Olympia Homeownership Strategies Project
Land Use and Environment Committee Work Session
Briefing Document
February 21, 2024

ORDERED ACTIONS – 2024-2025
Top Ten Prioritized Recommendations

Action steps	Desired Purpose/Key Objectives	Suggested Timing/Notes/Comments	Impact/Resources Needed/City Costs
1. Engage other public entities and large employers in affordable housing land acquisition/donation options, including planned strategies for homeownership. Rationale • School district has unused property in a period of consolidation; self interest in affordable housing for staff. • Port has the ability to provide/acquire land and fits mission and has existing precedent.	• Share goals and strategies and explore opportunities to identify and target land for affordable housing. • Explore concrete engagement with the Black Home Initiative (BHI), following up on our December meeting their expressed interest in exploring a partnership. • Include OSD, the Port, LOTT, HATC, TESC, and possible other players. • Land leases	• Convene Spring 2024 meetings with Olympia School District, Port, State, Providence, etc. to discuss property options. ○ Ports have authorized interest to promote workforce development, of which housing is a current priority need. • Convene follow up meetings with BHI to gain their resources and help assessing opportunities in Thurston.	• **Absolutely necessary as currently lots of talk and hand wringing but no coordinated engagement, planning or concrete action.** • Staff time or contracted organizing and follow-up.
2. Complete an updated developable, vacant lands inventory across the City. Rationale • Necessary to better understand and pursue opportunities. • Will support affordable housing developers of all stripes.	• Create a clear map of available vacant land for further select research and action. • Include and identify all public sources such as City, Port, County, State, and School owned along with private lands. • Promote expansion of the inventory to RHC partners.	• City staff or TRPC contract – early 2024. • Vacant lots owned privately – use County GIS/Assessor office or TRPC. • Narrow down likely property criteria for homeownership • Track lots in foreclosure or with tax liens.	• **Currently not available – critical for all affordable housing work.** • TRPC or Assessor Office contract – estimated $20,000.

		• County Treasurer lists properties with back taxes [Real Property Foreclosure Tax Sale Information | Thurston County (thurstoncountywa.gov).](#)	
3. Aggressively assemble land for future deals. ○ Explore church owned possibly surplus properties. ○ Link appropriate Parks development with affordable housing along the lines of the Boulevard project. ○ Engage HATC in using their bonding capacity for acquisition. Rationale • Land control and acquisition is a significant input City can use for affordable housing.	• Engage willing lenders (like OlyFed or WSECU) to provide under market financing. • Join WSHFC LAP funds for long-term 1% loans with balloon payment as an acquisition financing tool; loan provides up to 80% cost. • Engage the Port and appropriate other public entities as acquisition partners.	• Explore using HTF or HFC LAP funds for initial new acquisitions. • Set clear targets for funding and acquisition each year. • Fund annually. • Send marketing outreach letters with follow up personal communication to target property owners. • City forgives fines and penalties and excuses city liens when landowners sell to affordable housing developers.	• **Critical City input to affordable housing moving forward.** ○ **High yield/low risk** • **Seek to fund in 2025 and beyond. Use land bank commitment to pursue HTF and LAP funds** • $1m minimum recommended per year funding for land bank. • TBD – RHC role.
4. Engage willing private sector realtors, builders and lenders to explore/forge innovative starter home project deals – provide incentives such as land, infrastructure funding, tax credits, zoning/permitting enhancements. [See Starter Home section page 8] Rationale • The private sector builds housing. • The sector is not deeply engaged and listened to re affordable housing.	• Educate key stakeholders as to City goals and desired outcomes regarding LMI affordable homeownership. • Identify interested partners in possible projects. • Gain feedback and engagement on the ways and means of these objectives. • Work with willing lenders to modify and improve loan LMI options and boost LMI homebuyer coordination. • Use private industry intel more effectively.	• Establish a multi-sector advisory group to support/guide the development of more equitable and inclusive homeownership via Starter Homes development model. ○ Spring 2024 • Collaborate with OMB to find and engage willing builders and developers -- make it about action, not simply advisory.	• **Potential high impact to develop strong path resulting in more affordable starter homes using less or no public resources.** • Opportunity to engage Habitat/THLT in development partnerships. • Staff time or contract ($20 – 40,000) • Participation by CP&D and Housing necessary.

• Sector members understand the problem, and many want to help forge solutions.	• Organize work team around Starter Homes model project.		

5. Develop a "starter home" strategy and attendant ordinance to reduce impact fees and other costs to incent new homes of a certain size (eg; 1400 SF) and decrease sale prices.
[See Starter Home section page 8]
 	
Rationale
• Significant barriers are present for desired starter home development.
	• Possible model project(s) with private and nonprofit sectors engagement.
	• Simplify town homes, cottages, manufactured homes, etc. development options and provide speedy planning and permitting support and incentives with concierge staff support.
	• Decrease impact fees, provide infrastructure cost incentives and funding, simply engineering and design standards.
		• Actively engage interested private developers/builders in multiple pilot projects.
		  ○ Modern manufactured home community using coop and/or land trust approach.
		  ○ Dense townhouse or coop multi-plex development.
			• **Potential high impact - Highly recommended toward goal of "breaking the log jam" of no affordable starter homes beyond limited nonprofit output.**
			• Staff or contracted expertise.
			• Funding TBD based on projects.

6. Develop concrete plans and ordinances to lower the cost for identified LMI homeownership development projects. [See Starter Home section page 8] Rationale • Reducing infrastructure and other fees for designated uses is critical to affordability. • Enable lot splitting more easily.	• Provide infrastructure cost waivers or funding; Pursue state CHIP Grants. • Waive system development charges (LOTT has a discount, impact fees already reduced 80%), utility connection fees, frontage improvement costs for LMI home projects. • Allow lot more liberal splitting – enabling properties to be easily split into smaller lots so that when infill occurs, the new units can be owned. • Increase manufactured homes, tiny house or moveable modulars allowances.	• Ongoing. • Assess actions and implement throughout the year. • Market availability to developers and builders. • City has applied for state CHIP infrastructure funds in the last few years. • Thus far, has only been used for multi-family, non-ownership projects. • Formalize concierge liaison role with CP&D and Housing. • Legislature may pass significant lot splitting bill; HB 1245 just passed House.	• Use Starter Home project as learning pilot. • Staff time – CP&D. • Possible City/regional/state funds. • If not passed by Legislature, use lot splitting HB 1245 as guidance. • Overhaul subdivision ordinance and standards.

7. Require projects using land owned, controlled, or passed through the city or purchased with city assistance to use permanent affordability methods such as trust-ownership, asset stewardship clauses, city right-of-first refusal, covenants, or other mechanisms to prevent/limit market-rate resale. <u>Rationale</u> • Codifies and ensures permanent affordability where City resources are invested.	• Pass an ordinance or add to contract language that formalizes existing practice and assures permanent affordability for housing projects with significant City financial inputs.	• Spring 2024 • Currently, City property that is provided to developers for affordable development (i.e. LIHI's Martin Way phases, TWG/IFW's 303 Franklin, LIHI's Franz Anderson, SPS Habitat's Blvd.) have a clause in the purchase and sale agreement and a restrictive covenant that is recorded to requires the property is used for affordable housing in perpetuity.	• **Easy to complete given existing practice** • Clarifies and codifies existing good practice and makes affordability permanent.
8. Scope out and develop plans to create and fund a local nonprofit Home Ownership Center. <u>Rationale</u> • Current financial education and homebuyer prep classes and coaching are scattershot and of minimal impact except for a few. • Existing online opportunities are not coordinated nor well marketed in our Thurston region. • Forms the first steps in preparing and developing a pipeline of future low and moderate income (LMI) homeowners.	• Services will include credit repair, financial education and savings counseling, homebuyer preparation, mortgage readiness and application prep, etc. • Scope ways and means to launch – meet with prospective state and local partners and providers. • Pursue funding partners and grants. • Provide specific pathways for which LMI (and potentially all) residents can receive direct assistance. • Engage Black Home Initiative on their offer to explore spreading their well-organized resources to Thurston.	• Develop business plan and scope out • Spring 2024. • Seek regional support and funding. • Procure a dedicated and high caliber lead organization. • HUD PRO grant proposal lays out the case, plan and budget to create Home Ownership Center.	• **Meets important gap – only worth pursuing if partners and funding is available – best regionally.** • High impact once up and running and appropriately funded; broad community value. • Scope out options and needs with local nonprofit, financial and other providers. • Low cost, assuming staff time is available; small contract to scope out through existing provider is also possible. • Staff time or contracted. • $150,000 to start via RFP.

9. Research, develop ordinance and adopt a right-of-first-refusal law (TOPO) for residents' purchase option.
• Recommend starting with an ordinance covering 10 units or more.
[See TOPO Considerations below page 9]
 	
Rationale
• Innovative approach to turn renters (or other LMI community residents) into owners in the building where they are living.
	Provide two possible avenues for ownership transition:
	• For residents, allows tenants a period of time (eg; 45-90 days) to make the first offer in the event of the owner's planned sale of their multi-unit building.
	• For the City, the ordinance could also allow them or a nonprofit partner to have first refusal on the sale as well and then sell to LMI residents.
		• Legal and financial expertise and coaching capacity required to guide possible owners through the process of buying and owning a property.
		• Use of the coop and land trust models can support ongoing affordability structures.
		• Tenant Opportunity to Purchase | City of Takoma Park (takomaparkmd.gov)
		• Comparison of TOPO in the District of Columbia and Maryland (mdlta.org)
		• Process steps example: TOPA - 5 or More Units
		• Lessons from 20 Years of Enabling Tenants to Buy Their Buildings — Shelterforce
			• **Easy to implement (besides potential owner-class pushback)**
			• **Results will be uneven and uncertain over time.**
			• City can pass an ordinance based on other small city versions – like Takoma Park, MD.
			  ○ Chapter 6.32 TENANT OPPORTUNITY TO PURCHASE* (codepublishing.com)
			  ○ MONTGOMERY COUNTY CODE, CHAPTER 11A, SEC. 11A-3 RIGHT OF FIRST REFUSAL TO PURCHASE RENTAL FACILITIES - REGULATIONS (amlegal.com)
			• Preferred City low-cost option of letting others – nonprofit support organizations and the market work with residents to pursue resources and expertise for making and getting lending for the purchase.

10. Develop a pre-development revolving loan fund business plan, ordinance and fund sources. Rationale • Critical first step for affordable housing development.	• Assistance could include property identification, grant applications, inspections, environmental/archaeological assessment, earnest money, selecting contractors, facilitating planning issues and permitting requirements, referral and negotiation with lenders, etc.	• Leads: Housing and CP&D • March 2024 • Use pre-development fund for contracted expertise to affordable housing developers.	• **Important impact for all affordable housing nonprofits – could be put off until 2025** • $500,000 to create initial revolving fund. • $100-500,000 average project. • Can be reimbursed by eventual construction loan and or grant.

• Not an easily available resource for project developers. • Nonprofits need expertise to assemble the plan and financing and then hire out the contracting for building.	• Pursue LISC, Impact Capital and other resources to develop and support the fund. • Provide contracted affordable housing development assistance – **fund outside entity with expertise to help area nonprofits develop properties.**		• Retainer contract for early project assessment or scoping activity.
11. Fund supports to develop greater capacity and scale for targeted nonprofit homeownership organizations. <u>Rationale</u> • Two existing homeownership nonprofits require greater staff and expertise capacity to expand their scopes and outcomes.	• Engage RHC in shared capacity funding for targeted nonprofits. • Build capacity and tools for creation of limited equity coops. • Support land trust, Habitat and other affordable housing nonprofits. • Aligns and supports other strategy recommendations. • Increased organizational/staff capacity, development expertise and entrepreneurial commitment to gain higher results.	• HUD PRO grant proposal lays out the case, plan and budget to expand land trust capacity	• THLT especially needs capacity funds (currently only .75 FTE) • Target 2025 budget funding? • Use PRO grant budget. • $250,000 per year starting budget.
12. Grow the capacity and authority of the RHC using the Public Development Authority model for affordable housing. <u>Rationale</u> • Create a nimbler and more innovative public-private entity to streamline funding and investment.	• Convene workgroup to educate and pursue specific options for structure and funding. • PDA-style structure could support nonprofit housing development, help orchestrate tax credit deals, etc. • Tacoma's PDA manages a Down Payment Assistance (DPA) fund. • Tacoma reports that a locally managed DPA fund is more responsive and focused than if done by WSHFC.	• Engage RHC - convene presentation to learn the value of and outcomes produced by the [Tacoma Community Redevelopment Authority.] • PDA has more flexibility/agility to do deals and partner with traditional service providers, private sector, etc. • PDA can lend or grant for development, underwrite deals and engage in targeted economic or business development.	• **Not critical at this time. DPA can be secured via other sources.** • Staff/RHC time. • DPA capitalized with $1m • Funds are structured as a loan – repaid upon house sale.

		• City or County can staff the PDA, managing RFPs, grants, loan and administration. • PDA provides added liability protection for local government.	
13. Incentivize ADU production and support condo ownership structure or lot splitting. <u>Rationale</u> • ADUs can provide homeownership in some cases	• Provide aggressive, direct marketing to homeowners with specific ADU step-by-step info, lender options, and proforma spreadsheet link. • Provide legal and permitting options and templates for ADU ownership (condo, lot splitting); simplify the process. • Provide contracted support on the permitting, titling, financing, etc.	• City has already done a great job eliminating costs for ADU development.	• **Low impact on homeownership.** • City staff or marketing/development support contractors.
14. Run a property tax levy campaign – dedicated to homeownership. <u>Rationale</u> • Revenue needed for affordable homeownership outside of other affordable housing needs.	• Raise funds to support homeownership center, develop affordable homeownership projects and support LMI homeownership. • Campaign messages target value and benefits of increasing homeownership in Olympia.	• Advocates organize and lead campaign such as produced voter approval for the Home Fund during the 2016-17 period. • Council would agree to put on the ballot.	• **May be overtaken by other City revenue needs.** • **Strong message to sell voters.** • **No city resources.**
15. Explore raising the low B&O tax rate to create an affordable housing fund for land acquisition and development. • Revenue option that aligns with the employer need for affordable housing and homeownership for employees.	• Pursue alignment and comparable rates with Lacey and Tumwater. • Increase the rate in the range of .002-.005%.	• Convene stakeholders to explore and review options and pros/cons.	• **Needs assessment – engage AWC in helping**. • Staff research.

Starter Home Pilot – Per #4, 5, & 6 above	**Suggested Action Steps**	**Development Cost Savings/City Inputs Options for Pilot**
Goal and Desired Outcomes • Determine and test how desired development costs could attain affordable starter home development. • Private-public partnership approach. • Minimize direct City funds. • Multiple development sites for pilot. • Possibly target 60-120% AMI. • Explore modern manufactured home community for one site.	1. Appoint staff leads. a. Determine capacity and if contracted help is required. b. Craft draft outreach description describing pilot and desired outcomes. c. Clarify initial cost saving options and exemptions the City. 2. Engage OMB staff (Angela White/Jessie Simmons) a. Develop list of invited builders/developers and lenders of likely interest. 3. Convene work group to provide feedback and ideas on options for affordable starter homes. a. Finalize available City cost-saving options. b. Review shared equity options. c. Identify land and lending or loan guarantee options (private or public). d. Set starter home standards – size, cost, price, etc. 4. Craft pilot RFQ for one to three pilot starter home developments for private developers/builders. a. Negotiate each project. b. Ensure permanent affordability in covenant. 5. Recruit buyers under income restrictions and working with by/for organizations. a. Negotiate realtor favorable partnership.	• City provides infrastructure extension – water, sewer, road. • Provide finance guarantee. ○ Explore revenue bond loan option for financing. • Reduce impact fees. • Provide land from City or other partners. • Adjust current masterplan standards. ○ Pilot exempts select sub-division rules. • Exclude certain existing standards. ▪ Parking. ▪ Lighting. ▪ Sidewalks. ▪ Narrow streets.

Opportunity to Purchase Ordinance Considerations

Eligible Buyers

So that tenants have options for how their multifamily property would be owned and managed, multiple parties should be eligible purchases. These include:

- Tenants, their associations, or their cooperatives
- Nonprofit housing organizations
- City government or the local housing authority

Covered Properties

There are tradeoffs to setting a threshold for size of property. A recommended solution is that the City initially give tenant opportunity to purchase a right for tenants of properties with more than 10 units. As the city evaluates the effectiveness of the law, it may choose to expand this to smaller size properties.

Exemptions

Certain transactions defined as sales of real property should be exempt from this ordinance. Specifically, where the property is being transferred between family members, where the 'sale' is the exit of an LLC member or tenants in common member, and to a mortgagee holder. In the last case, the right of first refusal will apply when the mortgagee then resells the property.

Negotiation Process

- When a landlord intends to list their property or entertain real offers, they must give notice to the city and tenants. The city or residents will have a period of time to express interest in the purchase. This could range from 45 to 70 days.
- Once residents respond stating their intention to make an offer, the landlord has a shorter timeframe (15 to 30 days) to provide necessary property documents such as rent rolls, income statements, and other information customarily made available to prospective buyers.
- The residents then have a timeframe to submit an offer. The seller can accept the offer, provide a counteroffer, or decline the offer with a written explanation of why the offer is rejected and an explanation of what would be required for an offer to be accepted. Reasons for rejection must be material to the sale and made in good faith.
- Earnest money requirements must be limited so the landlord cannot reject an offer because tenants are unable to secure large sums of funds just for earnest money.
- Contract terms must be acceptably long to allow reasonable times for due diligence and financing periods. The contract period should be no less than 120 days.
- If the seller plans to execute a hard offer from a buyer, this offer needs to be presented to the tenants so they can attempt to substantially match the offer. This process of allowing residents time to match a competing offer must occur even if the seller has previously rejected an offer made by the residents.

City Administration
The city must be required to receive a notice and will have to administer a public facing website where notices are published. Ideally, the city would also distribute the notices received to a mailing list that is open to the public so interested nonprofits can subscribe.

Potential Challenges
There is uncertainty about consequences for sellers that do not comply with the opportunity to purchase rules. When fees are used, they can be factored in as a cost of sale for some sellers that are especially opposed to resident purchases. There are also challenges that arise if there are competing resident groups and nonprofits seeking to make purchases. Finally, many real estate purchases include sellers using a 1031 exchange where time is of the essence in preserving their tax basis. Longer sale times should not impact reinvestment by sellers in subsequent properties but can impact potential investor-buyers seeking to acquire the multifamily property as their vehicle to reinvest with the same tax basis. Each of these are theoretical problems that could be evaluated after implementing an opportunity to purchase law and evaluated to determine if the law should be modified.

Ordinance Resources
We recommend the Takoma Park ordinance as the starting draft. It will need legal review to fit with Washington law and custom.

- Takoma Park: Chapter 6.32 TENANT OPPORTUNITY TO PURCHASE* (codepublishing.com)
- MONTGOMERY COUNTY CODE, CHAPTER 11A, SEC. 11A-3 RIGHT OF FIRST REFUSAL TO PURCHASE RENTAL FACILITIES - REGULATIONS (amlegal.com)
- Lessons from 20 Years of Enabling Tenants to Buy Their Buildings — Shelterforce

Model Project – Multifamily Co-op Conversion

Unit Count
40 units is a good target size for the conversion of apartments into a co-op. Everything between 20 and 80 units would work for Olympia. This sizing provides enough revenue to absorb semi-fixed operating and development costs while staying small enough to allow reasonable subsidies to support the development costs without having to seek larger sources of subsidy such as low-income housing tax credits. Organizationally, co-ops with more than 20 members are better able to find board members and volunteer committee members. Co-ops composed of smaller groups can certainly function but require more assistance.

Price per Unit
Lower priced properties are going to be more achievable for low-income co-ops but will likely include development costs for systems upgrades and a plan to refresh units. The target price per unit is $200,000 plus $25,000 per unit in rehab costs. Recent sales data for Olympia shows a couple medium sized apartment complexes selling around $185,000 per unit while newer complexes sell for closer to $300,000 per unit. Supposing those selling at closer to $300,000 per unit would not require rehab costs; they may still be attainable depending on how much subsidy is accessed.

Vacancy and Tenure
Historical rent rolls should show average vacancy losses at 5% or less of gross potential unit revenue. Additionally, rent rolls need to be analyzed to determine the average length of tenancy with a goal of 2 full years for the average. While co-ops can be formed with shorter average lengths of tenancy, they are most successful when residents plan to live there for more than one annual lease term.

Public/Nonprofit Assistance Options for Successful Conversion

- *Subsidized Share Loans* – mission driven lenders working with state agencies could capitalize a revolving loan fund for limited-equity co-ops to make share loans well below market rates. By keeping share loans low cost, homebuyers will see equity growth sooner with less appreciation being absorbed by interest expense.
- *Down Payment Assistance on Share Loans* – Using the same down payment assistance (DPA) resources towards share loans would lower the required blanket mortgage for the co-op and, consequently, lower the per unit monthly carrying charges. DPA of $15,000 per household for a 40-unit co-op conversion would be equivalent to $600,000 in subsidy, reducing monthly co-op costs by $3,792[1].
- *Capacity Building Support for Nonprofits* – Both the nonprofit handling the acquisition and any nonprofit providing technical assistance to residents beyond purchase will benefit from capacity building grants to develop the staff capacity and process documents required for these co-op conversions.

[1] Assumes 7% cost for blanket mortgage.

- *Acquisition Loan Guarantees* – Because homebuyers in the co-op are low-income, the sum of all co-op shares bought by homebuyers may not reach 20% of the whole project's development cost. Additionally, permanent acquisition lenders may only typically finance up to 70% of the loan to value (LTV). A guarantee for loan amounts above 80% LTV (or 70% depending on the lender) could allow these lenders to go above their standard LTV amounts more comfortably.
- *Housing Finance Commission Participation* – The WSHFC or other affordable housing capital sources could participate in loans to lower the overall blended rate. For example, if the WSHFC took a 40% participation in another CDFI's loan, the blended rate could fall by several percentage points when compared to a loan composed solely of CDFI dollars.
- *Property Taxes* – This area of taxation continues to confuse projects as limited-equity co-ops may incorporate as state not-for-profits, but never qualify for federal tax-exempt status[2]. This is complicated by state property tax exemptions often relying on federal tax-exempt statuses rather than state forms of incorporation. Inclusion of tax-exempt land trusts can further complicate property taxation. The bottom line is property tax exemptions should be employed whenever possible to lower operating costs carried by the low-income residents of the co-op.
- *Homeownership Center* – A city supported homeownership center will provide credit repair and homebuyer counseling to strengthen individual applicants to the co-op. Additionally, such a center could build a list of prospective tenants, effectively reducing the co-op's vacancy loss risk which then lowers the permanent acquisitions lender's risk assessment.

Long Term Affordability Structure

These can be used individually or combined. The end goal of each is to prevent the property from re-entering the speculative market or reverting to a use outside of homeownership.

- *Limited Equity Structure* – The co-op's organizing documents should limit the resale value of individual shares to a predetermined rate. While this artificially lowers the amount of appreciation realized, it makes shares affordable to subsequent buyers and completely removes any economic incentive for the current residents to liquidate the co-op since no individual would see returns from the sale.
- *Asset Stewardship Clause* – A section in the co-ops articles of incorporation can specify an outside entity such as a larger association of co-ops, a land trust, or nonprofit as the asset steward. The asset steward has no direct control in day-to-day operations but most consent to certain decisions such as dissolving the co-op, placing new liens on the property, selling the property, or changing certain portions of the articles or bylaws such as provisions requiring a limited equity structure.
- *Community Land Trust Ownership* – By placing the underlying land into the hands of an affordable housing land trust, a ground lease would be executed between the co-op and the trust. This ground lease would include provisions about how the co-op operate and could include requirements about using a limited equity structure, not selling the improvements, and/or granting the land trust a right of first refusal at a predetermined price should the property ever come up for sale.

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[2] Co-ops can qualify for other section 501 exemptions beyond 501c3.

Projected Development Budget

Number of Units	40
Price per Unit	$185,000
Acquisition Cost	$7,400,000
Soft Costs	$108,600
Rehab Costs	$1,050,000
Total Development Costs	$8,558,600
Share Price	$42,500
Share Loan Rate	3%
Blanket Mortgage Amount	$6,108,600
Blended Blanket Mortgage Rate	7%
DPA per Household	$15,000
Affordable Housing Grant	$750,000
Total Share Equity	$1,700,000
Total Capital Sources	$8,558,600

Operating Budget

Operating Expenses		
	Accounting, Legal, Insurance, etc.	$52,000
	Utility Services	$56,000
	Maintenance and Grounds	$31,750
	Property Management & Technical Assistance	$90,250
Other Expenses		

	Capital Improvement Contribution	$30,000
	Required Operating Surplus	$72,333
	Annual Loan Payments	$463,326
Total Required Revenue		$795,659
	Monthly Charge per unit	$1,657.62

Homeowner Perspective

Carrying charges for this model project would be $1,657.62 and monthly payments on a share loan would be $265.54. This assumes the household brought $0 towards a down payment on their share. Any down payment amount a resident did bring towards the share price would lower this monthly payment. It is reasonable to expect that most residents would bring at least some down payment, potentially an amount equivalent to a deposit for a typical rental unit. Still, assuming no down payment, the total housing costs would be 35% of the income for a household of two persons right at 80% of Thurston County's AMI. For homeownership projects 35% is acceptable instead for 30% for rentals because in homeownership, there is an assumption that a portion of housing costs are going towards equity.

In paying their share loans, about $230 each month would go towards principal, effectively becoming equity they own and can later take out when they sell their share. Additionally, the co-op would most likely employ some appreciation amount for their shares, such as 3% appreciation each year. Finally, because the co-op only raises carrying charges to meet rising operating expenses and because most of the co-op's expense is the blanket mortgage (which does not increase) the expected rent increases would be lower than market. Projecting that rents increase 1.5% annually compared to market increases at 7% annually, the household would save $13,750 in rent over 10 years. **The end result is low-income homebuyers would have lower monthly costs and be able to leave the co-op after 10 years with $36,800 in equity and $13,750 in saved rent for a net position that is $50,550 better than if they had continued renting in the market.**

Model Project – New Construction Manufactured Home Community

Unit Count

Projects can pencil from 20 units and up. Smaller communities find it harder to operate a cooperative when there are too few households from which to elect a board of directors. Home prices are a considerable part of the budget resulting in costs being variable directly with the number of units. This model supposes 75 homes, each with 3 bedrooms and 2 baths.

Price per Unit

The price of each new home is $159,040 and the price in development costs for each lot are $125.446. This project assumes a donation of the land, but no major affordable housing grant. If the land was purchased at cost, there would be a need for a grant subsidy to offset this cost. Total project costs, including the home purchases would be $284,486 which is less expensive than new single family home construction.

Public/Nonprofit Assistance

Subsidized predevelopment funds would be needed to cover site design work. Land will need to be donated or capital grants will need to be secured to offset land costs. Technical assistance would be paid for through developer fees, but operating grants for nonprofits could reduce or eliminate this cost in the development budget. Home prices could be subsidized through down payment assistance.

Long Term Affordability Structure

The co-op would use a limited equity structure where residents realize no appreciation on the value of the land but would realize appreciation of their homes. Asset stewardship clauses would require outside consent to major bylaws changes, liquidation of co-op assets, or significant liens placed on co-op property.

Development Budget

Land	$ -
Survey, Inspections, etc.	$ 253,000
Site Development	$ 7,490,625
Contingency and Soft Costs	$ 699,125
75 New Homes	$ 11,928,000
Capitalization of Reserves	$ 965,692
Total Uses	$ 21,336,442

Operating Budget

Mortgage	$ 1,535,073
Property Management	$ 99,938
Insurance and Taxes	$ 17,125
Maintenance, fees, etc.	$ 47,125
Annual Expense	$ 1,699,261
Rent Revenue (allows 5% vacancy)	$ 2,031,076
Required Surplus	$ 230,261
Rent per unit	$ 2,257