



Washington State Commission on Asian Pacific American Affairs

Communities of Concern Commission
Presentation
to the Board of Directors



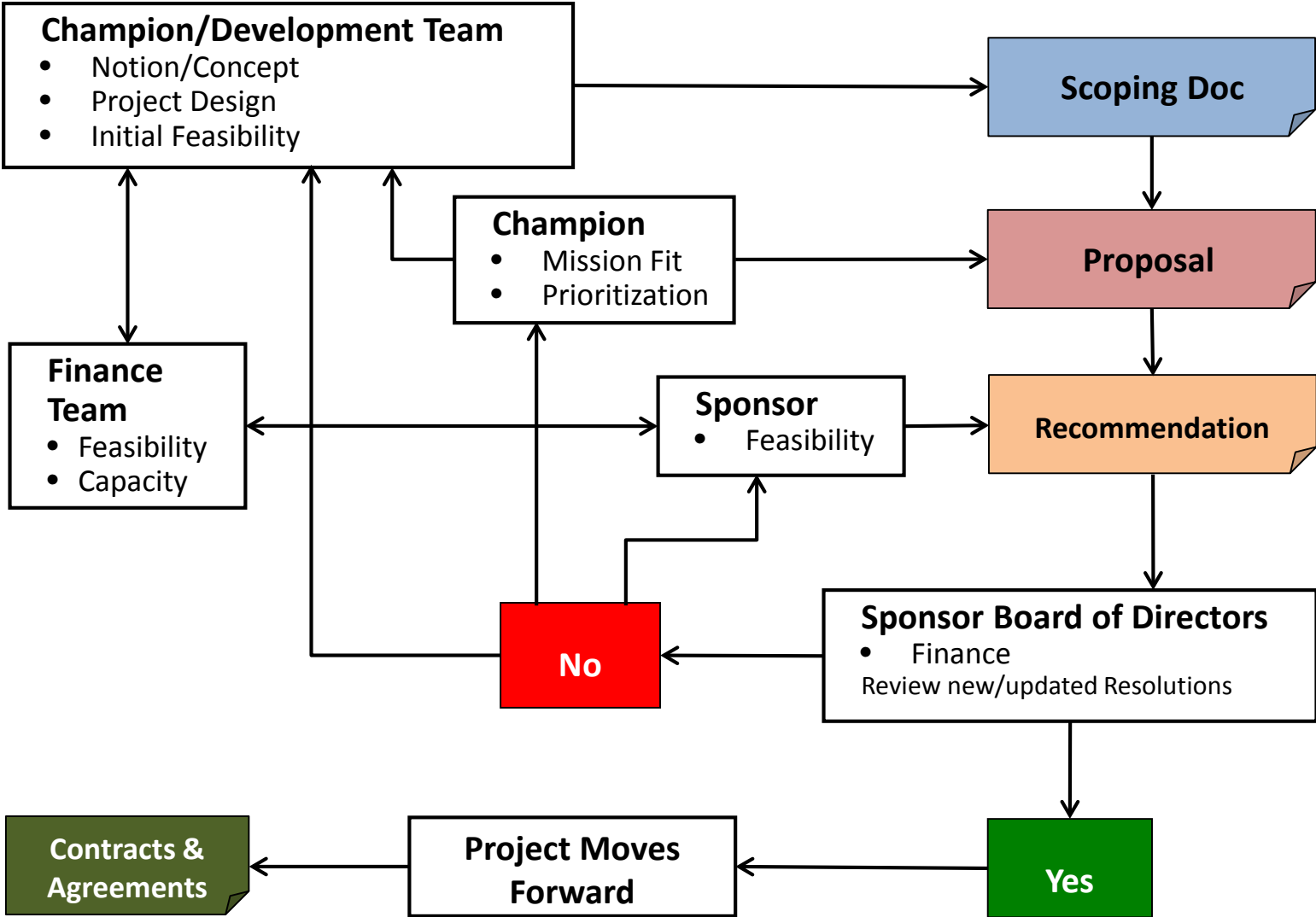
Board Presentation

- Communities of Concern Commission – Who We Are
- Self-Determination & Place are Important
- Development Process
- Financing Model
- Development Risk

Capital Project Development Roles

- **Champion** – Close to community served, articulates compelling need, advocates
- **Development Team** – Scopes project, determines initial feasibility, informs sponsor, negotiates real estate, structures finance, oversees design, manages construction
- **Sponsor** – Financial backer of the project who assumes liability and risk
- **Finance Team** – assess feasibility, risk, capacity, resource burden and works with Development Team to assure financial viability of the project construction and operation

Capital Project Development Process



Low-Income Housing Tax Credit (LIHTC) Program

- A housing subsidy program for rental housing
- Created within Section 42 of the Internal Revenue Code
- Administered by state's housing finance agency – Washington State Housing Finance Commission
- Each state receives \$2.35 per capita annually in tax credits to allocate to projects, inflated annually
- Eligibility is based on tenant income

What Does LIHTC Finance?

- New construction and rehab projects
- Acquisition in some cases
- Housing for families, special needs tenants, single room occupancy and the elderly (WA state has prioritized homeless and farmworkers)
- Urban, rural, and suburban locations
- Additional tax incentives for projects in high-cost or difficult to develop areas;
 - a.k.a., Difficult to develop areas and Qualified Census Tracts

How LIHTC Works

- Rental units with tenants earning no more than 60% of area median income
- Investors earn dollar-for-dollar credits against their federal tax liability
- Investors also get tax benefits from losses
- Generally, tax credits are received over the first 10 years of operation, losses over 15 years
- Some tax credits are recaptured by the IRS if the project does not operate for 15 years

Unit Restrictions

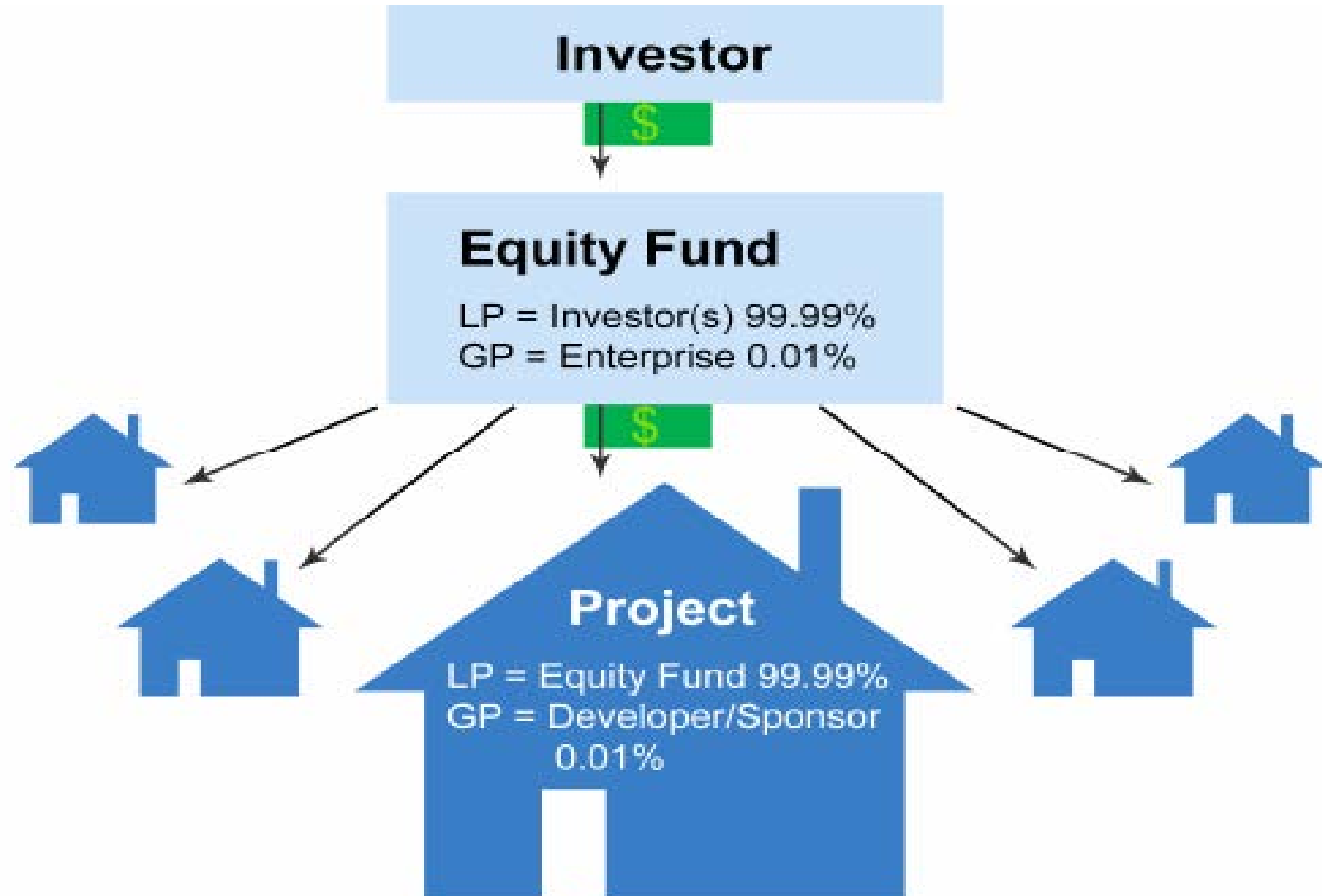
- CHS/CCS makes elections as to population served in January application to WSHFC
- Rent is restricted based on AMI% (Area Median Income) Seattle rent at 50% AMI for 2 bedroom with 3 people = \$1,080; with max income = \$43,200
- Rents And Utilities – limited to 30% of threshold income

Structure – Tax Credit Syndication

Limited Partnership Structure:

- General Partner or Managing Member (CHS or CCS) - owns just 0.01%, but controls and operates the project
- Passive Limited Partner invests equity in return for 99.99% ownership
- Sale to Investor Limited Partner of most of the tax credits and tax losses maximizes investor equity
 - More investor equity reduces other financing needs and helps project development
- Investment Member is a passive investor, and gets its return almost exclusively from the tax credits and losses

LIHTC Investment Process



Capital Project Team

- Development Team
 - Developer
 - General contractor
 - Architect
 - Attorney
 - Accountant
 - Property manager
 - Consultants

Development Funding Sources

- Capital:
 - LIHTC, investors: NEF, Enterprise, BoA, banks
 - WA State Housing Trust Fund
 - City (Seattle, Tacoma, Bellingham, Everett)
 - County
 - HUD
 - Federal Home Loan Bank
 - Private grants or loans (conventional bank)

Operating Funding Sources

- Tenant paid rent
- Section 8 project based vouchers
- State and local 2163 and 2060 funds
- WA State Operating and Maintenance
- Other private grants

Development Risk

- Pre-development Risk:
 - Site feasibility
 - Environmental hazards, wetlands, etc.
 - NIMBY (Not in my backyard)
- Mitigation
 - Hiring a consultant and specialists to identify and assess any potential environmental issues
 - Work with neighbors early, listen and respond

Development Risk

- Construction:
 - Unforeseen conditions which cause cost increases
 - Pricing increases and wage rate increases
 - Construction defects
- Mitigation:
 - Contingency, 10% typical
 - Stipulated sum contracts to lock in pricing
 - Use of consultants and others to assist in oversight

Development Risk

- Rent-up Risks:
 - Rent to unqualified tenants
 - Units not rented in time
- Mitigation:
 - Strong team to review tenant files
 - Allow ample time for rent-up
 - Budget for marketing costs and incentives

Equity Investor's Approach to Underwriting

- Quality of the Development Team
- Project Characteristics
- Evaluation of the Development Budget
- Rents/Market/Marketability
- Operating Costs
- Reserves
- Sponsor Guarantees

<u>Readiness Rating</u>	<u>Sponsor</u>	<u>Project Name</u>	<u>Location</u>	<u># Units</u>	<u>Population Served</u>	<u>Equitable Housing Fund Ask</u>	<u>Brief Description</u>	<u>Site Control</u>	<u>Legislative District</u>
2- Almost Ready	Community to Community	Ejido Farming Community Project	TBD – 100+ acres	N/A	Farmworker Families	\$6.5 million	Phase 1: two to three acre parcels for organic farming practices. Phase 2: 20 to 30 acres for a cultural center/community space, green house, small machinery and tools storage, tortilla factory.	TBD	10 & 42
2 – Almost Ready	Survival of American Indians Association	Klucketsah Living Sovereignty Legacy Center	Franks Landing on the Nisqually River	N/A	Everyone	\$200,000	Secure recognition, status and formal designation of Franks Landing, its related treaty, trust and school lands on the National Register of Historic Places; planning and supportive resources to design, build and operate the Center.	60 acres, including school grounds and substantial portions of the Nisqually River or riverbed.	2
1.5 – Almost Ready	One With Creation + Indigenous Mind	Center	Swinomish Reservation	N/A	Indigenous People	TBD	Healing environment for the deepening of understanding, respect and honoring of healthy relationships	Swinomish Tribe	10
3 – Not Ready	Two community growth plan processes in rural poverty areas in eastern Washington	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

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1.Shovel Ready	CHSWW and Equity Alliance of WA (a Black community housing organization)	Elizabeth Thomas Homes	Henderson & Renton Ave. S. Near Rainier Valley Light Rail Station Seattle	150	Low Income Families	\$20 million	Land owned to build first 75 units and requesting funds to buy adjacent parcel. Family housing strongly supported by the community that's dedicated to addressing the mitigation of gentrification in Rainier Valley.	Partial for 75 units. Need to buy second parcel	37
1 – Shovel Ready	Equity Alliance of WA	Yesler and 23 rd Fire Station	2300 E. Yesler Way, Seattle	34	Low income workforce individuals	\$8 million	Fire Station being purchased from City. Phase I is business incubator/collaboration center. Phase II is housing.	100% owned	37
1 – Shovel Ready	Equity Alliance of WA	YK Homes	110 14 th St., Seattle	55	Low income workforce	\$12 million	Purchased building that was to go market rate and is now being purchased by EAW. City partnering with EAW to build 55 new units on site	100% Owned	37
1 – Shovel Ready	FAME Church	FAME Family Housing	1522 14 th Ave., Seattle	80	Low income working families	\$12 million	Church is making their land available for housing.	100% Owned	43
1 – Shovel Ready	FAME Housing Development Corp	Bryant Manor	1801 E. Yesler Way, Seattle	250	Low income working families	\$25 million	Existing 58 units to be converted to 250 units.	100% Owned	37
1 – Shovel Ready	FAME Housing Develop. Corp	Imperial	15 th near Madison, Seattle	40 units	Low income working families	\$10 million	Existing 25 units to be converted to 40 units.	100% Owned	43
2 – Almost Shovel Ready	SeaMar	Sea Mar South Park affordable housing project	1040 S. Henderson St., Seattle	200 Units	Low income working families	\$25 million	Sea Mar owns the land and seeking funds for development of a 200 Unit affordable Housing Facility in South park.	100% owned	37
1 – Shovel Ready	El Centro	El Patio Apartments	2522 14 th Ave. S., Seattle	14	Low income families	\$737,300	Renovate an existing affordable housing complex near public transit.	100% Owned	37

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1 – Shovel Ready	Filipino Community of Seattle	Filipino Village	5715-5739 37 th Ave., S., Seattle	80	Low income families and individuals	\$10 million	Land currently owned by the Filipino Community purchased to build affordable housing adjacent to FCS Center.	100% Owned	37
1.5 – Almost Shovel Ready	Seattle Indian Service Commission	Native Gateway and Village	606 12 th Ave. S., Seattle	80	Homeless and low income individuals	\$15 million	Build housing, early childhood education center and economic opportunity center, Hall of Ancestors.	100% Owned	37
?	WA Youth Apprenticeship Initiative	WA Youth Apprenticeship Initiative	Rural Eastern and NW Washington	?	High School Students and post-graduates ages 17-21	?	?	?	?
1.5 – Almost Shovel Ready	Asia Pacific Cultural Center (APCC)	World class destination for cultural education	Point Ruston Way	100	Low-income seniors and general public to include API high school and college age youth	\$1 million	5.92 acres with housing above grocery, display rooms and class rooms, food court, tea room, cultural center and gardens	100% Owned; site donated by owner who will partner with APCC to build affordable housing	27
3 – Needs Site Control	CHS	King County	TBD	50	Farmworkers and their families	\$ 4 million	King Co has requested CHS to build farmworker housing in rural area.	No	TBD
1 – Shovel Ready	CHS	Kent Permanent Supportive Housing (PSH) for formerly homeless	TBD	80	Homeless	\$8 million	Kent Mayor and staff approached CHS for PSH in city core. KCHA providing Sec 8.	Negotiation	TBD



2017 Legislative Capital Budget Request - \$3 million

➤ Senate: Filipino Community of Seattle: \$600,000

➤ House: Communities of Concern: \$1 million

Filipino Community of Seattle: \$600,000

Billy Frank Jr. Heritage Center: \$206,000

El Centro de la Raza/El Patio: \$737,000

Total House: \$2,543,000

