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City of Olympia
Executive Department

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August 16, 2019

Cheryl Selby, Mayor
City of Olympia
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Mayor Selby,

Seasoned developers of housing for our most vulnerable neighbors confirm that affordable housing requires a funding commitment to funding both development and rental property operations.

Augmenting Federal rental subsidy programs with a Local commitment will facilitate the creation of more housing in Thurston County for our most vulnerable neighbors.

The Legislature's passage of SHB 1406 provides our Cities and County with a funding mechanism to develop an operating subsidy program using sales tax revenues that presently flow to the state.

Funds could be used for other affordable housing purposes; but SHB 1406 provides a rare opportunity to provide operating subsidies that are needed to maximize the development of affordable housing for our neighbors with the lowest incomes.

Programs like Federal Low Income Housing Tax Credits, Tax-Exempt Bonds (loans), Washington's Housing Trust Fund, and local programs such as Olympia's Home Fund provide critically needed funds to develop affordable housing units for low-moderate income households. Unfortunately, other than the Federal voucher programs there are very few sources for long-term operating subsidies.

Once built, apartments are expensive to operate, not even including the supportive services that are often a necessary component of helping people transition into long term housing stability

Examples of operating expenses include water, sewer, garbage collection, common area electricity, landscaping and storm water system maintenance, insurance, property management, preparing units for new households following resident turnover, reserves for anticipated replacements of items such as appliances, floor coverings, paint, and roofs, and if not benefiting from an exemption property taxes are a significant operating cost.

Operating costs can vary for a number of reasons, but commonly range from \$400 to \$600 per unit on a monthly basis.

This does not include bond or loan payments which can easily add at least \$650 to \$1,000 per unit each month, if the property is funded 50-75% with debt financing.



A single, working parent with one child could be housing cost burdened even if rent only covered direct, immediate operating expenses. Assume the parent's annual income was at 30% of our area's median income for a two person household, or \$20,100 (not uncommon for neighbors in many retail and service positions). If rent was only \$500 and tenant electricity expense was a typical average of \$77, the total housing cost of \$577 would be 35%, exceeding the 30% generally accepted standard. The percentage understates the real burden when income is extremely low.

There are not enough dollars in soft equity, grant programs to build a sufficient number of units without debt financing. Thus when payments on bonds, loans are added to the financing mix, rents must rise to cover it.

Mixed income apartment communities to a degree can mitigate some of the challenge. HATC has mixed income properties. But the concept has its limits, particularly when the goal is to serve as many of our most vulnerable neighbors as possible. Additionally many development funding sources impose limitations on that concept.

HATC's total Federal rent subsidy budget is approximately \$14.7 million.

The subsidies ensure that over 4,000 people in Thurston County have safe, decent housing. These are neighbors that would be at extreme risk of being unsheltered without this support

Over 75% of the households HATC supports with rent subsidies have income at or below 30% of the area's median income. Adding to the vulnerability, over 70% of our rental subsidy client households are elderly or people with disabilities and minimal opportunities for increased income.

HATC fully utilizes the Federal funding. In fact, to address the urgency of our community's present housing problems, in the past three years HATC used reserves to fund needs beyond the annual Federal allocations.

In the past year, from HATC's tenant-based Housing Choice Voucher waiting list 109 new households were provided with rental assistance, including 56 households experiencing homelessness.

HATC successfully strives to bring more Federal rental subsidy dollars to Thurston County. For example, with the crucial support of local partners, in a national competition HATC was awarded \$300,000 annually for Mainstream vouchers, exceeding awards granted to some areas with much larger populations.

Mainstream provides rent subsidies for non-elderly disabled neighbors who are either experiencing homelessness or at high risk of it, including those coming out of institutional settings. HATC is currently in the process of assisting 50 households in lease-up efforts with these new funds.

HATC allocates \$2.5 million of its \$14.7 million rental subsidy budget to "Project Based Vouchers." While this allocation limits movement on the tenant-based voucher waiting list, it provides essential rental property operating subsidies tied to 358 units owned and operated by

nine non-profits that serve some of our lowest income, most vulnerable, special needs neighbors.

These project-based voucher commitments account for 17% of HATC's Federal rental subsidy budget, out of its allowed 20%. Based solely on present averages, HATC capacity for new project based subsidies is less than forty-nine new units.

With funding from SHB 1406 our Cities and County can increase the number of affordable units built for our lowest income neighbors. Operating subsidies are a necessary ingredient.

The commitment of operating subsidy dollars is a common attribute of winning applications for soft equity, grants, and loans needed for development.

The availability of additional dollars for operating subsidies will make development funding applications from our community more competitive as projects compete for the limited development funding dollars.

It will also give us leverage in efforts to secure additional Federal rental subsidy dollars.

A Local rental subsidy program has the potential for a streamlined process. For example, a development award from the Home Fund could be paired with an annual operating subsidy commitment to be funded with SHB 1406 dollars.

HATC has considerable rent subsidy program expertise. HATC is available to discuss concepts and share expertise. HATC emphasizes that with a simplified structure, such as mentioned above, program administration would not necessarily need to involve HATC.

Urgency. We have neighbors who are unsheltered and many others who lack decent, stable housing. To leverage the SHB 1406 opportunity, Cities and Counties have only until January 28, 2020 to pass a Resolution of Intent.

A sample Resolution is available by following the below URL and then scrolling down to "Sample Resolution"

<https://www.wliha.org/resources/webinars-and-tools>

HATC is available to share our expertise with you as our community explores this rare opportunity to create a Local rental operating subsidy program to foster the development of more housing for our most vulnerable neighbors.

Sincerely,



Craig Chance
Executive Director

We know Olympia is looking at these options. HATC is hopeful that the County & Cities can join forces for a local rental assistance program. It's expensive to operate apartments, esp. to maintain them as good quality housing. Thank you for all of your work on behalf of our vulnerable neighbors.