Capital Funding			Units Receiving Operating Support			
Levy Funded Units	Levy Funding	Other OH Funding	SHA Sec. 8 / Levy	Other SHA Sec. 8	HUD Sec. 8	Levy O&M
79	\$ 1,819,377	\$ 943,388				
85	\$ 698,954	\$ 531,137				
62	\$ 2,170,003	\$ 1,569,997				
107	\$ 2,986,371	\$ 13,629			107*	
70	\$ 830,145	\$ 3,429,851				
62	\$ 2,100,000					

\*preservation of existing Section 8 vouchers