



***Mercy Housing Northwest
Statement of Interest to Olympia City Council***

February 1, 2013

Mercy Housing Northwest is keenly interested in developing a 52-unit affordable housing complex for seniors on the city-owned parcel located at Columbia and State Streets. The location is well-suited to senior housing as it is walkable to many amenities including public transportation, retail and services, including the South Sound Senior Center located across the street. We believe this development would also bring economic activity and build momentum for further revitalization in the downtown. This paper will provide information on Mercy Housing Northwest to begin discussions with the Olympia City Council on this project concept.

Mission-Based

Mercy Housing, Inc. is a national nonprofit organization whose mission is to create stable, vibrant and healthy communities by developing, financing and operating affordable, program-enriched housing for families, seniors and people with special needs. Mercy Housing was established by the Sisters of Mercy and nine co-sponsoring communities of Catholic Sisters. We have grown during our three decades---Affordable Housing Finance Magazine recently identified Mercy Housing as the sixth-largest owner/operator of affordable rental housing in the U.S, with ownership of more than 16,000 apartments.

Statewide and Local Impact

Mercy Housing Northwest (MHNW) is the regional division of Mercy Housing in Washington State. In the past two decades, MHNW has developed more than 1,850 affordable apartments, located from Bellingham to Olympia and in a number of rural counties. Our experience confirms that well-designed, well-managed affordable housing, combined with supportive programs can improve the economic status of residents, transform neighborhoods and stabilize lives.

Mercy Housing Northwest currently owns 45 multifamily properties, including two in the City of Olympia. In addition to the benefits that are experienced by our residents, our development activities have helped stem the crushing effects of the recent recession. Since 2009, Mercy Housing Northwest has completed or is now underway on more than \$100 million in development activity in the state. We strive to be good stewards of our housing, and we recently completed a \$3.5 million upgrade of Evergreen Vista I our 104 unit family housing community in Olympia and we are now performing substantial modernization and upgrades on a 60-unit-unit senior housing complex in Tenino. Our developments range from 25 to 150 apartments, many of which have community center space to facilitate social interaction and the provision of services. The optimal size for operating efficiency is 50-65 apartments.

MHNW Governance

The Mercy Housing Northwest Board of Directors includes:

Kate Gormally, Providence Mother Joseph Care Center, Olympia

Patty Beattie, OP, Tacoma Dominican Sisters

Tom Byers, Cedar River Group

Judy Byron, OP, Adrian Dominican Sisters

Jennifer King Daugherty, Ponder and Co. Financial Advisors

Eleanor Gilmore, CSJP, Sisters of St. Joseph of Peace

Sharon Hughes, US Bank

Chris Jowell, Catholic Housing Services

Gail Larson, Former CEO, Providence Hospital, Everett

Thomas Ndamale, Pharmacist and former resident of Mercy Housing's Lincoln Way Apartments

Maureen Newman, SP, Sisters of Providence

John Stoner, Pacific Crest Property Management

Georgia Yianakulis, SNJM, Sisters of the Holy Names

Mercy Housing Resident Services Model

Affordable housing provides a platform for residents to make meaningful transformations in their lives. Mercy Housing uses a highly-effective resident services model, based on collaborations with local service providers, school districts, health care systems, and religious communities. We use a measurement system to track the outcome-based results of our service model and to continually improve our service approach. Housing-based services include basic needs assistance, financial literacy, ESL, health access, prevention and education, after-school programming for children and assistance in securing employment.

Of the housing owned by Mercy Housing Northwest, two-thirds serves lower-income families. The average household income in our family housing communities is about \$16,500. One-third of our housing serves seniors or disabled residents, with an average income of \$11,000 per household. The demographics vary across the state. We try to tailor our services and staff capabilities to provide appropriate support for our residents. As an example, the languages spoken by our resident services staff include Spanish, Russian, Vietnamese, and Samoan.

Commitment to Quality Design and Sustainable Building Measures

MHNW takes pride in assembling well-qualified design and construction teams to create affordable housing that is attractive, durable and enhances the surrounding communities. Our development process includes a dialogue with stakeholders, which often includes local residents and surrounding communities. Through this process, MHNW collaborates with our local communities and avoids costly confrontation and delays in development planning. Early design work for the Olympia Senior Apartments was completed by Tonkin-Hoyne Architects, which has experience in design of many attractive multifamily apartment communities in Washington State.

Mercy Housing has an Environmental Stewardship policy that applies to our development, property operations and office functions. The objective of our “green building” standard is to minimize the waste in development, minimize the use of potentially harmful materials and optimize the durability and energy efficiency in operations. The public funders in Washington state have adopted the Evergreen Sustainable Development Standards, so “green building” is part of any project. Typical measures include construction waste recycling, reduced water and energy usage and energy conserving appliances and lighting, low VOC paint and formaldehyde-free cabinetry.

Financing Strategy

Mercy Housing Northwest has a skilled real estate development staff who combine a mix of competitively-allocated resources to make the development and operations of housing viable, while serving people with very low-incomes. Over the last four years, MHNW has completed two development projects averaging 75 units each utilizing ten different sources of public and private financing. We currently have under construction three projects including a 68-unit project for the Yakima Nation Housing Authority, a 61-unit community in Seattle and a 92-unit rehab of three Rural Development projects just south of Olympia.

We would combine private debt with the following public subsidy sources to develop the Olympia Senior Housing Community:

Federal Low-Income Housing Tax Credits (LIHTC): The LIHTC is a federal tax incentive, allocated through the Washington State Housing Finance Commission. A nonprofit entity such as Mercy Housing Northwest competes for an allocation of tax credits and, when awarded tax credits, forms a limited partnership entity. An investor with a tax liability (typically banks or insurance companies) will join the partnership and provide equity for the low-income housing in exchange for receiving the majority of the tax benefits. Tax credit equity can represent up to 60% of the total development cost of a project, and the number of applications far outweigh the number of projects receiving awards.

Washington State Housing Trust Fund: Washington has an active Housing Trust Fund, which is administered by the state Department of Commerce. There is an annual competition for State Housing Trust Fund awards, and factors such as need, geographic distribution, developer track record, project readiness and leveraging of non-state resources guide the award process.

City and County Affordable Housing Funds: We do anticipate needing some capital funding from the City of Olympia and/or Thurston County to make the project feasible, and to be competitive for the Housing Trust Fund and tax credits.

Based on current construction costs, a 52-unit development for seniors with ground floor related commercial space would cost \$9.7 million. The cost and the breakdown of subsidy sources needed will depend on a number of factors, such as local zoning and building requirements, resident population needs, unit sizes, and anticipated resident incomes.

As the developer, Mercy Housing would be required to provide guarantees for construction completion and on-going operating deficit guarantees in order to secure the housing capital funds.

Timeline and Key Milestones

- **State Funding.** To be eligible for the State Housing Trust Fund (HTF) during the 2013-2014 biennium, sponsors were required to submit a Stage 1 application—essentially a project concept—to the Washington Department of Commerce by Jan 7, 2013. MHNW did that for the Olympia Senior Housing site. By April 2013, the State legislature is expected to approve a budget for the HTF, which includes a list of specific projects that will be invited to submit full applications for funding in July of this year.
- **City Actions to facilitate the project:**
 - **Phase 2 Environmental Assessment.** The initial environmental study does recommend taking soil samples to determine the extent of any toxic materials. We are hoping that the City will authorize such a study at the February 12 meeting.
 - **Purchase and Sale Agreement.** Reaching a decision on whether to transfer the site, the terms of sale, and approval of some form of a purchase and sale agreement would need to be completed by the time Stage 2 applications for State HTF are due. ---which we currently estimate would be in July 2013, but Commerce has not yet provided certainty on the HTF timing. We are thinking that securing state funding in 2014 is more likely, but being ready if the project is invited to compete for 2013 funds would be preferable.
 - **City/County Housing Funding.** Our current estimate is that the amount of local capital funding, needed would be approximately \$525,000. Although it would not have to be committed prior to the HTF application, a funding award would need to be secured concurrently with the timeframe for Commerce staff making decisions on the HTF. We have attached short narratives and project descriptions of several developments to provide samples of Mercy Housing Northwest's portfolio. We are eager to provide any further background information on our organization and to begin analysis and discussions about what would be possible on the city-owned property to produce high-quality senior housing.