

## HART Committee

# AFFORDABLE HOUSING FUNDING SOURCES



**Paul Purcell**  
President, Beacon Development Group

## Our Experience

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

## What is Affordable Housing?



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

## What is Affordable Housing?



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

## 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

## What is Affordable RENTAL Housing?

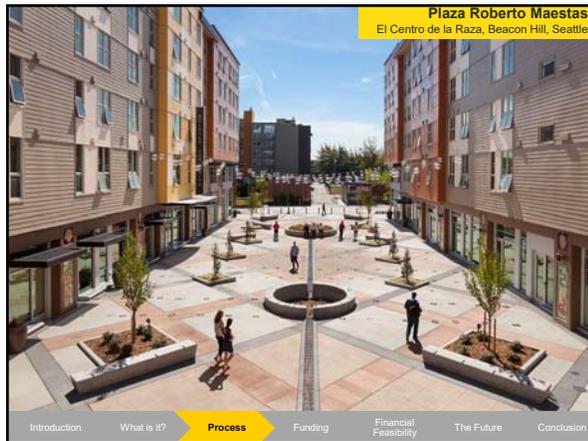
WSHFC Income Limits (2016): 3 person household			
	30% AMI	50% AMI	60% AMI
Yakima	\$15,030	\$25,050	\$30,060
Spokane	\$17,700	\$29,500	\$35,400
King	\$24,390	\$40,650	\$48,780

### What is Affordable RENTAL Housing?

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

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

- ### 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?



I.R.S.

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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**

Owner  
(Limited Partnership)

Sponsor/Developer  
General Partner .01%

Investor(s)  
Limited Partner 99.99%

Tax credits → **\$10,000,000** → Tax savings over 10 years

← **× \$0.95 per credit**

**Housing** ← **\$9,500,000** ← **Equity**

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## Financing Comparison

**Conventional Deal**

\$2M Owner Equity

\$8M Bank Debt

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## Financing Comparison

**Affordable Deal**

\$250K-\$1M Bank Debt

\$6-\$7M LIHTC Equity

\$ City  
\$ County  
\$ State

\$0 Owner Equity

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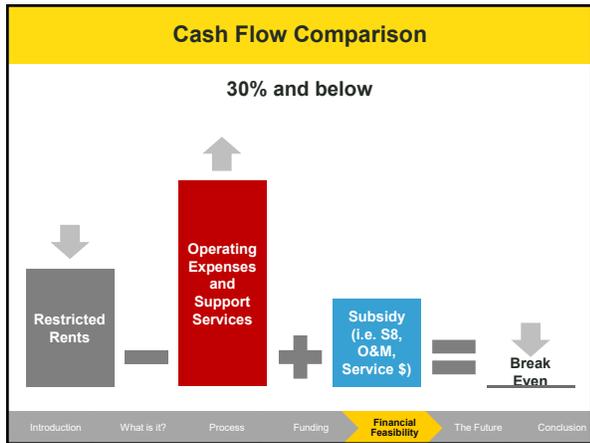
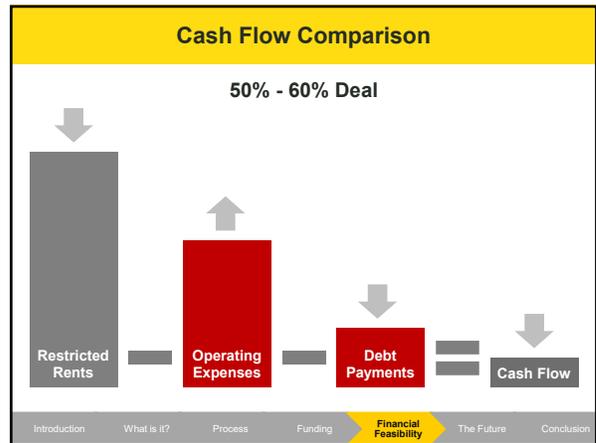
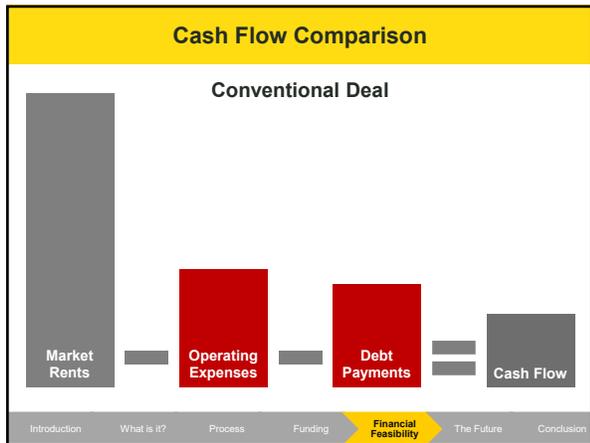
## How Does It Pencil?

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**

- 83,371 homes delivered or preserved
- 147,854 low-income households provided affordable homes
- \$1.6 billion in tax revenue generated for the year
- \$6.83 billion in economic activity generated
- \$2.89 billion in revenue generated

**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 little for other expenses like health care, transportation and childcare costs.

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

Source: 2014 American Community Survey, National Low Income Housing Coalition City and State Reports

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

**AFFORDABLE RENTAL HOUSING**  
[www.actioncampaign.org](http://www.actioncampaign.org)

**BEACON DEVELOPMENT GROUP**