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

Champion/Development Team
• Notion/Concept
• Project Design
• Initial Feasibility

Champion
• Mission Fit
• Prioritization

Finance Team
• Feasibility
• Capacity

Scoping Doc

Proposal

Sponsor
• Feasibility

Recommendation

Sponsor Board of Directors
• Finance
Review new/updated Resolutions

Project Moves Forward

Contracts & Agreements

Yes

No
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

Investor

Equity Fund
LP = Investor(s) 99.99%
GP = Enterprise 0.01%

Project
LP = Equity Fund 99.99%
GP = Developer/Sponsor 0.01%
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
<table>
<thead>
<tr>
<th>Readiness Rating</th>
<th>Sponsor</th>
<th>Project Name</th>
<th>Location</th>
<th># Units</th>
<th>Population Served</th>
<th>Equitable Housing Fund Ask</th>
<th>Brief Description</th>
<th>Site Control</th>
<th>Legislative District</th>
</tr>
</thead>
<tbody>
<tr>
<td>2- Almost Ready</td>
<td>Community to Community</td>
<td>Ejido Farming Community Project</td>
<td>TBD – 100+ acres</td>
<td>N/A</td>
<td>Farmworker Families</td>
<td>$6.5 million</td>
<td>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.</td>
<td>TBD</td>
<td>10 &amp; 42</td>
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<td>2 – Almost Ready</td>
<td>Survival of American Indians Association</td>
<td>Klucketsah Living Sovereignty Legacy Center</td>
<td>Franks Landing on the Nisqually River</td>
<td>N/A</td>
<td>Everyone</td>
<td>$200,000</td>
<td>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.</td>
<td>60 acres, including school grounds and substantial portions of the Nisqually River or riverbed.</td>
<td>2</td>
</tr>
<tr>
<td>1.5 – Almost Ready</td>
<td>One With Creation + Indigenous Mind</td>
<td>Center</td>
<td>Swinomish Reservation</td>
<td>N/A</td>
<td>Indigenou People</td>
<td>TBD</td>
<td>Healing environment for the deepening of understanding, respect and honoring of healthy relationships</td>
<td>Swinomish Tribe</td>
<td>10</td>
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<tr>
<td>3 – Not Ready</td>
<td>Two community growth plan processes in rural poverty areas in eastern Washington</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
<td>TBD</td>
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<td>1 – Shovel Ready</td>
<td>CHSWW and Equity Alliance of WA (a Black community housing organization)</td>
<td>Elizabeth Thomas Homes</td>
<td>Henderson &amp; Renton Ave. S. Near Rainier Valley Light Rail Station Seattle</td>
<td>150</td>
<td>Low Income Families</td>
<td>$20 million</td>
<td>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.</td>
<td>Partial for 75 units. Need to buy second parcel</td>
<td>37</td>
</tr>
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<td>1 – Shovel Ready</td>
<td>Equity Alliance of WA</td>
<td>Yesler and 23rd Fire Station</td>
<td>2300 E. Yesler Way, Seattle</td>
<td>34</td>
<td>Low income workforce individuals</td>
<td>$8 million</td>
<td>Fire Station being purchased from City. Phase I is business incubator/collaboration center. Phase II is housing.</td>
<td>100% owned</td>
<td>37</td>
</tr>
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<td>1 – Shovel Ready</td>
<td>Equity Alliance of WA</td>
<td>YK Homes</td>
<td>110 14th St., Seattle</td>
<td>55</td>
<td>Low income workforce</td>
<td>$12 million</td>
<td>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</td>
<td>100% Owned</td>
<td>37</td>
</tr>
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<td>1 – Shovel Ready</td>
<td>FAME Church</td>
<td>FAME Family Housing</td>
<td>1522 14th Ave., Seattle</td>
<td>80</td>
<td>Low income working families</td>
<td>$12 million</td>
<td>Church is making their land available for housing.</td>
<td>100% Owned</td>
<td>43</td>
</tr>
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<td>1 – Shovel Ready</td>
<td>FAME Housing Development Corp</td>
<td>Bryant Manor</td>
<td>1801 E. Yesler Way, Seattle</td>
<td>250</td>
<td>Low income working families</td>
<td>$25 million</td>
<td>Existing 58 units to be converted to 250 units.</td>
<td>100% Owned</td>
<td>37</td>
</tr>
<tr>
<td>1 – Shovel Ready</td>
<td>FAME Housing Develop. Corp</td>
<td>Imperial</td>
<td>15th near Madison, Seattle</td>
<td>40 units</td>
<td>Low income working families</td>
<td>$10 million</td>
<td>Existing 25 units to be converted to 40 units.</td>
<td>100% Owned</td>
<td>43</td>
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<td>2 – Almost Shovel Ready</td>
<td>SeaMar</td>
<td>Sea Mar South Park affordable housing project</td>
<td>1040 S. Henderson St., Seattle</td>
<td>200 Units</td>
<td>Low income working families</td>
<td>$25 million</td>
<td>Sea Mar owns the land and seeking funds for development of a 200 Unit affordable Housing Facility in South park.</td>
<td>100% owned</td>
<td>37</td>
</tr>
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<td>1 – Shovel Ready</td>
<td>El Centro</td>
<td>El Patio Apartments</td>
<td>2522 14th Ave. S., Seattle</td>
<td>14</td>
<td>Low income families</td>
<td>$737,300</td>
<td>Renovate an existing affordable housing complex near public transit.</td>
<td>100% Owned</td>
<td>37</td>
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<td>1 – Shovel Ready</td>
<td>Filipino Community of Seattle</td>
<td>Filipino Village</td>
<td>5715-5739 37th Ave., S., Seattle</td>
<td>80</td>
<td>Low income families and individuals</td>
<td>$10 million</td>
<td>Land currently owned by the Filipino Community purchased to build affordable housing adjacent to FCS Center.</td>
<td>100% Owned</td>
<td>37</td>
</tr>
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<td>1.5 – Almost Shovel Ready</td>
<td>Seattle Indian Service Commission</td>
<td>Native Gateway and Village</td>
<td>606 12th Ave. S., Seattle</td>
<td>80</td>
<td>Homeless and low income individuals</td>
<td>$15 million</td>
<td>Build housing, early childhood education center and economic opportunity center, Hall of Ancestors.</td>
<td>100% Owned</td>
<td>37</td>
</tr>
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<td>1.5 – Almost Shovel Ready</td>
<td>Asia Pacific Cultural Center (APCC)</td>
<td>World class destination for cultural education</td>
<td>Point Ruston Way</td>
<td>100</td>
<td>Low-income seniors and general public to include API high school and college age youth</td>
<td>$1 million</td>
<td>5.92 acres with housing above grocery, display rooms and class rooms, food court, tea room, cultural center and gardens</td>
<td>100% Owned; site donated by owner who will partner with APCC to build affordable housing</td>
<td>27</td>
</tr>
<tr>
<td>3 – Needs Site Control</td>
<td>CHS</td>
<td>King County</td>
<td>TBD</td>
<td>50</td>
<td>Farmworkers and their families</td>
<td>$4 million</td>
<td>King Co has requested CHS to build farmworker housing in rural area.</td>
<td>No</td>
<td>TBD</td>
</tr>
<tr>
<td>1 – Shovel Ready</td>
<td>CHS</td>
<td>Kent Permanent Supportive Housing (PSH) for formerly homeless</td>
<td>TBD</td>
<td>80</td>
<td>Homeless</td>
<td>$8 million</td>
<td>Kent Mayor and staff approached CHS for PSH in city core. KCHA providing Sec 8.</td>
<td>Negotiation</td>
<td>TBD</td>
</tr>
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</table>
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