

HART Committee

AFFORDABLE HOUSING FUNDING SOURCES




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Our Experience


	Projects	Total Units	Total Value
Completed	78	4,050	\$578M
Under Construction	8	1,056	\$283M
Funded/NTP	2	181	\$77M
In Development	14	1,132	\$500M
Total	102	6,521	\$1.4B

Introduction
What is it?
Process
Funding
Financial Feasibility
The Future
Conclusion

What is Affordable Housing?



Senior Housing
Pearl at Oyster Bay
American Baptist Homes of the West




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What is Affordable Housing?



TOD / Mixed Use
Plaza Roberto Maestas
El Centro de la Raza



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What is Affordable Housing?

- Residents pay at most 30% of their income in housing costs**
 - Rental Housing Cost = **Rent + Utilities**
 - Ownership Housing Cost = **Principal + Interest + Taxes + Insurance**
- Includes a wide range of housing types**
 - Shelter** – night to night or permanent beds
 - Special Needs** – homeless, disabled, etc
 - Veterans**
 - Farm worker**
 - Working “poor”** minimum wage, 30% to 50%
 - Workforce 60% to 120%**
 - Ownership** – Single Family, Townhouse, Condo
- Percentages – Area Median Income (census data)**
 - 0 – 30% = **Extremely Low** Income
 - 30 – 50% = **Very Low** Income
 - 50 – 80% = **Low** Income (**60% is maximum for tax credits**)
 - 80 – 120% = **Moderate** Income

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What is Affordable RENTAL Housing?

WSHFC Income Limits (2016): 3 person household			
	30% AMI	50% AMI	60% AMI
Yakima	\$15,030	\$25,050	\$30,060
Spokane	\$17,700	\$29,500	\$35,400
King	\$24,390	\$40,650	\$48,780

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What is Affordable RENTAL Housing?

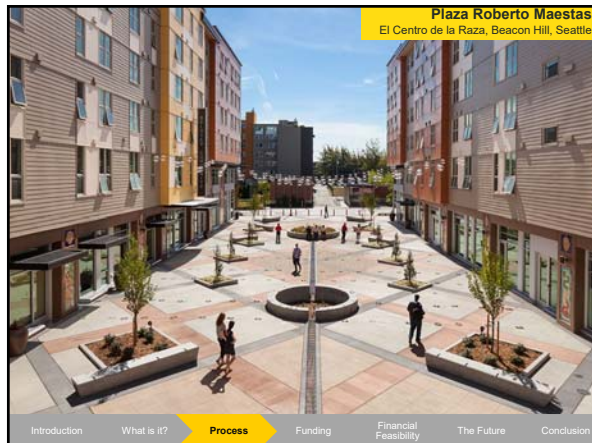
WSHFC Rent Limits (2016): 2 bedroom units			
	30% AMI	50% AMI	60% AMI
Yakima	\$15,030 \$375	\$25,050 \$626	\$30,060 \$751
Spokane	\$17,700 \$442	\$29,500 \$737	\$35,400 \$885
King	\$24,390 \$609	\$40,650 \$1,016	\$48,780 \$1,219

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Who Provides Affordable Housing?

- Housing Authorities
- Non-profit / social service organization
- Private Market

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How Is It Funded?

1. Local, State and Federal Resources

- **Capital Side** – subsidize cost of construction and development
- **Operating Side** – subsidize operations, maintenance, and services

2. Local – City & County

- Entitlement Cities & Counties – pass-through of CDBG and HOME funds
- Local property tax levies
 - City of Seattle, City of Bellingham,
 - King County Veterans and Human Services Levy
- 2060 & 2063 for services – recording fees
- Regional consortia – ARCH
- General funds
- Commercial linkage fees
- Impact fee exemption
- Surplus lands
- LIFT or Community revitalization funds

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How Is It Funded?

3. State

- **Housing Trust Fund**
 - \$165M in the 2007 – 2009 budget
 - \$95.5M in the 2009 – 2011 budget (100 + 30)
 - 106.6M in the 2011 – 2013 budget
 - \$67M in Supplemental budget in 2012
 - \$70M for 2013 – 2015 biennium
 - \$85.5M for 2015 – 2017 biennium
 - Approximately \$21M 2016 and \$28M 2017
- 2060 & 2063 – recording fees, state portion (REET I & 2)
- Washington Families Fund – homeless services
- Multifamily Tax exemption 8 year/12year

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How Is It Funded?

4. Federal

- **Housing & Urban Development**
 - 202/811 Capital/operating programs
 - HOME & CDBG
 - McKinney for homeless services
 - Public Housing Authorities
 - Section 8 Vouchers, VASH Vouchers, RAD, Project based
 - FHA – federally guaranteed loans
 - National Trust Fund (WA - \$23M in 2017)
- US Dept of Agriculture – Rural Development programs
- Fannie Mae and Freddie Mac 90% of market rate mortgages
- Home Mortgage Interest Deduction

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How Is It Funded?

And last but not least...

Which Federal Agency runs the nation's largest housing production program?



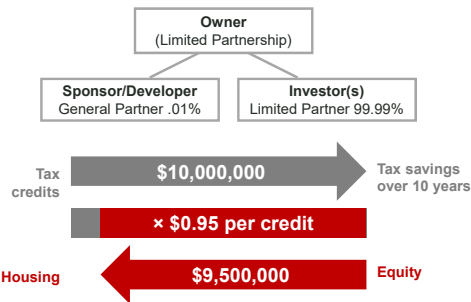
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Tax Credit Utilization

- 90% of all affordable housing in the US uses either the 9% or the 4% Low Income Housing Tax Credit
- 9% for extremely low income
- 4% for up to 60% of median
- In Washington, \$14MM in credit turns into approximately \$130MM in equity

Credit to Equity

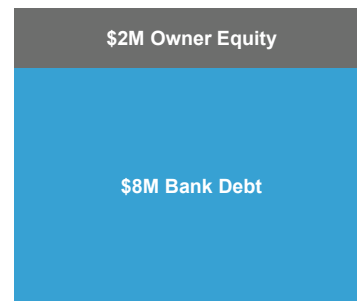
Example : \$1,000,000 in Credit



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Financing Comparison

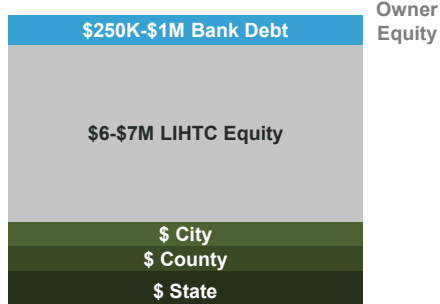
Conventional Deal



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Financing Comparison

Affordable Deal



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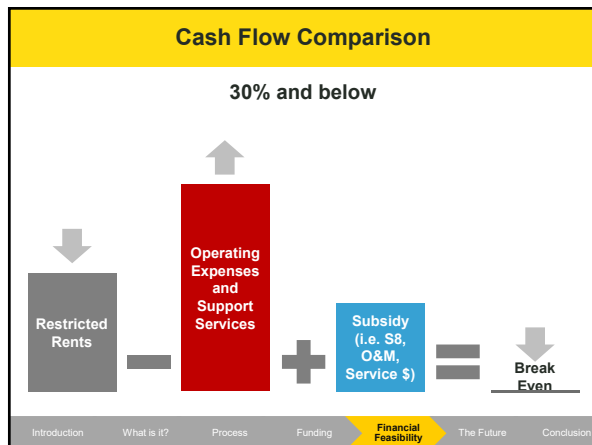
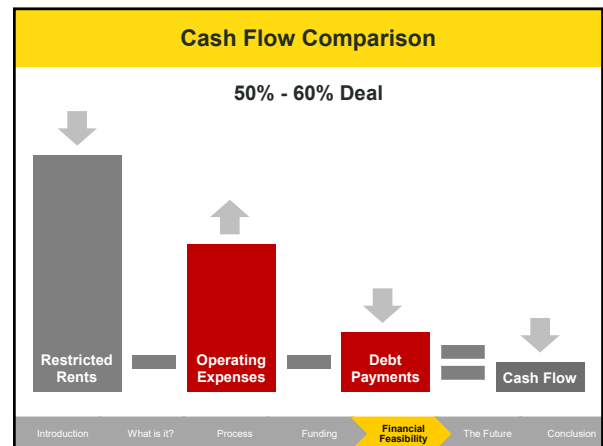
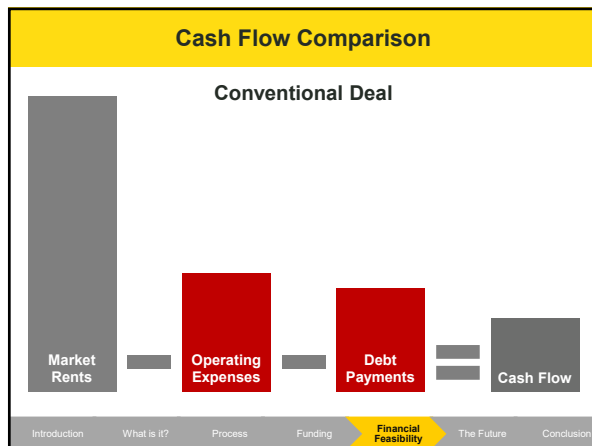
How Does It Pencil?

Why can't affordable housing work without all these subsidy programs?

Development Side

1. **Conventional Real Estate Development:**
 - Total Project Cost = Debt + Owner Equity
 - Debt paid by rental income
 - Equity re-captured by Owner through cash flow, appreciation, and sale of asset
2. **Affordable Real Estate Development**
 - Reduced rents mean little or no debt
 - Non-Profits: no Owner equity or re-sale of assets
 - Investor equity based on sale of tax credits
 - Gap funding from public sources for the difference

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LOW-INCOME HOUSING TAX CREDIT IMPACT IN WASHINGTON

THE LOW-INCOME HOUSING TAX CREDIT'S BENEFITS FOR WASHINGTON'S FAMILIES AND ECONOMY 1986 - 2014

- 63,371 Jobs generated or preserved
- 147,854 Low-income households provided affordable homes
- \$1.609 billion generated for state
- \$6.83 billion in economic activity
- \$2.89 billion in economic activity

THE AFFORDABLE HOUSING NEEDS THAT STILL REMAIN

Though the Housing Credit has had a tremendous impact in Washington, much more affordable housing is still needed.

In Washington alone, 245,252 HOUSEHOLDS pay more than half of their income housing on rent, leaving less than 10% for other expenses like food, gas, transportation and healthcare costs.

And in Washington, a minimum wage worker has to work 80 HOURS PER WEEK to make \$8 an hour.

It takes 10 years to build a new apartment building. It takes 10 years to build a new apartment building. It takes 10 years to build a new apartment building.

The ACTION Campaign calls on Congress to expand and strengthen the Housing Credit.

AFFORDABLE RENTAL HOUSING ACTION

www.actionrentalhousing.org

BEACON DEVELOPMENT GROUP