



December 13, 2012

Stephen Buxbaum
Mayor
City of Olympia
Olympia City Council
PO Box 1967
Olympia, WA 98507-1967

Steve Hall
City Manager
City of Olympia
900 Plum Street, SE
PO Box 1967
Olympia, WA 98507-1967

Re: Mercy Housing Northwest Proposed Senior Housing
Columbia Street NW and State Avenue NE

Dear Mayor Buxbaum and Mr. Hall,

Mercy Housing Northwest (“MHNW”) is pleased to present our proposal for a senior housing development in downtown Olympia. We believe that a thoughtfully conceived, attractive multifamily housing development in this location will assist the City in activating the block and serve as an important catalyst in the City’s larger downtown redevelopment strategy.

MHNW proposes to construct a five-story residential apartment community that incorporates New Urban Design and Evergreen Design (sustainable building) Standards on property currently owned by the City of Olympia located at Columbia Street NW and State Avenue NE. MHNW’s proposed project would include approximately 52 units of senior housing. This development would activate the ground floor with the inclusion of approximately 1,300 sf of commercial space along with MHNW management and community space. The project would include approximately 14 parking spaces, accessed off of the mid block alley or Columbia Street. Consistent with New Urban Design principles, the parking would be screened from view from either Columbia Street or State Avenue.

This new, high quality housing would be affordable to seniors earning 50% of median income or less. MHNW has developed and manages eight senior housing properties in urban, suburban and rural locations around Washington State. We are confident of the demand for this housing based on our preliminary market assessment and our experience with other senior affordable housing projects. Given the projects proximity to the Olympia Center, operated by Senior Services of South Sound, and MHNW’s long experience providing a wide range of highly desirable services to our senior residents, we believe that this housing will be particularly attractive to seniors.

Mercy Housing Northwest

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LIVE IN HOPE



Mercy Housing Northwest is a component of Mercy Housing, a nationally-recognized nonprofit housing provider. We operate more than 16,000 affordable apartments in the country. Mercy Housing Northwest has owned and operated affordable housing in the City of Olympia for nearly twenty years, with a total of 154 apartments. We completed a renovation of our Evergreen Vista 1 property last year, and we have a set of robust service partnerships that provide opportunities for residents there to strengthen their financial stability, for the children to succeed in school and to improve health and wellness. Olympia is a wonderful community, and we are very interested in expanding our presence there.

This letter and the attached project summary are intended to describe what we think is a feasible and attractive project. To develop affordable housing in this location and in this funding climate will require support and collaboration between MHNW and the City of Olympia, so we are hoping for feedback on the specific proposal, but also looking for opportunities to familiarize other members of the City Council with our organization, so we would welcome an opportunity to provide a tour of Evergreen Vista Apartments or a senior housing development such as our new, 75-unit senior complex in Tacoma.

We examined the possibility of a mixed income development that would include market rate housing. However, it is not economically feasible to include market rate units in a project of this size in this location. We intend to utilize Low Income Housing Tax Credits (LIHTC). The equity we receive from LIHTC will cover up to 70% of the total development costs. The market rate units would not be tax credit eligible and therefore would not generate tax credit equity. Without the tax credit equity, the market rate units can not generate sufficient financing to cover related development costs.

As the project's cash flow will be constrained due to the public funder restrictions on rent level, we propose that rather than providing the City with an annual Payment in Lieu of Taxes, we would generate revenue for the city by purchasing the site from the City for \$200,000 with the value to be supported by an appraisal. The City would be responsible for any necessary environmental clean-up prior to MHNW taking title to the site.

Our financing structure will incorporate Low Income Housing Tax Credit (LIHTC) Equity, State Housing Trust Funds and city/county administered housing funds. If we secure site control and some financial commitment for housing funding from the City, we believe that the Olympia Senior Housing project would be highly competitive with the State Housing Trust Fund and for a tax credit allocation.

We anticipate requesting City and County support in the form of a HOME/CDBG subordinate loan to support the housing development. Based on our preliminary budget, we estimate the local funding need to be approximately \$550,000. We would also be interested in discussion with the appropriate staff person about a Section 108 loan to see if our commercial space would be an eligible and priority use for that source. The availability of city and/or county housing funding is key to the capital structure and also demonstrates necessary local support for the project in the Housing Trust Fund and Low Income Housing Tax Credit award processes.

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We just learned last week that the state legislature is likely to select specific projects for the 2013-2014 biennium this spring. We had anticipated that this might happen for 2013 awards, but the approach that the House Budget Chair has taken of seeking to select projects for the next two years is a surprise to all users of the Housing Trust Fund. The State Department of Commerce has invited Stage 1 applications for any project that could be ready in 2013 or 2014 by Jan 7, 2013, and they will provide a recommended list to the legislature by the end of January.

We had not followed up immediately after our site visit because we were thinking that the city site in Olympia would not be ready for 2013, but would line up well for 2014. With this new wrinkle, if we want to be positioned for the 2014 HTF round, we would need to submit a Stage 1 application for the City site in just a few weeks. We apologize for not generating this proposal sooner. We are prepared to do a Stage 1 application for this project in early January. But, we also will defer to a longer timeline if you feel that such a submittal is premature.

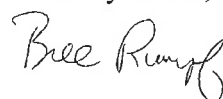
We are still waiting for specifics of timing from Commerce, but our current draft timeline is that we would work with you towards an agreement that establishes site control by May 2013 which provides sufficient time to prepare a Housing Trust Fund Stage 2 application this summer. Our plan will also require coordination on the City and County HOME & CDBG funding cycle to secure funding awards prior to submitting our Stage 2 Trust Fund application. With site control and funding commitments in hand, we would be prepared to submit a Low Income Housing Tax Credit application in January 2014. If we receive state HTF funds for the 2014 year, the development dates would be extended a year, but we would still need to secure site control to be competitive for the state funds.

Following a receipt of a 2014 Tax Credit allocation and site clean-up, we would break ground in July 2014. Following an 11 month construction schedule, senior residents would be moving into their new apartment homes in Downtown Olympia in June of 2015.

Best wishes for the holidays. We look forward to advancing the discussion in the New Year and moving ahead with the Olympia Senior Housing project.

We would be pleased to address any questions you may have. You may contact me at (206) 838 5700 ext 17 or Alisa Lubert at (206) 838-5700 ext 19.

Sincerely Yours,



Bill Rumpf
President

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