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## **Attachments**

*Attachments are not included in draft application. They will be submitted to HUD with completed grant application.*

Attachment A: Summary of Public Comments Received

Attachment B: Budget

Attachment C: Interlocal Agreement Between Thurston County and the City of Olympia to form a HOME Consortium

## **Certifications, Assurances, and Standard Forms**

*Certifications, assurances, and forms are not included in draft application. They will be submitted to HUD with completed grant application.*

## **Partnership Letters**

*Partnership letters are not included in draft application. They will be submitted to HUD with completed grant application.*

## Exhibit A: Executive Summary

Across the nation, the lack of affordable housing has reached crisis levels. The cost to purchase or rent a home has increased at a rate that far outpaces wage increases. Similarly, the cost to construct new affordable housing is exorbitant, making affordable rents hard to come by. As a result, the demand for affordable housing far exceeds the supply. Thurston County is not immune to this crisis; many residents are struggling to stay housed.

Knowing this, the City of Olympia and Thurston County in partnership as a multi-jurisdictional entity are submitting this grant proposal requesting \$5,450,000 to reduce local barriers to affordable housing. The City of Olympia is the lead agency and writer of this grant proposal and will be the grant recipient. Funds procured through this proposal will be disbursed throughout City of Olympia and unincorporated areas of Thurston County, with a focus on the HUD designated priority geography areas of Grand Mound and Rochester.

Thurston County is located in Washington State, approximately 60 miles south of Seattle and 115 miles north of Portland, Oregon. Much of northern Thurston County is incorporated, while southern areas are largely unincorporated and more rural in nature. The County's population is roughly 298,758. Its largest incorporated area and the state capital is the City of Olympia with a population of 55,669. The majority of social services and affordable housing offered in Thurston County are located in Olympia. Some of the county's smallest and lowest-income areas are Grand Mound and Rochester.

The City and County have a history of working collaboratively to increase housing production and lower housing costs regionally over the long-term. Regional housing needs have been identified through several local studies, plans, and community engagement activities. Identifying these needs led to action to address and reduce barriers, such as restrictive zoning designations, land use policies and lack of sufficient funding necessary to construct new affordable housing units. We are resolute in our commitment to continue this work.

Our efforts have largely focused on rental housing. However, we know that reducing and preventing homelessness in our community requires us to now turn our focus toward the production of housing for homeownership. Homeownership is a way to increase housing security and deter upstream housing instability that can lead to homelessness. Homeownership is the primary means for wealth building in the United States. The average homeowner's net worth is forty times that of a typical renter<sup>1</sup>. Homeownership provides financial stability and a sense of community belonging. It builds intergenerational wealth that can be leveraged to improve health, education, and employment. That is why this proposal for PRO Housing grant funding is focused on homeownership and the unique and specific local barriers to this type of affordable housing.

Barriers to increasing the production of affordable homeownership in Thurston County are:

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<sup>1</sup> The Racial Wealth Gap is the Housing Gap:

<https://www.ltgov.wa.gov/s/The-Racial-Wealth-Gap-is-the-Housing-Gap.pdf>

1. Insufficient organizational capacity among local developers
2. Insufficient financing and subsidies necessary to produce and preserve new units
3. Insufficient availability of resources to assist low-income households to become homeowners

With PRO Housing funds the following activities will be undertaken to reduce these barriers:

1. Provide capacity building support to Thurston Housing Land Trust
2. Provide capital funding to create and preserve affordable homeownership units
3. Provide resources to help low-income households become homeowners

This proposal aligns with all four of the U.S. Department of Housing and Urban Development's (HUD) 2022-2026 Strategic Goals: Support Underserved Communities, Ensure Access to and Increase the Production of Affordable Housing, Promote Homeownership, and Advance Sustainable Communities.

### Exhibit B: Threshold Eligibility Requirements

The City of Olympia and Thurston County attest they do not have any of the charges, cause determinations, lawsuits, or letters of finding referenced in subparagraph 1-5, concerning the Fair Housing Act, the Department of Justice, Title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, Section 109 of the Housing and Community Development Act of 1974; Violence Against Women Act; or the Americans with Disabilities Act, of the PRO Housing NOFO. Furthermore, the City confirms its intent to submit all the required Assurances, Certifications and Disclosures required by the PRO Housing program NOFO and comply with all requirements found in Section IV.G of the PRO Housing NOFO.

The City of Olympia and Thurston County are applying for funds as a multijurisdictional entity. PRO Housing funds will be made available in Olympia and in unincorporated Thurston County, with a focus on the priority geography areas of Ground Mound and Rochester. City of Olympia will be the grant recipient; some funding will be sub-granted to Thurston County and other non-profit housing development partners.

### Exhibit C: Need

#### A. Efforts to Identify Housing Needs and Barriers to Creating Affordable Housing

In recent years, City of Olympia and Thurston County have conducted many studies and engaged in purposeful community outreach to identify and better understand local housing needs.

##### 1. One Community Plan

In 2018, community concerns about homelessness grew as houseless individuals became more visible throughout Olympia. The City Council declared homelessness a public health and safety emergency. Several emergency actions were taken to help house the city's houseless population. The City Council recognized a more planned and coordinated long-term response was necessary to have a lasting and sustainable impact.

In March 2019, the City of Olympia launched a yearlong planning effort directed at finding community agreement around how to respond to the homeless crisis. A participatory leadership approach was used to identify community-based solutions to the complex challenges associated with the homeless crisis. The process embraced a community work group and listening to the voices, including those with lived experience, of more than 1,200 people who shared their concerns and their suggestions. From this process emerged the One Community Plan, which was adopted by ordinance in 2020. Among other things, the Plan calls for the expansion of affordable housing options. As a result, the City pledged to formally study community housing needs and barriers and to draft a housing action plan. Today, the One Community Plan is the City's roadmap for addressing homelessness. In 2021, the Washington Chapter of the American Planning Association recognized the One Community Plan under the community engagement category for its outstanding contributions to the field of planning.

## 2. Housing Needs Assessment

Efforts to identify local housing needs and barriers to affordable housing continued in 2020 when the Thurston County cities of Olympia, Lacey, and Tumwater, recognizing that the cities are geographically part of the same housing market, partnered together with Thurston Regional Planning Council (TRPC) to conduct a region-wide Housing Needs Assessment. The assessment does not include housing needs specific to unincorporated Thurston County. In 2021 the Assessment was published. The document is a comprehensive analysis of local population, household, and workforce characteristics; unique housing needs; housing supply; a housing gap analysis; and a land capacity analysis. The Assessment is the foundation on which the City of Olympia built its Housing Action Plan. Key findings of the Housing Needs Assessment include:

### a. Need for Right-Sized Housing

Over the last 40 years, the average household in Thurston County has gotten smaller – about 2.5 people per household in 2014-2018. During the same period, homes have gotten bigger. In the 1980s, more than half of all houses built in Thurston County were less than 1,500 square feet. In the 2010s, only 11 percent were less than 1,500 square feet. There is a need for right-sized housing to better accommodate smaller households and free up larger homes for bigger households. This will provide a greater variety in housing choices.

### b. Housing Costs Far Outpace Wages

According to the U.S. Bureau of Economic Analysis, Thurston County is home to more than 148,000 jobs. TRPC estimates this will grow to about 200,000 by 2045. Employment Security Department figures indicate local wages have generally increased over the last 17 years when adjusted for inflation – about 0.6 percent per year. However, so has the cost of housing – whether you rent or own. Between 2001 and 2018, average rents increased about 1.7% per year while the average sale price for a home increased by about 4.1% per year. The sale price of a home in Thurston County has increased an

average of 8% annually since 2018. Today, Thurston County is not considered affordable for first-time home buyers.

#### c. People of Color are Disproportionally Unstably Housed

About one in four Thurston County residents is a person of color – those who are Hispanic or Latino of any race and those who are any race other than white alone. Those who are Hispanic or Latino, Asian, Black, and multiracial are the largest minority populations in Thurston County. In Thurston County, people of color generally have more people in their household, are less likely to own their own home, have a smaller household income, and are more likely to experience homelessness than their white, non-Hispanic counterparts.

#### d. Insufficient Housing Supply for Low-Income Households

More than 6,000 households in Lacey, Olympia, and Tumwater are extremely low income – earning less than 30 percent of the area median family income. By 2045, another 3,000 households are expected to fall into this category. There are approximately 1,857 units available at below-market rents – far fewer than the 6,000-plus households with extremely low incomes, who are most at risk of becoming homeless. Approximately 12,150 households call Olympia home. Of these, 54% of households are renters and 45% have incomes of \$35,000 or less. More than 7,600 households are cost burdened and spend more than 30% of the annual household income on housing expenses.

### 3. 2023- 2027 Consolidated Plan

As a recipient of federal Community Development Block Grant funds and as a HOME Investment Partnership program consortium member, City of Olympia partnered with Thurston County and Housing Authority of Thurston County in 2022 to prepare the 2023-2027 Consolidated Plan. The Consolidated Plan includes a Housing Needs Assessment and a Market Analysis. Some key findings from the Consolidated Plan were:

#### a. Rapid Population Growth Will Require Increased Housing Supply

The Consolidated Plan estimates Thurston County's population grew an average of 2% annually between 2000 and 2010 and an average of 1.6% annually between 2010 and 2020. Thurston County is projected to add nearly 83,000 more people by the year 2045. By 2045, Olympia and its urban growth area is anticipated to increase by 27% (18,661 people). The Grand Mound/Rochester area is projected to grow by 119% (1,489 people). Rural unincorporated Thurston County is anticipated to see a 10% growth in population.

#### b. Significant Number of Cost Burdened Households

There are roughly 300,500 people who account for 112,323 households residing in Thurston County. Approximately 31% of Thurston County households, and 36% of Olympia households, are housing cost burdened and pay more than 30% of their income for housing. Thirteen percent of Thurston County households, and 17% of Olympia households, are severely cost burdened, paying more than 50% of their income toward

housing. Rents have increased 32-35% in Thurston County since 2017 and the vacancy rate has decreased in this time. In Fall 2021, the vacancy rate was 3.7%.

#### c. Increases in Housing Costs Outpace Income Increases

Across Thurston County, the median home price increased 55% from 2015 to 2020. The sharpest increases in home prices happened in 2020 and 2021, during the middle of the global COVID-19 pandemic that threatened job security statewide. In 2021, the median home price in Thurston County was \$460,500. The average rental rate has increased 39% since 2017. Median household income increased by only 12.6% between 2015 and 2020.

#### d. Housing is the Greatest Priority Need

Increasing the supply of affordable housing was identified as the top need for Thurston County and the City of Olympia in the Consolidated Plan. The need for housing is across the entire spectrum of housing, from housing the homeless to providing housing affordable to families earning median income.

### 4. Assessment of Fair Housing

The Assessment of Fair Housing was conducted simultaneously with the Consolidated Plan. It explored data and gathered community input to identify barriers to housing integration and opportunities. The Assessment found that people of color, people with disabilities, people who are transgender, and single mothers are: cost burdened at higher rates; more likely to be renters; at higher risk of displacement (being forced to move due to eviction, increasing costs, etc); more likely to experience homelessness; and facing continuing gaps in homeownership in Thurston County. The Assessment calls attention to how historic practices such as redlining, racially restrictive covenants, and zoning laws intended to preserve the character of primarily white neighborhoods negatively impact the well-being of Black and other marginalized groups. These practices, though many are illegal now, restricted access to BIPOC homeownership opportunities, slowed the accumulation of generational wealth associated with homeownership, and increased development costs while decreasing housing choices in predominately white neighborhoods.

The Assessment found that key barriers to fair housing in Thurston County include: segregation, disparities in access to opportunities; disproportionate housing needs; a lack of accessible housing for disabled households, and a lack of fair housing outreach and enforcement. Members of protected classes are primarily limited in their housing choice and access to opportunity by housing costs. Persons with disabilities are further limited by lack of physically accessible units and need for accommodations. Over 600 community members participating in survey intended to help identify barriers to fair housing and priorities for use of federal resources rated access to homeownership as the second highest priority to address housing disparities.

### 5. Comprehensive Plan

Thurston County's population is anticipated to grow substantially by 2045. The City of Olympia and Thurston County respectively are actively drafting updates to their



Comprehensive Plan, which is a state required document that describes a jurisdiction’s long-term vision and goals looking forward 20 years. In 2023, Washington State adopted legislation that requires jurisdictions to include a robust Housing Element in their Comprehensive Plan. The legislation requires jurisdictions plan to accommodate projected population growth at various income levels with a variety of housing. Subsequently, Thurston County jurisdictions have come together to agree upon housing production goals. Across the County, there is a need for more than 54,350 new housing units by 2045. Thurston Regional Planning Council anticipates that nearly 23% of Thurston County’s growth will occur within the City of Olympia. Roughly 12,600 new units will be needed in Olympia to accommodate population growth. Of these, 6,800 units will be needed for low-income households earning 80% or less of Area Median Income. Roughly 7,500 new housing units, with 5,300 of them affordable to low-income households earning 80% or less of Area Median Income—are needed in rural unincorporated Thurston County. Another 310 units, with 200 of them affordable to low-income households—are needed in Grand Mound.

## B. Progress and Commitment to Overcoming Barriers

These studies and plans have positioned the City and County to take data-driven actions intended to reduce local barriers to facilitating the production and preservation of affordable housing. Some examples of these actions are detailed below.

### 1. Missing Middle Initiative

Middle housing is defined as buildings that are compatible in scale, form, and character with single-family houses and contain two or more attached, stacked, or clustered homes including duplexes, triplexes, fourplexes, fiveplexes, sixplexes, townhouses, stacked flats, courtyard apartments, accessory dwelling units, and cottage housing.

In 2016 City of Olympia launched its Missing Middle Initiative, an effort to analyze and consider changing city codes to allow more than one housing unit per lot, thereby allowing for a range of housing options and helping to ensure housing availability and affordability for Olympia residents. The effort involved an analysis of missing middle housing by type; analysis of available buildable lands by housing type; and a citizen work group which reviewed existing city regulations, such as zoning, permit fees, and utility connection charges, for effects on housing affordability, city livability and sustainability.

The initiative included two public surveys. The surveys polled residents’ support for proposed code changes regarding accessory dwelling units, duplexes, triplexes, fourplexes, and cottage housing, for example. The results showed strong support for many of the proposed code changes. City Council adopted a Missing Middle Infill Housing ordinance in late 2018. In 2019, the ordinance was challenged by a small group of residents and ultimately invalidated by the Washington State Growth Management Hearings Board (GMHB), despite the 2019 Washington State Legislature’s passage of a bill (House Bill 1923) encouraging middle housing.

In May 2022, the GMHB's decision was reversed and vacated by the Thurston County Superior Court's Order of Judicial Review. An appeal of the Superior Court's ruling was filed with the WA State Court of Appeals, which affirmed the Superior Court's ruling in an opinion dated June 26, 2023. The Missing Middle Infill Housing Ordinance has been upheld, and the appeal is being remanded to the GMHB to be dismissed.

While the appeals of the Missing Middle Infill Housing were pending in the courts, the City Council adopted another ordinance, known as the Housing Options Code Amendments. This ordinance was protected from appeals by House Bill 1923. It allows middle housing types in all residential zoning districts and has been in effect since 2020. The State Legislature has since passed House Bill 1110, which further mandates middle housing types to be permitted by cities and counties throughout the state. The City of Olympia and Thurston County are currently updating their municipal codes to comply with HB 1110.

The missing middle initiative and current middle housing code revisions being considered illustrate efforts to address barriers such as restrictive zoning designations and land use policies that cause barriers to producing new affordable housing.

## 2. Funding for Housing Preservation

The City's CDBG program prioritizes funding home repair programs administered by subrecipients. Subrecipient programs provide critical home repair to low-income homeowners within the City. The City also has a rental rehabilitation program funded by a revolving loan fund aimed at preserving low- and moderate-income rental housing. Collectively, these represent an effort to reduce the barrier of insufficient funding and subsidies to preserve existing units of affordable housing.

## 3. Founding Member of Regional Housing Council

In January 2021, the cities of Olympia, Lacey, Tumwater and Yelm and Thurston County executed an interlocal agreement creating the Regional Housing Council (RHC). The RHC considers issues related to a regional response to homelessness and affordable housing. The RHC considers policy changes and makes funding recommendations to promote equitable access to safe and affordable housing in Thurston County. Among other things, member jurisdictions pool capital funding sources available for use toward creating and preserving permanent affordable housing for low-income populations with incomes at or below 80% of area median income. This results in larger, more intentional investments of funding into affordable housing projects. Through this approach, a region-wide Affordable Housing Capital Pipeline of projects has been established. The RHC is an effort to address the barrier of insufficient supply of capital funding and subsidies necessary to construct new and preserve existing affordable housing units across Thurston County.

## 3. Dedicated Funding Source

In 2018, Olympia voters approved a ballot measure that created the Home Fund, a local one-tenth of one percent sales and use tax that is used for the construction and preservation of housing units affordable to Olympia residents whose incomes do not exceed 60% of area



median income by household size. Until 2023, funding awards were distributed in Olympia city boundaries only. From 2018 through 2022, Olympia's Home Fund supported the creation of approximately 202 permanent rental units.

In 2022, Thurston County adopted its own Home Fund. The City of Olympia and Thurston County executed an Interlocal Agreement which merges their Home Funds, thereby creating a local funding mechanism that offers an anticipated \$3-5 million annually toward the construction and preservation of affordable housing in Thurston County.

Home Fund money is awarded through the Regional Housing Council. A citizen advisory board known as the Thurston Affordable Housing Advisory Board makes funding award recommendations to the RHC. The advisory board is comprised of residents of Olympia, Lacey, Tumwater, Yelm, and unincorporated Thurston County who have a wide range of expertise in the affordable housing field. Many board members have lived experience of homelessness or housing insecurity and several are individuals who represent a population which is overly represented in Thurston County's homeless system. Examples of such populations are BIPOC and LGBTQIA+.

The creation of the Home Fund and pooling of Home Fund revenues illustrates an effort to reduce the barrier of insufficient capital funding and subsidies needed to construct new and preserve existing affordable housing units.

#### 4. Housing Action Plan

Building off the Housing Needs Assessment and the One Community Plan, the City of Olympia partnered with Thurston Regional Planning Council (TRPC) in 2021 to create a Housing Action Plan. The Plan include six strategies for increasing the production and preservation of affordable housing. The strategies are:

1. Increase the supply of permanently affordable housing for households that make 80 percent or less of the area median income.
2. Make it easier for households to access housing and stay housed.
3. Expand the overall housing supply by making it easier to build all types of housing projects.
4. Increase the variety of housing choices.
5. Continually build on resources, collaboration, and public understanding to improve implementation of housing strategies.
6. Establish a permanent source of funding for low-income housing.

In just a few short years, the City has completed several actions identified in its Housing Action Plan. Of the 71 actions included in the Plan, 19 have been completed and 20 are currently in progress. Progress has been made under each of the six strategies. Following is a sampling of actions that have been accomplished:

a. [Donate or lease surplus or underutilized jurisdiction-owned land to developers that provide low-income housing.](#)

The City of Olympia has experienced great success with this model. Two multi-family rental projects and one homeownership project are currently being developed in partnership with housing developers under this model.

b. [Identify and implement appropriate tenant protections that improve household stability.](#)

In 2021, City of Olympia conducted a renter protection study and extensive community engagement. In 2022, it passed a tenant protection ordinance. The ordinance caps the amount of move-in fees, limits pet deposits to 25% of monthly rent, and requires that deposits are refundable. Under the ordinance, landlords must provide a 120-day notice for rent increases over 5% and a 180-day notice for rent increases over 10%. In fall 2023, a rental housing registration and inspection program was also adopted. The inspection program requires rental housing units to pass basic habitability standards, as well as establish a baseline energy efficiency. A tenant relocation assistance program requires landlords to provide relocation assistance if their tenant's housing unit is demolished, condemned, or requires substantial rehabilitation that results in tenant displacement.

c. [Lower impact fees for affordable multifamily housing projects.](#)

The City waives 80% of school, park, and transportation impact fees and 50% of water system connection fees for affordable housing development when all units are reserved for low-income households earning 80% or less of area median income. Similarly, a pilot project with LOTT Clean Water Alliance exempts 50% of wastewater connection fees for affordable housing meeting the same requirements.

d. [Residential parking reductions](#)

In 2023, the Olympia City Council adopted reductions in parking requirements for residential developments across most of the City. This followed significant public input regarding the proposed changes.

e. [Improve permitting process](#)

In 2023, the Olympia City Council approved an ordinance that greatly simplifies the City's permit processes. These changes combined eight separate sections of the City's codes into one section describing the permit process. It also consolidated dozens of permit types into four types, making it simpler for housing developers to understand the type of permit they need and the process for applying for that permit.

f. [Expand the multifamily tax exemption to make it available in all transit corridors.](#)

In late 2023, the City revised its multifamily tax exemption program, which is now structured to act as a tool to incentivize affordable housing. The program offers a 12-year property tax exemption for new residential development when all units are affordable to households whose income does not exceed 80% area median income. It now offers a 20-year tax exemption for homeownership projects affordable to households whose incomes

do not exceed 80% of area median income. The program also makes available an 8-year property tax exemption directed at market rate projects. These projects are subject to a fee collected in lieu of creating affordable housing units. Lastly, the geographic target areas of the program were expanded to include a handful of areas zoned as neighborhood centers where the City wishes to encourage residential development.

**g. Provide pre-approved plan sets for accessory dwelling units**

The City makes pre-approved plans available for accessory dwelling units. This helps reduce both the cost and permitting time associated with adding an accessory dwelling unit to one's property.

**h. Identify and develop partnerships with organizations that provide or support low income, workforce, and senior housing as well as other populations with unique housing needs.**

City staff are consistently identifying development partners to assist in the City's mission to create and preserve more affordable housing for populations with unique housing needs. In 2023, the City partnered with TWG Development and Interfaith Works to bring 84 units of multi-family rental housing for homeless, disabled, and low-income residents to downtown property owned by the City. The project is gathering financing now.

**i. Use Community Development Block Grant (CDBG), Section 108 loans and other federal resources for affordable housing.**

City staff completed a comprehensive update of the five-year Consolidated Plan in 2023. The results of the report overwhelmingly indicate that creation of affordable housing and preservation of existing affordable housing is the top priority in our community. The City's CDBG program funds activities accordingly to Consolidated Plan priorities.

The Housing Action Plan and the activities completed to date illustrate efforts to address barriers such as restrictive zoning designations, land use policies, costly or prolonged permitting procedures, insufficient infrastructure, and insufficient funding and subsidies to produce and preserve affordable housing units.

**5. Affordable Homeownership Study**

In late 2023, a consultant completed an Affordable Homeownership Study. The study provides the City of Olympia an analysis of efforts it can take to increase the production of homeownership units and to support long-term housing affordability for low and moderate-income homeowner households. The study includes recommendations of new programs; best practices for expanding homeownership opportunities, specifically for low-income BIPOC residents; exploration of promising homeownership models; and suggestions for funding mechanisms that could support increasing homeownership for low-income households. Implementation of the study's findings have begun. The Affordable Homeownership Study and its recommended actions address land use barriers, costly or prolonged city procedures, inadequate infrastructure, insufficient funding and resources necessary to produce affordable

housing, and insufficient resources to assist low-income households in accessing affordable housing.

## 6. Black Home Initiative

In 2024, City of Olympia led a regional effort to formally request to extend work being conducted by Black Home Initiative (BHI) partners to Thurston County. BHI is an impact network which began its efforts in 2021 with a geographic focus on South Seattle, South King County, and North Pierce County. The network has a 5-year goal to support 1,500 Black low-to-moderate income households to become homebuyers by the end of 2027. Together, more than 100 BHI partners, including City of Olympia, are focusing on growing supply of homes available to purchase, supporting Black households who want to buy a home to obtain a mortgage, and improving the collaboration among public, private, and nonprofit organizations to create a more efficient and effective ecosystem for Black homeownership.

Already, BHI has made impressive progress. BHI partners advocated for statewide legislation that created the first of its kind Covenant Homeownership Program, a new downpayment and closing cost assistance program for first-time BIPOC homebuyers that launched on July 1, 2024 and is operated by the Washington State Housing Finance Commission.

These efforts to remove barriers to affordable housing, increase housing production, and lower housing costs have laid a strong foundation for the City and the County to expand our work.

## C. Acute Affordable Housing Needs

There remains an acute need for affordable homeownership options for low-income Olympia and unincorporated Thurston County households. There is also an acute need for all types of affordable housing in the Grand Mound and Rochester communities.

### 1. Homeownership

The data tells us there is an acute need for affordable homeownership housing in Thurston County. Homeownership is an equity issue; it's the primary way in which low-income households can build generational wealth and achieve long-term housing stability while decreasing housing cost burden. According to HUD CHAS data, 27% of Olympia renters are severely cost burdened, spending more than 50% of their monthly income on housing needs. In comparison, the same data indicates only 7% of Olympia homeowners are severely cost burdened. Similarly, 50% of Olympia renters are cost burdened, spending more than 30% of their monthly income on housing needs, compared to 19% of homeowners.<sup>2</sup> Black, Indigenous, and people of color are more likely to be renters than white residents in Thurston County: 31% of white Thurston County residents rent compared to 42% of BIPOC residents.<sup>3</sup>

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<sup>2</sup> 2015-2019 HUD CHAS Data

<sup>3</sup> American Community Survey 5-Year Estimates 2017-2021, Tables B25003, B25003a through B25003H

An analysis by Homestead Community Land Trust as part of its Closed Doors project,<sup>4</sup> found there were 2,157 two-plus bedroom homes listed for sale in Thurston County between March and June 2021. Of those, 71 were priced affordably for households with incomes between 50% and 80% area median income. For perspective, this means for every 1 home there were up to 131 potential low-income homebuyers. This data indicates an acute need for affordable homeownership options.

Affordable homeownership options are especially needed to address disparities in homeownership. In 2021 the Washington State Legislature provided funding and tasked the Department of Commerce to convene a work group to research and provide a report along with recommendations to reduce disparities in homeownership in Washington state. In September 2022 *Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington: Recommendations from the Homeownership Disparities Work Group* was published.

The research found that racist government policies such as zoning, redlining, deed restrictions, and discrimination in lending practices, among other things, have systemically and severely created barriers to homeownership for BIPOC individuals. The group also found that for several decades Washington’s housing market has failed to produce enough housing units needed to match the state’s economic growth. According to the report, “By some estimates, Washington has produced the fewest housing units relative to its household growth than any other state in the country.”<sup>5</sup>

The group found the two most significant barriers to BIPOC homeownership are the lack of affordable homeownership supply and insufficient assistance for BIPOC households who want to become homeowners. The work group provided 27 recommendations for overcoming these barriers.

## 2. Affordable Housing in Grand Mound and Rochester

There is acute need for affordable housing in the Grand Mound and Rochester communities. Grand Mound and Rochester are unincorporated Thurston County communities largely rural in character and located along the Interstate-5 corridor, 15 miles southwest of Olympia. Grand Mound is designated as an Urban Growth Area (UGA) of 982 acres. The neighboring community of Rochester consists of 8,619 acres. The two communities are often thought of as a single community, but each has its own Sub-Area Plan identifying goals for growth. Together the communities and their sub-areas account for the majority of land mass identified as a Census Designated Place (CDP).

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<sup>4</sup> Closed Doors Report:

[https://www.closeddoorsreport.com/files/ugd/65c53d\\_97cc06dea28b4ab283d9fetc1a5ec800.pdf](https://www.closeddoorsreport.com/files/ugd/65c53d_97cc06dea28b4ab283d9fetc1a5ec800.pdf)

<sup>5</sup>Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

Grand Mound's location at the nexus of US Route 12, I-5, and Old Highway 99 make it attractive for commercial development to serve the traveling public. The area consists of scattered low-density residential uses mixed with commercial and light industrial uses located primarily along the main arterials. Roughly 25% of the land is zoned for residential use. Rochester is composed of primarily low-density rural residential lands with a small commercial core at the heart of downtown. Roughly five percent of the Rochester subarea is utilized for commercial and industrial uses, while less than one percent of lands are used for farm and agriculture use.

Grand Mound's population has more than doubled since the original UGA was established in 1995. In 2022 there were 1,358 people living in the Grand Mound UGA with a total of 470 dwelling units. The population is anticipated to experience measurable growth in the next 20 years. Data prepared by Thurston Regional Planning Council (TRPC) for Thurston County's Comprehensive Plan identifies the need for the creation of 204 housing units in Grand Mound affordable to households whose income does not exceed 80% of area median income by 2045.

A Buildable Lands Survey conducted by TRPC in 2021 estimates there is sufficient supply of land for residential development existing within the Grand Mound UGA to accommodate projected growth. However, development is influenced by the lack of sewer and water systems. Residential properties must use septic tanks. For health code reasons, densities must be lower than four units per acre when sewer service is not available. As such, housing types in Grand Mound include mobile home parks; duplexes (at a density of four units per acre); and single-family homes, including site-built, manufactured, and older mobile homes with a density range of one unit per five acres to two units per acre. The subarea plan calls for infill development in line with Grand Mound's rural character.

In the mid-1980's, the local community expressed interest in developing sanitary sewer and water supply systems that would allow denser development in the Grand Mound area. In response, the county has continuously worked with the local citizen's committee to adopt a Grand Mound Sewer Service Area and develop sewer and water plans. Thurston County plans for over \$7 million in improvements and expansion of the Grand Mound water and sewer systems from 2023 through 2028.

While located nearby, Rochester is more heavily residential. Nearly 74% of Rochester is zoned for residential use, according to the Rochester Sub Area Plan Update drafted in December 2020. An estimated population of 9,400 people live in the Rochester sub-area. The area's population is anticipated to grow by roughly 3% annually through 2040.

Each of these communities is considered a priority geography by HUD. The Median Household Income of the Grand Mound/Rochester Community Designated Place was \$72,566 in 2020, according to the U.S. Census Bureau. Just over 19% of residents have a bachelor's degree or higher and 18.6% of the population identifies as Hispanic or Latino. The unemployment rate was 59% in 2020, according to Census data.



The sub-area plans call for the development of strategies to preserve existing affordable housing where feasible to prevent displacement and create social equity. The rural characteristics of Grand Mound and Rochester and the limited infrastructure in Grand Mound make middle housing infill development the most likely type of new construction for these areas.

#### D. Remaining Barriers to Producing and Preserving Affordable and Accessible Homeownership Housing

Increasing homeownership provides a unique opportunity to equitably provide affordable, sustainable, healthy and safe housing while assisting low and moderate-income households to begin building wealth and exiting poverty. The three key barriers to homeownership that still exist are the reduced organizational capacity of housing developers to create new homeownership housing, insufficient availability of financing and subsidies needed to produce new housing, and insufficient availability of resources needed by low-income homebuyers to purchase a home. These barriers are present in Thurston County but are seen statewide and have been called out in Homestead Community Land Trust's Closed Doors report, the Black Home Initiative, and the State's Homeownership Disparities Work Group study, among other research.

##### 1. Lack of local affordable housing developers and insufficient organizational capacity

Thurston County has only two developers of affordable homeownership housing. Those organizations are South Puget Sound Habitat for Humanity and Thurston Housing Land Trust (THLT). South Puget Sound Habitat for Humanity is a national affiliate of Habitat for Humanity International and was established in Thurston County in 1989. The organization focuses on developing new housing for homeownership by low-income households with incomes at or below 60% of area median income and has an established pipeline of projects.

THLT is a non-profit, community-based organization established in 2018. The organization operates under a shared-equity housing model in which homebuyers purchase their home and THLT retains ownership of the land on which the home sits. The homeowner pays a nominal long-term ground-lease to THLT. This model reduces the cost of homeownership, thereby making homeownership more attainable. Homebuyers are held to affordable resale agreements to ensure homes in THLT's portfolio remain affordable long-term to subsequent homebuyers. The model increases the likelihood of low-income households attaining and sustaining homeownership, builds wealth among low-income households, and stretches public investment so that fewer dollars can help more homeowners.<sup>6</sup>

THLT operates with a Board of Trustees responsible for policy and decision-making and a small staff of enthusiastic, passionate, and energized volunteers responsible for carrying out the organization's mission. In September 2023, THLT completed the sale of its first single-family home. That experience provided a good foundation for THLT's current project

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<sup>6</sup> <https://groundedsolutions.org/strengthening-neighborhoods/shared-equity-homeownership>

involving the acquisition and conversion of a three-duplex property for individual resale. THLT received funding from the Washington State Housing Finance Commission, Thurston Regional Housing Council, and Washington state Housing Trust Fund for this project. In July 2024, THLT brought on a full-time Executive Director. The organization also continually engages with other state and national community land trusts to build connections and best practices.

However, under the volunteer model, THLT has not fully realized its potential. The organization requires more robust staffing to attract funding, identify properties for acquisition and resell, conduct community outreach, and provide project management expertise.

The City of Olympia and Thurston County recognize the immense value THLT brings our community. Nationwide, there are just over 300 community land trusts.<sup>7</sup> In Washington state there are 29.<sup>8</sup> While many other communities across the nation are focused on establishing a community land trust, that difficult work has already been done in Thurston County. We cannot afford to lose this valuable asset. The PRO Housing grant is necessary for THLT to expand its capacity and ensure its ability to continue producing and preserving homeownership opportunities.

## 2. Insufficient financing and subsidies necessary to produce and preserve new units

There is an insufficient supply of affordable homeownership housing in Olympia. This is largely because of the costs associated with developing this type of housing and insufficient funding needed to produce more supply. In Washington state, public subsidy programs intended to increase the supply of affordable homeownership units exist but do not provide enough financing to meet demand. One of the most significant sources of financing is Washington State's Housing Trust Fund program, which provides low-interest loans and grants to housing developers. The Housing Trust Fund program typically includes a set-aside appropriation dedicated to affordable homeownership development, but the amount of funding made available and the many restrictions that govern the program, such as per project and per-unit funding caps, has been insufficient to meet the need.<sup>9</sup> For example, in 2023, Housing Trust Fund financing set aside for homeownership was at a record high of \$38.8 million. Applicants requested \$93.2 million, more than double the funds available. Additionally, there was a 14.2% increase in the number of projects submitted for funding, a 58% increase over 2022 in the funding sought, and an 11% increase in the number of organizations applying for funds. This year the Housing Trust Fund made available only \$17 million to be disbursed state-wide for affordable homeownership projects.

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<sup>7</sup> <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>

<sup>8</sup> <https://groundedsolutions.org/strengthening-neighborhoods/community-land-trusts>

<sup>9</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

Without sufficient funding, developers cannot afford to build or preserve new units. As a result demand continues to outweigh supply. Households with incomes between 50% to 80% AMI are often considered candidates for homeownership opportunities.<sup>10</sup> These households typically have a steady source of income, a favorable credit history, and are regularly paying their debts. Many of these same households are unable to become homeowners though due to the lack of available homes priced at a point the household can afford. The lack of supply in Olympia is attested to by the fact that Olympia has the highest proportion of renters of any jurisdiction in Thurston County (53.3% rent).<sup>11</sup>

“The single biggest barrier to increasing homeownership rates for lower- and middle-income community members, especially Black, Indigenous and People of Color (BIPOC) households, in our region is a critical lack of supply of income-appropriate priced homes. Efforts to provide down payment assistance, buyer readiness and other supports fall short of achieving net new homeowners when there are simply no homes that are priced for lower-income households.”<sup>12</sup>

### 3. Insufficient Availability of Resources to Assist Low-Income Households to Become Homeowners

An insufficient housing supply in Olympia and unincorporated Thurston County have resulted in home purchase prices that put homeownership out of reach for many low-income households. The median home price in Thurston County at the time of this grant application is \$525,000, according to Redfin. Between 2019 and 2021, the median home price in Thurston County averaged 6.1 times the median annual household income.<sup>13</sup> In fact, Olympia has the highest median home sale price of any jurisdiction in the county. Home sale prices increased 41% (adjusted for inflation) between 2017 and 2022.<sup>14</sup> The Housing Affordability Index (HAI) tracks the ability of a middle-income family to afford the mortgage payment on a median-price home. An index of 100 reflects a balance between the family’s ability to pay and the mortgage payment. Higher indices signify that housing is more affordable. Thurston and nearby counties’ HAI have been generally decreasing since 2013. From the first quarter of 2022 to the first quarter of 2023, Thurston County’s HAI decreased 22 percent. The last year Thurston County was considered affordable for first-time homebuyers was 2013.<sup>15</sup>

For members of protected classes, becoming homeowners is especially challenging. Members of protected classes are more likely to have lower incomes and less likely to qualify for a mortgage loan sufficient to purchase a home in the current market. Female-

<sup>10</sup> [https://www.closeddoorsreport.com/\\_files/ugd/65c53d\\_97cc06dea28b4ab283d9fefc1a5ec800.pdf](https://www.closeddoorsreport.com/_files/ugd/65c53d_97cc06dea28b4ab283d9fefc1a5ec800.pdf)

<sup>11</sup> 2020 Census, Table DP1

<sup>12</sup> [https://www.closeddoorsreport.com/\\_files/ugd/65c53d\\_97cc06dea28b4ab283d9fefc1a5ec800.pdf](https://www.closeddoorsreport.com/_files/ugd/65c53d_97cc06dea28b4ab283d9fefc1a5ec800.pdf)

<sup>13</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

<sup>14</sup> Northwest Multiple Listing Service, accessed at: <https://www.trpc.org/455/Thurston-County-Home-Sales>

<sup>15</sup> <http://realestate.washington.edu/research/wcrer/housing-reports/>

headed households have a poverty rate of 28% in Olympia and 23% of Olympia residents with disabilities have income below the federal poverty level.<sup>16</sup> Over 20% of Olympia residents who are Black or African American, Native Hawaiian or other Pacific Islander, or those who self-identified as some other race unlisted in the U.S. census have income below the federal poverty level.<sup>17</sup> While census data does not capture the experience of transgender individuals, local data indicates that housing insecurity, housing cost burden, homelessness, and unemployment/underemployment are disproportionately experienced by transgender community members.<sup>18</sup>

Homeownership for BIPOC households is especially challenging, in large part due to systemic racism in real estate and lending. Historical practices of redlining and restrictive covenants created segregated housing patterns both locally and nationally. Redlining ‘was a government-sponsored practice where the Home Owners Loan Corporation specified whether neighborhoods were appropriate for investment based on the incomes and races of residents.’<sup>19</sup> Racially restrictive covenants are a type of agreement that limits the sale, rental, or occupancy of housing to people of a particular racial or ethnic group. Olympia staff has reviewed racially restricted deeds and covenants in neighborhoods or subdivisions identified by researchers at the University of Washington.<sup>20</sup> Over 1,500 parcels in Thurston County have racially restricted covenant language. In her book ‘Blacks in Thurston County, Washington,’ local historian Dr. Thelma Jackson recounts experiences of realtors steering Black community members to Olympia’s neighboring city (Lacey) in the 1950s and 1960s.

Both regional and national reports highlight the challenges for BIPOC individuals in accessing homeownership due to lack of credit history caused by systemic disparities. Debt-to-income ratios are the most common reason Black applicants are denied loans.<sup>21</sup> Lack of credit and poor credit present as barriers to accessing a lower interest rate loan for many prospective buyers of color. Researchers highlight how “decades of discrimination in employment, lending policies, debt collection, and criminal prosecution have left generations of Black families vulnerable to financial insecurity and negatively impacted median credit

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<sup>16</sup> American Community Survey 2016-2020 5-Year Estimates, Table S0901 and Table S1703

<sup>17</sup> American Community Survey 2016-2020 5-Year Estimates, Table S1703

<sup>18</sup> Assessment of Fair Housing 2023-2027:

[https://www.olympiawa.gov/Document\\_center/Community/Housing%20&%20Homelessness/Fair%20Housing%20Assessment%20-%202023-2027.pdf](https://www.olympiawa.gov/Document_center/Community/Housing%20&%20Homelessness/Fair%20Housing%20Assessment%20-%202023-2027.pdf)

<sup>19</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

<sup>20</sup> Racial Restrictive Covenants Project:

[https://depts.washington.edu/covenants/county\\_thurston.shtml](https://depts.washington.edu/covenants/county_thurston.shtml)

<sup>21</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington:

[https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

scores.”<sup>22</sup> The Urban Institute’s report Explaining the Black-White Homeownership Gap finds that more than 50 percent of white households have a FICO credit score above 700, compared with only 20.6 percent of black households. Thirty-three percent of black households with credit histories have insufficient credit and lack a credit score, while only 17.9 percent of white households have missing credit scores. The report goes on to explain: ‘This is a key point because in the housing context, we know that most black households are renters and that rental payments are largely unreported to traditional credit bureaus. A black household may not own a home and pays only for rent, utilities, cell phones, and similar recurring expenses, but these transactions are not reported to credit bureaus in any positive way. Derogatory and negative credit reporting is common, but no credit is given for on-time payments of such critical and basic household items that would continue to apply in ownership.’<sup>23</sup>

For all these reasons resources to make homeownership a reality is essential for low-income households, particularly Black, Indigenous and People of Color households. Here again, state resources are available to assist but, in part due to state regulations guiding the availability of funds, do not come close in and of themselves to meeting the existing subsidy needs. First-time homebuyer programs are offered by some primary mortgage lenders as well but rarely are these specialized programs or subsidies enough to overcome the numerous barriers to homeownership for those most in need and those most impacted by housing instability.

## Exhibit D: Soundness of Approach

### A. Vision For Use of Pro Housing Funds

The City and County recognize homeownership is a way to provide immediate housing stability that can prevent homelessness and increase generational wealth. We acknowledge access to homeownership is much more difficult for low-income households. For these reasons this grant proposal outlines our strategy for removing barriers to homeownership in Olympia and unincorporated Thurston County for low-income households whose income is 80% or below area median income, which is \$90,150 for a four-person household in the Olympia-Tumwater metropolitan statistical area.

With PRO Housing funds the following activities will be undertaken to reduce barriers to affordable homeownership:

1. Provide capacity building support to Thurston Housing Land Trust
2. Provide capital funding to create and preserve affordable homeownership units
3. Provide resources to help low-income households become homeowners

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<sup>22</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington: [https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

<sup>23</sup> Explaining the Black-White Homeownership Gap: [https://www.urban.org/sites/default/files/publication/101160/explaining\\_the\\_black-white\\_homeownership\\_gap\\_2.pdf](https://www.urban.org/sites/default/files/publication/101160/explaining_the_black-white_homeownership_gap_2.pdf)

All activities funded by the PRO Housing grant will meet CDBG eligibility criteria listed in 24 CFR 570.

### 1. Provide Capacity Building Support for Thurston Housing Land Trust

Pro Housing funds will be provided to support the organizational capacity and growth of Thurston Housing Land Trust (THLT). Funds will assist THLT to increase its capacity to produce and preserve affordable homeownership units and expand its operations into the Grand Mound and Rochester areas. This activity will lower housing costs for low-income households by offering the unique land trust model and will facilitate production of affordable homeownership units.

Funds will be used to partially fund THLT staff through December 2027. PRO Housing funds will support THLT's only existing staff member, its Executive Director, in project-specific work areas through the first half of 2025 as the organization prepares to hire a Project Manager. Beginning in mid-2025 the organization will add a second full-time employee, a Project Manager. This position will be partially supported with PRO Housing funds through 2027. The Project Manager will have experience in property development and management, ideally from both the nonprofit and private sector perspectives. The Project Manager duties and responsibilities will include:

- *Acquisition:* Assessment and acquisition of properties
- *Pre-Development:* Support for project design, permitting, rehabilitation and construction; prepare proformas, funding budgets and documentation; support outreach to community during project planning; participate in funder conferences and reviews as needed
- *Development:* Assist with budget tracking, invoice reviews, contractors; intensive compliance monitoring work with funders; project management during construction/rehabilitation; assist post-occupancy building performance monitoring, troubleshooting, warranty issues and upgrades
- *Organization:* Coordinate development project information for board, provide input for strategic planning process; Lead for community outreach on development projects; support engagement with key funding entities; represent THLT in key state and local homeownership action and advisory bodies as needed.

Key outputs associated with PRO Housing funding over the period of February 2025 through December 2027 will include:

- Management of existing properties
- Acquisition of single-family and multi-family properties for resell to low-income homebuyer households



- Conduct fundraising efforts to build capital reserves
- Outreach and partnership exploration with the Confederated Tribes of the Chehalis Reservation, local by-and-for organizations, and service providers and residents in the Ground Mound and Rochester areas.

To facilitate these outcomes, the City will execute a subrecipient agreement with Thurston Housing Land Trust and will meet with the land trust staff quarterly to keep abreast of the organization’s progress. In relation to this capacity-building assistance, the City and THLT will consider the subrecipient agreement a success if the land trust is able to increase its housing portfolio by 10 units within the period of performance.

## 2. Provide Capital Funding to Create Affordable Homeownership Units

PRO Housing funds will be provided to developers as grants to create new affordable homeownership units. This activity will facilitate affordable homeownership housing production by increasing subsidies to support the creation of new units and decreasing costs associated with development. Capital funding will support two primary uses: acquiring property in City of Olympia, Grand Mound, and Rochester for use as affordable homeownership housing; and grants to assist with the costs of infrastructure improvements associated with affordable homeownership projects occurring in the City of Olympia.

### a. Property Acquisitions

PRO Housing funds will be used to purchase property for use as affordable homeownership housing in Olympia and in Grand Mound/Rochester. Half of the funds received for this use will be administered by City of Olympia and directed at acquisitions within city limits. The other half will be provided to Thurston County via a subrecipient agreement and will be directed at acquisitions in Grand Mound and Rochester.

In Olympia, funds will be used by the City to directly purchase property. The City will then solicit a developer to construct housing for homeownership on the property and sell the property for a nominal price to the developer. A restrictive covenant ensuring the property is used in perpetuity for affordable housing will be executed with the developer and resell requirements will be implemented to ensure that the housing, if sold, will be sold at a price affordable to another low-income household. In recent years, the City of Olympia has experienced success in decreasing development costs for affordable housing developers through this model. A few examples of this approach are provided below.

In, 2018 City of Olympia used local Home Fund dollars to purchase property at 2828 Martin Way for use as affordable housing for very low-income households. In 2019, the City sold the property to LIHI which agreed to construct two phases of multi-family affordable rental housing for low-income homeless adults and couples. Phase one of the construction brought 64 units of housing above a 60-bed emergency shelter. Phase two of construction will open October 2024 and offer another 60-plus units.

Another example is a project known as 3900 Boulevard Road in Olympia. The property was purchased by the City for the purpose of protecting a natural wooded area as well as developing a park, transportation corridor and mixed-use development. In 2022, the City issued a request for proposals seeking a development team interested in constructing housing on 10 acres of the property. South Puget Sound Habitat for Humanity was selected to produce 112 homeownership units. Habitat purchased the property from the City for \$1 and executed legal documents that restrict the land's use to affordable housing in perpetuity. Habitat will construct a mix of townhomes and cottage units for low-income households. All homes will be built to the Evergreen Sustainable Development Standard to ensure energy efficiency and over half of homes will be ADA accessible. Habitat will retain a right of first refusal to ensure that all homes can be resold to another low-income household when the original owners decide to sell. The project is currently in the process of securing financing and the first housing on the property is anticipated to become available in 2026.

Lastly, the City of Olympia and Thurston County partnered in 2022 to purchase property along Franz Anderson Road in Olympia for use as affordable multi-family rental housing. The City of Olympia issued a Request for Proposals in 2023 to develop the property as permanent supportive housing. The project was awarded to LIHI, which is now seeking state funding to round out its financing stack. Upon completion in 2026 the project will offer 71 units of permanent supportive housing and services for homeless individuals.

The County will continue its acquisition efforts by directing its portion of PRO Housing funds toward homeownership opportunities in Grand Mound and Rochester. Funds managed by the County will be infused into an existing competitive application process known as the Opportunity Fund. This fund is available to affordable housing developers on a rolling basis. It makes approximately \$1.5 million available annually to housing developers and is intended for opportunities to purchase property to create or preserve affordable housing that emerge at a time that does not coincide with the County's annual Request for Proposals process by which capital funding for housing is made available. Funds administered by the County will be disbursed as grants.

#### **b. Infrastructure Improvements**

Seed funding to establish an infrastructure assistance grant program in the City of Olympia is requested. It's not uncommon for infrastructure improvements to be required as part of the City's permitting process. However, such improvements are often quite costly and the City has heard from several affordable housing developers that these costs can and have resulted in projects not moving forward. PRO Housing funds will be available to developers of affordable homeownership housing when their project is required to complete infrastructure improvements such as sidewalks, street improvements, and utility improvements in order to be permitted by the City. The program will operate similarly to Washington state's Connecting Housing to Infrastructure Program (CHIP). City of Olympia has successfully received two CHIP awards for two affordable housing projects.

This program is part of a larger effort currently being considered by City of Olympia to identify ways the City can increase affordable housing production by decreasing the cost to construct housing. Outreach to local developers of multifamily rental and homeownership housing assisted in identifying impactful actions the City could take to achieve its goal. Subsidies to apply toward infrastructure improvements was identified through that process.

### 3. Provide Resources to Help Low-Income Households Become Homeowners

Lastly, PRO Housing funds are requested to provide resources to assist low-income households in becoming homeowners. This action was the focus of the City of Olympia's Affordable Homeownership Study. The study was completed in December 2023 and identifies recommendations to increase affordable homeownership in Olympia. Two actions which were recommended in the Affordable Homeownership Study and are included in Olympia's Housing Action Plan are homebuyer education and counseling courses to prepare households to purchase a home and homebuyer assistance to help them lower their private mortgage necessary to purchase a home and achieve affordable homeownership. Although the study was commissioned by the City of Olympia, the City and County recognize low-income households throughout Thurston County need more resources to assist them in becoming homeowners. For this reason, PRO Housing funding will provide resources that will be disbursed to households seeking to purchase a home in Olympia or in unincorporated Thurston County with a focus on Grand Mound and Rochester.

#### a. Homebuyer Assistance

A Homebuyer Assistance Program to assist low-income households to purchase a home will be established. City of Olympia will sub-grant the PRO Housing funds to Thurston County, which will execute an agreement with Washington State Housing Finance Commission (WSHFC) to administer this program.

Low-income homebuyers with incomes purchasing a home in Olympia or unincorporated Thurston County will have access to a homebuyer assistance grant in an amount up to \$65,000. The program will be accessible to households whose annual gross income does not exceed 60% of the area median income and who are first-time homebuyers. The funding will be blended with WSHFC's Home Advantage, HomeChoice, or House Key Opportunity first mortgage loan programs so that homebuyers have a single monthly mortgage payment. Dozens of lenders offer access to these programs.

Thurston County funds will be provided in the form of a grant that is only repaid by the homebuyer if within 15 years, an amount of time consistent with the HOME affordability period required for this amount of funding, the homebuyer sells or transfers ownership of the property or fails to maintain the home as a principal place of residence. A recapture agreement will be used to recapture funds if an assisted homebuyer sells or fails to reside in the house as their primary residence during this period. Also consistent with HUD standards, grants will be underwritten to ensure need is demonstrated and the household

meets all funding source requirements. Census tracts and zip codes will be used to ensure homebuyers interested in the County's homebuyer assistance program are eligible to benefit from it. WSHFC's Down Payment Assistance Program Administrator will underwrite Thurston County's funds before blending these with WSHFC funds and providing the financing to the homebuyer. On a monthly basis, WSHFC will provide to the County documents supporting homebuyer eligibility. These will include income verification documents, address and legal description of the home purchased, and a settlement statement, among other things. Thurston County will then reimburse WSHFC for the funds the organization distributed on the County's behalf. The proposed program will operate similarly to programs WSHFC administers on behalf of other Washington state jurisdictions.

WSHFC has a successful history of working with Washington cities and counties to administer homebuyer assistance programs utilizing local and federal funds sub-granted to WSHFC from the jurisdictions. WSHFC currently administers such programs for Clark County, City of Bellingham, and ARCH East King County. It's administered homebuyer assistance programs for the City of Tacoma, City of Federal Way, City of Bremerton, City of Seattle, and Pierce County in the past. In these communities, WSHFC utilizes the jurisdiction's funds to offer between \$30,000 and \$60,000 per homebuyer. This assistance is commonly leveraged by supplemental assistance from WSHFC.

It's common for homebuyers utilizing a homebuyer assistance program such as proposed in this application to also benefit from other resources provided by WSHFC. For example, homebuyers who choose to use WSHFC's loan programs can achieve a mortgage with an interest rate between 0% and 4%, depending on the program. WSHFC offers loan programs targeted at low-income households who are veterans, disabled, or purchasing a Habitat for Humanity home. Additionally, WSHFC also offers a deferred payment down payment assistance loan in an amount up to \$15,000 per transaction. WSHFC reports 15,046 first-time, low-income homebuyers in Washington state have received a cumulative \$207,910,795 in downpayment assistance from its programs in the last three years.

**b. Homebuyer Education and Counseling**

Funding for use toward providing homebuyer education and counseling courses that will form the basis of a Homeownership Center is requested. Increasing access to homebuyer education courses is another action included in City of Olympia's Housing Action Plan and recommended in the Affordable Homeownership Study. Homebuyer education prepares first-time homebuyers for the buying process and what to plan for as a homeowner. Consistent access to this education is lacking in the Thurston County region. Those courses that are offered are only homebuyer counseling courses and lack other educational elements. These homebuyer counseling courses are generally provided by mortgage companies, which tend to push their lending products and frequently lack the cultural awareness needed to customize the experience to meet the needs of prospective homebuyers.

South Puget Sound Habitat for Humanity is establishing a Homeownership Center in Thurston County. This will be a one-stop center with classroom-style education, one-on-one counseling, financial institution relationships, and home repair partners. The Center will reduce the complexities for residents seeking homeownership services, offer professional, human-centered right-sized assistance for many types of homeownership needs, and fill a service void for neutral-party public homeownership assistance in our county. The Center will be open to anyone seeking homeownership advice and assistance but will serve a majority population of 80% or below area median income. Core Services will include:

- *Public Education:* Habitat will host regular, public classes on key homeownership topics, such as: budgeting, debt, the home buying process, discriminatory homeownership practice awareness, insurance, choosing a lender, home maintenance, estate planning, understanding property taxes, refinancing options, etc. We will also design combined class series to specifically satisfy the HUD First-Time Homebuyers Education Certificate requirements. We will strive to offer classes in many parts of the county for maximum access.
- *One-on-One Counseling:* HUD-certified counselors will build relationships with individuals and households seeking customized pre- and post-purchase support. They will tailor their assistance to help assess and build financial capacity, navigate grant and financing options, understand the current housing market, seek foreclosure prevention, secure professional services, etc.
- *Financial Institution Relationships:* The Center will work with local financial institutions to understand and effectively explain their loan products to center clients in a neutral, low-pressure setting. Habitat will also seek to work with these institutions to build low- to moderate-income-specific products to aid in greater financing access in the County.
- *Service Referrals:* The Center will maintain a robust referral network and high-care hand-offs for client needs not covered at the Center. Among these, will be access to home repair programs.

Habitat for Humanity intends to foster partnerships with local community-based organizations to bring homebuyer education courses to those most in need. Habitat will seek opportunities for collaboration with CIELO, a community-based organization which offers services and support to Latinx individuals throughout Thurston County; ROOF, which provides public services in South Thurston County serving the Grand Mound and Rochester area; Enterprise for Equity, which supports low-income residents throughout Thurston County by providing training, support, and financial resources; and Thurston Asset Building Coalition, which coordinates and mobilizes partners who serve people with limited incomes. The details of how these partnerships will operate is being established, but there is recognition that partnering in this way helps ensure that homebuyer education and opportunities are made available to populations who historically have experienced inequitable access to these resources. Partnering with such

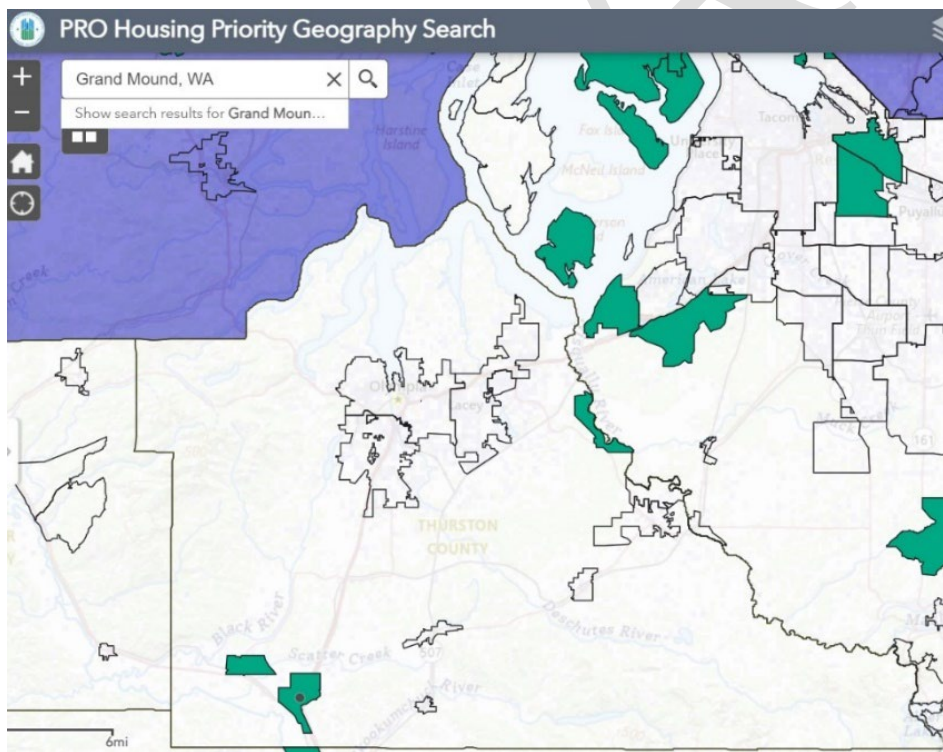


organizations also means education is provided in a culturally appropriate way and an environment that helps buyers feel heard, supported, and more comfortable with the homebuying process.

## B. Geographic Scope

The City of Olympia and Thurston County will target funds within the City of Olympia and unincorporated Thurston County, with a focus on the Grand Mound and Rochester priority geography areas. In Olympia, a high opportunity area, efforts will increase the supply of affordable homeownership housing by reducing developers' costs to construct housing and increasing the capacity of one of two local affordable homeownership developers. Funding homebuyer education courses and providing homebuyer assistance grants will provide low-income households an opportunity to become homeowners and begin building generational wealth. This is especially important in Olympia where roughly half the population are renters; approximately one-third of the City's census tracts are at least 51% low-and-moderate-income; and residents who are Black, Indigenous, and People of Color have the lowest rates (45%) of homeownership.

In Grand Mound, Rochester and other unincorporated areas of Thurston County, our proposal expands opportunity in these underserved communities by increasing housing stability and reducing displacement from the community as the area's population grows. This, in turn, increases the area's economic stability and promotes strengthened community engagement.





### C. Key Stakeholders and Engagement

The City of Olympia and Thurston County have a proven track record of robustly engaging stakeholders, partners, and residents on issues of community importance and then using the input gathered to guide our work toward solutions. This grant proposal continues that tradition.

City of Olympia heard through engagement related to our One Community Plan and Assessment of Fair Housing that creating more affordable housing is a top community priority and affordable homeownership opportunities are strongly needed. More recently, non-profit developers of both affordable multi-family rental and homeownership housing and private property owners who wish to play a role in addressing the housing crisis have shared their development related challenges and encouraged the City of Olympia to continue our work toward reducing barriers to the creation of more affordable units. They've communicated the barriers that continue to impede the creation of affordable housing units. In response, the City is currently in the process of considering several strategies to reduce these barriers. One of those strategies is the creation of an infrastructure assistance grant program, as described in this grant application.

Additionally, more than 20 individuals representing organizations knowledgeable about creating affordable homeownership units were consulted in the preparation of the City's Affordable Homeownership Study. Actions such as providing funding for infrastructure improvements, assembling land for homeownership projects, and developing a homeownership center were among the top 10 recommendations emerging from the study.

Specific to this grant proposal, the City of Olympia and Thurston County engaged the following organizations:

Washington State Housing Finance Commission (WSHFC) was engaged to learn more about their downpayment assistance programs for low-income first-time homebuyers. City staff have gathered data on local disbursement of WSHFC downpayment assistance funds to understand local market conditions and community needs.

South Puget Sound Habitat for Humanity staff provided input that low-income, first-time Thurston County homeowners are not able to access many existing assistance programs due to rising housing prices, increasing interest rates, and inability to qualify for a mortgage loan in these market conditions. Habitat staff also provided feedback that existing homebuyer education programs provided by banks or lenders often do not have accessible content for low-income households, and there is substantial need for wraparound services to connect potential homebuyers with available resources. Lastly, Habitat identified their resource needs associated with launching a Homeownership Center.

Thurston Housing Land Trust (THLT) has provided considerable input relative to this proposal. THLT has identified their staffing needs, budget, and goals over the next five years. THLT has also shared how the land trust model can further reduce costs to homebuyers.

Rochester Organization of Families (ROOF) is an established community-based organization located in Rochester, Washington. ROOF serves low-income families with food security, after-school programming, and other basic needs. ROOF estimates that approximately 30% of their food bank clientele speaks Spanish. ROOF staff shared community needs and development constraints with Olympia staff, which has helped to inform this proposal.

CIELO serves Latinx and immigrant households in Thurston and Mason counties by providing education, counseling, and advocacy. CIELO's education team leads classes for students of all ages and advocates for educational equity. The client services team offers a path to healing for community members who are victims of crime, sexual assault and domestic violence, through mental health counseling and community advocacy. During the drafting of the Assessment of Fair Housing, CIELO staff providing rent assistance offered input regarding the housing challenges and barriers faced by the community they serve. CIELO has also indicated that, due to technological and language barriers, online homebuyer education is not accessible to the population they serve.

Thurston Asset Building Coalition (Thurston ABC) is developing and launching the Co-Buy Housing Network, in conjunction with the initiation of the Black Home Initiative conversations in Thurston County. This is a network supporting BIPOC and LGBTQIA2S+ community members with co-buying property as a more affordable homeownership pathway. The program arose from expressed interest from the community and as an identified gap in existing services. While not a program exclusively serving Black community members, this will be one space that Thurston ABC shares about relevant resources, programs, and benefits for Black homebuyers. Thurston ABC is in support of more homebuyer education courses in Thurston County.

Washington State Employees Credit Union (WSECU) recently established a special purpose credit program to benefit low-income, first-time homebuyers. WSECU is also a Black Home Initiative partner and is currently working in Thurston County with a minority-owned housing developer to identify opportunities where it can provide financing to the developer for the construction of up to 8 townhomes. WSECU and the City of Olympia have engaged in conversations intended to identify property appropriate for this development.

The Regional Housing Council (RHC) is a multijurisdictional governing body in Thurston County that allocates funding for housing and homeless response and coordinates efforts to address critical housing needs. The RHC is supportive of this grant application.

The City and Thurston County will continue our community outreach and approach programs initiated with PRO Housing funding from a place of curiosity and desire to truly make a difference in our community.

#### **D. Affirmatively Furthering Fair Housing Alignment**

The proposal presented is in alignment with affirmatively furthering fair housing requirements in multiple aspects.

1. Removing barriers to the development of affordable housing in well-resourced areas of opportunity and increase access for underserved groups.

By offering grant funds to acquire property and to construct infrastructure improvements, we will lower the total development costs incurred by affordable housing developers. Lowering development costs allows the developer to sale homeownership units at a lower cost, thereby increasing access to homeownership for underserved groups.

2. Removing barriers impeding the development of affordable housing that would promote desegregation.

While Olympia has no Racially/Ethnically Concentrated Areas of Poverty, census tract level demographic data indicates that many of the areas in Olympia with a high percentage of historical racially restrictive covenants are still predominantly white. Olympia has made significant progress in zoning changes to allow increased density in all residential zones. Construction of multifamily rentals has increased in recent years and is located primarily in areas with mixed commercial and residential zoning. Many established neighborhoods have very little buildable land and housing stock is primarily older single-family residences. Lack of affordable housing units and lack of rental units in single family neighborhoods are the primary barriers to increased integration. Access to homeownership serves as a primary mechanism to promote integration of existing neighborhoods. Acquisition of existing units and careful siting of new units will be important to ensuring that ownership activities promote increased integration. City and County will take this into consideration when considering whether to purchase a property or provide funds to a subrecipient to acquire a property and will consider whether projects will be sited in high opportunity areas, areas that have been historically racially restricted, and/or currently have low levels of integration.

3. Ensuring affordable housing will not be concentrated in low-opportunity areas or in areas that already have ample affordable housing.

Concentration occurs in areas where infrastructure already exists because the cost to construct the infrastructure is substantially higher than the cost associated with existing infrastructure. By providing funds to assist in infrastructure improvements, this proposal will make areas of the city that were previously more difficult and costly to develop more affordable and attractive to developers.

4. Addressing the unique housing needs of members of protected class groups

In Thurston County, the homeownership rate for white, non-Hispanic households is 69%, while the homeownership rate for people of color is 58%.<sup>24</sup> The homeownership rate is lowest for Black or African American households (45%). The Washington State Department of Commerce report *Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington* finds that 2,866 Black, Indigenous and People of Color (BIPOC) households would need to become homeowners in Thurston County to equal the rate of

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<sup>24</sup> American Community Survey 5-Year Estimates 2017-2021, Tables B25003, B25003a through B25003H

white, non-Hispanic homeownership.<sup>25</sup> Only 38% of single female-headed households in Thurston County own their homes.<sup>26</sup> Due to existing disparities, a higher percentage of renters are members of protected classes. Creating pathways to homeownership for renters will alleviate these disparities.

#### 5. Addressing the housing needs of people with disabilities

Disability advocates provided feedback to City of Olympia during the process of drafting the Assessment of Fair Housing that family members who care for a household member with disabilities often are forced to leave the workforce to provide support and are at risk of losing housing. Affordable homeownership could help stabilize these caregiving families.

#### 6. Addressing issues identified in our most recent fair housing plan

In partnership with Thurston County and the Housing Authority of Thurston County, City of Olympia completed a countywide Assessment of Fair Housing (AFH) in early 2023. The AFH found that people of color, people with disabilities, people who are transgender, and single mothers are more likely to face housing insecurity through risk of displacement, housing cost burden, and gaps in homeownership. These groups are more likely to experience homelessness, eviction, and are more likely to be renters than homeowners.

A survey of over 600 community members found that increasing access to homeownership was the second highest priority to increase equity and reduce disparities among protected classes in Thurston County.

#### 7. Affirmatively marketed affordable housing units

During the Assessment of Fair Housing process, staff developed a list of nearly 200 diverse community groups, which can be used to affirmatively market homeownership resources. Trusted advocates will provide resource information to their communities. Due to the barriers identified in the Assessment of Fair Housing, staff and sub-recipients will target affirmative marketing efforts to community organizations serving: BIPOC, people with disabilities, LGBTQ+ community, and low-income families. We will create and distribute program information to community contacts from identified organizations and community groups, as well as post information in community spaces with high traffic and high visibility from a diverse cross-section of the community. We will translate program materials into commonly spoken languages and will ensure that any future programs are accessible to individuals with Limited English Proficiency and disabilities. We will confer with community-based organizations to evaluate outreach and affirmative marketing efforts and readjust, as needed. These supportive outreach and financial preparation services will ensure that protected class groups that experience disparities in accessing homeownership will not be left out of opportunities funded by this proposal. In addition, a citywide rental housing registry program

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<sup>25</sup> Improving Homeownership Rates for Black, Indigenous, and People of Color in Washington: [https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022\\_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf](https://app.leg.wa.gov/ReportsToTheLegislature/Home/GetPDF?fileName=Homeownership%20Disparities%20Recommendations%20Report%20-%20FINAL%20-%20Sep2022_e0b6a028-62cf-478c-aa9b-52e5e5c66609.pdf)

<sup>26</sup> American Community Survey 5-Year Estimates 2016-2020, Table S0901

was launched this year 2024. We can utilize the registry to affirmatively market program resources to tenants and rental property owners, and to identify any potential properties for sale.

#### 8. Evaluating the effect of our proposal on promoting desegregation, expanding equitable access to well-resourced areas of opportunity, and furthering the de-concentration of affordable housing

Census tract level demographic data indicates that many of the areas in Olympia with a high percentage of racially restrictive covenants are still predominantly white, compared to other areas. While about 80% of the countywide population is white, white residents still comprise about 90% of the population in some of the identified tracts.<sup>27</sup> City staff will work with acquisition and capital funding grant recipients to ensure that homes are located in high opportunity areas, areas that have been historically racially restricted, and/or currently have low levels of integration.

City staff will collect demographic information on residents who benefit from programmatic activities to evaluate the effectiveness of this proposal's efforts to advance racial equity. Staff will monitor demographic information to ensure that outreach efforts and partnerships with community-based organizations are helping to reach BIPOC, people with disabilities, LGBTQ+ community, and low-income families. Staff will work with contracted organizations to adjust approaches or identify additional barriers, as needed.

#### 9. Other Considerations

One barrier to homeownership identified in the Assessment of Fair Housing and addressed in this proposal by homebuyer education and counseling courses is the absence of credit history or low credit scores for borrowers to qualify for a mortgage. In consultation with community advocates, credit history has been identified as a common barrier to accessing housing (both rental and ownership) for multiple protected class groups. City staff heard from advocates that domestic violence survivors often experience financial abuse, which may include a perpetrator opening credit cards or bank accounts in the survivor's name. Community members with disabilities often have medical debt. Undocumented community members lack a Social Security number, are often paid in cash, and have difficulty establishing credit history. Due to barriers and cost of the legal process, many undocumented community members do not have an individual tax identification number (ITIN) or work permit.

According to Home Mortgage Disclosure Act (HMDA) data for Thurston County, mortgage loan applications were most frequently rejected due to credit history and debt-to-income ratios.

### D. Budget and Timeline

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<sup>27</sup> Assessment of Fair Housing 2023-2027:

[https://www.olympiawa.gov/Document\\_center/Community/Housing%20&%20Homelessness/Fair%20Housing%20Assessment%20-%202023-2027.pdf](https://www.olympiawa.gov/Document_center/Community/Housing%20&%20Homelessness/Fair%20Housing%20Assessment%20-%202023-2027.pdf)



City of Olympia and Thurston County are requesting \$5,450,000 through this grant proposal. Funds will be used across the period of performance starting February 2025 and ending in September 2030. All timelines referenced below assume PRO Housing funds are available to the City beginning in February 2025.

### 1. Capacity Building Support to Thurston Housing Land Trust

We are requesting \$360,000 in PRO Housing funds to provide administrative support to strengthen Thurston Housing Land Trust. The total budget associated with this activity is \$615,125. Other funds will be secured by THLT and are anticipated to include local and state grants pursued by THLT volunteers and staff as well as funding generated by the sale of properties under THLT's management to the organization's clients.

An agreement for this activity could be executed by April 2025 and funding draws could begin as early as May 2025 with funds being drawn through December 2027. An award of 50% of this request would support THLT's Executive Director in project-specific activities through mid-2025 and would fund a part-time Project Manager through 2026 rather than a full-time Project Manager through 2027.

### 2. Capital Funding to Create and Preserve New Units

We are requesting \$3 million for use toward property acquisitions and infrastructure improvements. Of this, \$2 million will be directed at property acquisitions and \$1 million at the infrastructure grant program. These activities will be completed with whatever funding is available to us, meaning there is not a minimum amount of funding needed for us to conduct these activities.

City of Olympia is currently considering a 1% utility rate increase, which would generate approximately \$295,000 annually, as additional seed money into the infrastructure grant program. This proposal has been reviewed by the City's Land Use and Environment Committee of the City Council but has not received full Council approval yet. The City of Olympia and Thurston County could be ready to utilize PRO Housing funds for this activity as early as April 2025. Funds would be used throughout the period of performance beginning in April 2025 and ending in September 2030 or until funds have been exhausted, whichever occurs first. If we were to receive 50% of our request for these activities it would impact only how many affordable housing projects we are able to incentivize or support. More funding will support a greater number of projects and greater number of new units.

### 3. Homebuyer Support

Homebuyer support in the form of homebuyer assistance to buy down mortgages and homebuyer education and counseling courses provided through a Homeownership Center will cost a total of \$3,238,288 over the period of performance. We are requesting \$1.782 million for this activity.

#### a. Homebuyer Assistance

We are requesting \$1 million to establish a Homebuyer Assistance program. Funding will be provided to Thurston County via a sub-recipient agreement. The County will in turn



execute a similar agreement with Washington State Housing Finance Commission. A Homebuyer Assistance program could be in operation as early as May 2025. The period of time between receiving a PRO Housing award and May 2025 will be needed to establish policies and procedures to guide the program. However, because WSHFC administers similar programs with federal funding for other Washington state jurisdictions, we are confident those jurisdictions will be great resources in helping us establish Thurston County centric guidelines.

Funds received for this activity will be used through the period of performance or until they are exhausted, whichever comes first. These activities will be completed with whatever funding is available to us, meaning there is not a minimum amount of funding needed for us to conduct these activities. The more funding that is available, the greater the number of homebuyers who will benefit from this activity. However, if 50% of the funding is made available, the total amount of assistance available per homebuyer will likely have to be reduced from \$65,000. Alternatively, the program's income limits could be expanded to provide assistance to households with incomes up to 80% of area median income as opposed to 60% of area median income.

#### b. Homebuyer Education Courses

We are requesting \$782,000 to be used through September 2030 to provide homebuyer education courses and operate a Homeownership Center. Funding will be provided via a sub-recipient agreement executed between City of Olympia and South Puget Sound Habitat Humanity as soon as May 2025. The total cost to establish and operate the Center from early 2025 through September 2030 is estimated to be \$2,238,288. PRO Housing funds will support 100% of one-full time education specialist's salary, 80% of one-full time pre-purchase counselor's salary, 80% of one full-time marketing manager's salary, 80% of costs incurred to offer training, 50% of fuel and building maintenance costs, 100% of program supplies, 100% of printing and media costs, and 10% of office leasing costs. This equates to an average of \$130,178 of PRO Housing funds dedicated to the Homeownership Center annually. Supplementary funding sources necessary to operate the program are anticipated to originate from other state and federal grants and earned income from program activities.

If this activity is not funded as requested the services offered and outcomes expected will be scaled. The minimum amount of PRO Housing funding necessary to conduct this activity as proposed is \$362,601. This will cover 80% of the salary of an education specialist, 80% of training costs, 100% of program supplies, and 100% of printing and media costs to market the program.

#### 4. Administrative Funding

The City and County are requesting \$308,000 (5.6%) of the total grant request to administer the activities outlined in this proposal. Staff administration will include managing sub-recipient agreements; tracking outputs and outcomes; managing the capital acquisition process, to include preparation and legal review of documents such as Purchase and Sale

Agreements and restrictive covenants; processing sub-recipient's draws for funding; reporting to HUD on performance measures and use of funds; participating in HUD, state or other audits; and drafting legal documents and/or code revisions or other necessary legal matters related to implementing and carrying out the activities proposed herein.

## **Exhibit E: Capacity**

The City of Olympia and Thurston County have dedicated program staff from their respective housing teams to administer PRO Housing funded activities.

### **A. Applicant Experience**

#### **1. Experience Managing Similar Projects**

The City of Olympia and Thurston County work closely together on a regular basis. Staff meet weekly to discuss housing and homeless related issues and opportunities for collaboration under the Regional Housing Council's purview. The jurisdictions frequently collaborate. However, because the City currently has greater staff capacity than the County to take on implementation of new programs and management of significant federal grant funding, the City of Olympia is the lead agency in the Olympia/Thurston County multijurisdictional entity and is the writer of this grant proposal.

The City's Housing and Homeless Response team will be responsible for ensuring compliance with PRO Housing regulations for all activities proposed. Olympia will directly manage contracts for funds provided to Thurston Housing Land Trust, applied toward property acquisition in City of Olympia, used to reduce the out-of-pocket cost to developers for infrastructure improvements, and provided for homebuyer education. Thurston County will be the sub-recipient of funds intended for property acquisitions in unincorporated Thurston County and funds used for homebuyer assistance. The Olympia Housing and Homeless Response team is comprised of five full-time housing staff and four homeless response staff. We are supported by a City Manager, City Council, and legal staff who understand the need to be quick and nimble when establishing affordable housing programs. Staff have confirmed the City's legal authority to implement all activities proposed in this application.

##### **a. City of Olympia**

The City of Olympia has substantial experience in managing a wide variety of community development projects similar in nature to the ones proposed in this grant application. As described elsewhere in this application, the City has several examples of innovative approaches leveraging publicly owned property into affordable housing developments. In each of these projects the City has purchased property; identified a non-profit developer through a competitive procurement process; executed a real estate purchase and sale agreement outlining the timeline and conditions of the sale of the land to the developer and the end use of the land; worked closely with the developer to pursue cost savings within the City's control, such as impact fee exemptions and parking exemptions; and assisted, where needed, with identifying and pursuing state and federal

financing for the projects. These projects are anticipated to start construction in 2025 and be available to low-income households within eighteen months.

Another project managed and implemented by the City's Housing and Homeless Response Team is a state-wide initiative known as the Encampment Resolution Program. Over the last year, the City's Housing and Homeless Response Team has been working regionally with other Thurston County jurisdictions, service providers, and state agencies to implement Washington State Governor Jay Inslee's Encampment Resolution Program. During this time, the City has used trauma-informed practices to permanently shut down encampments along state right-of-way properties and relocate dozens of formerly homeless residents from encampments to permanent supportive housing sites.

Other examples of the City's Housing and Homeless Response Team's project portfolio include renter protection policies and a rental registry; fair housing education, anti-displacement and homeownership studies; office-to-residential conversion development, affordable housing development incentive programs which decrease development costs such as impact fees; and a CDBG-funded rental rehabilitation program which includes an existing portfolio of nearly \$3,000,000 in improvements to local affordable rental housing.

## 2. Experience Using Grant Funds

All entities involved in the implementation of activities proposed in this application have experience managing local, state, and federal grant funds.

### a. City of Olympia

The City of Olympia is the recipient of many federal and state grants, with a clean audit history, proving to have effective processes in place to properly administer large grants. The City has dedicated financial grants managers who work closely with partnering government agencies to meet compliance requirements. This project proposal has been discussed with all administrative support staff to ensure capacity and comfort with implementation needs

The City of Olympia serves as an entitlement community for CDBG funds from the U.S. Department of Housing and Urban Development (HUD). Olympia has been an entitlement community since 1982, distributing over \$15 million in CDBG funding during that time. The City participated in the Section 108 Loan Guarantee Program in 2012, leveraging its entitlement award for a \$1.2 million loan for economic development activities. The City has completed a variety of eligible activities with CDBG funding and has subject matter expertise in acquisition, rehabilitation, public facilities improvements and public services.

The City of Olympia, in partnership with affordable housing developers, has been successful in the last two years in securing Connecting Housing to Infrastructure Program (CHIP) grant funds from the Washington State Department of Commerce.

CHIP was created in 2021 to partially fund utility connections for affordable housing projects. One of Olympia's CHIP grants was secured for a multi-family rental project. Another was secured for a homeownership program. The City is the direct recipient of these grant funds. The City then disburses the funds as a reimbursement issued to the developer via funding draws. The City of Olympia's infrastructure assistance grant program will be structured after CHIP, therefore allowing the City to swiftly enact the program.

In 2023, the City of Olympia's Housing Team was chosen to be one of five communities to participate in the Peer Cities Network cohort through the Housing Solutions Lab at the NYU Furman Center. Olympia staff received technical assistance to further its efforts to encourage office-to-residential housing adaptive reuse. That same year, the City's Housing Team in partnership with its Climate team won a cash prize from the U.S. Department of Energy's Buildings Up! Program. The City is utilizing this cash prize to provide meaningful technical assistance to property owners who provide affordable rental housing in order to significantly improve the energy efficiency of existing rental housing stock while reducing energy burdens, as well as health and safety risks, for low-income tenants.

#### b. Thurston County

Thurston County also serves as an entitlement recipient of federal CDBG and HOME Investment Partnership Program funds. Thurston County has participated in the CDBG program as an Urban County since 2013 and has signed agreements with the cities of Lacey, Tumwater, Rainier, Tenino, and Yelm and the Town of Bucoda to comprise the Urban County. Thurston County has a signed Interlocal Agreement with the City of Olympia to form the HOME Consortium in which Thurston County is designated as the Responsible Entity. In total, since 2005, Thurston County has successfully managed \$27.8 million in combined CDBG and HOME funds.

Additionally, in response to the COVID-19 pandemic, Thurston County received direct allocations from the U.S. Department of the Treasury under the Emergency Rental Assistance programs (ERA-1 and ERA-2) for approximately \$15.9 million. Thurston County also received \$28.4 million in ERA-1 and ERA-2 funding through the Washington State Department of Commerce. Thurston County effectively managed and distributed these funds while meeting all deadlines and requirements for expending these funds.

In managing these funds, Thurston County's Office of Housing and Homeless Prevention (OHHP) has overseen a wide variety of projects, including affordable homeownership, new construction of single-family and multi-family units, homeowner rehabilitation, infrastructure improvements, homebuyer assistance, and the construction or rehabilitation of community facilities.

c. **Washington State Housing Finance Commission**

Washington State Housing Finance Commission is a self-funded state agency which has extensive experience managing programs funded with local, state, and federal grant funding sources. The Commission currently administers down payment and homebuyer assistance programs utilizing federal and local funding on behalf of the Washington state communities of Clark County, City of Bellingham, and ARCH East King County. Additionally, the Commission administers and manages the State's 4% and 9% Low Income Housing Tax Credit programs.

d. **South Puget Sound Habitat for Humanity and Thurston Housing Land Trust**

South Puget Sound Habitat for Humanity and Thurston Housing Land Trust have both received local, state, and federal grant funding to produce affordable homeownership units.

3. **Leadership Capacity and Key Staff**

City of Olympia will be the recipient of PRO Housing funds and will sub-contract with Thurston County and other identified partners to carry out the scope of the proposal.

a. **City of Olympia**

The City of Olympia has five full-time staff members dedicated to affordable housing. PRO Housing will primarily be managed by three key staff. Their scopes of work include a variety of duties, however, all are tasked with eliminating barriers to affordable and stable housing. City staff will be responsible for ensuring compliance and performing reporting duties, among other administrative tasks.

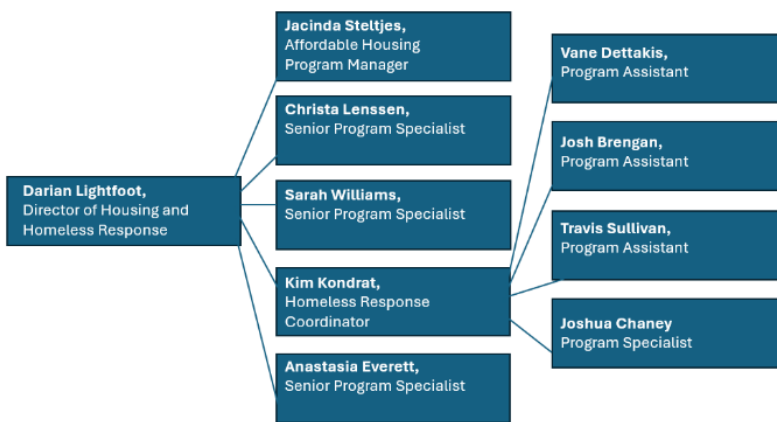
**Anastasia Everett**, Community Development Block Grant Program Manager, leads the City's compliant and robust CDBG Program. She has worked with the CDBG program for four years at the City of Olympia. Understanding that the PRO Housing grant aligns very closely with CDBG, Anastasia brings in-depth knowledge of regulations and federal requirements. She will help ensure the grant is administered appropriately and meets the identified National Objectives. Anastasia has experience with federal cross-cutting requirements such as environmental review, BABA, Section 3, 2 CFR 200, and Davis Bacon and Related Acts. She has also built partnerships with local nonprofits and the City's Climate program to creatively advance climate justice and equity to low-and-moderate income residents in Olympia. Anastasia is skilled at compliantly completing substantial amendments to HUD plans, fulfilling all public participation requirements, and ensuring milestones are met according to project scopes. She is comfortable course correcting if situations arise that require subrecipient mediation.

**Jacinda Steltjes**, Affordable Housing Program Manager, works primarily on housing development and cross-jurisdictional projects. She oversees the City's affordable housing development incentive programs and works closely with

nonprofit and for-profit developers, City planning and permitting staff, and economic development staff to bring housing projects to fruition. Jacinda oversees the City’s grant agreements with the state for CHIP funding and is the City’s point of contact for the Regional Housing Council. Jacinda is the City’s staff lead on capital acquisition projects for affordable housing. She has experience managing CDBG, HOME and other federal, state, and local affordable housing funding sources. She has experience with cross-cutting regulations, including NEPA requirements, and managing large affordable housing capital projects. Jacinda is certified through the Grow America Fund as an Affordable Housing Development Finance Professional and has spent her 13-year public service career working in the fields of community development, economic development, and affordable housing.

**Christa Lenssen**, Senior Housing Program Specialist, leads the City’s efforts on tenant protection policies and fair housing efforts. Prior to working at the City, she managed an eviction defense clinic for tenants (including residents of manufactured home communities) and worked in fair housing. Her fair housing experience includes leading testing investigations at a FHIP agency, providing education, outreach and technical assistance, and conducting investigations and enforcement at a statewide FHAP agency. She led the region’s efforts to update a countywide Assessment of Fair Housing in 2022. Christa recently led the City’s efforts to complete the Affordable Homeownership Study. She is currently working on efforts to identify anti-displacement strategies and efforts to reduce racial disparities in the City’s Comprehensive Plan.

## Housing and Homeless Response Team



### b. Thurston County

**Tom Webster**, Senior Program Manager for Thurston County’s Office of Housing and Homeless Prevention, has 30 years of experience in affordable housing. Tom



has been with Thurston County for 8 years, and for the first four years he was directly responsible for managing the County's HOME and CDBG programs. Prior to joining the County, Tom worked for ICF International for 18 years where he provided technical assistance on a wide variety of HUD programs, with a focus on Healthy Homes, Lead Safe Housing Rule and the HOME program.

**Alex Persse**, Thurston County Affordable Housing Program Manager, is responsible for managing the County's CDBG program, HOME Investment Partnership program, and other state funding sources for affordable housing activities. Alex's experience includes navigation of federal cross-cutting requirements such as environmental reviews, BABA, Section 3, 2 CFR 200, and Davis Bacon and Related Acts. She also has key experience in meeting HUD requirements in the management of federal grants, including but not limited to eligibility, contracting, timeliness, and reporting. Alex has worked with federal HUD funds for three years. Thurston County will work with WSHFC to leverage the organization's institutional policies and processes used for similar homebuyer assistance programs so that a homebuyer assistance program benefitting Olympia and unincorporated Thurston County homebuyers can be stood up quickly. Outreach and community engagement will fall primarily to the City of Olympia and Thurston County and will be folded into our robust communications options including e-news, social media, blog posts, video clips, website, city council announcements, and other strategic approaches.

#### c. Washington State Housing Finance Commission

**Dietrich Schmitz** is Washington State Housing Finance Commission's Down Payment Assistance Program Administrator. Dietrich administers a handful of down payment programs offered by the Commission. In this role, Dietrich underwrites down payment assistance loans made to first-time, low-income homebuyers utilizing the Commission's down payment assistance program. He also administers down payment and homebuyer assistance programs funded with federal and local sources on behalf of several other Washington state jurisdictions. Dietrich has a background in private lending and is experienced underwriting loans and grants. He has been employed in his role with the Commission for more than 10 years.

## Exhibit F: Leverage

The proposal presented requests a total of \$5,450,000 and offers a total of \$3,538,844 in committed leveraged funds.

### A. Thurston Housing Land Trust

The \$362,000 requested to increase the capacity of Thurston Housing Land Trust will be leveraged with a commitment of \$269,125 funds provided by THLT.

### B. Capital Funding

The \$3 million requested for use toward acquiring properties for affordable housing and providing funds to cover infrastructure costs will be leveraged by \$1,770,000 (\$295,000 over a

six-year period) committed by the City of Olympia. Properties purchased will be accompanied by the non-financial contribution in the form of a Purchase and Sale Agreement in Olympia and sub-recipient agreement in Thurston County ensuring the property is used for affordable housing. Additionally, a restrictive land use covenant ensuring the property remains in use as a permanent affordable housing property for a minimum of 20 years, in accordance with HOME Investment Partnerships Program affordability period standards, will be executed for all properties purchased. In Olympia, the period of affordability will align with other affordable housing incentive programs operated by the City and will likely extend far past the 20-year HOME required affordability period. Lastly, it's reasonable to anticipate that property acquisitions may be leveraged by an unknown amount of funding originating from a non-profit affordable housing developer. We anticipate this will especially be true where properties are purchased in Grand Mound, Rochester, or unincorporated Thurston County.

### C. Homebuyer Resources

The \$1.782 million requested for homebuyer resources will be leveraged by \$1,499,719 from South Puget Sound Habitat for Humanity and Washington State Housing Finance Commission.

#### 1. Washington State Housing Finance Commission

WSHFC will dedicate five hours at a rate of \$60 per hour per Thurston County transaction. This time will be spent ensuring homebuyer eligibility for the County's homebuyer assistance program and underwriting the grant. We anticipate assisting 15 homebuyers. As such, WSHFC will leverage PRO Housing funds with \$4,500 of its own administrative funding (75 administrative hours x \$60 per hour). Additionally, it's anticipated that each of the 15 homebuyers benefitting from Thurston County's homebuyer assistance program will access \$15,000 in down payment assistance from WSHFC. As such, WSHFC will leverage PRO Housing funds with a total of \$225,000 in down payment assistance funding. In total, WSHFC will leverage PRO Housing funds in the amount of \$229,500. These are funds already secured by WSHFC, which is a self-funded state agency.

#### 2. South Puget Sound Habitat for Humanity

Habitat for Humanity will contribute \$1,270,219 toward its Homeownership Center. Some of these funds will be earned income from program operations. Other funds will be secured by Habitat.

### D. Administration

Pro Housing grant funds will partially support the salaries of housing staff working on the activities proposed herein this grant proposal and identified in the Capacity section of this proposal. The \$308,000 requested to support administrative activities will be leveraged by City of Olympia and Thurston County funds dedicated to supporting the staff identified within this grant proposal.

## Exhibit G: Long-term Effect

The activities proposed will have both short-term and immense long-term impacts regionally. They will increase housing supply and create pathways for households to achieve affordable, stable housing.

Capacity building support to Thurston Housing Land Trust will increase the number of developers in Thurston County who are consistently building and preserving affordable homeownership opportunities. Due to the lower payments required for homebuyers to purchase THLT homes under the land trust model, low-income homebuyers will have additional funds available to invest in education, healthcare, and other resources for their families. By building the capacity of THLT, Thurston County will increase its affordable homeownership supply by 10 units in the short-term. However, as these initial homebuyers build equity and grow their household wealth they will likely eventually move on to other homes. THLT's resell approach ensures these 10 units will continue to be affordable long-term to future low-income households. Meanwhile, PRO Housing funding will support the staffing necessary to better position THLT to compete for funding opportunities, acquire properties and continue expanding their portfolio.

PRO Housing funds used to acquire properties for use as affordable homeownership will reduce development costs associated with constructing new and preserving existing affordable homeownership housing. Properties purchased in Grand Mound and Rochester will add much needed housing stock and help prevent low-income households from being displaced as the population grows rapidly. Restrictive covenants accompanying property acquisitions will guarantee the properties are affordable for a minimum of 20 years and in many cases in perpetuity. Similarly, funds invested in infrastructure improvements will reduce development costs of projects that are already in the planning and construction phase as well as encourage future projects that will no longer have to bear the burden of installing wide-spread infrastructure. This is anticipated to encourage development in areas of the city that are underutilized.

By providing homebuyer resources more households will be able to access homeownership earlier and begin accruing equity sooner. Access to affordable homeownership will provide housing stability, opportunities for economic growth and create equity that leads to intergenerational wealth. Homebuyer education and counseling courses offered in partnership with community-based and by-and-for organizations to affirmatively market culturally relevant and accessible homebuyer resources will reduce disparities between racial and ethnic groups. During the course of the grant, it's anticipated that South Puget Sound Habitat for Humanity will offer 86 homebuyer education courses benefitting 516 households and provide HUD certified homebuyer counseling to 181 households. A minimum of 15 homebuyers will benefit from homebuyer assistance administered by Washington State Housing Finance Commission. The homebuyer assistance program will operate under a recapture model so that if homebuyers benefitting from our funds sell their home before the affordability period (20 years) expires we will recapture the funds. Those will go toward future affordable housing activities in our community.