



Olympia Affordable Homeownership Project

Interim Council Brief
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Project Summary Actions and Timeline

- **Background Research and Analysis (June-October 2023)**
- **Financial Feasibility Research & Engagement (July-November 2023)**
- **Stakeholder Engagement (July-November 2023)**
- **Develop model project(s) (September-December 2023)**
- **Findings and Recommendations Report + City Council Briefing(s) (December 2023-February 2024)**

Research and Strategies Collection Process

- **Fifteen reports and articles reviewed, and key opportunities and strategy options noted**
- **Twenty-five leaders and experts interviewed**
- **Iterative Process of collecting policies, strategies and actions**
- **Refinement occurred as we reviewed possible policies and strategies as we interviewed affordable housing experts and practitioners**
- **Wide ranging review -- as with affordable rental housing, the City needs to aggressively pursue a range of actions to be successful**

Proposed Overall Goals

- **Increase access to LMI homeownership to overcome inequities and build intergenerational wealth for families and create stronger neighborhoods.**
 - Educate and prepare LMI home buyers' preparation and help provide lending supports.
- **Increase the supply and diversity of homes beyond the typical single-family homes of the last 75 years: affordability and cost realities mean we need townhouses, multiplexes, cottages and ADUs available for homeownership using innovative models like shared equity and land trusts, cooperatives and condominiums.**
 - Organize and support a pipeline of projects using all the tools available to the city.
 - Expand public revenue options for housing.

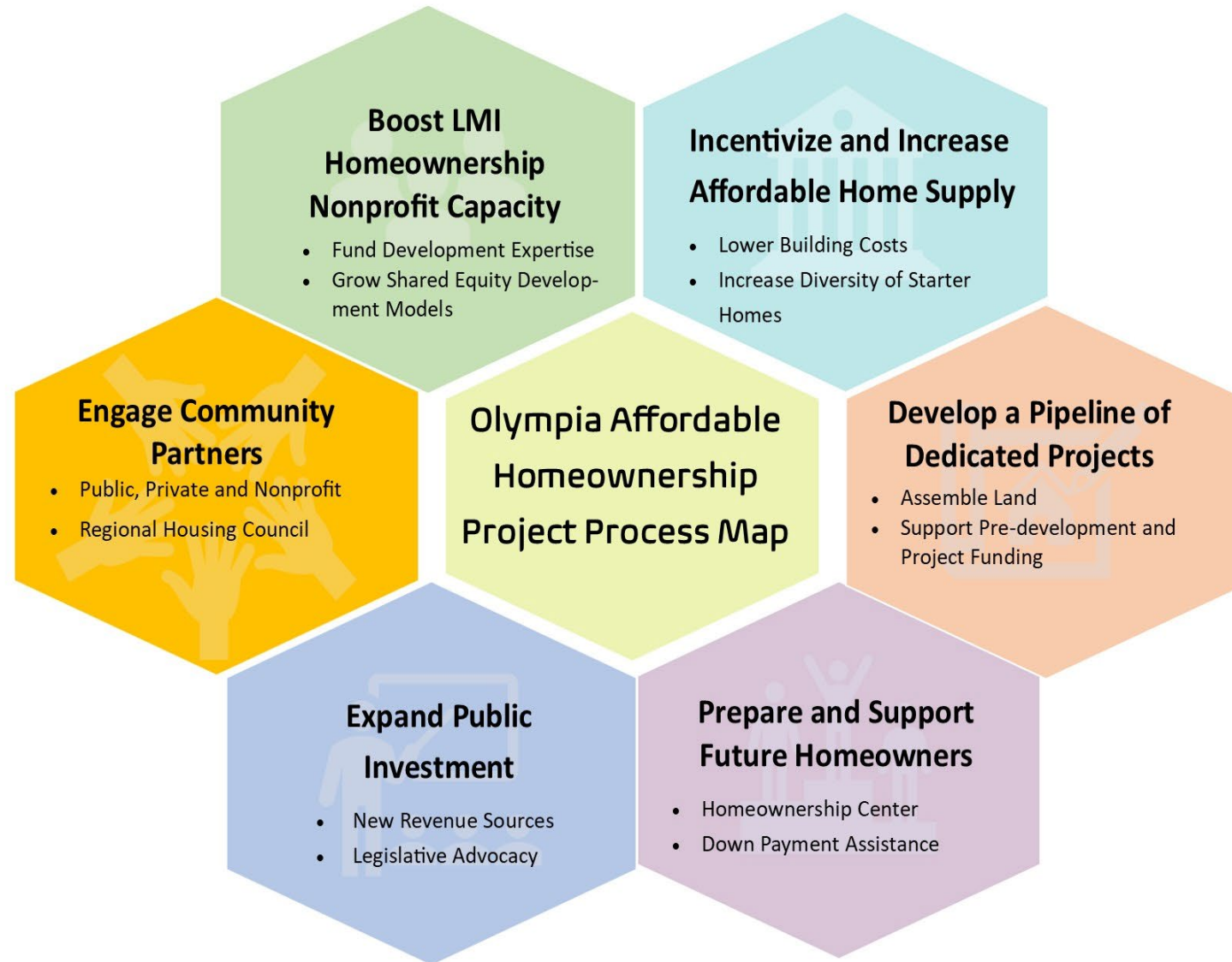
Proposed Overall Goals

- **Engage all sectors to generate a network of action including all public entities, nonprofit organizations and the range of private entities necessary to design, build, fund and support the success of LMI homeowners.**
 - Boost capacity and incentivize nonprofit homeownership organizations to increase production.
 - Actively engage the private sector in overcoming affordable homeownership challenges and boosting supply.
 - Engage aggressively in State Legislative advocacy.
- **Promote the enactment of these goals and strategies by your Regional Housing Council partners.**
 - Most of these recommendations are better done regionally (but don't let that slow down leadership action by the City).
 - Set stretch metrics marking the number of new LMI homeowners and available new homes over the next five-ten years.
 - Select actions that can be sustained and aligned with other work in the affordable housing/homelessness space.

Common Threads

- **Affordable homeownership strategies must be integrated and aligned with missing middle development policies.**
 - ADUs, townhouses, small multiplexes and cottages can be sources of affordable homeownership with aggressive promotion.
- **Limited capacity is one of the biggest challenges for our nonprofits focused on affordable homeownership.**
- **Push, support and negotiate with nonprofits to innovate as the City did with Habitat for the Boulevard project – greatly increase scale of outcomes.**
- **Solutions must take the long-term viewpoint and employ shared equity tools to preserve new supply's affordability.**
- **The Black Homeownership Initiative in King-Pierce is a model to follow to increase BIPOC homeownership.**
 - Their leaders have been approached and want to discuss Thurston expansion.

Affordable Homeownership Elements



Engage All Sectors – PRIORITY ACTIONS

1. Engage willing private sector realtors, builders and lenders to explore/forgo innovative starter home project deals – provide incentives such as land, infrastructure funding, tax credits, zoning/permitting enhancements.

- Educate key stakeholders as to City goals and desired outcomes regarding LMI affordable homeownership.
- Identify interested partners in possible projects and gain feedback and engagement on the ways and means of these objectives -- use private industry intel more effectively.
- Work with willing lenders to modify and improve loan LMI options and boost coordination.

4. Aggressively pursue office conversion opportunities.

- Engage private sector and identify and pursue a pilot project to demonstrate office conversion. Can be for ownership and/or rental.

10. Grow the capacity and authority of the RHC using the Public Development Authority model for affordable housing.

- Convene workgroup to educate and pursue specific options for structure and funding.
- PDA-style structure could support nonprofit housing development, help orchestrate tax credit deals, etc.

Acquire Land – PRIORITY ACTIONS

3. Complete an updated buildable, vacant lands inventory across the City

- Public sources such as City, Port, County, State, and School owned.
- Vacant lots owned privately – use County GIS/Assessor office or TRPC.
- Track lots in foreclosure or with tax liens – Treasurers office/lenders.
- Aggressively pursue office conversion opportunities - contract broker.

12. Aggressively assemble land for future deals

- Make deals with other public entities.
- Can adjoin community gardens, open space, play areas.
- Look for big project opportunities like the Boulevard deal.

2. Engage other public entities and large employers in affordable housing land acquisition/donation options.

- Share goals and strategies and explore opportunities to identify and target land.
- Explore concrete engagement with the Black Home Initiative (BHI), following up on our December meeting and their expressed interest in exploring a partnership.
- Include OSD, the Port, LOTT, State, HATC, TESC, and possible other players.

Increase Supply and Production -- PRIORITY ACTIONS

5. Develop a pre-development revolving loan fund business plan, ordinance and funding sources.

- Assistance best used for property identification, grant applications, inspections, environmental assessment, earnest money, selecting contractors, facilitating planning issues and permitting requirements, referral/negotiation with lenders, etc.
- Pursue LISC, Impact Capital and other resources to develop and support the fund.
- Provide contracted affordable housing development assistance – fund outside entity with expertise to help area nonprofits develop properties.

6. Develop concrete plans and ordinances to lower the cost for identified LMI homeownership development projects.

- Provide infrastructure cost waivers or funding.
- Further waive system development charges, utility connection fees, frontage improvement costs.
- Allow more liberal lot splitting –so that when infill occurs, the new units can be owned.
- Increase manufactured home, tiny house or moveable modulars allowances.

Increase Supply and Production -- PRIORITY ACTIONS

14. Develop a “starter home” ordinance like ADU law to reduce impact fees and other costs to incent new homes of a certain size.

- Possible model project(s) with private and nonprofit sectors engagement.
- Simplify town homes, cottages, manufactured homes, etc. development options and provide speedy planning and permitting support and incentives with concierge staff support.
- Decrease impact fees, provide infrastructure cost incentives and funding, simplify engineering and design standards.

Increase Low/Moderate Income Owners -- PRIORITY ACTIONS

8. Develop plans to create and fund a local nonprofit Home Ownership Center.

- Scope ways and means to launch – meet with prospective state and local partners and providers.
- Pursue funding partners and grants.
- Provide specific pathways for which LMI (and potentially all) residents can receive direct assistance.
- Engage Black Ownership Initiative to explore spreading their well-organized resources to Thurston.

9. Fund supports to develop greater capacity and scale for targeted nonprofit homeownership organizations.

- Provide increased organizational/staff capacity, development expertise and entrepreneurial commitment to gain higher results. Build capacity and tools for creation of limited equity coops.
- Engage RHC in shared capacity funding for targeted nonprofits.
- Support land trust, habitat and other affordable housing nonprofits.
- Aligns and enables other strategy recommendations.

Increase Low/Moderate Income Owners -- PRIORITY ACTIONS

15. Develop ordinance and adopt a right-of-first-refusal law (TOPA) for residents' purchase option.

- For residents, allows tenants a period of time (eg; 90 days) to make the first offer in the event of the owner's planned sale of their multi-unit building.
- Future option of adding 2-6-plexes or single-family homes to the TOPO ordinance.
- For the City, the ordinance could also allow them or a nonprofit partner to have first refusal on the sale as well and then sell to LMI residents.

Model Project – Project View

- **40-Unit Apartment Building Purchased and Rehabbed**
 - Purchased by residents through City Opportunity to Purchase Ordinance where residents are assisted by nonprofit receiving capacity building support from City.
 - Sale price of \$7.4M plus \$1.15M in rehab and soft costs financed through \$6.1M blanket mortgage and \$1.7M in limited equity co-op shares with portion of blanket mortgage over 80% LTV, guaranteed by City fund.
 - Purchase due diligence & rehab design and planning made possible by low-barrier funds from City-sponsored predevelopment revolving loan fund.
 - City support of project helps unlock 750k in blanket subsidy and \$1.7M in down payment assistance for residents.
 - Vacancy risk mitigated by city-supported homeownership center's list of candidates.
 - Creditworthiness and Repayment risk of residents mitigated through homeownership education and credit repair through City-funded homeownership center.

Model Project – Resident View

- **40-Unit Apartment Building Purchased and Rehabbed**
 - A household of two adults purchases co-op unit in rehabbed apartment building , their occupancy agreement grants them a perpetual lease.
 - The share price is \$42,500 but they access \$15,000 in downpayment assistance and finance the rest (\$27,500) with a subsidized share loan.
 - They live there for 10 years, and decide to move, they sell their share for \$36,800 and use the proceeds towards a downpayment on a single home.
 - Over those 10 years, ~\$230 every month went towards the share's principal. Like building equity by paying a home mortgage.
 - Also, during those 10 years, their unit monthly charge started at \$1,650 and only increase about 1.5% each year compared to other apartments that went up 7% each year. Over 10 years, this adds up to \$13,750 in savings.
 - Their **net position is \$50,550 better** than renting a similar unit.

Expand Local Homeownership Revenue Options -- PRIORITY ACTIONS

11. Pass a property tax levy lift in 2024.

- Opens revenue options for future years.

16. Run a property tax levy campaign – dedicated to homeownership.

- Raise funds to support homeownership center, develop affordable homeownership projects and support LMI homeownership.
- Campaign messages target value and benefits of increasing LMI homeownership in Olympia.

17. Explore raising the currently low B&O tax rate to create an affordable housing fund for land acquisition and development.

- Pursue alignment and comparable rates with Lacey and Tumwater and support workforce housing needs for employers.
- Increase the rate in the range of .002-.005%.

Advocate for More State Funding Options

- **Advocate for the local REET option Washington State Legislature HB1628 and work with AWC to find additional affordable housing revenue tools for local government.**
- **Advocate for condo law revision to end existing disincentives.**
- **Support other increased revenue options that may arise.**

What Success will Take

- **All hands-on-deck: Engage all sectors to work an identified plan to generate coordinated action to design, build, fund new housing and support the success of LMI homeowners.**
 - Funded, sustained and aligned with other affordable housing initiatives
 - Set stretch objectives and metrics.
- **Identify and support and pipeline of projects that annually move affordable homeownership with preservation and increased supply.**
 - Starter homes of different kinds – likely townhouses, coops and condos.
 - Shared equity and permanent affordability for all public funding projects.
- **Aggressively engage and support low-income renters in starting and pursuing the path to homeownership.**
 - Help supply financing tools to support LMI households success.